بنك أبوظبي التجاري

ADCB

Abu Dhabi Commercial Bank **2005** *Annual Report*

Financial highlights	2005	2004
Total assets	15,651	10,453
Loans & advances net	11,480	7,760
Due from banks	2,720	1,365
Equity, excl. proposed dividends	2,344	1,265
Due to banks	1,647	864
Deposits from customers	9,240	8,046
Short and medium term borrowing	2,110	-
Capital assets ratio	19%	17%
Capital / loans ratio	20%	17%
Operational expenses	140	93
Net profit	**523**	**218**

Please note all figures in USD millions

H.H. Sheikh Khalifa Bin Zayed Al Nahyan
President of the UAE

H.H. Sheikh Mohammad Bin Zayed Al Nahyan
Crown Prince of Abu Dhabi

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BOARD OF DIRECTORS

Saeed Mubarak Al Hajeri

Chairman of the Board
Chairman, Executive Committee
Strategy Committee Member
Compensation Committee Member
Chairman, Al Nokhitha Fund Advisory Committee
Chairman, ADCB Macquarie Strategy Committee

Rashid Humaid Al Mazroui

Board Member
Chairman, Board Audit Committee

Abdulla Khalil Al Mutawa

Board Member
Chairman, Strategy Committee
Executive Committee Member

Mubarak Mattar Al Humairi

Board Member
Vice Chairman, New H.Q. Committee
Recoveries Committee Member

Mohammad Darwish Mohammad Al Khouri

Board Member
Strategy Committee Member
Vice Chairman, Board Audit Committee

Hamad Saeed Mohammad Al Badi

Board Member
Chairman, Recoveries Committee
Chairman, New H.Q. Committee
Strategy Committee Member
Board Audit Committee Member
HR Committee Member
ADCB Macquarie Strategy Committee Member

Mohammad Sultan Ghanoom Al Hameli

Board Member
Executive Committee Member
Strategy Committee Member
Compensation Committee Member
ADCB Macquarie Strategy Committee Member
Chairman, HR Committee

Aamer Abdul Jalil Al Fahim

Board Member
Board Audit Committee Member
Vice Chairman, Board Recovery Committee

Jean Paul Villain

Board Member
Strategy Committee Member
Chairman, Compensation Committee
Vice Chairman, Al Nokhitha Fund Advisory Committee

CHAIRMAN'S REPORT

On behalf of the Board of Directors and management of ADCB, I am pleased to report that a record net profit of AED1,912 million was achieved for 2005 compared to AED801 million in 2004, an impressive increase of 139%. Return on equity was 28.2%, a full 66% improvement over the 2004 return of 17%. Return on average assets ROAA was 3.99%, reflecting a growth of 67% over the 2004 ROAA of 2.38%.

This is the second year of high growth since restructuring began in 2003 and is a direct reflection of the Board and management's common vision, goals and objectives. A number of new initiatives were launched in 2005, which are now coming into effect and which will also form part of the longer-term strategy of the Bank, particularly joint ventures to deliver investment banking and corporate advisory products.

Our focus will continue to be on high performance, measured in terms of return on equity, growth in earning per share and cost control. At the same time we are determined to demonstrate that ADCB can continue to meet the highest standards of customer expectations and business practices across all spheres of our activities.

ADCB has become a household name through increased visibility and the Bank recognises the part its employees have played in bringing about this welcome awareness throughout the region. Our employees are our main asset and they have been the conduits through which our enhanced performance have been achieved. On behalf of the Board, I would like to pay tribute to their achievements and thank them for their efforts in 2005.

I would also like to take this opportunity to extend my sincere thanks to my colleagues on the Board and to senior management for their commitment and perseverance during 2005. Finally, I wish to thank our shareholders and clients for their continuing belief in ADCB and its future.

Saeed Mubarak Rashed Al Hajeri
Chairman of the Board

CEO'S REPORT

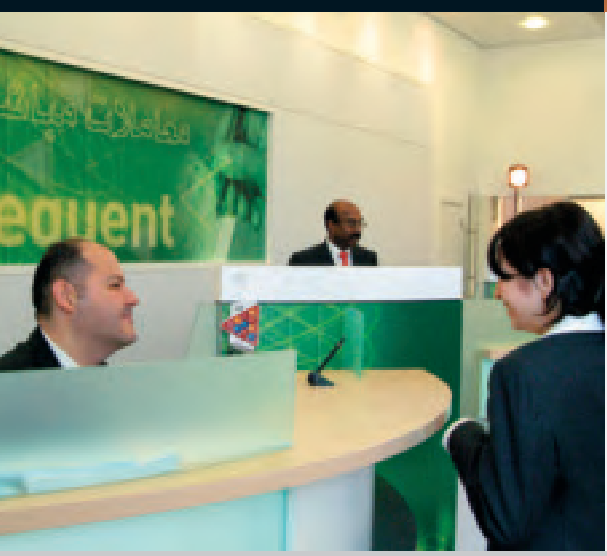
Since ADCB embarked on its transformation in late 2003, it has achieved two full years of high growth and increased market share.

Business Strategy in 2005/2006

One of the key driving forces behind the changes and a reason why the bank has been transformed in record time is the support and guidance the shareholders have given to the change process. The Board and Management shared common objectives, goals and vision, which was clearly reflected in the dramatic improvement of the bank's performance ratios in all areas of business.

In 2005, the bank maintained the high growth momentum of 2004 while focusing on the implementation of the longer term strategy. The bank achieved strong organic growth across all businesses. Driven by stronger net revenues, ADCB reported exceptional profitability in 2005.

Landmark joint ventures with Macquarie Bank of Australia have catapulted ADCB into prominent new positions to deliver investment banking and corporate advisory products for infrastructure development, mainly in the UAE. In a second joint venture with Macquarie for treasury products, the Australian bank has supplied technology and structuring capabilities while ADCB delivered local, regional expertise through tailor made products to customers.



Other areas where new ADCB initiatives can be expected are asset management, brokerage, equities, real estate, Islamic banking and insurance.

MACQUARIE

Corporate Banking

ADCB has signed several project financings in 2005. An advisory agreement was signed with the Higher Corporation for Specialised Economic Zones (ZonesCorp.) to support the infrastructure of Industrial City of Abu Dhabi (ICAD), finance packages were created for the Taweelah Power Station, Dubai Festival City and many others.

ADCB capitalized on favorable market conditions and played an active role in Government development initiatives for Abu Dhabi and the UAE. There was an aggressive expansion of project finance and syndicated transactions, as well as improved sales and customer acquisition processes, which required high level of processing and operations support.

Retail Banking

The Retail Banking Group achieved a record result in 2005. The main factors contributing to this strong performance were a favorable economic environment in the UAE and net revenues benefiting from significant increase in fees and commissions.

During 2005, we have acquired 75,000 new retail customers, opened 53 per cent more accounts and issued 37,000 new credit cards. Personal and auto loans were up 20 per cent in 2005 compared to the previous year.

As part of its expansion strategy, ADCB has opened five new branches and two flagship branches have been refurbished in the new customer focused branch design. Wealth management centers have been created and innovative retail products – including multiplier deposits, Islamic deposits, recurring deposits and structured deposits, have been launched. The bank is a leader in the IPO market having processed over 221,000 applications in 2005.

النوخذة للإستثمارات
AL NOKHITHA
INVESTMENTS

In 2005, ADCB launched a local equity fund "Al Nokhitha" and introduced several Islamic products to meet client's requirements. ADCB also supported Real Estate products by signing several deals with prominent property developers, which offer facilities for freehold property ownership. The Bank introduced specially designed personal loan services to support and encourage financial independence of National women engaged in business.

Private Banking and Wealth Management

In 2005 Private Banking reported strong revenue increases related to increased assets under management and an increase in brokerage volumes, as well as excellent inflows of net new funds into third party funds.

Treasury and Funding

The Treasury & Investment Group expanded and developed diverse offerings for specific market segments covering foreign exchange, interest rate and other derivative products and recorded strong growth for the year.

In 2005, ADCB established a Euro Medium Term Note (MTN) Programme, the first by an Abu Dhabi borrower, which attracted foreign investors and reflected the International Financial Institutions confidence in ADCB and the growing economy of Abu Dhabi and the UAE.

As part of the (MTN) programme, ADCB launched a very successful debut international bond of $900 million priced at Libor plus 35bp, which was the largest and tightest priced bond issued by a Middle Eastern borrower in the international capital markets.

Later in the year, ADCB successfully issued a debut five year syndicated term loan of $1 billion, paying a margin of 27.5 bp over Libor. This loan was a huge success, with 37 major international banks participating and was the largest and lowest price issue of this type in the region.

ADCB launched Excellency Wealth Management Programmes designed specially to meet with the needs of High Net Worth Individuals with innovative packaged products.

In partnership with Macquarie Bank, Treasury has launched interest rate, currency and commodity derivative products and risk management advice to customers in the region. This has proved to be a very successful initiative and has been a true win-win for the Bank and its customers. Our customers have benefited from products and advice that had not been available from local or regional banks before.

Treasury and Investment Group has continued to develop traditional business lines during 2005, including money market, foreign exchange trading and proprietary investments.

Operations and Technology

In 2005, ADCB implemented its new core banking system 'FLEXCUBE' which has enabled the introduction of a wide range of up-to-date services and delivery channels, including online banking for companies and individuals, call centers and brokerage services.

ADCB has focused on managing risks to ensure compliance within approved risk measures and controls which include market, credit and operational risk.

Financial Results

A record net profit of AED 1,912 million was achieved for 2005 compared to AED 801 million in 2004, an impressive increase of 139%. Return on equity was 28.2%, a full 66% improvement over the 2004 return of 17%. Return on average assets ROAA was 3.99%, reflecting a growth of 67% over the 2004 ROAA of 2.38%.

ADCB was active as a receiving bank in a number of IPO's in 2005 and income from this activity was reported as Fees and Commissions. Without the impact of the IPO revenues, year on year core fee income increased by 119% in 2005 compared to 2004. As a result, operating income more than doubled at AED 2,640 million, against AED 1,158 million in 2004.

ADCB Employees

ADCB recognises that the performance of its employees is central to securing successful implementation of its business strategy and has focused on providing a competitive environment that attracts, engages and subsequently retains the best qualified and trained staff. This policy has helped ADCB to become one of the leading banks in the UAE.

ADCB also encourages movement within the bank through the provision of an online internal vacancy system which enables employees to apply for different positions across the Bank.

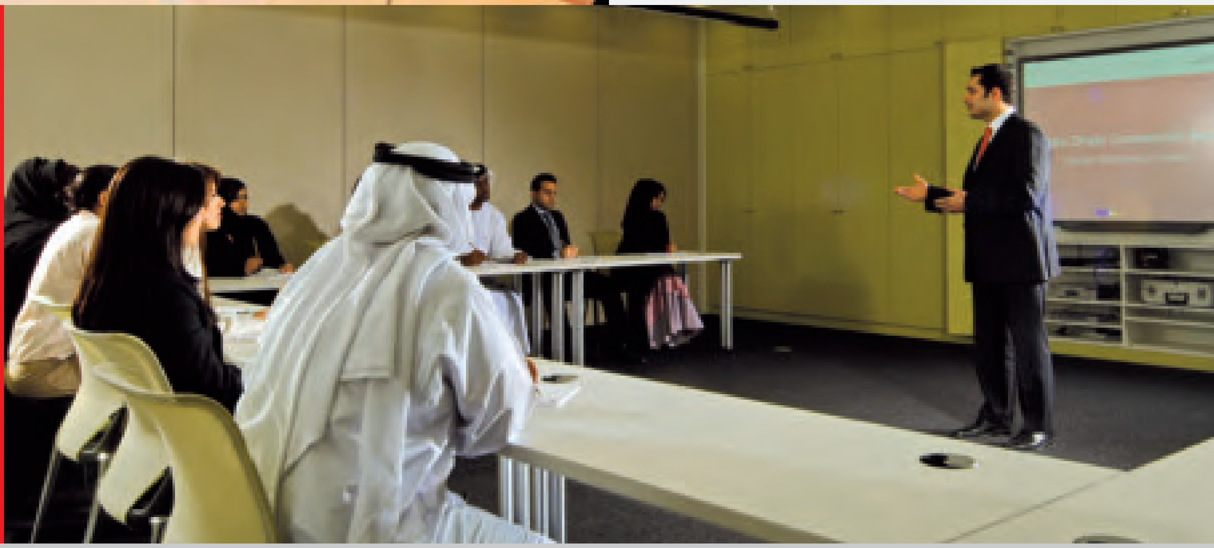
During 2005, the bank re-aligned its compensation system to achieve competitive salary levels, together with a new bonus scheme to reward those employees performing at higher levels. A substantial investment in new training activities was initiated to achieve higher levels of performance and results on an ongoing basis.

ADCB reported a 17% increase in National employment and is continuing to actively recruit UAE Nationals.

Employee engagement was encouraged through transparent processes of communication and consultation which was achieved through the staff magazine, team meetings led by line managers, briefings held by senior managers and regular dialogue with employees and employee's representatives.

Together with increased training and the creation of a "Learning Resources Centre" in the new Head Office building, a prime objective for 2006, is to create a culture of learning and improvement.

Increased emphasis will be placed on the recruitment of UAE Nationals, at the entry levels from universities, high schools and qualified career candidates. There will be training and development for a special cadre of "Young Professionals". In addition to the above, specialized courses will be introduced in the UAE and overseas.



Bank Wide Developments

ADCB has become a household name and has achieved greater visibility through advertising, introducing new products and becoming much more aggressive in project finance and syndicated loans transactions.

ADCB share capital increased from AED 1.5billion to AED 4billion and also allowed up to 25% foreign ownership. For the year 2005 the shareholders were rewarded with 33% bonus issue of shares amounting to AED 500million, along with a one-for-one rights issue **Without Premium**. Total shareholders return on investment for 2005 was over 100%.

ADCB has been rated by Moody's Investor Services "**Aa3**" while Standard & Poors has upgraded ADCB from "A-" to "A", which are the highest bank ratings in the Middle East, confirming the dramatic turnaround of the Bank.

Community and Values Contribution

ADCB believes in its social responsibility to the communities it serves. The Bank has played an active role in sponsoring and supporting several activities such as sports, social, educational, cultural and charitable events. ADCB successfully participated in the Environment Show and Exhibition 2005 and sponsored the Emirates Endurance Race.

ADCB has been the main sponsor of Al Ain Sports and Cultural Club for the last 3 years. ADCB has also played a significant role in supporting several activities organised for the disabled and needy by Sheikh Zayed Humanitarian Foundation. ADCB launched a relief campaign to help victims of the Pakistan earthquake and launched Dirham AL Khair project in conjunction with the Red Crescent Society.

2006 Priorities

In 2006, ADCB is consolidating its commitment to top quality customer service by introducing performance against service targets for its key customer groups and by tracking the level of achievements. ADCB will continue to offer more exciting products through its distribution channels, Internet Banking Service, Contact Centre, Mobile Phone and ATMs. The Bank will also continue to invest in the latest technology in order to meet client's financial needs in line with international banking standards.

We are expanding into all categories of asset management and will launch our first infrastructure fund for ICAD II, which will include equity from the Government of Abu Dhabi and attract institutional investors from regional and international markets. We plan to launch a fund to support real estate sector development in the UAE.

ADCB is looking for opportunities to expand in India, China and other regional markets.

In addition, we are considering Islamic banking and ADCB is already providing Sharia's compliant financing in areas such as project and trade finance.

ADCB is committed to positioning itself as the No. 1 bank in the local market, and also to expand in the GCC and the sub-continent.

Eirvin Knox
Chief Executive Officer

REPORTS & FINANCIAL STATEMENTS

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2005

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Abu Dhabi Commercial Bank P.J.S.C.
Abu Dhabi, UAE

We have audited the accompanying consolidated balance sheet of **Abu Dhabi Commercial Bank P.J.S.C.**– Public Joint Stock Company (the Bank) as of December 31, 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended as set out in pages 22 to 61. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Also, in our opinion, proper books of account are maintained by the Bank, and the information included in the Board of Directors' report is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) or the Articles of Association of the Bank which might have a material effect on the financial position of the Bank or on the results of its operations for the year.

Deloitte & Touche

Saba Y. Sindaha
Registration Number 410
January 19, 2006

Consolidated balance sheet

as at December 31, 2005

	Notes	2005 AED'000	2004 AED'000	2005 US$'000
ASSETS				
Cash and balances with Central Banks	4	**1,702,321**	1,679,832	**463,469**
Deposits and balances due from banks	5	**9,989,250**	5,013,959	**2,719,643**
Trading investments	6	**392,836**	297,011	**106,952**
Loans and advances, net	7	**42,164,061**	28,501,538	**11,479,461**
Non trading investments	8	**1,771,454**	2,236,077	**482,291**
Other assets	9	**1,061,243**	463,807	**288,931**
Property, plant and equipment, net	10	**403,192**	201,119	**109,772**
Total assets		**57,484,357**	38,393,343	**15,650,519**
LIABILITIES				
Due to banks	11	**6,049,451**	3,172,135	**1,647,006**
Customers' deposits		**33,937,379**	29,553,080	**9,239,689**
Short and medium term borrowings	12	**7,749,484**	-	**2,109,851**
Other liabilities	13	**1,129,630**	707,807	**307,550**
Total liabilities		**48,865,944**	33,433,022	**13,304,096**
EQUITY				
Share capital	15	**4,000,000**	1,250,000	**1,089,028**
Statutory and legal reserves	16	**1,566,833**	1,184,397	**426,581**
General and contingency reserves	16	**2,000,000**	1,925,000	**544,514**
Proposed bonus shares issue	17	**-**	250,000	**-**
Proposed dividends	17	**-**	312,500	**-**
Cumulative change in fair values		**75,881**	21,258	**20,659**
Retained earnings		**966,216**	17,166	**263,059**
Total shareholders' equity		**8,608,930**	4,960,321	**2,343,841**
Minority interest		**9,483**	-	**2,582**
Total equity		**8,618,413**	4,960,321	**2,346,423**
Total liabilities and equity		**57,484,357**	38,393,343	**15,650,519**
Commitments and contingent liabilities	25	**25,520,872**	16,883,603	**6,948,236**

Saeed Al Hajeri
Chairman

Eirvin Knox
Chief Executive Officer

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

بنك أبوظبي التجاري
ADCB

Consolidated income statement

for the year ended December 31, 2005

	Notes	2005 AED'000	2004 AED'000	2005 US$'000
Interest income	18	2,449,349	1,310,785	666,852
Interest expense	19	(1,076,741)	(463,810)	(293,150)
Net interest income		1,372,608	846,975	373,702
Net fee and commission income	20	1,092,970	246,939	297,569
Net gains from dealing in foreign currencies and derivatives		86,119	50,170	23,446
Dividend income		2,446	1,625	666
Gain on trading and non trading investments	21	66,219	2,565	18,029
Other operating income		29,546	9,823	8,044
Operating income		2,649,908	1,158,097	721,456
Staff expenses		(311,675)	(222,511)	(84,856)
Depreciation	10	(27,297)	(20,323)	(7,432)
Other operating expenses		(176,547)	(98,791)	(48,066)
Allowance for doubtful loans and advances, net of recoveries	7	(212,425)	(19,759)	(57,834)
Operating expenses		(727,944)	(361,384)	(198,188)
Profit from operations, before taxation		1,921,964	796,713	523,268
Overseas income tax (expense)/write back	14	(422)	3,881	(115)
Net profit for the year		1,921,542	800,594	523,153
Attributed to:				
Equity holders of the parent		1,912,176	800,594	520,603
Minority interest		9,366	-	2,550
Net profit for the year		1,921,542	800,594	523,153
Basic earnings per share (AED)	22	0.49	0.21	0.13

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

Consolidated statement of changes in shareholders' equity

for the year ended December 31, 2005

	Notes	Share capital	Statutory reserve	Legal reserve	General reserve	Contingency reserve	Proposed Bonus Share issue	Proposed dividends	Cumulative changes in fair values	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total equity
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at January 1, 2004		**1,250,000**	**534,533**	**489,746**	**1,700,000**	**150,000**	**-**	**312,500**	**29,599**	**13,172**	**4,479,550**	**-**	**4,479,550**
Dividends paid	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**(312,500)**	**-**	**-**	**(312,500)**	**-**	**(312,500)**
Net profit for the year 2004		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**800,594**	**800,594**	**-**	**800,594**
Difference arising on translation of the operating assets and liabilities of overseas branches		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,348**	**2,348**	**-**	**2,348**
Transfer to statutory reserve	**16**	**-**	**80,059**	**-**	**-**	**-**	**-**	**-**	**-**	**(80,059)**	**-**	**-**	**-**
Transfer to legal reserve	**16**	**-**	**-**	**80,059**	**-**	**-**	**-**	**-**	**-**	**(80,059)**	**-**	**-**	**-**
Transfer to general reserve	**16**	**-**	**-**	**-**	**75,000**	**-**	**-**	**-**	**-**	**(75,000)**	**-**	**-**	**-**
Net movement in cumulative change in fair values		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,341)**	**-**	**(8,341)**	**-**	**(8,341)**
Proposed cash dividend	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**312,500**	**-**	**(312,500)**	**-**	**-**	**-**
Proposed bonus issue of shares	**17**	**-**	**-**	**-**	**-**	**-**	**250,000**	**-**	**-**	**(250,000)**	**-**	**-**	**-**
Board of directors' remuneration		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,850)**	**(1,850)**	**-**	**(1,850)**
Realised loss on sale of available for sale investments (previously included in retained earnings on adoption of IAS 39)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**520**	**520**	**-**	**520**
Balance at January 1, 2005		**1,250,000**	**614,592**	**569,805**	**1,775,000**	**150,000**	**250,000**	**312,500**	**21,258**	**17,166**	**4,960,321**	**-**	**4,960,321**

Consolidated statement of changes in shareholders' equity

for the year ended December 31, 2005 (continued)

	Notes	Share capital	Statutory reserve	Legal reserve	General reserve	Contingency reserve	Proposed bonus share issue	Proposed dividends	Cumulative changes in fair values	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total equity
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at January 1, 2005		**1,250,000**	**614,592**	**569,805**	**1,775,000**	**150,000**	**250,000**	**312,500**	**21,258**	**17,166**	**4,960,321**	**-**	**4,960,321**
Dividends paid	17	-	-	-	-	-	-	(312,500)	-	-	(312,500)	-	(312,500)
Net profit for the year 2005		-	-	-	-	-	-	-	-	1,912,176	1,912,176	-	1,912,176
Bonus issue of shares	15	750,000	-	-	-	-	(250,000)	-	-	(500,000)	-	-	-
Difference arising on translation of the operating assets and liabilities of overseas branches		-	-	-	-	-	-	-	-	(3,105)	(3,105)	-	(3,105)
Transfer to statutory reserve	16	-	191,218	-	-	-	-	-	-	(191,218)	-	-	-
Transfer to legal reserve	16	-	-	191,218	-	-	-	-	-	(191,218)	-	-	-
Transfer to general reserve	16	-	-	-	75,000	-	-	-	-	(75,000)	-	-	-
Net movement in cumulative change in fair values		-	-	-	-	-	-	-	54,623	-	54,623	-	54,623
Shares issued through rights offering	15	2,000,000	-	-	-	-	-	-	-	-	2,000,000	-	2,000,000
Minority share of capital in subsidiary		-	-	-	-	-	-	-	-	-	-	117	117
Minority share of profit		-	-	-	-	-	-	-	-	-	-	9,366	9,366
Board of directors' remuneration		-	-	-	-	-	-	-	-	(1,850)	(1,850)	-	(1,850)
Realised profit on sale of available for sale investments (previously included in retained earning on adoption of IAS 39)		-	-	-	-	-	-	-	-	(735)	(735)	-	(735)
Balance at December 31, 2005		**4,000,000**	**805,810**	**761,023**	**1,850,000**	**150,000**	**-**	**-**	**75,881**	**966,216**	**8,608,930**	**9,483**	**8,618,413**

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

Consolidated statement of cash flows

for the year ended December 31, 2005

	Notes	2005 AED'000	2004 AED'000	2005 US$ 000
OPERATING ACTIVITIES				
Net profit before taxation and minority interest		**1,921,964**	796,713	**523,268**
Adjustments for:				
Currency translation		**(2,909)**	2,117	**(792)**
Depreciation		**27,297**	20,323	**7,432**
Profit on sale of property, plant and equipment		**(466)**	(591)	**(127)**
Allowance for doubtful loans and advances		**318,594**	133,074	**86,739**
Recovery of allowance for doubtful loans and advances		**(106,169)**	(113,315)	**(28,905)**
(Gain) / loss on sale of non trading investments		**(20,396)**	606	**(5,553)**
Operating profit before changes in operating assets and liabilities		**2,137,915**	838,927	**582,062**
Changes in operating assets and liabilities				
(Increase) /decrease in due from banks		**(2,341,129)**	1,367,270	**(637,389)**
Increase in loans and advances to customers		**(13,874,948)**	(9,424,807)	**(3,777,552)**
Increase in trading investments		**(95,825)**	(297,011)	**(26,089)**
Increase in other assets		**(597,436)**	(36,222)	**(162,656)**
(Decrease)/increase in due to banks		**(576,996)**	2,770	**(157,091)**
Increase in customers' deposits		**4,384,299**	9,467,868	**1,193,656**
Increase in other liabilities		**421,400**	370,333	**114,729**
Cash (used in)/ from operations		**(10,542,720)**	2,289,128	**(2,870,330)**
Directors' remuneration paid		**(1,850)**	(1,850)	**(504)**
Overseas taxation refunded		**-**	4,943	**-**
Net cash (used in)/ from operations		**(10,544,570)**	2,292,221	**(2,870,834)**
INVESTING ACTIVITIES				
Purchase of non trading investments		**(1,485,273)**	(717,528)	**(404,376)**
Proceeds from sale of non-trading investments		**2,024,180**	1,429,727	**551,097**
Purchase of property, plant and equipment		**(229,913)**	(76,254)	**(62,595)**
Proceeds from sale of property, plant and equipment		**813**	605	**221**
Net cash from investing activities		**309,807**	636,550	**84,347**
FINANCING ACTIVITIES				
Proceeds from short and medium term borrowings		**7,749,484**	-	**2,109,851**
Shares issued		**2,000,000**	-	**544,514**
Dividends paid		**(312,500)**	(312,500)	**(85,080)**
Minority shareholders contribution to share capital of subsidiary		**117**	-	**32**
Net cash from/(used in) financing activities		**9,437,101**	(312,500)	**2,569,317**
(Decrease)/increase in cash and cash equivalents		**(797,662)**	2,616,271	**(217,170)**
Cash and cash equivalents at beginning of the year		**4,740,788**	2,124,517	**1,290,713**
Cash and cash equivalents at the end of the year	**23**	**3,943,126**	4,740,788	**1,073,543**

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

Notes to the consolidated financial statements
for the year ended December 31, 2005

1 Activities

Abu Dhabi Commercial Bank P.J.S.C. (the Bank) is a public joint stock company with limited liability incorporated in the Emirate of Abu Dhabi, United Arab Emirates. The Bank changed its name from Khalij Commercial Bank to Abu Dhabi Commercial Bank after merging with Emirates Commercial Bank and Federal Commercial Bank on 1 July 1985. The Bank carries on retail, commercial, investment, merchant, brokerage and fund management activities through its network of fourty one branches in the United Arab Emirates and two branches in India and its subsidiaries.

The registered head office of the Bank is at P O Box 939, Abu Dhabi, United Arab Emirates (U.A.E.).

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

The consolidated financial statements of the Bank are prepared in United Arab Emirate Dirhams (AED). The US Dollar (US$) amounts are presented for the convenience of the reader.

2 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee and applicable requirements of the Laws of the U.A.E.

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Bank's presentations and disclosure in the financial statements as required by the following International Accounting Standards:

1. Presentation of financial statements (IAS 1)
2. Related party disclosures (IAS 24)
3. Financial Instruments : Recognition and Measurement (IAS 39)

The significant accounting policies adopted are as follows:

2 Summary of significant accounting policies (continued)

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for certain financial instruments which are carried at fair value. In addition, as more fully explained below, assets and liabilities that are hedged are carried at fair value to the extent of the risk being hedged. The accounting policies are consistent with those adopted in the previous year.

Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Bank and of the following subsidiaries:

Name of Subsidiary	Proportion of ownership interest	Country of incorporation	Principal activities
Al Dhabi Brokerage Services L.L.C.	100%	UAE	Agent in trading of financial instruments and stocks
Abu Dhabi Risk and Treasury Solutions L.L.C.	61%	UAE	Providing computer software and design in relation with risk and treasury solutions.

The Bank shares its profit in Abu Dhabi Risk and Treasury Solutions L.L.C. in terms of a separate agreement with the minority shareholders which does not necessarily follow its ownership interest (in the share capital) which is as follows:

Upto the year 2008	51%
Year 2009 to year 2011	60%
Year 2012 to year 2015	75%

The agreement with the minority shareholders also provides that the minority shareholders will not share any losses in this subsidiary.

All significant inter-company balances, income and expense items are eliminated on consolidation.

The financial statements of subsidiaries are prepared using similar policies as those used by the Bank.

2 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Bank's equity therein. Minority interests consist of minority shareholders share in the net equity of the subsidiaries.

Due from banks

Due from banks are stated at cost less any amounts written off and provision for impairment. The carrying values of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value being hedged with the resultant adjustment taken to the income statement.

Investments

Trading investments

Trading investments are carried at fair value with any unrealised gain or loss arising from the change in fair value and realised gains and losses taken to the income statement.

Non-trading investments

These are classified as follows:
- Held to maturity
- Available for sale

All investments are initially recognised at cost, being the fair value of the consideration given and in the case of non-trading investments including acquisition charges associated with the investment.

Premiums and discounts on investments designated as held to maturity are amortised on a systematic basis to maturity using the effective interest method and are taken to interest income.

Held to maturity

Investments which have fixed or determinable payments and which are intended to be held to maturity, are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition.

2 Summary of significant accounting policies (continued)

Investments (continued)

Available for sale

Investments not classified as either "trading" or "held to maturity" are classified as "available for sale". After initial recognition, investments which are classified as "available for sale" are remeasured at fair value. Unrealised gains and losses on remeasurement to fair value of investments which are not part of an effective hedging relationship, are reported as a separate component of equity until the investment is sold, collected or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gains or losses previously reported in equity are included in the income statement.

Any gains or losses arising from a change in fair value of available for sale investments which are part of an effective hedging relationship, are recognised directly in the income statement to the extent of the changes in fair value being hedged.

Loans and advances

Loans and advances are stated at cost less any amounts written off and allowance for doubtful accounts. The carrying values of loans and advances which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value being hedged with the resultant adjustment recognised in the income statement.

Allowance for impairment is made against loans and advances when their recovery is in doubt taking into consideration IFRS requirements for fair value measurement. Loans and advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

Loan impairment

Individually assessed loans

Individually assessed loans represent mainly, corporate and commercial loans which are assessed individually in order to determine whether there exists any objective evidence that a loan is impaired. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or fair value of the collateral if the loan is collateral dependent. Impairment loss is calculated as the difference between the loan's carrying value and its present impaired value.

Collectively assessed loans

Impairment losses of collectively assessed loans include the allowances calculated on:

a) Performing loans
b) Retail loans with common features and which are not individually significant.

2 Summary of significant accounting policies (continued)

Loan impairment (continued)

Performing loans

Where individually assessed loans are evaluated and no evidence of loss has been identified, these loans are classified as performing loans portfolios with common credit risk characteristics based on industry, product or loan rating. Impairment covers losses which may arise from individual performing loans that are impaired at the balance sheet date but were not specifically identified as such until some time in the future. The estimated impairment is calculated by the Bank's management for each identified portfolio based on historical experience and the assessed inherent losses which are reflected by the economic and credit conditions.

Retail loans with common features and which are not individually significant.

Impairment of retail loans is calculated by applying a formulaic approach which allocates progressively higher loss rates in line with the overdue installment date.

Property, plant and equipment

Property, plant and equipment, including land, acquired as at July 1, 1985, are reported at the Directors' determination of net realisable value at the date of acquisition. Property, plant and equipment purchased subsequent to 1 July 1985 are initially recorded at cost.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

Freehold properties	15 to 25 years
Leasehold properties	5 to 10 years
Furniture, equipment and vehicles	3 to 5 years
Computer equipment and accessories	3 to 10 years

Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at that date and is recognised in the income statement.

Capital work in progress

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Bank's policies.

2 Summary of significant accounting policies (continued)

Collateral pending sale

The Bank occasionally acquires real estate and other collateral in settlement of certain loans and advances. Such real estate and other collateral is stated at the lower of the net realisable value of the loans and advances and the current fair value of such assets at the date of acquisition. Gains or losses on disposal and unrealised losses on revaluation, are recognised in the income statement.

Taxation

Provision is made for current and deferred taxes arising from operating results of overseas branches in accordance with the fiscal regulations of the countries in which the Bank operates.

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

Deposits

All money market and customer deposits are carried at cost less amounts repaid and adjustments for effective fair value hedges.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these financial statements.

Revenue and expense recognition

Interest income and expense and loan commitment fees are recognised on a time proportion basis, taking into account the principal outstanding and the rate applicable. Commission and fee income are generally accounted for on the date the transaction arises. Interest accruing on loans and advances considered doubtful is excluded from income until received. Subsequently, notional interest is recognised on doubtful loans and advances and other financial assets based on the rate used to discount the net present value of future cash flows. Other fees receivable or payable are recognised when earned. Dividend income is recognised when the right to receive payment is established.

2 Summary of significant accounting policies (continued)

Foreign currencies

Transactions in currencies other than AED are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are revalued at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement.

The assets and liabilities of the Bank's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Bank's retained earning. Such translation difference are recognised as income or as expense in the period in which the operation is disposed of.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with Central Banks, deposits with banks which mature within three months of the date of placement, net of balances due to banks maturing within three months from the date of taking.

Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for non-trading investments. The liability for amounts received under these agreements is included in other liabilities. The difference between sale and repurchase price is treated as interest expense using the effective yield method. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these agreements are included in other assets. The difference between purchase and resale price is treated as interest income using the effective yield method.

Employees' end of service benefits

The Bank provides end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for U.A.E. citizens are made by the Bank in accordance with Federal Law No. 7 of 1999.

2 Summary of significant accounting policies (continued)

Derivative financial instruments

The Bank uses derivative financial instruments, including forward foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) to hedge the related associated risk.

Derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement as they arise.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognized asset or liability, or a forecasted transaction / firm commitment that will affect future reported net income.

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

In relation to fair value hedges, which meet the criteria for hedge accounting, any gain or loss from re-measuring the hedging instruments to fair value is recognised in the consolidated income statement.

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in shareholders' equity and the ineffective portion, if any, is recognised in the income statement. For cash flow hedges affecting future transactions, the gains or losses recognised in equity, are transferred to the income statement in the same period in which the hedged transaction affects the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At any point in time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in equity is retained in shareholders' equity until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the income statement for the year.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in the income statement.

2 Summary of significant accounting policies (continued)

Impairment and uncollectability of financial assets

At each balance sheet date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Trade and settlement date accounting

The “regular way” purchase and sales of financial assets are recognised on the settlement date basis i.e. the date that the Bank physically receives or transfers the assets. Regular way purchases or sales are those that require delivery of assets within the time frame generally established by regulation or convention in the market place. Any significant change in the fair value of assets which the Bank has committed to purchase at the balance sheet date is recognised in the income statement for assets classified as held for trading and in the statement of changes in equity for assets classified as available for sale.

Fair values

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics .

Equity investments, where there is no quoted market price, are carried at cost less impairment loss, if any.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and when the Bank intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

3 Critical accounting judgements and key sources of estimation of uncertainty

While applying the accounting policies as stated in Note 2, the management of the Bank has made certain judgements. These judgements mainly have the significant effect on the carrying amounts of loans and advances. The significant judgements made by the management in arriving at the carrying amount of loans and advances are summarised as follows:

The allowance for loan losses is established through charges to income in the form of an allowance for loan loss. Increases and decreases in the allowance due to changes in the measurement of the impaired loans are included in the allowance for loan losses and affect the income statement accordingly.

Individually assessed loans

Impairment losses for individually assessed loans are determined by an evaluation of exposure on a case-by-case basis. This procedure is applied to all classified corporate loans and advances which are individually significant accounts or are not subject to, the portfolio-based-approach.

The following factors are considered by management when determining allowance for impairment on individual loans and advances which are significant:

- The amount expected to be realized on disposal of collaterals.
- The Bank's ability to enforce its claim on the collaterals and associated cost of litigation.
- The expected time frame to complete legal formalities and disposal of collaterals.

The Bank's policy requires regular review of the level of impairment allowances on individual facilities and regular valuation of the collateral and its enforceability.

Impaired loans continue to be classified as impaired unless they are brought fully current and the collection of scheduled interest and principal is considered probable.

Collectively assessed loans

Collective assessment of allowance for impairment is made for overdue retail loans with common features which are not individually significant and performing loans which are not found to be individually impaired.

The following factors are considered by management when determining allowance for impairment for such loans:

Retail loans – All the loans falling under similar overdue category are assumed to carry similar credit risk and allowance for impairment is taken on a gross basis.

Other performing loans – The management of the Bank assessing based on historical experience and the prevailing economical and credit conditions, the magnitude of loans which may be impaired but not identified as of the balance sheet date.

Notes to the consolidated financial statements
for the year ended December 31, 2005 (continued)

4 Cash and balances with Central Banks

	2005 AED'000	2004 AED'000
Cash on hand	**290,074**	279,174
Balances with Central Banks	**1,412,247**	1,400,658
	1,702,321	1,679,832

5 Deposits and balances due from banks

	2005 AED'000	2004 AED'000
Current and demand deposits	**81,081**	112,938
Placements	**9,908,169**	4,901,021
	9,989,250	5,013,959

6 Trading investments

	2005 AED'000	2004 AED'000
Fair value	**392,836**	297,011

Trading investments represent investments in mutual funds that present the Bank with opportunity of return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on net asset values provided by the Funds' managers.

7 Loans and advances, net

	2005 AED'000	2004 AED'000
Overdrafts	**14,548,158**	7,242,935
Personal installment loans	**4,498,700**	3,458,505
Term loans	**22,891,726**	17,728,919
Credit cards	**232,327**	144,123
Other facilities	**707,250**	720,110
	42,878,161	29,294,592
Less: Allowance for doubtful loans and advances	**(714,100)**	(793,054)
	42,164,061	28,501,538

Loans and advances are stated net of allowance for non recovery. The movements in the allowance during the year were as follows:

	2005 AED'000	2004 AED'000
At January 1	**793,054**	1,766,222
Currency translation adjustment	**(831)**	1,142
Net amounts written off	**(290,548)**	(994,069)
Recoveries	**(106,169)**	(113,315)
Charge for the year	**318,594**	133,074
At December 31	**714,100**	793,054

Notes to the consolidated financial statements
for the year ended December 31, 2005 (continued)

7 Loans and advances, net (continued)

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

	2005			2004		
	Domestic	**International**	**Total**	Domestic	International	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Economic sector						
Agriculture	**29,167**	**-**	**29,167**	53,109	-	53,109
Energy	**1,306,846**	**750,398**	**2,057,244**	2,127,712	37,157	2,164,869
Trading	**1,499,079**	**183,673**	**1,682,752**	2,180,419	45,480	2,225,899
Construction	**1,955,824**	**4,940**	**1,960,764**	2,096,616	61,784	2,158,400
Transport	**550,997**	**89,283**	**640,280**	625,372	23,045	648,417
Personal	**4,361,754**	**3,420**	**4,365,174**	3,279,499	-	3,279,499
Personal - others	**17,934,826**	**197,229**	**18,132,055**	7,456,421	39,277	7,495,698
Government	**4,582,566**	**-**	**4,582,566**	5,660,237	65,589	5,725,826
Financial Institution	**395,147**	**2,323,533**	**2,718,680**	593,832	2,394,585	2,988,417
Manufacturing	**1,389,918**	**281,080**	**1,670,998**	673,062	232,027	905,089
Others	**4,307,929**	**730,552**	**5,038,481**	1,416,535	232,834	1,649,369
Total	**38,314,053**	**4,564,108**	**42,878,161**	26,162,814	3,131,778	29,294,592
Less: Allowance for doubtful loans and advances			**(714,100)**			(793,054)
Total			**42,164,061**			28,501,538

As at December 31, 2005, gross non performing loans and advances on which interest is not being accrued or where interest is suspended amounted to AED 1,250 million (2004 – AED 2,086 million). Included in gross non performing loans and advances is interest in suspense amounting to AED 314 million (2004 – AED 702 million).

Loans and advances include an interest free loan to the Government of Abu Dhabi ("Government") of AED 705 million (2004 – AED 717 million). This loan arose as a result of the Government acquiring certain non-performing loans which were previously indemnified by the Government through a guarantee.

8 Non trading investments

	2005 AED'000	2004 AED'000
Available for sale investments		
Quoted investments	**372,733**	480,028
Unquoted investments	**1,136,611**	1,067,467
	1,509,344	1,547,495
Held to maturity		
Floating rate notes	**262,110**	100,582
Fixed rate notes	**-**	588,000
	262,110	688,582
	1,771,454	2,236,077

The fair value of held to maturity investments at December 31, 2005 approximates its carrying value (2004 : AED 727,566 thousand).

Included in available for sale investments is an amount of AED 532,625 thousand (2004 : AED 495,855 thousand) linked to reference assets as part of credit default swap transactions.

Available for sale investments include an equity instrument for an amount of AED 51 million (2004 – AED Nil) which is carried at cost.

9 Other assets

	2005 AED'000	2004 AED'000
Interest receivable	**259,264**	160,542
Withholding taxation	**86,271**	57,041
Prepayments	**60,019**	22,281
Positive fair value of derivative (note 25)	**383,105**	-
Clearing receivables	**130,562**	149,816
Others	**142,022**	74,127
	1,061,243	463,807

10 Property, plant and equipment, net

	Freehold Properties AED'000	Leasehold properties AED'000	Furniture, equipment and vehicles AED'000	Computer equipment and accessories AED'000	Capital work in progress AED'000	Total AED'000
Cost or valuation						
At 1 January 2004	196,818	12,863	49,008	51,104	6,536	316,329
Exchange difference	217	3	225	-	-	445
Additions during the year	2,426	1,037	3,503	5,405	63,883	76,254
Transfers	1,046	-	3,748	-	(4,794)	-
Disposals	(10)	-	(3,381)	-	-	(3,391)
At 1 January 2005	200,497	13,903	53,103	56,509	65,625	389,637
Exchange difference	(165)	(2)	(178)	-	-	(345)
Additions during the year	204	5,593	4,130	45,970	174,016	229,913
Transfers	6,230	9,503	2,219	36,951	(54,903)	-
Disposals	(684)	-	(1,093)	-	-	(1,777)
At December 31, 2005	**206,082**	**28,997**	**58,181**	**139,430**	**184,738**	**617,428**
Depreciation						
At 1 January 2004	83,844	8,368	38,090	41,056	-	171,358
Exchange difference	16	-	198	-	-	214
Charge for the year	8,863	1,928	5,612	3,920	-	20,323
Disposals	(11)	(229)	(3,137)	-	-	(3,377)
At 1 January 2005	92,712	10,067	40,763	44,976	-	188,518
Exchange difference	(13)	(1)	(135)	-	-	(149)
Charge during the year	9,034	1,605	5,090	11,568	-	27,297
Disposals	(372)	-	(1,058)	-	-	(1,430)
At December 31, 2005	**101,361**	**11,671**	**44,660**	**56,544**	**-**	**214,236**
Net book value						
At December 31, 2005	**104,721**	**17,326**	**13,521**	**82,886**	**184,738**	**403,192**
At December 31, 2004	107,785	3,836	12,340	11,533	65,625	201,119

Freehold property includes properties recorded at directors' valuation with a gross carrying value of AED 19 million (2004: AED 19 million).

11 Due to banks

	2005 AED'000	2004 AED'000
Current and demand deposits	**346,137**	184,844
Deposits maturing within one year	**5,253,559**	1,584,548
Deposits maturing after one year	**449,755**	1,402,743
	6,049,451	3,172,135

12 Short and medium term borrowing

Unsecured notes

Principal amount	Maturity	2005 AED '000	2004 AED '000
Japanese Yen 5,500 Million	2006	**171,643**	-
Singapore Dollar (SGD) 80 Million	2006	**176,746**	-
US Dollar 70 Million	2006	**257,110**	
US Dollar 5 Million	2007	**18,365**	-
US Dollar 40 Million	2009	**146,920**	-
US Dollar 900 Million	2010	**3,305,700**	-
		4,076,484	-
Syndicated loan			
USD $ 1,000 Million	2008	**3,673,000**	-
Total		**7,749,484**	-

12 Short and medium term borrowing (continued)

Interest on unsecured notes is payable quarterly in arrears and the coupon rate is as follows.

Japanese Yen Notes	0.13 to 0.17% p.a.
US Dollar Notes	3 months LIBOR plus 10 to 35 basis points
Singapore Dollar Notes	3 months SGD SWAP offer rate plus 7 basis points

Interest on the syndicated loan is payable quarterly in arrears at a coupon rate of 27.5 basis points above LIBOR for three months US dollar deposits. The Bank has the option to roll over the syndicated loan for a further period of two years from the date of maturity.

The Bank also has an unsecured standby facility of US$ 925 million (2004 – Nil) from a consortium of banks with drawdown period of one year.

13 Other liabilities

	2005 **AED'000**	2004 AED'000
Interest payable	**213,801**	128,598
Employees' end of service benefits	**60,196**	52,273
Accounts payable and other creditors	**16,775**	16,224
Clearing payables	**218,842**	258,484
Deferred income	**79,139**	35,809
Negative fair value of derivatives (note 25)	**357,753**	54,087
Others	**183,124**	162,332
	1,129,630	707,807

The negative fair value of derivatives is in respect of derivatives held for trading and for hedging the fair value of certain loans and advances, investments and deposits. A corresponding adjustment has been made to the carrying value of these hedged items.

14 Taxation

Taxation resulting from Indian branches' operation is calculated as per taxation law applicable in India.

15 Share capital

	2005	2005	2004
	Authorised	**Issued and fully paid**	
	AED'000	**AED'000**	AED'000
Ordinary shares of AED 1 each (2004 - AED 10 each)	4,000,000	**4,000,000**	1,250,000

	2005 Number of shares	2005 AED'000	2004 Number of shares	2004 AED'000
As of January 1	125,000,000	**1,250,000**	125,000,000	1,250,000
Bonus issue as of March 6	25,000,000	**250,000**	-	-
	150,000,000	**1,500,000**	125,000,000	1,250,000
Share split as of September 18, 10 shares for 1 share	1,500,000,000	**-**	-	-
Bonus issue as of September 18	500,000,000	**500,000**	-	-
Rights issue as of October 10	2,000,000,000	**2,000,000**	-	-
Balance as of December 31	4,000,000,000	**4,000,000**	125,000,000	1,250,000

Abu Dhabi Investment Authority holds 64.841% (2004 : 64.796%) of the issued and fully paid up share capital.

On March 6, 2005 the shareholders of the Bank approved an increase in the share capital of AED 250 million or 25 million shares representing a 20% bonus issue of shares issued on a pro rata basis to existing shareholders.

On September 18, 2005 the shareholders of the Bank approved a 10 for 1 share split and an increase in the share capital of AED 500 million or 500 million shares representing a 33% bonus issue of shares issued on a pro rata basis to existing shareholders and a rights issue of 1 for 1 share with an exercise price of AED 1. The last date to exercise the rights was October 10, 2005.

Notes to the consolidated financial statements
for the year ended December 31, 2005 (continued)

16 Reserves

Statutory reserve

As required by Article 82 of U.A.E. Federal Law No 10 of 1980, 10% of the net profit for the year is transferred to the statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid up share capital. The statutory reserve is not available for distribution.

Legal reserve

In accordance with the U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended) and Article 60 of the Memorandum and Articles of Association of the Bank, 10% of the net profit for the year is transferred to the legal reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid up share capital. The legal reserve is not available for distribution.

General reserve

Transfers to the general reserve are made upon the recommendation of the Board of Directors. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholders.

Contingency reserve

The contingency reserve is established to cover unforeseen future risks or contingencies which may arise from general banking risks.

17 Proposed dividends

For the year ended December 31, 2005, the Board of Directors have proposed not to pay a cash dividend (2004 : AED 312.5 million). A 33% bonus issue of shares amounting to AED 500 million was paid out of the profits for the year (2004 : 20% bonus issue of shares amounting to AED 250 million). This was approved by the shareholders at the Extraordinary General Meeting held 18th September 2005.

18 Interest income

	2005 AED'000	2004 AED'000
Loans and advances	**1,916,860**	1,039,870
Deposits with banks	**366,242**	83,338
Investment securities	**137,922**	139,797
Notional interest on impaired loans	**28,325**	45,680
Others	-	2,100
	2,449,349	1,310,785

19 Interest expense

	2005 AED'000	2004 AED'000
Bank deposits	**221,439**	128,673
Customers' deposits	**740,965**	335,137
Short and medium term borrowing	**114,337**	-
	1,076,741	463,810

20 Net fee and commission income

Net fee and commission income includes a net income of AED 586 million from the Bank's activities relating to Initial Public Offerings (IPOs) by U.A.E. Companies.

21 Gain on trading and non trading investments

	2005 AED'000	2004 AED'000
Gain on trading investments	**45,823**	3,171
Gain/(loss) on sale of non trading investments	**20,396**	(606)
	66,219	2,565

22 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2005	2004
Net profit for the year (AED 000)	**1,912,176**	800,594
Weighted average number of shares in issue during the year (000's)	**3,890,078**	3,846,228
Basic earnings per share (AED)	**0.49**	0.21

The earnings per share calculation for 2004 have been retroactively adjusted to reflect the bonus issue of shares, a 10 for 1 share split and 1 for 1 rights issue of shares in accordance with shareholders' approval on March 6, 2005 and September 18, 2005.

The Bank has not issued any instruments which would have an impact on earnings per share when exercised.

23 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2005 AED'000	2004 AED'000
Cash and balances with Central Banks	**1,702,321**	1,679,832
Due from banks	**9,989,250**	5,013,959
Due to banks	**(6,049,451)**	(3,172,135)
	5,642,120	3,521,656
Less: Due from banks – original maturity more than 3 months	**(3,189,270)**	(848,140)
Add: Due to banks – original maturity more than 3 months	**1,490,276**	2,067,272
	3,943,126	4,740,788

24 Related party transactions

The Bank enters into transactions with major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

Transactions between the bank and its subsidiaries, which are related parties of the Bank have been eliminated on consolidation and are not disclosed in this note.

The year end balances in respect of related parties included in the balance sheet are as follows:

	2005 AED'000	2004 AED'000
Loans and advances to customers	**4,026,473**	4,983,976
Customers' deposits	**3,745,318**	7,010,417
Irrevocable commitments and contingencies	**605,476**	32,671

Significant transactions with related parties during the year are as follows:

	2005 AED'000	2004 AED'000
Interest, fees and commission income	**169,713**	67,718
Interest expense	**54,243**	22,712

The remuneration of key management staff during the year was as follows:

	2005 AED'000	2004 AED'000
Short term benefits	**14,695**	9,369

The remuneration of Directors is accrued and paid as an appropriation out of the net profit of the year in accordance with the Federal Law No 8 applicable to Commercial Companies operating in the U.A.E. This amount is included in the short term benefits shown above.

The remuneration of other key management staff is based on the remuneration agreed in their employment contracts.

25 Commitments and contingent liabilities

The Bank had the following commitments and contingent liabilities at December 31:

	2005 AED'000	2004 AED'000
Commitments on behalf of customers		
Acceptances	**240,957**	202,932
Letters of credit	**2,427,265**	1,258,137
Guarantees	**10,213,666**	8,764,609
Irrevocable commitments to extend credit	**12,601,943**	6,516,021
Commitments for future capital expenditure	**19,748**	115,964
Commitments to invest in non-trading investment	**17,293**	25,940
	25,520,872	16,883,603

Credit-related commitments

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

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

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 the contract. These contracts would have market risk if issued or extended at a fixed rate of interest. However, these contracts are primarily made at floating rates.

Derivative instruments

In the ordinary course of business the Bank enters into various types of transactions that involve financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments, which the Bank enters into, include forwards, options and swaps.

The table below shows the notional amounts of derivative financial instruments analysed by term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and represents the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

25 Commitments and contingent liabilities (continued)

Notional amounts by term to maturity

	Total AED'000	Within 3 months AED'000	Within 3-12 months AED'000	Over 1 year AED'000
At December 31, 2005				
Derivatives held for trading				
Forward foreign exchange contracts	**1,766,990**	**185,471**	**1,581,519**	**-**
Interest rate swaps	**68,448,081**	**114,462**	**5,675,636**	**62,657,983**
Forward rate agreements	**1,875,806**	**1,395,740**	**480,066**	**-**
Options	**10,215,642**	**820,064**	**877,523**	**8,518,055**
	82,306,519	**2,515,737**	**8,614,744**	**71,176,038**
Derivatives held for hedging				
Interest rate swaps	**1,093,048**	**18,365**	**718,911**	**355,772**
Forward foreign exchange contracts	**3,187,912**	**2,503,320**	**551,469**	**133,123**
	4,280,960	**2,521,685**	**1,270,380**	**488,895**
	86,587,479	**5,037,422**	**9,885,124**	**71,664,933**
At December 31, 2004				
Derivatives held for hedging				
Interest rate swaps	1,685,287	11,019	943,503	730,765
Forward foreign exchange contracts	2,326,594	1,906,340	414,643	5,611
	4,011,881	1,917,359	1,358,146	736,376

At December 31, 2005 the positive and negative fair values of these derivatives amounted to AED 383,105 thousand (2004 : NIL) and AED 357,753 thousand (2004 : AED 54,087 thousand) respectively. These are included in other assets (note 9) and in other liabilities (note 13).

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Bank. The Bank enters into derivative contracts with a number of financial institutions of good credit rating.

Notes to the consolidated financial statements
for the year ended December 31, 2005 (continued)

25 Commitments and contingent liabilities (continued)

Derivatives held or issued for trading purposes

Most of the Bank's derivative trading activities relate to positioning and arbitrage activities. Sales activities involve offering products to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks. Positioning involves managing positions with the expectation of profiting from favourable movements in prices, rates and indices. Arbitrage activities involve identifying and profiting from price differentials between markets and products.

Derivatives held or issued for hedging purposes

The Bank uses derivative instruments for hedging purposes as part of its asset and liability management activities in order to reduce its own exposure to fluctuations in exchange and interest rates. The Bank uses forward foreign exchange contracts to hedge exchange rate risk and interest rate swaps to hedge interest rate risk. The Bank also uses interest rate swaps to hedge against the fair value risks arising on certain fixed rate financial instruments. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as fair value hedges.

The Bank has the following significant net exposures denominated in foreign currencies at 31 December:

	2005 AED'000 equivalent long/(short)	2004 AED'000 equivalent long/(short)
US Dollar	**(5,064,082)**	1,628,471
Indian Rupees	**48,411**	47,506
Omani Riyal	**2,048**	2,525
Pound Sterling	**(3,538)**	1,567
Euro	**1,218**	5,892
Bahraini Dinar	**73**	308
Saudi Riyal	**(533)**	1,133
JP Yen	**(1,486)**	1,091

26 Segmental information

Primary segment information

For operating purposes, the Bank is organised into two major business segments: (i) Commercial Banking, which principally provides loans and other credit facilities, deposit and current accounts for the Bank's customers, brokerage, a fund managing activities and (ii) Investment Banking, which involves the management of the Bank's investment portfolio, dealing in derivatives and its treasury activities. These segments are the basis on which the Bank reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds.

Segmental information for the year was as follows:

	Commercial Banking		**Investment Banking**		**Total**	
	2005	2004	**2005**	2004	**2005**	2004
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Operating income	**2,428,964**	1,133,217	**220,944**	24,880	**2,649,908**	1,158,097
Segment result and profit from operations	**1,714,345**	779,009	**207,619**	17,704	**1,921,964**	796,713
Minority interest	**-**	-	**(9,366)**	-	**(9,366)**	-
Net profit before income tax	**1,714,345**	779,009	**198,253**	17,704	**1,912,598**	796,713
Income tax (expense)/write back unallocated					**(422)**	3,881
Net profit for the year					**1,912,176**	800,594
Other information						
Segment assets	**36,284,949**	24,679,184	**21,199,408**	13,714,159	**57,484,357**	38,393,343
Segment liabilities	**27,666,536**	19,718,863	**21,199,408**	13,714,159	**48,865,944**	33,433,022
Equity					**8,618,413**	4,960,321
Total liabilities and equity					**57,484,357**	38,393,343

26 Segmental information (continued)

Secondary segment information

Although the Bank is organised primarily on business segments, the Bank operates in two geographic markets. The United Arab Emirates which is designated as Domestic and represent the operations of the Bank which originate from the U.A.E. branches, and International which represents the operations of the Bank which originate from its branches in India. The following table shows the distribution of the Bank's operating income, total assets, total liabilities and capital expenditure by geographical segment.

	Domestic		**International**		**Total**	
	2005	2004	**2005**	2004	**2005**	2004
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Operating income	**2,642,724**	1,143,819	**7,184**	14,278	**2,649,908**	1,158,097
Profit/(loss) before taxation and minority interest	**1,923,122**	796,216	**(1,158)**	497	**1,921,964**	796,713
Minority interest	**(9,366)**	-	**-**	-	**(9,366)**	-
Net profit before taxation	**1,913,756**	796,216	**(1,158)**	497	**1,912,598**	796,713
Income tax (expense)/write back	**-**	-	**(422)**	3,881	**(422)**	3,881
Net profit/(loss) for the year	**1,913,756**	796,216	**(1,580)**	4,378	**1,912,176**	800,594
Segment assets	**57,011,636**	36,889,045	**472,721**	1,504,298	**57,484,357**	38,393,343
Segment liabilities	**48,391,643**	31,955,299	**474,301**	1,477,723	**48,865,944**	33,433,022
Capital expenditure incurred during the year	**229,561**	75,435	**352**	819	**229,913**	76,254

27 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counter-parties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counter-parties to mitigate credit risk.

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

For details of the composition of the loans and advances portfolio refer to note 7. Information on credit risk relating to derivative instruments is provided in note 25.

28 Concentration of assets, liabilities and off balance sheet items

The distribution of assets, liabilities and off balance sheet items by geographic region and industry sector during the year was as follows:

	2005 Assets AED'000	2005 Liabilities and equity AED'000	2005 Off-balance sheet items AED'000	2004 Assets AED'000	2004 Liabilities and equity AED'000	2004 Off-balance sheet items AED'000
Geographic region						
Domestic (UAE)	**40,095,131**	**40,682,366**	**16,025,810**	25,139,048	30,579,429	9,584,989
Other GCC countries	**3,643,537**	**2,969,155**	**1,980,100**	3,713,230	2,813,346	479,292
Other Arab countries	**574,770**	**913,371**	**308,146**	997,379	1,024,032	909,430
Asia	**5,238,325**	**2,665,588**	**3,270,622**	6,352,807	2,705,984	3,228,000
Europe	**4,172,739**	**9,188,503**	**3,118,208**	411,535	571,360	2,240,722
USA	**893,137**	**191,085**	**29,333**	331,215	166,408	99,229
Rest of the World	**2,866,718**	**874,289**	**788,653**	1,448,129	532,784	341,941
Total	**57,484,357**	**57,484,357**	**25,520,872**	38,393,343	38,393,343	16,883,603
Industry sector						
Commercial & business	**13,871,693**	**17,849,189**	**11,055,500**	8,468,150	5,968,061	7,633,101
Personal	**22,497,229**	**9,019,832**	**11,463,906**	10,605,450	10,153,626	1,977,146
Public sector	**1,715,208**	**4,497,610**	**1,172,943**	1,625,017	1,780,804	479,685
Government	**4,803,440**	**10,242,621**	**1,371,942**	6,707,992	10,747,884	727,200
Banks and financial institutions	**14,596,787**	**15,875,105**	**456,581**	10,986,734	9,742,968	6,066,471
Total	**57,484,357**	**57,484,357**	**25,520,872**	38,393,343	38,393,343	16,883,603

29 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Bank manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The substantial majority of the Bank's assets and liabilities reprice within one year. Accordingly, there is limited exposure to interest rate risk.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

29 Interest rate risk (continued)

The Bank's interest sensitivity position based on contractual repricing arrangements at December 31, 2005 was as follows:

	Effective rate	Less than 3 months AED'000	3 months to less than 6 months AED'000	6 months to less than 1 year AED'000	1 year to less than 3 years AED'000	Over 3 years AED'000	Non-interest bearing items AED'000	Total AED'000
Assets								
Cash and balances with Central Banks		-	-	-	-	-	1,702,321	1,702,321
Due from Banks	4.40	9,784,024	124,831	-	-	-	80,395	9,989,250
Trading investments		-	-	-	-	-	392,836	392,836
Loans and advances, net	5.98	33,396,482	2,206,654	309,751	397,004	5,469,216	384,954	42,164,061
Non trading investments	7.50	805,707	597,653	120,824	5,114	9,605	232,551	1,771,454
Other assets		-	-	-	-	-	1,061,243	1,061,243
Property, plant and equipment, net		-	-	-	-	-	403,192	403,192
Total assets		43,986,213	2,929,138	430,575	402,118	5,478,821	4,257,492	57,484,357
Liabilities and Equity								
Due to banks	4.31	5,015,763	-	730,192	-	-	303,496	6,049,451
Medium term borrowing	4.49	7,577,841	46,812	124,831	-	-	-	7,749,484
Customers' deposits	3.10	22,377,057	1,812,954	1,349,838	252,249	786,452	7,358,829	33,937,379
Other liabilities		-	-	-	-	-	1,129,630	1,129,630
Equity		-	-	-	-	-	8,618,413	8,618,413
Total liabilities and equity		34,970,661	1,859,766	2,204,861	252,249	786,452	17,410,368	57,484,357
On-balance sheet gap		9,015,552	1,069,372	(1,774,286)	149,869	4,692,369	(13,152,876)	-
Off-balance sheet gap		177,142	433,414	(443,435)	(18,365)	(148,756)	-	-
Total interest rate sensitivity gap		9,192,694	1,502,786	(2,217,721)	131,504	4,543,613	(13,152,876)	-
Cumulative interest rate sensitivity gap		9,192,694	10,695,480	8,477,759	8,609,263	13,152,876	-	-

Included in non-trading investments and due to banks are interest bearing amounts of AED 138,659 thousand and AED 32,612 thousand respectively relating to the Bank's overseas branches with effective rates of 6.9% and 7.25% respectively.

29 Interest rate risk (continued)

The Bank's interest sensitivity position based on contractual repricing arrangements at December 31, 2004 was as follows:

	Effective rate	Less than 3 months AED'000	3 months to less than 6 months AED'000	6 months to less than 1 year AED'000	1 year to less than 3 years AED'000	Over 3 years AED'000	Non-interest bearing items AED'000	Total AED'000
Assets								
Cash and balances with Central Banks		-	-	-	-	-	1,679,832	1,679,832
Due from Banks	4.18	4,414,574	198,431	367,300	29,400	-	4,254	5,013,959
Trading investment		-	-	-	-	-	297,011	297,011
Loans and advances, net	4.49	19,730,855	3,662,446	717,516	486,699	3,074,707	829,315	28,501,538
Investments	6.14	346,520	761,440	375,195	634,296	15,956	102,670	2,236,077
Other assets		-	-	-	-	-	463,807	463,807
Property, plant and equipment, net		-	-	-	-	-	201,119	201,119
Total assets		24,491,949	4,622,317	1,460,011	1,150,395	3,090,663	3,578,008	38,393,343
Liabilities and Equity								
Due to banks	4.88	1,247,411	524,234	73,460	1,325,931	-	1,099	3,172,135
Customers' deposits	1.55	18,016,994	2,108,859	2,270,270	1,231,162	300	5,925,495	29,553,080
Other liabilities		-	-	-	-	-	707,807	707,807
Equity		-	-	-	-	-	4,960,321	4,960,321
Total liabilities and equity		19,264,405	2,633,093	2,343,730	2,557,093	300	11,594,722	38,393,343
On-balance sheet gap		5,227,544	1,989,224	(883,719)	(1,406,698)	3,090,363	(8,016,714)	-
Off-balance sheet gap		-	39,900	(543,266)	597,027	(93,661)	-	-
Total interest rate sensitivity gap		5,227,544	2,029,124	(1,426,985)	(809,671)	2,996,702	(8,016,714)	-
Cumulative interest rate sensitivity gap		5,227,544	7,256,668	5,829,683	5,020,012	8,016,714	-	-

Included in non-trading investments and due to banks are interest bearing amounts of AED 1,064,852 thousand and AED 896,178 thousand respectively relating to the Bank's overseas branches with effective rates of 9.42% and 10.10% respectively.

29 Interest rate risk (continued)

The off balance sheet gap represents the net notional amounts of the off balance sheet financial instruments, such as interest rate swaps which are used to manage the interest rate risk.

30 Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The table below summarises the maturity profile of the Bank's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take into account the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the year end is based on contractual repayment arrangements as follows:

	Total AED'000	Less than 3 months AED'000	3 months to less than 6 months AED'000	6 months to less than 1 year AED'000	1 year to less than 3 years AED'000	3 years to less than 5 years AED'000	Over 5 years AED'000
Assets							
Cash and balances with Central Banks	1,702,321	1,702,321	-	-	-	-	-
Deposits and balances due from banks	9,989,250	9,220,373	-	768,877	-	-	-
Trading investments	392,836	392,836	-	-	-	-	-
Loans and advances, net	42,164,061	17,685,845	2,297,669	4,458,125	3,644,743	3,681,908	10,395,771
Non trading investments	1,771,454	349,443	33,144	20,807	249,068	333,258	785,734
Other assets	1,061,243	1,008,853	9,701	-	20,573	22,116	-
Property, plant and equipment, net	403,192	-	-	-	-	-	403,192
Total assets	57,484,357	30,359,671	2,340,514	5,247,809	3,914,384	4,037,282	11,584,697
Liabilities and Equity							
Due to banks	6,049,451	4,903,418	284,295	411,983	433,414	16,341	-
Medium term borrowings	7,749,484	-	46,812	558,687	18,365	146,920	6,978,700
Customers' deposits	33,937,379	25,304,342	3,198,412	4,096,556	1,220,498	66,181	51,390
Other liabilities	1,129,630	1,129,630	-	-	-	-	-
Equity	8,618,413	-	-	-	-	-	8,618,413
Total liabilities and equity	57,484,357	31,337,390	3,529,519	5,067,226	1,672,277	229,442	15,648,503

Trading investments are assumed to be immediately realisable. Maturities of other assets and liabilities have been determined on the basis of the period remaining at the balance sheet date to the contractual maturity date.

Notes to the consolidated financial statements

for the year ended December 31, 2005 (continued)

30 Liquidity risk (continued)

The maturity profile of the assets and liabilities at December 31, 2004 was as follows:

	Total AED'000	Less than 3 months AED'000	3 months to less than 6 months AED'000	6 months to less than 1 year AED'000	1 year to less than 3 years AED'000	3 years to less than 5 years AED'000	Over 5 years AED'000
Assets							
Cash and balances with Central Banks	1,679,832	1,679,832	-	-	-	-	-
Deposits and balances due from banks	5,013,959	4,871,251	142,708	-	-	-	-
Trading investments	297,011	297,011	-	-	-	-	-
Loans and advances, net	28,501,538	12,991,412	2,568,224	3,033,343	1,854,357	1,572,022	6,482,180
Non trading investments	2,236,077	43,860	140,277	448,655	1,122,892	266,339	214,054
Other assets	463,807	418,559	9,783	24,234	-	11,231	-
Property, plant and equipment, net	201,119	-	-	-	-	-	201,119
Total assets	38,393,343	20,301,925	2,860,992	3,506,232	2,977,249	1,849,592	6,897,353
Liabilities and Equity							
Due to banks	3,172,135	1,248,510	524,234	73,460	1,325,931	-	-
Customers' deposits	29,553,080	23,942,489	2,107,393	2,270,270	514,309	151	718,468
Other liabilities	707,807	654,302	18,012	21,169	6,489	1,532	6,303
Equity	4,960,321	312,500	-	-	-	-	4,647,821
Total liabilities and equity	38,393,343	26,157,801	2,649,639	2,364,899	1,846,729	1,683	5,372,592

Trading investments are assumed to be immediately realisable. Maturities of other assets and liabilities have been determined on the basis of the period remaining at the balance sheet date to the contractual maturity date.

31 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Bank's market risk is mainly attributable to its quoted investments classified as available for sale and trading investments. The Bank limits market risk by actively monitoring the key factors that affect market movements, including analysis of the operational and financial performance of the investees.

32 Fair value of financial instruments

While the Bank prepares its financial statements under the historical cost convention modified for measurement to fair value of trading and available for sale investment securities and derivatives, in the opinion of management, the estimated carrying values and fair values of those financial assets and liabilities that are not carried at fair value in the financial statements are not materially different, since assets and liabilities are either short term in nature or in the case of deposits, medium term borrowings and performing loans and advances, frequently repriced. For non-performing loans and advances, expected cash flows, including anticipated realisation of collateral, were discounted using the original interest rates, considering the time of collection and a provision for the uncertainty of the flows.

The fair value of held to maturity investments are disclosed in note 8.

33 Capital adequacy

The capital adequacy ratio calculated in accordance with the guidelines of the United Arab Emirates Central Bank is as follows:

	2005 **AED'000**	2004 AED'000
Capital base	**8,608,930**	4,960,321
Risk weighted assets:		
Off-balance sheet exposures	**6,303,208**	4,589,174
Balance sheet assets	**39,610,064**	23,777,519
Total risk weighted assets	**45,913,272**	28,366,693
Capital adequacy ratio	**18.75%**	17.49%

Notes to the consolidated financial statements
for the year ended December 31, 2005 (continued)

34 Foreign currency balances

Net assets amounting to the Indian Rupee equivalent of AED 102.4 million (2004: AED 40 million) held in India are subject to the exchange control regulations of India.

35 Comparative figures

Certain comparative figures for the prior year have been reclassified, where necessary, to conform with the current year presentation.

36 Trust activities

As of 31 December 2005, the funds under the management of the Bank amounted to AED 3,076 million (2004 – AED Nil).

37 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 19 January 2006.

DIRECTORY

Management Directory

GENERAL MANAGEMENT

HEAD OFFICE

Eirvin Knox
Chief Executive Officer

Ala'a Eraiqat
Head, UAE Banking

Jim Coleman
Head, Treasury and Investments Group

Steve Dickens
Chief Operations Officer

Darren Robinson
Chief Financial Officer

Norman Alexander
Head, Strategic Planning & Projects

Seumas Gallacher
Head, Corporate Banking Group

Bassam Daoud
Head, Credit Group

Zaki Hamadani
Head, Legal and Special Assets Management

Sultan Al Mahmoud
Head, Human Resources Group

Yaser Mansour
Board Secretary
Head, Corporate Communications

Abdirizak Ali
Head, Internal Audit Department

Alok Kakar
Head, Startegy Implementation

Head Office & Branches Directory

HEAD OFFICE

ADCB, New Head Quarters, Al Salam Street, P.O. Box 939, Abu Dhabi, UAE
Reuter Dealing: ADCU, Reuter Commentary: ADCB 01
Telephone: 971 (2) 6962222 - PABX

BRANCHES AND ADDRESSES IN THE UAE

ABU DHABI EMIRATE	P.O. Box	TELEPHONE	TELEFAX	TELEX
Al Salam Street	2934	(02) 6720000	(02) 6793788	-
Corniche	2054	(02) 6275500	(02) 6260540	24241 ADCBCO EM
Hamdan Street	2832	(02) 6335820	(02) 6340680	22523 ADCBHM EM
Tourist Club Area	2800	(02) 6442800	(02) 6446980	-
Sh. Rashid Road	25993	(02) 4458288	(02) 4432491	24491 ADCBAK EM
Khalidiya	29923	(02) 6669910	(02) 6650227	23485 ADCBKL EM
Al Murroor	939	(02) 4447960	(02) 4444795	-
GHQ	25994	(02) 4415626	(02) 4415800	-
Falah	5154	(02) 6213901	(02) 6109720	23286 ADCBBS EM
Mussafah	9331	(02) 5544272	(02) 5544273	-
Al Shahama	76122	(02) 5632255	(02) 5633446	22746 ADCBAS EM
Baniyas Town	11616	(02) 5821550	(02) 5823529	23573 ADCBBT EM
Al Dhafra Air Base	11616	(02) 5851030	(02) 5851045	-
Zayed Town	50013	(02) 8846180	(02) 8847663	52206 ADCBZT EM
Ruwais	11851	(02) 8775015	(02) 8774704	52225 ADCBRW EM
Al Bayah	76889	(02) 8721300	(02) 8728124	52219 ADCBSI EM
Gayathi	77731	(02) 8742155	(02) 8741626	52202 ADCBGB EM
ICAD	39260	(02) 5500724	(02) 5500739	-
GASCO	48332	(02) 6772362	(02) 6109797	-

Head Office & Branches Directory

BRANCHES AND ADDRESSES IN THE UAE

AL AIN	P.O. Box	TELEPHONE	TELEFAX	TELEX
Main Branch	15180	(03) 7550000	(03) 7511455	33544 ADCBMS EM
Khalifa Street	1820	(03) 7669999	(03) 7660349	33536 ADCBAL EM
Sina'eya (Industrial Area)	24699	(03) 7210009	(03) 7216193	-
Al Wagan	21879	(03) 7351444	(03) 7351799	-
Al Yahar	81084	(03) 7814000	(03) 7826600	-
Al Hayer	21112	(03) 7321888	(03) 7322883	-

DUBAI EMIRATE				
Al Riggah Road	5550	(04) 2958888	(04) 2959310	46211 ADCBDI EM
Al Karama	12808	(04) 3345000	(04) 3348000	49191 ADCBKR EM
Naif Road	1069	(04) 2279000	(04) 2275086	49149 ADCBNF EM
Al Mina Road	9286	(04) 3984444	(04) 3982664	47866 ADCBDB EM
Ettihad	37363	(04) 3388000	(04) 3386677	45410 ADCBDI EM
Al Qusais	19678	(04) 2634440	(04) 2633282	48107 ADCBAG EM
Mall of the Emirates	2225	(04) 3411001	(04) 6109732	-

SHARJAH EMIRATE				
Main Branch	4377	(06) 5737000	(06) 5722322	68544 ADCBSJ EM
Industrial Area	23657	(06) 5433300	(06) 5421285	-

RAS AL KHAIMAH EMIRATE				
Ras Al Khaimah	1633	(07) 2332200	(07) 2330706	99224 ADCBRK EM

Head Office & Branches Directory

FUJAIRAH EMIRATE	P.O. Box	TELEPHONE	TELEFAX	TELEX
Fujairah	770	(09) 2223900	(09) 2224900	89015 ADCBFJ EM
Dibba	13212	(09) 2446444	(09) 2444838	-

AJMAN EMIRATE				
Ajman	1843	(06) 7443444	(06) 7443300	69569 ADCBAJ EM

OVERSEAS BRANCHES - INDIA				
Mumbai	11248	(91) 22 2855658	(91) 22 2870686	11-85481 ADCB IN
Bangalore	5271	(91) 80 25582000	(91) 80 25582323	845-2934 ADCB IN

بنك أبوظبي التجاري
ADCB