

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

**Review report and condensed consolidated interim financial
information for the period ended June 30, 2011**

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**REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank P.J.S.C. and its subsidiaries (together referred to as "the Bank") as of June 30, 2011 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting ("IAS 34")". Our responsibility is to express a conclusion on this interim financial information based on our review.

The interim financial information and annual financial statements for the period ended June 30, 2010 and the year ended December 31, 2010 were reviewed and audited respectively by another auditor who expressed unqualified review and audit opinions in their reports dated July 30, 2010 and January 25, 2011, respectively.

Scope of review

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

Conclusion

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


For PricewaterhouseCoopers



Jacques Fakhoury
Registration Auditor Number 379
02 August 2011

**Condensed consolidated interim statement of financial position
as at June 30, 2011**

	Notes	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
ASSETS			
Cash and balances with Central Banks	3	6,050,673	5,887,630
Deposits and balances due from banks	4	15,673,526	18,397,534
Loans and advances, net	5	117,430,106	122,771,870
Derivative financial instruments	6	3,947,459	3,588,973
Investment securities	7	14,508,495	8,263,138
Investment in associates	8	99,008	5,358,199
Investment properties	9	317,959	289,192
Other assets	10	20,122,345	12,489,157
Property and equipment, net		1,052,238	1,070,321
Intangible assets		141,140	155,180
Total assets		179,342,949	178,271,194
LIABILITIES			
Due to banks	11	4,083,453	4,841,865
Deposits from customers		106,351,351	106,134,185
Mandatory convertible securities – liability component	15	-	29,131
Short and medium term borrowings	12	20,223,876	21,019,694
Derivative financial instruments	6	4,197,330	3,487,764
Long term borrowings	13	7,675,413	8,906,109
Other liabilities	14	15,322,240	14,279,098
Total liabilities		157,853,663	158,697,846
EQUITY			
Share capital	15	5,595,597	4,810,000
Share premium	15	3,848,286	-
Statutory and legal reserves		2,704,179	2,704,179
General and contingency reserves		2,150,000	2,150,000
Employees' incentive plan shares, net		(78,475)	(36,677)
Foreign currency translation reserve		(6,310)	136,676
Hedge reserve		564	(537,904)
Cumulative changes in fair values		(58,616)	174,799
Other reserve		-	5,630
Retained earnings		3,316,877	1,524,201
Capital notes	16	4,000,000	4,000,000
Mandatory convertible securities – equity component	15	-	4,633,883
Equity attributable to equity holders of the parent		21,472,102	19,564,787
Non-controlling interests		17,184	8,561
Total equity		21,489,286	19,573,348
Total liabilities and equity		179,342,949	178,271,194


Eissa Al Suwaidi
Chairman


Ala'a Eraiqat
Chief Executive Officer


Deepak Khullar
Chief Financial Officer

**Condensed consolidated interim income statement (unaudited)
for the period ended June 30, 2011**

	Notes	3 months ended June 30		6 months ended June 30	
		2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Interest income	17	1,757,163	1,725,159	3,573,359	3,356,441
Interest expense	18	(767,208)	(833,626)	(1,669,207)	(1,604,376)
Net interest income		989,955	891,533	1,904,152	1,752,065
Income from Islamic financing		88,346	46,458	165,770	86,511
Distribution to depositors		(42,652)	(38,066)	(108,593)	(66,958)
Net income from Islamic financing		45,694	8,392	57,177	19,553
Total net interest and Islamic financing income		1,035,649	899,925	1,961,329	1,771,618
Net fees and commission income	19	246,987	205,584	509,543	415,271
Net trading income	20	104,663	18,143	206,432	45,860
Decrease in fair value of investment properties		-	(35,000)	-	(35,000)
Other operating income		34,555	35,629	70,545	88,317
Operating income		1,421,854	1,124,281	2,747,849	2,286,066
Staff expenses		(315,304)	(243,298)	(514,843)	(438,035)
Depreciation		(36,876)	(23,078)	(72,977)	(46,979)
Amortisation of intangible assets		(7,020)	-	(14,040)	-
Other operating expenses		(200,809)	(172,485)	(385,227)	(315,251)
Operating expenses		(560,009)	(438,861)	(987,087)	(800,265)
Operating profit before impairment allowances		861,845	685,420	1,760,762	1,485,801
Impairment allowance on loans and advances, net	5	(738,194)	(1,097,566)	(1,063,693)	(1,686,754)
Other impairment	21	(196,596)	(205,345)	(270,240)	(297,481)
Share of profit of associates	8	91,474	86,106	175,850	194,136
Net gain on sale of investment in associate	8	1,314,315	-	1,314,315	-
Profit/(loss) before taxation		1,332,844	(531,385)	1,916,994	(304,298)
Overseas income tax refund/(expense)		2,562	433	972	(1,645)
Net profit/(loss) for the period		1,335,406	(530,952)	1,917,966	(305,943)

**Condensed consolidated interim income statement (unaudited)
for the period ended June 30, 2011 (continued)**

	Notes	<u>3 months ended June 30</u>		<u>6 months ended June 30</u>	
		2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Attributed to:					
Equity holders of the parent		1,334,943	(527,325)	1,909,343	(308,768)
Non-controlling interests		463	(3,627)	8,623	2,825
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net profit/(loss) for the period		1,335,406	(530,952)	1,917,966	(305,943)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Basic earnings/(loss) per share (AED)	22	0.24	(0.09)	0.33	(0.07)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Diluted earnings/(loss) per share (AED)	22	0.24	(0.09)	0.32	(0.07)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed consolidated interim statement of comprehensive income (unaudited)
for the period ended June 30, 2011**

	3 months ended June 30		6 months ended June 30	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Net profit/(loss) for the period	1,335,406	(530,952)	1,917,966	(305,943)
Exchange difference arising on translation of foreign operations	(41,379)	49,989	61,407	259,638
Fair value changes of cash flow hedges on financial assets	564	-	564	-
Fair value changes on net investment in foreign operation hedges	10,943	(60,581)	(66,561)	(228,688)
Fair value changes on available for sale investments	(56,693)	50,094	(160,005)	103,289
Fair value changes reversed on disposal of available for sale investments	(35)	(898)	(129)	10,386
Share in other comprehensive income statement items of associate	-	30,630	(19,098)	30,630
Recycle to income statement on sale of associate of related reserve balances (Note 8)	399,309	-	399,309	-
Reversal of share in other comprehensive income statement items of associate on disposal of associate (Note 8)	(59,050)	-	(59,050)	-
Total comprehensive income/(loss) for the period	<u>1,589,065</u>	<u>(461,718)</u>	<u>2,074,403</u>	<u>(130,688)</u>
Attributed to:				
Equity holders of the parent	1,588,602	(458,091)	2,065,780	(133,513)
Non-controlling interests	463	(3,627)	8,623	2,825
Total comprehensive income/(loss) for the period	<u>1,589,065</u>	<u>(461,718)</u>	<u>2,074,403</u>	<u>(130,688)</u>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed consolidated interim statement of changes in equity (unaudited)
for the period ended June 30, 2011**

	Share capital AED'000	Share premium AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive plan shares, net AED'000	Foreign currency translation reserve AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Other reserve AED'000	Retained earnings AED'000	Capital notes AED'000	Mandatory convertible securities - equity component AED'000	Equity attributable to equity holders of the parent AED'000	Non - controlling interests AED'000	Total Equity AED'000
Balance at January 1, 2011	4,810,000	-	1,374,483	1,329,696	2,000,000	150,000	(36,677)	136,676	(537,904)	174,799	5,630	1,524,201	4,000,000	4,633,883	19,564,787	8,561	19,573,348
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,909,343	-	-	1,909,343	8,623	1,917,966
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	61,407	-	-	-	-	-	-	61,407	-	61,407
Fair value changes of cash flow hedges of financial assets	-	-	-	-	-	-	-	-	564	-	-	-	-	-	564	-	564
Fair value changes on net investment in foreign operation hedges	-	-	-	-	-	-	-	-	(66,561)	-	-	-	-	-	(66,561)	-	(66,561)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	-	(160,005)	-	-	-	-	(160,005)	-	(160,005)
Fair value changes reversed on disposal of available for sale investments	-	-	-	-	-	-	-	-	-	(129)	-	-	-	-	(129)	-	(129)
Share in other comprehensive income statement items of associate	-	-	-	-	-	-	-	763	-	(20,072)	211	-	-	-	(19,098)	-	(19,098)
Recycle to income statement on sale of associate of related reserve balances (Note 8)	-	-	-	-	-	-	-	(205,156)	604,465	-	-	-	-	-	399,309	-	399,309
Reversal of share in other comprehensive income statement items of associate on disposal of associate (Note 8)	-	-	-	-	-	-	-	-	-	(53,209)	(5,841)	-	-	-	(59,050)	-	(59,050)
Total comprehensive profit/(loss) for the period	-	-	-	-	-	-	-	(142,986)	538,468	(233,415)	(5,630)	1,909,343	-	-	2,065,780	8,623	2,074,403
Shares issued on conversion of MCS (Note 15)	785,597	3,848,286	-	-	-	-	-	-	-	-	-	-	-	(4,633,883)	-	-	-
Capital notes coupon paid	-	-	-	-	-	-	-	-	-	-	-	(116,667)	-	-	(116,667)	-	(116,667)
Shares granted	-	-	-	-	-	-	(60,800)	-	-	-	-	-	-	-	(60,800)	-	(60,800)
Shares – vested portion	-	-	-	-	-	-	19,002	-	-	-	-	-	-	-	19,002	-	19,002
Balance at June 30, 2011	5,595,597	3,848,286	1,374,483	1,329,696	2,000,000	150,000	(78,475)	(6,310)	564	(58,616)	-	3,316,877	4,000,000	-	21,472,102	17,184	21,489,286

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed consolidated interim statement of changes in equity (unaudited)
for the period ended June 30, 2011 (continued)**

	Share capital AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive plan shares, net AED'000	Foreign currency translation reserve AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Retained earnings AED'000	Capital notes AED'000	Mandatory convertible securities - equity component AED'000	Equity attributable to equity holders of the parent AED'000	Non- controlling interests AED'000	Total Equity AED'000
Balance at January 1, 2010	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(13,438)	(353,736)	(107,360)	(194,279)	1,467,983	4,000,000	4,633,883	19,021,032	69,087	19,090,119
Net (loss)/profit for the period	-	-	-	-	-	-	-	-	-	(308,768)	-	-	(308,768)	2,825	(305,943)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	259,638	-	-	-	-	-	259,638	-	259,638
Fair value changes on net investment in foreign operation hedges	-	-	-	-	-	-	-	(228,688)	-	-	-	-	(228,688)	-	(228,688)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	103,289	-	-	-	103,289	-	103,289
Fair value changes reversed on disposal of available for sale investments	-	-	-	-	-	-	-	-	10,386	-	-	-	10,386	-	10,386
Share of other comprehensive income statement items of associate	-	-	-	-	-	-	(9,530)	-	40,160	-	-	-	30,630	-	30,630
Total comprehensive profit/(loss) for the period	-	-	-	-	-	-	250,108	(228,688)	153,835	(308,768)	-	-	(133,513)	2,825	(130,688)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(66,562)	(66,562)
Capital notes coupon paid	-	-	-	-	-	-	-	-	-	(122,667)	-	-	(122,667)	-	(122,667)
Shares granted	-	-	-	-	-	(47,085)	-	-	-	-	-	-	(47,085)	-	(47,085)
Shares – vested portion	-	-	-	-	-	14,121	-	-	-	-	-	-	14,121	-	14,121
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	2,277	2,277
Balance at June 30, 2010	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(46,402)	(103,628)	(336,048)	(40,444)	1,036,548	4,000,000	4,633,883	18,731,888	7,627	18,739,515

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed consolidated interim statement of cash flows (unaudited)
for the period ended June 30, 2011**

	6 months ended June 30	
	2011	2010
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit/(loss) before tax and non-controlling interests	1,916,994	(304,298)
Adjustments for:		
Depreciation	72,977	46,979
Amortisation of intangible assets	14,040	-
Dividends income	(324)	(5,115)
Decrease in fair value of investment properties	-	35,000
Impairment allowance on loans and advances	1,178,689	1,786,795
Recovery of doubtful loans and advances	(114,996)	(100,041)
Discount unwind	(115,453)	-
Impairment allowance on credit default swaps	266,567	79,182
Impairment allowance on investment securities	3,673	218,299
Realised and unrealised net gain from available for sale and trading securities	(26,247)	(2,676)
Share of profit of associates, net	(175,850)	(194,136)
Imputed interest on mandatory convertible securities	(29,131)	(34,075)
Net gain on sale of investment in associate	(1,314,315)	-
Ineffective portion of hedges	(9,998)	-
Employees' incentive plan benefit expense	19,002	14,121
Operating profit before changes in operating assets and liabilities	1,685,628	1,540,035
Increase in balance with Central Bank	(100,000)	-
Increase in due from banks	(3,314,520)	(3,760,175)
Decrease/(increase) in net trading derivative financial instruments	123,708	(35,995)
Decrease/(increase) in loans and advances	4,393,524	(3,833,060)
Increase/(decrease) in other assets	250,017	(216,438)
(Decrease)/increase in due to banks	(1,292,498)	395,815
Increase in deposits from customers	341,988	10,530,602
(Decrease)/increase in other liabilities	(174,510)	222,924
Cash from operations	1,913,337	4,843,708
Overseas taxation paid	-	(1,645)
Net cash from operations	1,913,337	4,842,063
INVESTING ACTIVITIES		
Dividends received from associate	36,697	102,390
Dividends income	324	5,115
Purchase of trading and available for sale investment securities	(6,144,077)	(3,372,754)
Net proceeds from disposal of trading and available for sale investment securities	88,631	494,940
Additions to investment properties	(28,767)	-
Purchase of property and equipment, net	(54,894)	(49,875)
Net cash used in investing activities	(6,102,086)	(2,820,184)
FINANCING ACTIVITIES		
Net repayment of short and medium term borrowings	(2,085,766)	(4,868,705)
Dividends paid to non-controlling interests	-	(66,562)
Capital notes coupon paid	(116,667)	(122,667)
Increase in non-controlling interests	-	2,277
Purchase of employees' incentive plan shares	(60,800)	(47,085)
Net cash used in financing activities	(2,263,233)	(5,102,742)
Net decrease in cash and cash equivalents	(6,451,982)	(3,080,863)
Cash and cash equivalents at the beginning of the period	16,676,284	19,373,919
Cash and cash equivalents at the end of the period	10,224,302	16,293,056

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011****1 General**

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

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

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

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

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 “Interim Financial reporting”. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2010, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The same accounting policies, presentation and methods of computation have been followed in this condensed consolidated interim financial information as were applied in the preparation and presentation of the Bank’s consolidated financial statements for the year ended December 31, 2010 except that the Bank’s share of profit of associates has been presented below operating profit rather than, as previously, as a component of operating income.

The Bank has applied the following accounting policy in respect of the sale of its associate during the period: A disposal of the Bank’s associate is not disclosed as a ‘discontinued operation’ under IFRS 5 as none of the Bank’s investment in associates meet the IFRS 5 criteria of being a major line of the Bank’s business or geographical area of operations. The sale of investment in associate is recognised when the risks and rewards of ownership have transferred to the acquirer.

The results for the three and six months periods ended June 30, 2011 are not necessary indicative of the results that may be expected for the financial year ending December 31, 2011.

This condensed consolidated interim financial information is prepared and presented in United Arab Emirates Dirhams (AED) which is the Bank’s functional and presentation currency and are rounded off to the nearest thousand (“000”) unless otherwise indicated.

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

The preparation of the condensed consolidated interim financial information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The main areas of judgments, estimates and assumptions applied in the condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the Bank's consolidated financial statements for the year ended December 31, 2010.

2.2 Standards and Interpretations in issue but not yet effective

At the date of authorisation of this condensed consolidated interim financial information, the following new and revised Standards were in issue but not yet effective:

	Effective for annual periods beginning on or after
New Standards and amendments to Standards:	
• IFRS 7 Financial Instruments Disclosures – Enhanced disclosure requirement for transfer transactions of financial assets	July 1, 2011
• IFRS 9 Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2015
• Amendments to IAS 1, Presentation of Financial Statements - revise the way other comprehensive income is presented	July 1, 2012
• Amendments to IAS 12, Income Taxes — Limited scope amendment (recovery of underlying assets)	January 1, 2012
• Amendments to IAS 19, Employee Benefits — Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
• IFRS 10, Consolidated Financial Statements - Replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities	January 1, 2013
• IFRS 11, Joint Arrangements - Replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers.	January 1, 2013
• IFRS 12, Disclosure of Interests in Other Entities - Replaces the requirements previously included in IAS 27 – Consolidated and Separate Financial Statements, IAS 31 – Interests in Joint Ventures and IAS 28 - Investments in Associates	January 1, 2013
• IFRS 13, Fair Value measurement - represents the completion of the joint project to establish a single source for the requirements on how to measure fair value under IFRS	January 1, 2013
• IAS 27 Separate Financial Statements (revised 2011) and IAS 28 Investments in Associates and Joint Ventures (revised 2011) – Revision as required by IFRS 10, IFRS 11 and IFRS 12.	January 1, 2013

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

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)**2 Summary of significant accounting policies** (continued)**2.3 Basis of consolidation**

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

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

The Special Purpose Entities (SPEs) controlled by the Bank are consolidated. The assessment of whether the Bank has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Bank and the SPE except whenever there is a change in the substance of the relationship between the Bank and an SPE.

The Bank manages and administers assets held in unit trusts on behalf of investors. The financial statements of these entities are not included in this condensed consolidated financial information except when the Bank controls the entity.

This condensed consolidated financial information also include the attributable share of the results and reserves of joint ventures and associates.

2.4 Trading and Investment securities

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

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

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

Fair value through profit or loss (FVTPL)

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

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)**2 Summary of significant accounting policies** (continued)**2.4 Trading and Investment securities** (continued)**Fair value through profit or loss (FVTPL)** (continued)

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity

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

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

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

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

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)**2 Summary of significant accounting policies** (continued)**2.4 Trading and Investment securities** (continued)**Held-to-maturity** (continued)

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

Available for sale

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

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

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

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

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

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

- for an available for sale debt security, a subsequent decline in the fair value of the instrument is recognised in the condensed consolidated interim income statement when there is further objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised directly in other comprehensive income statement. If the fair value of a debt security increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the condensed consolidated interim income statement, the impairment loss is reversed through the condensed consolidated interim income statement to the extent of the increase in fair value.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)**2 Summary of significant accounting policies** (continued)**2.4 Trading and Investment securities** (continued)**Available for sale** (continued)

- for an available for sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised directly in equity. Subsequent decreases in the fair value of the available for sale equity security are recognised in the condensed consolidated interim income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security.

Reclassifications

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

Derecognition of investment securities

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

2.5 Investment properties

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

Investment properties under development that are being constructed or developed for future use as investments property are measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. Subsequent to initial recognition, investment properties under development are measured at fair value. Gains and losses arising from changes in the fair value of investment properties under development are included in the income statement in the period in which they arise. Upon completion of construction or development, such properties are transferred to investment properties.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

3 Cash and balances with Central Banks

	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Cash on hand	404,461	524,961
Balances with Central Banks	4,796,212	4,612,669
Certificate of deposits with Central Bank	850,000	750,000
	<hr/> 6,050,673 <hr/>	<hr/> 5,887,630 <hr/>

The geographical concentration is as follows:

	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Within the U.A.E.	6,020,467	5,861,148
Outside the U.A.E.	30,206	26,482
	<hr/> 6,050,673 <hr/>	<hr/> 5,887,630 <hr/>

4 Deposits and balances due from banks

	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Current and demand deposits	362,266	280,314
Murabaha placements	1,624,000	1,624,000
Placements	13,687,260	16,493,220
	<hr/> 15,673,526 <hr/>	<hr/> 18,397,534 <hr/>

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

4 Deposits and balances due from banks (continued)

The geographical concentration is as follows:

	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Within the U.A.E.	9,908,123	8,898,826
Outside the U.A.E.	5,765,403	9,498,708
	<hr/> 15,673,526 <hr/>	<hr/> 18,397,534 <hr/>

5 Loans and advances, net

	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Overdrafts (Retail and Corporate)	10,483,703	15,192,902
Corporate Loans – Conventional	92,663,061	94,090,395
Corporate Loans - Islamic financing	899,083	623,389
Retail Loans – Conventional	12,570,798	12,994,545
Retail Loans - Islamic financing	3,132,306	2,559,598
Credit Cards – Conventional	2,647,226	2,662,505
Credit Cards - Islamic financing	49,120	43,269
Other facilities	572,576	901,704
	<hr/> 123,017,873 <hr/>	<hr/> 129,068,307 <hr/>
Less: Allowance for impairment	(5,587,767)	(6,296,437)
	<hr/> 117,430,106 <hr/>	<hr/> 122,771,870 <hr/>

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011 (continued)**

5 Loans and advances, net (continued)

Movement of the individual and collective impairment allowance on loans and advances is as follows:

	As at June 30, 2011 (unaudited)			As at December 31, 2010 (audited)		
	Individual impairment AED'000	Collective impairment AED'000	Total AED'000	Individual Impairment AED'000	Collective impairment AED'000	Total AED'000
At January 1	4,653,146	1,643,291	6,296,437	2,727,403	1,504,854	4,232,257
On acquisition of business	-	-	-	114,368	-	114,368
Charge for the period/year	903,694	274,995	1,178,689	3,004,536	138,511	3,143,047
Recoveries during the period/year	(114,996)	-	(114,996)	(283,469)	-	(283,469)
Net charge for the period/year	788,698	274,995	1,063,693	2,721,067	138,511	2,859,578
Discount unwind	(115,453)	-	(115,453)	-	-	-
Net amounts written off	(1,656,915)	(35)	(1,656,950)	(910,130)	(168)	(910,298)
Currency translation	33	7	40	438	94	532
Balance at	3,669,509	1,918,258	5,587,767	4,653,146	1,643,291	6,296,437

The economic sector composition of the loans and advances portfolio is as follows:

	As at June 30, 2011 (unaudited)			As at December 31, 2010 (audited)		
	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000
Economic sector						
Agriculture	9,790	-	9,790	9,162	-	9,162
Energy	3,427,946	277,617	3,705,563	3,476,648	275,344	3,751,992
Trading	659,239	768	660,007	798,734	7,313	806,047
Contractor finance	2,389,650	177,775	2,567,425	2,368,407	222,824	2,591,231
Development & construction	23,348,266	-	23,348,266	22,443,398	-	22,443,398
Real estate investment	12,519,063	140,000	12,659,063	12,277,648	685,593	12,963,241
Transport	2,183,859	533,757	2,717,616	2,439,560	555,336	2,994,896
Personal – retail loans	18,377,682	9,305	18,386,987	18,210,472	291,015	18,501,487
Personal – collateralised	15,379,840	264,811	15,644,651	19,428,356	300,382	19,728,738
Government	3,147,587	-	3,147,587	4,640,851	-	4,640,851
Financial institutions	8,382,692	1,149,256	9,531,948	5,432,391	1,166,205	6,598,596
Manufacturing	1,996,643	146,031	2,142,674	2,275,492	123,976	2,399,468
Services	26,111,409	2,384,844	28,496,253	26,979,736	4,658,219	31,637,955
Others	43	-	43	1,245	-	1,245
	117,933,709	5,084,164	123,017,873	120,782,100	8,286,207	129,068,307
Less: Allowance for impairment			(5,587,767)			(6,296,437)
Total			117,430,106			122,771,870

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011 (continued)**

6 Derivative financial instruments

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

	Fair values	
	Assets AED'000	Liabilities AED'000
As at June 30, 2011 (unaudited)		
Derivatives held for trading		
Interest rate and cross currency swaps	3,535,854	3,600,265
Options	160,666	166,582
Commodity and Energy swaps	65,178	64,393
Swaptions	14,182	11,224
	<hr/>	<hr/>
	3,775,880	3,842,464
Derivatives held as fair value hedges		
Interest and cross currency swaps	171,579	286,176
Derivatives held as cash flow hedges		
Forward foreign exchange contracts	-	68,690
	<hr/>	<hr/>
	3,947,459	4,197,330
	<hr/>	<hr/>

	Fair values	
	Assets AED'000	Liabilities AED'000
As at December 31, 2010 (audited)		
Derivatives held for trading		
Interest rate and cross currency swaps	3,132,076	3,078,142
Options	160,063	164,061
Commodity and Energy swaps	53,348	46,579
Exotic swaps	2,091	1,673
Swaptions	25,628	25,628
	<hr/>	<hr/>
	3,373,206	3,316,083
Derivatives held as fair value hedges		
Interest and cross currency swaps	215,767	-
Derivatives held as net investment hedges		
Forward foreign exchange contracts	-	171,681
	<hr/>	<hr/>
	3,588,973	3,487,764
	<hr/>	<hr/>

The net hedge ineffectiveness gains relating to the fair value amounting to AED 9,998 thousand (Six months period ended June 30, 2010 – gains of AED 12,491 thousand) have been recognised in the condensed consolidated interim income statement under “Net gains on dealing in derivatives” (Note 20).

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011 (continued)**

7 Investment securities

	As at June 30, 2011 (unaudited)			
	U.A.E. AED'000	Other G.C.C. AED'000	Rest of the world AED'000	Total AED'000
Available for sale investments				
Quoted:				
Floating rate notes (FRNs)	638,096	-	-	638,096
Collateralised debt obligations (CDOs)	-	-	44,725	44,725
Equity instruments	11,475	-	-	11,475
Bonds	4,711,169	856,776	4,990,346	10,558,291
Mutual funds	37,013	-	-	37,013
Government securities	1,610,997	1,149,539	188,082	2,948,618
Total Quoted	7,008,750	2,006,315	5,223,153	14,238,218
Unquoted:				
Equity instruments	191,412	-	339	191,751
Mutual funds	78,526	-	-	78,526
Total Unquoted	269,938	-	339	270,277
Total available for sale investments	7,278,688	2,006,315	5,223,492	14,508,495

	As at December 31, 2010 (audited)			
	U.A.E. AED'000	Other G.C.C. AED'000	Rest of the world AED'000	Total AED'000
Available for sale investments				
Quoted:				
Floating rate notes (FRNs)	484,535	-	7,346	491,881
Collateralised debt obligations (CDOs)	-	-	30,921	30,921
Equity instruments	12,242	-	-	12,242
Bonds	2,973,108	635,257	1,209,852	4,818,217
Mutual funds	39,149	-	-	39,149
Government securities	1,233,093	1,145,648	230,403	2,609,144
Total Quoted	4,742,127	1,780,905	1,478,522	8,001,554
Unquoted:				
Equity instruments	194,035	-	343	194,378
Mutual funds	67,206	-	-	67,206
Total Unquoted	261,241	-	343	261,584
Total available for sale investments	5,003,368	1,780,905	1,478,865	8,263,138

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

7 Investment securities (continued)

At June 30, 2011 Bonds in quoted investment include bonds of fair value AED 1,224,825 thousand (December 31, 2010 : AED 1,006,116 thousand) in public sector companies.

Of the unquoted investments, equity instruments with carrying value of AED 37,075 thousand (December 31, 2010 – AED 37,079 thousand) have been carried at cost since the fair value cannot be measured reliably in absence of any observable market or any other relevant information.

The Bank hedges interest rate risk on certain fixed rate investments through interest rate swaps and designates these as fair value hedges. The negative fair value of these interest rate swaps at June 30, 2011 was AED 286,176 thousand (December 31, 2010 – negative fair value of interest rate swaps AED 48,286 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement under ‘Net gains on dealing in derivatives’ (Note 20).

The Bank enters into repurchase agreements and total return swap agreements whereby Bonds are pledged and held by counter parties as collateral. The risks and rewards relating to the investments pledged remain with the Bank. The following table reflects the carrying value of these Bonds and the associated financial liabilities:

	As at June 30, 2011 (unaudited)		As at December 31, 2010 (audited)	
	Carrying value of pledged assets AED’000	Carrying value of associated liabilities AED’000	Carrying value of pledged assets AED’000	Carrying value of associated liabilities AED’000
Total return swaps	634,485	622,374	625,232	622,374
Repurchase financing	603,102	440,760	603,645	440,760
	1,237,587	1,063,134	1,228,877	1,063,134

Further, the Bank has also pledged investment securities with fair value amounting to AED 1,260,594 thousand (December 31, 2010 – AED 1,203,022) as collateral against margin calls. The risks and rewards relating to the investments pledged will remain with the Bank.

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

The nominal value and fair value of these securities at June 30, 2011 amounted to AED 420,411 thousand and AED 44,725 thousand respectively (December 31, 2010 - AED 421,872 thousand and AED 38,267 thousand respectively). The fair value is net of impairment loss amounting to AED 387,000 thousand (December 31, 2010: AED 383,327 thousand).

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

7 Investment securities (continued)

The Bank has appointed an independent advisor of international repute to act as asset manager and advisor to the portfolio of structured investments. The investment advisor advises on restructuring as well on potential divestments and provides the assessments of the realizable economic value of these securities.

The impairment losses on investments other than structured investments mentioned above have been estimated by the Banks' management based on the present market and the expected economic conditions of the underlying investments.

8 Investment in associates

Name of associate	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
RHB Capital Berhad ("RHB")*	-	5,253,664
Al Nokhitha Fund	67,117	71,330
ADCB MSCI U.A.E. Index Fund	31,891	33,205
Carrying value	99,008	5,358,199

* See note below on sale of investment in associate

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

	Name of associate	Principal activities	Country of incorporation	Ownership Interest	
				June 30 2011	December 31 2010
(a)	RHB Capital Berhad	Wholesale, retail and Islamic banking, financial advisory and underwriting, insurance and property investment.	Malaysia	-	25%
(b)	Al Nokhitha Fund	Investing in Equities listed in Abu Dhabi Exchange, Dubai Financial Market and in any other recognised stock exchanges of the GCC countries.	U.A.E.	21%	21%
(c)	ADCB MSCI U.A.E. Index Fund	Investing in Equities listed in Abu Dhabi Exchange, Dubai Financial Market, Dubai International Financial Exchange determined by MSCI UAE Index ("Index Securities").	U.A.E.	28%	29%

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

8 Investment in associates (continued)

The latest available financial information in respect of the Bank's associates is as at and for the six months period ended June 30, 2011 for Al Nokhitha Fund and ADCB MSCI U.A.E. Index Fund as follows:

	AED'000
Total assets	457,096
Total liabilities	3,719
	<hr/>
Net assets	453,377
	<hr/> <hr/>
Bank's share in net assets of associates	103,697
	<hr/> <hr/>
Total interest and other operating income	(20,886)
	<hr/> <hr/>
Total loss for the period	(24,498)
	<hr/> <hr/>
Bank's share in loss of associates	(5,526)
	<hr/> <hr/>
Bank's share in contingent liabilities of associates	-
	<hr/> <hr/>

Sale of investment in associate

In June 2011, the Bank's subsidiary ADCB Malaysia (Holdings) Ltd. Malaysia, entered into a binding sale and purchase agreement ("agreement") for the disposal of its entire equity holding held in RHB for a consideration of AED 7,111,817 thousand. Through this agreement the Bank has transferred its risks and rewards with respect to the ownership of RHB to the purchaser and recognized the disposal and gain on disposal in the current period. This investment was treated as an associate until the date the disposal was approved. The total share of profits from RHB recognized in the income statement during the current period amounted to AED 181,376 thousand (For the six months period ended June 30, 2010: AED 208,834 thousand)

At June 30, 2011, the receipt of sale consideration and transfer of equity shares into the purchaser's account are pending completion of required formalities under the sale and purchase agreement. Therefore the sale of RHB has not resulted in any cash flows in the current period.

The excess of sale consideration over the net carrying value of the investment in associate, net of hedge reserves and translation reserves recycled as on the date of disposal has been included in the 'Net gain on sale of investment in associate' in the condensed consolidated interim income statement.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

8 Investment in associates (continued)

Sale of investment in associate (continued)

Net gain on sale of investment in associate on sale date

	AED'000
Sale consideration	7,111,817
Less: Carrying value of investment in associate	(5,343,098)
Less: Hedge reserve recycled from comprehensive income	(604,465)
Add: Foreign currency translation reserve recycled from comprehensive income	205,156
Less: Cost associated with disposal	(55,095)
	<hr/>
	1,314,315
	<hr/> <hr/>

9 Investment properties

	Completed and in use AED'000	Under development AED'000	Total AED'000
As at January 1, 2010	549,492	-	549,492
Additions during the year	-	73,583	73,583
Decrease in fair value during the year	(116,412)	-	(116,412)
Transfer to property and equipment, net	(217,471)	-	(217,471)
	<hr/>	<hr/>	<hr/>
As at January 1, 2011 (audited)	215,609	73,583	289,192
Additions during the period	-	28,767	28,767
	<hr/>	<hr/>	<hr/>
As at June 30, 2011 (unaudited)	215,609	102,350	317,959
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Bank engages external independent valuers to assess the fair value of the Bank's investment properties. In addition, the Bank also applies internal discounted cash flow valuation techniques using assumptions on future rental and discount rates. The external valuers are of international repute possessing relevant experience and requisite qualification in the valuation of properties. The effective date of the valuation is June 30, 2011.

The valuation methodologies considered by external valuers include

- a) Direct Comparable method : This method seeks to determine the value of the property from transactions of comparable properties
- b) Residual method : This method is used to assess the value of the property with a development potential where there is inadequate comparable evidence. This method is commonly used in the valuation of the site under development in the local market.

All investment properties of the Bank are located within the U.A.E.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

10 Other assets

	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Interest receivable	1,173,361	1,237,727
Withholding tax	184,943	65,082
Prepayments	92,463	77,390
Clearing receivables	-	1,848
Sale consideration receivable on sale of associate	7,170,230	-
Acceptances	10,393,169	9,367,982
Others	1,108,179	1,739,128
	<hr/>	<hr/>
	20,122,345	12,489,157
	<hr/> <hr/>	<hr/> <hr/>

Acceptances arise when the Bank guarantees payments against documents drawn under letters of credit and are recognised as financial liability in the condensed consolidated interim statement of financial position with a contractual right of reimbursement from the customer as financial asset.

11 Due to banks

	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Current and demand deposits	1,087,709	1,001,602
Deposits – banks	2,995,744	3,840,263
	<hr/>	<hr/>
	4,083,453	4,841,865
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

12 Short and medium term borrowings

The details of short and medium term borrowings as at June 30, 2011 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Total AED'000
Unsecured notes	Australian Dollar (AUD)	72,128	-	-	72,128
	Hong Kong Dollar (HKD)	-	94,332	-	94,332
	Japanese Yen (JPY)	155,386	-	-	155,386
	Malaysian Ringitt (MYR)	-	-	871,027	871,027
	Pound Sterling (GBP)	3,500,002	-	-	3,500,002
	Slovak Koruna (SKK)	103,757	-	-	103,757
	South African Rand (ZAR)	-	51,299	-	51,299
	Swiss Franc (CHF)	-	-	575,705	575,705
	Turkish Lira (TRY)	-	-	94,003	94,003
	U.A.E. Dirham (AED)	-	1,253,000	-	1,253,000
	US Dollar (US\$)	36,730	-	3,673,000	3,709,730
		3,868,003	1,398,631	5,213,735	10,480,369
Syndicated loans	US Dollar (US\$)	3,422,501	3,739,849	-	7,162,350
	Euro (EUR)	-	328,015	-	328,015
Subordinated floating rate notes	US Dollar (US\$)	-	-	1,172,789	1,172,789
Borrowings through total return swaps	US Dollar (US\$)	-	249,397	179,977	429,374
	U.A.E. Dirham (AED)	-	193,000	-	193,000
Borrowings through repurchase agreements	US Dollar (US\$)	-	-	440,760	440,760
		7,290,504	5,908,892	7,007,261	20,206,657
Fair value adjustment on short and medium term borrowings being hedged					17,219
					20,223,876

Included in short and medium term borrowings is AED 5,588,259 thousand which have been hedged using cross currency swaps. The cross currency swaps are designated as fair value hedges.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

12 Short and medium term borrowings (continued)

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

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Total AED'000
Unsecured notes	Australian Dollar (AUD)	-	144,257	-	144,257
	Hong Kong Dollar (HKD)	47,363	94,333	-	141,696
	Japanese Yen (JPY)	155,388	-	-	155,388
	Malaysian Ringitt (MYR)	-	-	868,261	868,261
	Pound Sterling (GBP)	3,500,001	-	-	3,500,001
	Slovak Koruna (SKK)	-	103,758	-	103,758
	South African Rand (ZAR)	-	51,299	-	51,299
	Swiss Franc (CHF)	837,946	-	-	837,946
	U.A.E. Dirham (AED)	1,300,000	1,253,000	-	2,553,000
	US Dollar (US\$)	73,460	-	3,673,000	3,746,460
		5,914,158	1,646,647	4,541,261	12,102,066
Syndicated loans	US Dollar (US\$)	550,950	6,978,700	-	7,529,650
	Euro (EUR)	-	328,015	-	328,015
Borrowings through total return swaps	US Dollar (US\$)	-	-	429,374	429,374
	U.A.E. Dirham (AED)	-	-	193,000	193,000
Borrowings through repurchase agreements	US Dollar (US\$)	-	-	440,760	440,760
		6,465,108	8,953,362	5,604,395	21,022,865
Fair value adjustment on short and medium term borrowings being hedged					(3,171)
					21,019,694

Included in short and medium term borrowings is AED 9,803,618 thousand which have been hedged using cross currency swaps. The cross currency swaps are designated as fair value hedges.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

12 Short and medium term borrowings (continued)

Interest on unsecured notes is payable quarterly in arrears and the coupon rates as at June 30, 2011 (unaudited) are as follows:

<u>Currency</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>
AUD	3 months AUD-BBSW plus 30 basis points	-	-
HKD	-	3 months HIBOR offer rate plus 29 basis points	-
JPY	Fixed rate of 1.66% p.a.	-	-
GBP	Fixed rate of 5.625% p.a.	-	-
SKK	3 months BRIBOR plus 11 basis points	-	-
ZAR	-	3 months JIBAR plus 41 basis points	-
CHF	-	-	Fixed rate of 3.01% p.a.
MYR	-	-	Fixed rate of 5.2% p.a.
TRY	-	-	Fixed rate of 12.75% p.a.
AED	-	Fixed rate of 6% p.a.	-
US\$	3 months LIBOR plus 110 basis points	-	Fixed rate of 4.75% p.a.

Interest on the syndicated loans are payable in monthly coupons in arrears with 25 basis points over 1 month LIBOR and quarterly coupons in arrears with 27.5 basis points to 110 basis points over 3 months LIBOR. The Bank has option to roll over the syndicated loan for a further period of two years from the date of maturity.

Interest on the subordinated floating rate notes is payable quarterly in arrears at a coupon rate of 110 basis points over 3 months LIBOR. The subordinated floating rate notes were obtained from financial institutions outside the U.A.E. and qualify as Tier 2 subordinated loan capital for the first 5 year period till 2011 and thereafter it will be amortised at the rate of 20% per annum till 2016 for capital adequacy calculation (Note 25) if these are not redeemed during 2011. This has been approved by the Central Bank of the U.A.E.

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

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

Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011 (continued)

13 Long term borrowings

Instrument	Currency	As at	As at
		June 30 2011 (unaudited) AED'000	December 31 2010 (audited) AED'000
Unsecured notes	Turkish Lira (TRY)	-	94,003
	U.A.E. Dirham (AED)	500,000	500,000
	Malaysian Ringitt (MYR)	473,706	476,472
	US Dollar (US\$)	73,460	73,460
		1,047,166	1,143,935
Subordinated floating rate notes	US Dollar (US\$)	-	1,172,789
Tier 2 loan	U.A.E. Dirham (AED)	6,617,456	6,617,456
Fair value adjustment on long term borrowings being hedged		10,791	(28,071)
		7,675,413	8,906,109

Included in long term borrowings is AED 486,571 thousand (December 31, 2010 – AED 570,475 thousand) which have been hedged using cross currency swaps. The cross currency swaps are designated as fair value hedges.

Interest on unsecured notes is payable in arrears and the coupon rates as at June 30, 2011 (unaudited) are as follows:

<u>Currency</u>	<u>Over 5 years</u>
AED	Fixed rate of 6% p.a.
MYR	Fixed rate of 5.35% p.a.
US\$	Fixed rate of 5.3875% p.a.

Tier 2 loan

In 2008, the U.A.E. federal government provided liquidity support in the form of new government deposits to the U.A.E.'s major commercial banks, including ADCB. Late in 2008, the U.A.E. federal government made an offer to convert these deposits into Tier 2 qualifying loans. In March 2009, the Bank accepted this offer to convert approximately AED 6,617,456 thousand government deposits into Tier 2 qualifying loans. As per this offer, the Tier 2 qualifying loan will mature seven years from the date of the issue and interest is payable on a quarterly basis at a fixed rate of 4 percent per annum commencing March 31, 2009 for the first two years, 4.5 percent per annum for the third year, 5 percent per annum for the fourth year and 5.25 percent per annum for the remaining period. The terms also provide that ADCB will have a call option to repay the loans partially or fully at the end of five years from the date of issue. For regulatory purposes, the loan qualifies as Tier 2 capital.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011 (continued)**

14 Other liabilities

	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Interest payable	1,279,730	1,281,661
Employees' end of service benefits	170,103	166,863
Accounts payable and other creditors	968,019	870,885
Clearing payables	55	12,704
Current income tax payable	-	9,232
Deferred income	248,878	245,450
Acceptances	10,393,169	9,367,982
Others	2,262,286	2,324,321
	15,322,240	14,279,098

Acceptances arise when the Bank guarantees payments against documents drawn under letters of credit and are recognised as financial liability in the condensed consolidated interim statement of financial position with a contractual right of reimbursement from the customer as a financial asset.

15 Share capital

	Authorised AED'000	Issued and fully paid	
		As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Ordinary shares of AED 1 each	5,595,597	5,595,597	4,810,000
	June 30, 2011 (unaudited)	December 31, 2010 (audited)	
	Number of shares	AED'000	Number of shares
			AED'000
As of January 1	4,810,000,000	4,810,000	4,810,000,000
Shares issued on conversion of mandatory convertible securities	785,597,381	785,597	-
As at	5,595,597,381	5,595,597	4,810,000,000

In April 2011, the mandatory convertible securities ("MCS") with a nominal value of AED 4,800,000 thousand were converted into ordinary equity shares of the Bank. On conversion, 785,597,381 equity shares were issued at the conversion price of AED 6.11 per share. The difference between the nominal value of the shares and conversion price resulted in share premium.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

15 Share capital (continued)

Reconciliation of share premium is as follows:

	AED' 000
Nominal value of MCS	4,800,000
Less: Nominal value of shares issued on conversion of MCS	(785,597)
	<hr/>
Share premium	4,014,403
Less: Mandatory convertible securities – liability component	(144,482)
Less: Issue expenses of MCS	(21,635)
	<hr/>
Balance of share premium	3,848,286
	<hr/> <hr/>

As at June 30, 2011, Abu Dhabi Investment Council holds 58.079% (December 31, 2010 : 64.843%) of the Bank's issued and fully paid up share capital. The change in percentage is due to issue of new equity shares on conversion of mandatory convertible securities in April 2011.

16 Capital notes

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

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

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

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

17 Interest income

	3 months ended June 30		6 months ended June 30	
	(unaudited)		(unaudited)	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
Loans and advances to banks	56,696	36,083	121,462	53,758
Loans and advances to customers	1,622,821	1,644,580	3,321,312	3,225,087
Investment securities	77,646	44,496	130,585	77,596
	1,757,163	1,725,159	3,573,359	3,356,441

18 Interest expense

	3 months ended June 30		6 months ended June 30	
	(unaudited)		(unaudited)	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
Deposits from banks	21,943	33,843	26,518	69,572
Deposits from customers	581,563	607,985	1,266,824	1,151,324
Debt securities issued and subordinated liabilities	77,242	118,074	188,124	214,949
Interest on mandatory convertible securities and long term notes	86,460	73,724	187,741	168,531
	767,208	833,626	1,669,207	1,604,376

19 Net fees and commission income

	3 months ended June 30		6 months ended June 30	
	(unaudited)		(unaudited)	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
Fees and commission income				
Retail banking fees	158,637	136,973	344,834	258,131
Corporate banking fees	76,235	70,812	158,627	163,791
Brokerage fees	1,095	1,123	2,327	2,676
Fees from trust and other fiduciary activities	17,016	8,488	29,722	15,512
Other fees	11,745	11,578	24,094	19,748
Total fees and commission income	264,728	228,974	559,604	459,858
Fees and commission expenses	(17,741)	(23,390)	(50,061)	(44,587)
Net fees and commission income	246,987	205,584	509,543	415,271

Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011 (continued)

20 Net trading income

	<u>3 months ended June 30</u>		<u>6 months ended June 30</u>	
	(unaudited)		(unaudited)	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
Net gains on dealing in derivatives	44,798	27,854	106,975	14,326
Net gains from dealing in foreign currencies	36,770	1,394	73,210	28,858
Net gains/(losses) from trading and investment securities	23,095	(11,105)	26,247	2,676
	104,663	18,143	206,432	45,860

21 Other impairment

	<u>3 months ended June 30</u>		<u>6 months ended June 30</u>	
	(unaudited)		(unaudited)	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
Impairment allowance on investment securities	-	183,307	3,673	218,299
Impairment allowance on credit default swaps (Note 23)	196,596	22,038	266,567	79,182
	196,596	205,345	270,240	297,481

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

22 Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Bank and the weighted average number of equity shares outstanding. Diluted earnings per share is calculated by adjusting the weighted average number of equity shares outstanding for the dilutive effects of potential equity shares held on account of employees' incentive plan.

	3 months ended June 30		6 months ended June 30	
	(unaudited) 2011	2010	(unaudited) 2011	2010
Net profit/(loss) for the period attributable to the equity holders of the Bank (AED'000)	1,334,943	(527,325)	1,909,343	(308,768)
Add: Interest on MCS for the period (AED'000)	4,826	23,382	25,564	52,107
Less: Capital notes coupon paid (AED'000)	-	-	(116,667)	(122,667)
	<hr/>	<hr/>	<hr/>	<hr/>
Net adjusted profit/(loss) for the period attributable to the equity holders of the Bank (AED'000) (a)	1,339,769	(503,943)	1,818,240	(379,328)
	<hr/>	<hr/>	<hr/>	<hr/>
Weighted average number of shares in issue throughout the period (000's)	5,595,597	4,810,000	5,595,597	4,810,000
Add: Weighted average number of shares resulting from conversion of MCS (000's)	-	785,597	-	785,597
Less: Weighted average number of shares held on account of Employees' incentive plan (000's)	(50,942)	(37,167)	(43,055)	(30,892)
	<hr/>	<hr/>	<hr/>	<hr/>
Weighted average number of equity shares used for calculating basic earnings per share (000's) (b)	5,544,655	5,558,430	5,552,542	5,564,705
Add: Weighted average number of shares held on account of Employees' incentive plan (000's)	50,942	37,167	43,055	30,892
	<hr/>	<hr/>	<hr/>	<hr/>
Weighted average number of equity shares used for calculating diluted earnings per share (000's) (c)	5,595,597	5,595,597	5,595,597	5,595,597
	<hr/>	<hr/>	<hr/>	<hr/>
Basic earnings/(loss) per share (AED) (a)/(b)	0.24	(0.09)	0.33	(0.07)
	<hr/>	<hr/>	<hr/>	<hr/>
Diluted earnings/(loss) per share (AED) (a)/(c)	0.24	(0.09)	0.32	(0.07)
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

23 Commitments and contingent liabilities

The Bank had the following commitments and contingent liabilities at:

	June 30 2011 (unaudited) AED'000	December 31 2010 (audited) AED'000
Commitments on behalf of customers		
Letters of credit	4,857,242	2,261,976
Guarantees	10,946,405	13,705,166
Commitments to extend credit – Revocable	7,893,262	5,590,046
Commitments to extend credit – Irrevocable	6,789,904	8,257,407
Credit default swaps	150,593	412,295
	<hr/>	<hr/>
	30,637,406	30,226,890
Others		
Commitments for future capital expenditure	377,037	425,319
Commitments to invest in investment securities	235,059	246,380
Commitments to invest in associate	-	387,133
	<hr/>	<hr/>
	31,249,502	31,285,722
	<hr/> <hr/>	<hr/> <hr/>

The Bank's total exposure in credit default swaps is net of provisions.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

24 Operating segments

Effective April 1, 2011, the Bank introduced property management as a separate operating segment. This includes real estate and property management activities which on an aggregated basis meets the reporting threshold as a separate operating component and the results are reviewed regularly by the Bank's chief operating decision maker. Prior to April 1, 2011, these activities were included in corporate support along with other activities. The residual balance in corporate support after reclassification of real estate and property management activities is allocated to other operating segments in proportion to the segmental assets and prior period results have been reclassified to meet the new reporting requirement.

The Bank has four reportable segments, as described below, which are the Bank's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Bank's management and internal reporting structure. For each of the strategic divisions, the Bank Management Committee reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Bank's reportable segments

- Wholesale banking - comprises of business banking, cash management, trade finance, corporate finance, investment banking, Indian operations, infrastructure and strategic client operations. It includes loans, deposits and other transactions and balances with corporate customers.
- Consumer banking - comprises of consumer, retail, wealth management and Islamic operations. It includes loans, deposits and other transactions and balances with retail customers and corporate and private accounts of high networth individuals and funds management activities.
- Investments and treasury - comprises of central treasury operations, management of the Bank's investment portfolio and interest rate, currency and commodity derivative portfolio. Investments and treasury undertakes the Bank's funding and centralized risk management activities through borrowings, issues of debt securities, use of derivatives for risk management and investing in liquid assets such as short-term placements and corporate and government debt securities and trading and corporate finance activities.
- Property management - comprises of real estate management and engineering service operations of subsidiaries - Abu Dhabi Commercial Properties L.L.C., Abu Dhabi Commercial Engineering Services L.L.C., ADCB Real Estate Fund operations and rental income.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Management Executive Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

24 Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the six months period ended June 30, 2011 (unaudited):

	Consumer banking	Wholesale banking	Investments and treasury	Property management	Total
	AED' 000	AED' 000	AED' 000	AED'000	AED' 000
Net interest and Islamic financing income	1,062,860	480,513	365,299	52,657	1,961,329
Non-interest income	372,894	128,780	219,085	65,761	786,520
Operating expenses	(654,227)	(224,439)	(71,873)	(36,548)	(987,087)
Operating profit before impairment allowances	781,527	384,854	512,511	81,870	1,760,762
Impairment allowance on loans and advances, net	(653,081)	(410,612)	-	-	(1,063,693)
Other impairment	-	-	(270,240)	-	(270,240)
Share of (loss)/profit of associates	(5,526)	181,376	-	-	175,850
Profit before taxation	122,920	155,618	242,271	81,870	602,679
Overseas income tax refund	-	972	-	-	972
Profit for the period	122,920	156,590	242,271	81,870	603,651
Net gain on sale of investment in associate	-	1,314,315	-	-	1,314,315
Net profit for the period	122,920	1,470,905	242,271	81,870	1,917,966
Capital expenditure					83,661
As at June 30, 2011 (unaudited)					
Segment assets	65,449,031	72,950,684	40,613,900	329,334	179,342,949
Segment liabilities	27,072,496	61,206,312	68,754,665	820,190	157,853,663

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011 (continued)**

24 Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the six months period ended June 30, 2010 (unaudited):

	Consumer banking	Wholesale banking	Investments and treasury	Property management	Total
	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000
Net interest and Islamic financing income	800,275	529,524	396,179	45,640	1,771,618
Non-interest income	258,137	215,025	18,649	22,637	514,448
Operating expenses	(480,033)	(213,336)	(71,960)	(34,936)	(800,265)
Operating profit before impairment allowances	578,379	531,213	342,868	33,341	1,485,801
Impairment allowance on loans and advances, net	(396,168)	(1,290,586)	-	-	(1,686,754)
Other impairment	-	(29,232)	(268,249)	-	(297,481)
Share of (loss)/profit of associates	(14,698)	208,834	-	-	194,136
Profit/(loss) before taxation	167,513	(579,771)	74,619	33,341	(304,298)
Overseas income tax expense	-	(1,645)	-	-	(1,645)
Net profit/(loss) for the period	167,513	(581,416)	74,619	33,341	(305,943)
Capital expenditure					49,875
As at December 31, 2010 (audited)					
Segment assets	68,462,361	72,605,790	36,898,903	304,140	178,271,194
Segment liabilities	27,070,006	58,496,837	72,301,161	829,842	158,697,846

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

24 Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the three months period ended June 30, 2011 (unaudited):

	Consumer banking	Wholesale banking	Investments and treasury	Property management	Total
	AED' 000	AED' 000	AED' 000	AED'000	AED' 000
Net interest and Islamic financing income	<u>540,652</u>	<u>241,687</u>	<u>226,259</u>	<u>27,051</u>	<u>1,035,649</u>
Non-interest income	<u>188,362</u>	<u>22,196</u>	<u>143,833</u>	<u>31,814</u>	<u>386,205</u>
Operating expenses	<u>(361,617)</u>	<u>(137,831)</u>	<u>(40,857)</u>	<u>(19,704)</u>	<u>(560,009)</u>
Operating profit before impairment allowances	<u>367,397</u>	<u>126,052</u>	<u>329,235</u>	<u>39,161</u>	<u>861,845</u>
Impairment allowance on loans and advances, net	<u>(374,266)</u>	<u>(363,928)</u>	<u>-</u>	<u>-</u>	<u>(738,194)</u>
Other impairment	<u>-</u>	<u>-</u>	<u>(196,596)</u>	<u>-</u>	<u>(196,596)</u>
Share of profit of associates	<u>3,363</u>	<u>88,111</u>	<u>-</u>	<u>-</u>	<u>91,474</u>
Profit/(loss) before taxation	<u>(3,506)</u>	<u>(149,765)</u>	<u>132,639</u>	<u>39,161</u>	<u>18,529</u>
Overseas income tax refund	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>-</u>	<u>2,562</u>
(Loss)/profit for the period	<u>(3,506)</u>	<u>(147,203)</u>	<u>132,639</u>	<u>39,161</u>	<u>21,091</u>
Net gain on sale of investment in associate	<u>-</u>	<u>1,314,315</u>	<u>-</u>	<u>-</u>	<u>1,314,315</u>
Net (loss)/profit for the period	<u>(3,506)</u>	<u>1,167,112</u>	<u>132,639</u>	<u>39,161</u>	<u>1,335,406</u>
Capital expenditure					<u>46,968</u>

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

24 Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the three months period ended June 30, 2010 (unaudited):

	Consumer banking	Wholesale banking	Investments and treasury	Property management	Total
	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000
Net interest and Islamic financing income	425,664	251,912	199,249	23,100	899,925
Non-interest income	124,900	98,034	6,563	(5,141)	224,356
Operating expenses	(258,607)	(119,827)	(43,907)	(16,520)	(438,861)
Operating profit before impairment allowances	291,957	230,119	161,905	1,439	685,420
Impairment allowance on loans and advances, net	(202,869)	(894,697)	-	-	(1,097,566)
Other impairment	-	(16,235)	(189,110)	-	(205,345)
Share of (loss)/profit of associates	(23,681)	109,787	-	-	86,106
Profit/(loss) before taxation	65,407	(571,026)	(27,205)	1,439	(531,385)
Overseas income tax refund	-	433	-	-	433
Net profit/(loss) for the period	65,407	(570,593)	(27,205)	1,439	(530,952)
Capital expenditure					25,373

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

24 Operating segments (continued)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments.
- all liabilities are allocated to reportable segments.

Other disclosures

The following is the analysis of the total operating income of each segment between income from external parties and inter-segment.

**Six months period ended June 30,
2011 (unaudited)**

	Consumer banking	Wholesale banking	Investments and treasury	Property management	Total
	AED' 000	AED' 000	AED' 000	AED'000	AED' 000
External	<u>2,335,848</u>	<u>714,583</u>	<u>(367,536)</u>	<u>64,954</u>	<u>2,747,849</u>
Inter-segment	<u>(900,094)</u>	<u>(105,290)</u>	<u>951,920</u>	<u>53,464</u>	<u>-</u>

Six months period ended June 30, 2010
(unaudited)

External	<u>1,922,248</u>	<u>1,180,130</u>	<u>(838,226)</u>	<u>21,914</u>	<u>2,286,066</u>
Inter-segment	<u>(863,836)</u>	<u>(435,581)</u>	<u>1,253,054</u>	<u>46,363</u>	<u>-</u>

**Three months period ended June 30,
2011 (unaudited)**

	Consumer banking	Wholesale banking	Investments and treasury	Property management	Total
	AED' 000	AED' 000	AED' 000	AED'000	AED' 000
External	<u>1,166,675</u>	<u>324,498</u>	<u>(100,818)</u>	<u>31,499</u>	<u>1,421,854</u>
Inter-segment	<u>(437,661)</u>	<u>(60,615)</u>	<u>470,910</u>	<u>27,366</u>	<u>-</u>

Three months period ended June 30,
2010 (unaudited)

External	<u>994,487</u>	<u>554,284</u>	<u>(418,715)</u>	<u>(5,775)</u>	<u>1,124,281</u>
Inter-segment	<u>(443,923)</u>	<u>(204,338)</u>	<u>624,527</u>	<u>23,734</u>	<u>-</u>

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011** (continued)

24 Operating segments (continued)

Geographical information

The Bank operates in two principal geographic areas that is Domestic and International. The United Arab Emirates is designated as Domestic area which represents the operations of the Bank that originates from the U.A.E. branches and subsidiaries; and International area represents the operations of the Bank that originates from its branches in India and through its subsidiaries and associate outside U.A.E. The Bank's operations and information about its segment assets (non-current assets excluding investments in associates and other financial instruments) by geographical location are detailed as follows:

	Domestic (unaudited)		International (unaudited)	
	6 months ended		6 months ended	
	June 30 2011 AED'000	June 30 2010 AED'000	June 30 2011 AED'000	June 30 2010 AED'000
Income				
Net interest and Islamic financing income	1,948,594	1,762,393	12,735	9,225
Non-interest income	860,138	510,139	(73,618)	4,309
Share in (loss)/profit of associates	(5,526)	(14,698)	181,376	208,834
Net gain from sale of investment in associate	-	-	1,314,315	-

	Domestic (unaudited)		International (unaudited)	
	3 months ended		3 months ended	
	June 30 2011 AED'000	June 30 2010 AED'000	June 30 2011 AED'000	June 30 2010 AED'000
Income				
Net interest and Islamic financing income	1,028,722	898,034	6,927	1,891
Non-interest income	459,840	222,718	(73,635)	1,638
Share in profit of associates	3,363	(23,681)	88,111	109,787
Net gain from sale of investment in associate	-	-	1,314,315	-

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011 (continued)**

24 Operating segments (continued)

Geographical information (continued)

Non-current assets	Domestic		International	
	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Investment properties	<u>317,959</u>	<u>289,192</u>	<u>-</u>	<u>-</u>
Property and equipment, net	<u>1,045,705</u>	<u>1,064,670</u>	<u>6,533</u>	<u>5,651</u>
Intangible assets	<u>141,140</u>	<u>155,180</u>	<u>-</u>	<u>-</u>

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011 (continued)**

25 Capital adequacy

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

	Basel II	
	As at June 30 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Tier 1 capital		
Share capital	5,595,597	4,810,000
Share premium	3,848,286	-
Statutory and legal reserves	2,704,179	2,704,179
General and contingency reserves	2,150,000	2,150,000
Employees' incentive plan shares, net	(78,475)	(36,677)
Foreign currency translation reserve	(6,310)	136,676
Retained earnings	3,317,441	991,927
Non-controlling interests in equity of subsidiaries	17,184	8,561
Capital notes (Note 16)	4,000,000	4,000,000
Mandatory convertible securities	-	4,663,014
Cumulative changes in fair value	(58,616)	-
Less: Investment in associates (50%)	(49,504)	(2,679,100)
Less: Intangible assets	(141,140)	-
Less: Securitization exposures (due to rating migration)	(308,675)	(532,475)
	20,989,967	16,216,105
Tier 2 capital		
Collective impairment allowance on loans and advances	1,667,128	1,581,985
Cumulative changes in fair value	-	174,799
Tier 2 loan (Note 13)	6,617,456	6,617,456
Subordinated floating rate notes (Note 12)	938,231	1,172,789
Less: Investment in associates (50%)	(49,504)	(2,679,099)
Less: Securitization exposures (due to rating migration)	(308,675)	(532,475)
	8,864,636	6,335,455
Total regulatory capital	29,854,603	22,551,560
Risk-weighted assets:		
Credit risk	133,370,224	126,558,829
Market risk	1,791,837	3,464,224
Operational risk	5,740,828	5,405,406
Total risk-weighted assets	140,902,889	135,428,459
Capital adequacy ratio	21.19%	16.65%

The capital adequacy ratio was above the minimum requirement of 12% for June 30, 2011 (December 31, 2010 – 12%) stipulated by the U.A.E. Central Bank.

**Notes to the condensed consolidated interim financial information
for the period ended June 30, 2011 (continued)****26 Legal proceeding**

As alleged by the Bank, during 2007 the Bank was induced into restructuring its investment in a Cayman – Islands based Structured Investment Vehicle. As a result of the restructuring, the Bank entered into a Credit Default Swap (“CDS”) transaction under which the Bank assumed credit risk of AED 1,141,477 thousand (USD 310,775 thousand) referencing a loan used by the Structured Investment Vehicle to purchase a diversified portfolio of corporate and asset – backed securities (“ABS”) originally rated AAA.

In November 2010, the Bank filed a legal claim against, amongst others Credit Suisse and Standard & Poor’s with the Supreme Court of the State of New York, USA which, amongst other things asks the Court to declare the restructuring (and the CDS transaction) void. The Bank alleges, amongst other things, that it was induced to enter into an emergency restructuring transaction based on false and misleading information namely that Credit Suisse failed to disclose conflicts of interests and other material information, and provided misleading information, to the Bank when structuring, marketing and selling, the investment and CDS.

The Bank is involved in various other legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Bank’s condensed consolidated interim financial information if disposed unfavorably.

27 Approval of financial statements

This condensed consolidated financial information was approved by the Board of Directors and authorised for issue on August 2, 2011.