

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

**Review report and condensed consolidated  
interim financial statements for the period  
ended March 31, 2011**

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

**Review report and condensed consolidated interim financial statements  
for the period ended March 31, 2011**

	<b>Page</b>
<b>Report on review of interim financial information</b>	<b>1</b>
<b>Condensed consolidated interim statement of financial position</b>	<b>2</b>
<b>Condensed consolidated interim income statement (unaudited)</b>	<b>3</b>
<b>Condensed consolidated interim statement of comprehensive income (unaudited)</b>	<b>4</b>
<b>Condensed consolidated interim statement of changes in equity (unaudited)</b>	<b>5 - 6</b>
<b>Condensed consolidated interim statement of cash flows (unaudited)</b>	<b>7</b>
<b>Notes to the condensed consolidated interim financial statements</b>	<b>8 – 41</b>

**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 March 31, 2011 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three 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 financial information and annual financial statements for the period ended March 31, 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 April 27, 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.

PricewaterhouseCoopers



Jacques Fakhoury  
Registration Auditor Number 379  
26 April 2011

**Condensed consolidated interim statement of financial position  
as at March 31, 2011**

	Notes	As at March 31 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with Central Banks	3	5,532,596	5,887,630
Deposits and balances due from banks	4	20,015,683	18,397,534
Loans and advances, net	5	121,072,748	122,771,870
Derivative financial instruments	6	4,053,612	3,588,973
Investment securities	7	10,586,827	8,263,138
Investments in associates	8	5,525,910	5,358,199
Investment properties	9	302,230	289,192
Other assets	10	12,409,741	12,489,157
Property and equipment, net		1,057,875	1,070,321
Intangible assets		148,160	155,180
<b>Total assets</b>		<b>180,705,382</b>	<b>178,271,194</b>
<b>LIABILITIES</b>			
Due to banks	11	3,982,127	4,841,865
Deposits from customers		109,132,403	106,134,185
Mandatory convertible securities – liability component	26	6,318	29,131
Short and medium term borrowings	12	20,227,729	21,019,694
Derivative financial instruments	6	3,729,494	3,487,764
Long term borrowings	13	8,948,708	8,906,109
Other liabilities	14	14,788,139	14,279,098
<b>Total liabilities</b>		<b>160,814,918</b>	<b>158,697,846</b>
<b>EQUITY</b>			
Share capital	15	4,810,000	4,810,000
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		(88,232)	(36,677)
Foreign currency translation reserve		240,225	136,676
Hedge reserve		(615,408)	(537,904)
Cumulative changes in fair values		51,321	174,799
Other reserve		5,841	5,630
Retained earnings		1,981,934	1,524,201
Capital notes	16	4,000,000	4,000,000
Mandatory convertible securities – equity component	26	4,633,883	4,633,883
<b>Equity attributable to equity holders of the parent</b>		<b>19,873,743</b>	<b>19,564,787</b>
<b>Non-controlling interests</b>		<b>16,721</b>	<b>8,561</b>
<b>Total equity</b>		<b>19,890,464</b>	<b>19,573,348</b>
<b>Total liabilities and equity</b>		<b>180,705,382</b>	<b>178,271,194</b>

  
Eissa Al Suwaidi  
Chairman

  
Ala'a Eraiqat  
Chief Executive Officer

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

**Condensed consolidated interim income statement (unaudited)  
for the period ended March 31, 2011**

	Notes	3 months ended March 31	
		2011 AED'000	2010 AED'000
Interest income	17	1,816,196	1,631,282
Interest expense	18	(901,999)	(770,750)
<b>Net interest income</b>		<b>914,197</b>	860,532
Income from Islamic financing		77,424	40,053
Distribution to depositors		(65,941)	(28,892)
<b>Net income from Islamic financing</b>		<b>11,483</b>	11,161
<b>Total net interest and Islamic financing income</b>		<b>925,680</b>	871,693
Net fees and commission income	19	262,556	209,687
Net trading income	20	101,769	27,717
Share of profit of associates		84,376	108,030
Other operating income		35,990	52,688
<b>Operating income</b>		<b>1,410,371</b>	1,269,815
Staff expenses		(199,539)	(194,737)
Depreciation		(36,101)	(23,901)
Amortisation of intangible assets		(7,020)	-
Other operating expenses		(184,418)	(142,766)
<b>Operating expenses</b>		<b>(427,078)</b>	(361,404)
<b>Operating profit before impairment allowances and taxation</b>		<b>983,293</b>	908,411
Impairment allowance on loans and advances, net	5	(325,499)	(589,188)
Other impairment	21	(73,644)	(92,136)
<b>Profit before taxation</b>		<b>584,150</b>	227,087
Overseas income tax expense		(1,590)	(2,078)
<b>Net profit for the period</b>		<b>582,560</b>	225,009
<b>Attributed to:</b>			
Equity holders of the parent		574,400	218,557
Non-controlling interests		8,160	6,452
<b>Net profit for the period</b>		<b>582,560</b>	225,009
<b>Basic earnings per share (AED)</b>	22	<b>0.09</b>	0.02

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

**Condensed consolidated interim statement of comprehensive income (unaudited)  
for the period ended March 31, 2011**

	<b>3 months ended March 31</b>	
	<b>2011</b>	2010
	<b>AED'000</b>	AED'000
<b>Net profit for the period</b>	<b>582,560</b>	225,009
Exchange difference arising on translation of foreign operations	<b>102,786</b>	209,649
Fair value changes on net investment in foreign operation hedges	<b>(77,504)</b>	(168,107)
Fair value changes reversed on disposal of available for sale investments	<b>(94)</b>	11,284
Fair value changes on available for sale investments	<b>(103,312)</b>	53,195
Share in other comprehensive income statement items of associate	<b>(19,098)</b>	-
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>485,338</b>	331,030
	<hr/> <hr/>	<hr/> <hr/>
<b>Attributed to:</b>		
Equity holders of the parent	<b>477,178</b>	324,578
Non-controlling interests	<b>8,160</b>	6,452
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>485,338</b>	331,030
	<hr/> <hr/>	<hr/> <hr/>

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

**Condensed consolidated interim statement of changes in equity (unaudited)  
for the period ended March 31, 2011**

	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	Other reserve AED'000	Retained earnings AED'000	Capital notes AED'000	Mandatory convertible securities - equity component AED'000	Attributable to equity holders of the parent AED'000	Non- controlling interests AED'000	Total equity AED'000
<b>Balance as at January 1, 2011</b>	<b>4,810,000</b>	<b>1,374,483</b>	<b>1,329,696</b>	<b>2,000,000</b>	<b>150,000</b>	<b>(36,677)</b>	<b>136,676</b>	<b>(537,904)</b>	<b>174,799</b>	<b>5,630</b>	<b>1,524,201</b>	<b>4,000,000</b>	<b>4,633,883</b>	<b>19,564,787</b>	<b>8,561</b>	<b>19,573,348</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	-	574,400	-	-	574,400	8,160	582,560
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	102,786	-	-	-	-	-	-	102,786	-	102,786
Fair value changes on net investment in foreign operation hedges	-	-	-	-	-	-	-	(77,504)	-	-	-	-	-	(77,504)	-	(77,504)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	(103,312)	-	-	-	-	(103,312)	-	(103,312)
Fair value changes reversed on disposal of available for sale investments	-	-	-	-	-	-	-	-	(94)	-	-	-	-	(94)	-	(94)
Share in other comprehensive income statement items of associate	-	-	-	-	-	-	763	-	(20,072)	211	-	-	-	(19,098)	-	(19,098)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,549</b>	<b>(77,504)</b>	<b>(123,478)</b>	<b>211</b>	<b>574,400</b>	<b>-</b>	<b>-</b>	<b>477,178</b>	<b>8,160</b>	<b>485,338</b>
Capital notes coupons paid (Note 16)	-	-	-	-	-	-	-	-	-	-	(116,667)	-	-	(116,667)	-	(116,667)
Shares granted	-	-	-	-	-	(60,800)	-	-	-	-	-	-	-	(60,800)	-	(60,800)
Shares – vested portion	-	-	-	-	-	9,245	-	-	-	-	-	-	-	9,245	-	9,245
<b>Balance as at March 31, 2011</b>	<b>4,810,000</b>	<b>1,374,483</b>	<b>1,329,696</b>	<b>2,000,000</b>	<b>150,000</b>	<b>(88,232)</b>	<b>240,225</b>	<b>(615,408)</b>	<b>51,321</b>	<b>5,841</b>	<b>1,981,934</b>	<b>4,000,000</b>	<b>4,633,883</b>	<b>19,873,743</b>	<b>16,721</b>	<b>19,890,464</b>

Retained earnings include AED 154,568 thousand of share of profit of associate transferred to reserve fund. These are not available for distribution.

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

**Condensed consolidated interim statement of changes in equity (unaudited)  
for the period ended March 31, 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	Attributable to equity holders of the parent AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance as at January 1, 2010	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(13,438)	(353,736)	(107,360)	(194,279)	1,467,983	4,000,000	4,633,883	19,021,032	69,087	19,090,119
Net profit for the period	-	-	-	-	-	-	-	-	-	218,557	-	-	218,557	6,452	225,009
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	209,649	-	-	-	-	-	209,649	-	209,649
Fair value changes on net investment in foreign operation hedges	-	-	-	-	-	-	-	(168,107)	-	-	-	-	(168,107)	-	(168,107)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	53,195	-	-	-	53,195	-	53,195
Fair value changes reversed on disposal of available for sale investments	-	-	-	-	-	-	-	-	11,284	-	-	-	11,284	-	11,284
Total comprehensive profit/(loss) for the period	-	-	-	-	-	-	209,649	(168,107)	64,479	218,557	-	-	324,578	6,452	331,030
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,692)	(6,692)
Capital notes coupons paid (Note 16)	-	-	-	-	-	-	-	-	-	(122,667)	-	-	(122,667)	-	(122,667)
Shares granted	-	-	-	-	-	(47,085)	-	-	-	-	-	-	(47,085)	-	(47,085)
Shares – vested portion	-	-	-	-	-	6,992	-	-	-	-	-	-	6,992	-	6,992
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	4,418	4,418
Balance as at March 31, 2010	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(53,531)	(144,087)	(275,467)	(129,800)	1,563,873	4,000,000	4,633,883	19,182,850	73,265	19,256,115

Retained earnings include AED 176,840 thousand of share of profit of associate transferred to reserve fund. These are not available for distribution.

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



**Condensed consolidated interim statement of cash flows (unaudited)  
for the period ended March 31, 2011**

	<b>3 months ended March 31</b>	
	<b>2011</b>	<b>2010</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>OPERATING ACTIVITIES</b>		
Net profit before taxation and non-controlling interests	584,150	227,087
<b>Adjustments for:</b>		
Depreciation	36,101	23,901
Amortisation of intangible assets	7,020	-
Dividend income	(3)	(863)
Impairment allowance on doubtful loans and advances	359,148	613,790
Recovery of allowance for doubtful loans and advances	(33,649)	(24,602)
Other impairment	73,644	92,136
Net gains from trading and available for sale securities	(3,152)	(13,781)
Share of profit of associates	(84,376)	(108,030)
Imputed interest on mandatory convertible securities	(22,813)	(12,663)
Ineffective portion of hedges	(1,269)	-
Employees' incentive plan benefit expense	9,245	6,992
<b>Operating profit before changes in operating assets and liabilities</b>	<b>924,046</b>	<b>803,967</b>
Increase in due from banks	(579,550)	(419,328)
Increase in net trading derivative financial instruments	(2,823)	(53,939)
Decrease/(increase) in loans and advances	1,382,733	(1,211,180)
Decrease/(increase) in other assets	68,686	(206,032)
(Decrease)/increase in due to banks	(1,235,104)	1,079,230
Increase in deposits from customers	3,032,849	3,839,221
Increase in other liabilities	335,429	484,722
<b>Cash from operating activities</b>	<b>3,926,266</b>	<b>4,316,661</b>
Overseas taxation paid	-	(2,078)
<b>Net cash from operating activities</b>	<b>3,926,266</b>	<b>4,314,583</b>
<b>INVESTING ACTIVITIES</b>		
Investments in associates	(328)	(743)
Dividend income	3	863
Purchase of available for sale investment securities	(2,365,569)	(847,031)
Net proceeds from disposal of available for sale investment securities	76,017	459,647
Additions to investment properties	(13,038)	-
Purchase of property and equipment, net	(23,655)	(24,502)
<b>Net cash used in investing activities</b>	<b>(2,326,570)</b>	<b>(411,766)</b>
<b>FINANCING ACTIVITIES</b>		
Net repayment of short and medium term borrowings	(1,116,091)	(919,565)
Dividends paid to non-controlling interests	-	(6,692)
Capital notes coupons paid	(116,667)	(122,667)
Increase in non-controlling interests	-	4,418
Purchase of Employees' incentive plan shares	(60,800)	(33,000)
<b>Net cash used in financing activities</b>	<b>(1,293,558)</b>	<b>(1,077,506)</b>
<b>Net increase in cash and cash equivalents</b>	<b>306,138</b>	<b>2,825,311</b>
Cash and cash equivalents at the beginning of the period	16,676,284	19,373,919
<b>Cash and cash equivalents at the end of the period</b>	<b>16,982,422</b>	<b>22,199,230</b>

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

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 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**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial reporting”. They do 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 these condensed consolidated interim financial statements as were applied in the preparation and presentation of the Bank’s consolidated financial statements for the year ended December 31, 2010.

The results for the three months period ended March 31, 2011 are not necessary indicative of the results that may be expected for the financial year ending December 31, 2011.

These condensed consolidated interim financial statements are 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 statements.

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**2 Summary of significant accounting policies (continued)**

**2.2 Standards and Interpretations in issue but not yet effective**

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

<b>New Standards and amendments to Standards:</b>	<b>Effective for annual periods beginning on or after</b>
<ul style="list-style-type: none"> <li>• Amendment to IAS 12, 'Income taxes' – Deferred tax accounting: for investment properties and recovery of underlying assets</li> </ul>	January 1, 2012
<ul style="list-style-type: none"> <li>• IFRS 7 Financial Instruments Disclosures – Enhanced disclosure requirement for transfer transactions of financial assets</li> </ul>	July 1, 2011
<ul style="list-style-type: none"> <li>• IFRS 9 Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39 and IFRS 7)</li> </ul>	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.

**2.3 Basis of consolidation**

These condensed consolidated interim financial statements 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.

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)****2 Summary of significant accounting policies (continued)****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.

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.

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)****2 Summary of significant accounting policies (continued)****2.4 Trading and Investment securities (continued)****Held-to-maturity**

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

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

Any gain or loss on such investments is recognised in 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.

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 other comprehensive income statement 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.

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)****2 Summary of significant accounting policies (continued)****2.4 Trading and Investment securities (continued)****Available for sale (continued)**

If available for sale investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortization) and the current fair value, less any previous impairment loss recognised in the condensed consolidated 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.
- 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 a investment security only when the contractual rights to the cash flows from the investment expire, or when it transfers the investment and substantially all the risks and rewards of ownership of the investment to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**2 Summary of significant accounting policies (continued)**

**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 in an arm's length transaction. The fair value is determined on periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the condensed consolidated 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 is measured at fair value. Gains and losses arising from changes in the fair value of investment properties under development are included in the profit or loss in the period in which they arise. Upon completion of construction or development, such properties are transferred to investment properties.

**3 Cash and balances with Central Banks**

	<b>As at March 31 2011 (unaudited) AED'000</b>	<b>As at December 31 2010 (audited) AED'000</b>
Cash on hand	<b>460,028</b>	524,961
Balances with Central Banks	<b>4,822,568</b>	4,612,669
Certificate of deposits with Central Bank	<b>250,000</b>	750,000
	<b>5,532,596</b>	5,887,630

The geographical concentration is as follows:

	<b>As at March 31 2011 (unaudited) AED'000</b>	<b>As at December 31 2010 (audited) AED'000</b>
Within the U.A.E.	<b>5,500,240</b>	5,861,148
Outside the U.A.E.	<b>32,356</b>	26,482
	<b>5,532,596</b>	5,887,630

Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)

4 Deposits and balances due from banks

	As at March 31 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Current and demand deposits	685,422	280,314
Murabaha placements	1,624,000	1,624,000
Placements	17,706,261	16,493,220
	<hr/> <b>20,015,683</b> <hr/>	<hr/> 18,397,534 <hr/>

The geographical concentration is as follows:

	As at March 31 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
Within the U.A.E.	10,298,527	8,898,826
Outside the U.A.E.	9,717,156	9,498,708
	<hr/> <b>20,015,683</b> <hr/>	<hr/> 18,397,534 <hr/>



**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**5 Loans and advances, net**

	<b>As at March 31 2011 (unaudited) AED'000</b>	<b>As at December 31 2010 (audited) AED'000</b>
Overdrafts (Retail and Corporate)	<b>13,442,996</b>	15,192,902
Corporate Loans – Conventional	<b>92,727,750</b>	94,090,395
Corporate Loans - Islamic financing	<b>629,438</b>	623,389
Retail Loans - Conventional	<b>12,900,039</b>	12,994,545
Retail Loans - Islamic financing	<b>2,951,733</b>	2,559,598
Credit Cards - Conventional	<b>2,603,671</b>	2,662,505
Credit Cards - Islamic financing	<b>44,785</b>	43,269
Other facilities	<b>800,424</b>	901,704
	<b>126,100,836</b>	129,068,307
Less: Allowance for impairment	<b>(5,028,088)</b>	(6,296,437)
	<b>121,072,748</b>	122,771,870

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

	<b>As at March 31, 2011 (unaudited)</b>			<b>As at December 31, 2010 (audited)</b>		
	<b>Individual impairment AED'000</b>	<b>Collective impairment AED'000</b>	<b>Total AED'000</b>	<b>Individual Impairment AED'000</b>	<b>Collective impairment AED'000</b>	<b>Total AED'000</b>
<b>At January 1</b>	<b>4,653,146</b>	<b>1,643,291</b>	<b>6,296,437</b>	2,727,403	1,504,854	4,232,257
Acquisition of business	-	-	-	114,368	-	114,368
Charge for the period/year	<b>303,575</b>	<b>55,573</b>	<b>359,148</b>	3,004,536	138,511	3,143,047
Recoveries	<b>(33,649)</b>	-	<b>(33,649)</b>	(283,469)	-	(283,469)
Net amounts written off	<b>(1,593,895)</b>	<b>(41)</b>	<b>(1,593,936)</b>	(910,130)	(168)	(910,298)
Currency translation	<b>73</b>	<b>15</b>	<b>88</b>	438	94	532
<b>Balance at</b>	<b>3,329,250</b>	<b>1,698,838</b>	<b>5,028,088</b>	4,653,146	1,643,291	6,296,437

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**5 Loans and advances, net (continued)**

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

	As at March 31, 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
<b>Economic sector</b>						
Agriculture	8,321	-	8,321	9,162	-	9,162
Energy	3,453,831	280,897	3,734,728	3,476,648	275,344	3,751,992
Trading	733,167	7,701	740,868	798,734	7,313	806,047
Contractor finance	2,246,994	227,432	2,474,426	2,368,407	222,824	2,591,231
Development & construction	22,810,953	-	22,810,953	22,443,398	-	22,443,398
Real estate investment	12,087,652	201,628	12,289,280	12,277,648	685,593	12,963,241
Transport	2,210,783	542,192	2,752,975	2,439,560	555,336	2,994,896
Personal – retail loans	17,986,980	246,972	18,233,952	18,210,472	291,015	18,501,487
Personal – collateralised	18,701,269	270,901	18,972,170	19,428,356	300,382	19,728,738
Government	5,623,022	-	5,623,022	4,640,851	-	4,640,851
Financial institutions	5,797,657	1,174,484	6,972,141	5,432,391	1,166,205	6,598,596
Manufacturing	2,002,585	114,328	2,116,913	2,275,492	123,976	2,399,468
Services	26,426,125	2,888,302	29,314,427	26,979,736	4,658,219	31,637,955
Others	39,636	17,024	56,660	1,245	-	1,245
	<u>120,128,975</u>	<u>5,971,861</u>	<u>126,100,836</u>	<u>120,782,100</u>	<u>8,286,207</u>	<u>129,068,307</u>
Less: Allowance for impairment			<u>(5,028,088)</u>			<u>(6,296,437)</u>
<b>Total</b>			<u><u>121,072,748</u></u>			<u><u>122,771,870</u></u>



**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**7 Investment securities**

	As at March 31, 2011 (unaudited)			Total AED'000
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	
<b>Available for sale investments</b>				
<b>Quoted:</b>				
Floating rate notes (FRNs)	557,041	-	9,403	566,444
Collateralised debt obligations (CDOs)	-	-	44,365	44,365
Equity instruments	12,734	-	-	12,734
Bonds	3,368,320	736,133	2,881,890	6,986,343
Mutual funds	37,461	-	-	37,461
Government securities	1,347,559	1,134,952	185,069	2,667,580
<b>Total Quoted</b>	<b>5,323,115</b>	<b>1,871,085</b>	<b>3,120,727</b>	<b>10,314,927</b>
<b>Unquoted:</b>				
Equity instruments	193,042	-	332	193,374
Mutual funds	78,526	-	-	78,526
<b>Total Unquoted</b>	<b>271,568</b>	<b>-</b>	<b>332</b>	<b>271,900</b>
<b>Total available for sale investments</b>	<b>5,594,683</b>	<b>1,871,085</b>	<b>3,121,059</b>	<b>10,586,827</b>

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**7 Investment securities (continued)**

	As at December 31, 2010 (audited)			Total AED'000
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	
Available for sale investments				
Quoted:				
Floating rate notes (FRNs)	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
<b>Total Quoted</b>	<b>4,742,127</b>	<b>1,780,905</b>	<b>1,478,522</b>	<b>8,001,554</b>
Unquoted:				
Equity instruments	194,035	-	343	194,378
Mutual funds	67,206	-	-	67,206
<b>Total Unquoted</b>	<b>261,241</b>	<b>-</b>	<b>343</b>	<b>261,584</b>
<b>Total available for sale investments</b>	<b>5,003,368</b>	<b>1,780,905</b>	<b>1,478,865</b>	<b>8,263,138</b>

At March 31, 2011 Bonds in quoted investment include bonds of fair value AED 1,012,791 thousand (December 31, 2010 : AED 1,006,116 thousand) in public sector companies.

Of the unquoted investments, equity instruments with carrying value of AED 37,067 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 March 31, 2011 was AED 91,942 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/(losses) on dealing in derivatives' (Note 20).

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

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011** (continued)

**7 Investment securities** (continued)

	As at March 31, 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	623,324	622,374	625,232	622,374
Repurchase financing	594,826	440,760	603,645	440,760
	<b>1,218,150</b>	<b>1,063,134</b>	1,228,877	1,063,134

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 March 31, 2011 amounted to AED 421,142 thousand and AED 53,768 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). These securities have been negatively impacted by the global financial crisis and subsequent recession that stemmed from the U.S.A. subprime situation, corporate credit events and corporate insolvencies in both the U.S.A. and Europe, as well as ongoing liquidity shortages.

The 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.

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011** (continued)

**8 Investments in associates**

Name of associate	As at March 31 2011 (unaudited) AED'000	As at December 31 2010 (audited) AED'000
RHB Capital Berhad	5,430,265	5,253,664
Al Nokhitha Fund	67,302	71,330
ADCB MSCI U.A.E. Index Fund	28,343	33,205
	<hr/>	<hr/>
<b>Carrying value</b>	<b>5,525,910</b>	<b>5,358,199</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	Name of associate	Principal activities	Country of incorporation	Ownership Interest	
				March 31 2011	December 31 2010
(a)	RHB Capital Berhad	Wholesale, retail and Islamic banking, financial advisory and underwriting, insurance and property investment.	Malaysia	25%	25%
(b)	Al Nokhitha Fund	Investing in Equities listed in Abu Dhabi Exchange, Dubai Financial Market and in any other recognised stock exchanges of the GCC countries.	U.A.E.	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.	29%	29%

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

The equity instruments of RHB Capital Berhad are quoted in Bursa Stock Exchange, Malaysia and the quoted value of the investment at March 31, 2011 amounted to AED 5,605,927 thousand (December 31, 2010 – AED 5,592,080 thousand).

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011** (continued)

**8 Investments in associates** (continued)

The Bank partially hedged its currency translation risk in net investment in RHB Capital Berhad through foreign exchange forward contracts and designated these contracts as hedging derivatives. These hedges are designated as hedge of a net investment in a foreign operation. The hedging instruments resulted in cumulative losses of AED 622,943 thousand at March 31, 2011 (December 31, 2010 - losses of AED 543,379 thousand) which have been recognised in condensed consolidated interim statement of comprehensive income. These losses will affect the condensed consolidated interim income statement in full or partial on disposal of the investment in associate. No such losses have been reclassified from equity to condensed consolidated interim income statement as there was no disposal of the investment in associate during the period (Three months period ended March 31, 2010: Nil).

The latest available financial information in respect of the Bank's associates is as at and for the year ended December 31, 2010 for RHB Capital Berhad, and as at and for the three months period ended March 31, 2011 for Al Nokhitha Fund and ADCB MSCI U.A.E. Index Fund as follows:

	<b>AED'000</b>
Total assets	<b>157,424,917</b>
Total liabilities	<b>144,849,861</b>
	<hr/>
Net assets	<b>12,575,056</b>
	<hr/> <hr/>
Bank's share in net assets of associates	<b>3,133,220</b>
	<hr/> <hr/>
Total interest and other operating income	<b>4,892,238</b>
	<hr/> <hr/>
Total profit for the period	<b>1,708,716</b>
	<hr/> <hr/>
Bank's share in profit of associates	<b>427,706</b>
	<hr/> <hr/>
Bank's share in contingent liabilities of associates	<b>21,061,738</b>
	<hr/> <hr/>



**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**9 Investment properties**

	<b>Completed and in use AED'000</b>	<b>Under development AED'000</b>	<b>Total AED'000</b>
As at January 1, 2010	549,492	-	549,492
Additions during the year	-	73,583	73,583
Decrease in fair value	(116,412)	-	(116,412)
Transfer to property and equipment, net	(217,471)	-	(217,471)
	<hr/>	<hr/>	<hr/>
<b>As at January 1, 2011 (audited)</b>	<b>215,609</b>	<b>73,583</b>	<b>289,192</b>
Additions during the year	-	<b>13,038</b>	<b>13,038</b>
	<hr/>	<hr/>	<hr/>
<b>As at March 31, 2011 (unaudited)</b>	<b>215,609</b>	<b>86,621</b>	<b>302,230</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Bank engages more than one external independent valuer 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 December 31, 2010.

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 statements  
for the period ended March 31, 2011 (continued)**

**10 Other assets**

	<b>As at March 31 2011 (unaudited) AED'000</b>	<b>As at December 31 2010 (audited) AED'000</b>
Interest receivable	1,076,118	1,237,727
Withholding tax	65,725	65,082
Prepayments	93,735	77,390
Clearing receivables	-	1,848
Acceptances	9,566,081	9,367,982
Others	1,608,082	1,739,128
	<hr/>	<hr/>
	<b>12,409,741</b>	<b>12,489,157</b>
	<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**

	<b>As at March 31 2011 (unaudited) AED'000</b>	<b>As at December 31 2010 (audited) AED'000</b>
Current and demand deposits	1,067,558	1,001,602
Deposits - banks	2,914,569	3,840,263
	<hr/>	<hr/>
	<b>3,982,127</b>	<b>4,841,865</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**12 Short and medium term borrowings**

The details of short and medium term borrowings as at March 31, 2011 (unaudited) are as follows:

<b>Instrument</b>	<b>Currency</b>	<b>Within 1 year AED'000</b>	<b>1-3 years AED'000</b>	<b>3-5 years AED'000</b>	<b>Total AED'000</b>
Unsecured notes	Australian Dollar (AUD)	167,126	-	-	167,126
	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)	837,947	-	575,705	1,413,652
	U.A.E. Dirham (AED)	-	1,253,000	-	1,253,000
US Dollar (US\$)	73,460	-	3,673,000	3,746,460	
		<b>4,837,678</b>	<b>1,398,631</b>	<b>5,119,732</b>	<b>11,356,041</b>
Syndicated loans	US Dollar (US\$)	3,422,501	3,739,849	-	7,162,350
	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
		<b>8,260,179</b>	<b>5,466,495</b>	<b>6,182,866</b>	<b>19,909,540</b>
Fair value adjustment on short and medium term borrowings being hedged					<b>318,189</b>
					<b>20,227,729</b>

Included in short and medium term borrowings is AED 6,715,186 thousand adjusted for fair values arising due to risks hedged. These borrowings have been hedged using cross currency swaps. The cross currency swaps are designated as fair value hedges.

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 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
		<hr/>	<hr/>	<hr/>	<hr/>
Syndicated loans	US Dollar (US\$)	5,914,158	1,646,647	4,541,261	12,102,066
	Euro (EUR)	550,950	6,978,700	-	7,529,650
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
		<hr/>	<hr/>	<hr/>	<hr/>
		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)
					<hr/>
					21,019,694

Included in short and medium term borrowings is AED 9,803,618 thousand adjusted for fair values arising due to risks hedged. These borrowings have been hedged using cross currency swaps. The cross currency swaps are designated as fair value hedges.

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**12 Short and medium term borrowings (continued)**

Interest on unsecured notes is payable quarterly in arrears and the coupon rates as at March 31, 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 2.76% p.a	-	Fixed rate of 3.01% p.a
MYR	-	-	Fixed rate of 5.2% p.a.
AED	-	Fixed rate of 6% p.a	-
US\$	3 months LIBOR plus 30 to 110 basis points	-	Fixed rate of 4.75% p.a

Interest on the syndicated loans are payable in monthly coupons in arrears with 25 basis points 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 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 statements  
for the period ended March 31, 2011 (continued)**

**13 Long term borrowings**

Instrument	Currency	As at	As at
		March 31 2011 (unaudited) AED'000	December 31 2010 (audited) AED'000
Unsecured notes	Turkish Lira (TRY)	94,003	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
		1,141,169	1,143,935
Subordinated floating rate notes	US Dollar (US\$)	1,172,789	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		17,294	(28,071)
		8,948,708	8,906,109

Included in long term borrowings AED 573,840 thousand (December 31, 2010 – AED 570,475 thousand) adjusted to fair value due to risks hedged. These borrowings have been hedged using cross currency swaps. The cross currency swaps are designated as fair value hedges.

Interest on unsecured notes are payable in arrears and the coupon rates as at March 31, 2011 (unaudited) are as follows:

<u>Currency</u>	<u>Over 5 years</u>
TRY	Fixed rate of 12.75% p.a.
AED	Fixed rate of 6% p.a.
MYR	Fixed rate of 5.35% p.a.
US\$	Fixed rate of 5.3875% p.a.

Interest on the subordinated floating rate notes is payable quarterly in arrears at a coupon rate of 60 basis points over 3 months LIBOR. The subordinated floating rate notes were obtained from financial institutions outside the U.A.E. and qualify as Tier 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.

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**13 Long term borrowings (continued)**

**Tier II loan**

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

**14 Other liabilities**

	<b>As at March 31 2011 (unaudited) AED'000</b>	<b>As at December 31 2010 (audited) AED'000</b>
Interest payable	<b>1,538,649</b>	1,281,661
Employees' end of service benefits	<b>163,323</b>	166,863
Accounts payable and other creditors	<b>875,898</b>	870,885
Clearing payables	<b>1,051</b>	12,704
Current income tax payable	<b>16,293</b>	9,232
Deferred income	<b>243,556</b>	245,450
Acceptances	<b>9,566,081</b>	9,367,982
Others	<b>2,383,288</b>	2,324,321
	<b>14,788,139</b>	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.

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**14 Other liabilities (continued)**

The details of current income tax payable pertaining to Bank's foreign branch/subsidiary's operations are as follows:

<b>Foreign branch/subsidiary</b>	<b>As at March 31 2011 (unaudited) AED'000</b>	<b>As at December 31 2010 (audited) AED'000</b>
Indian branch operations	<b>9,933</b>	3,096
ADCB Holdings (Malaysia) Sdn Bhd - subsidiary	<b>6,360</b>	6,136
	<hr/> <b>16,293</b> <hr/>	<hr/> 9,232 <hr/>

The current income tax payable on the Indian branch operations has been calculated as per the Income tax regulations applicable in India.

The Malaysian subsidiary's current income tax payable has been calculated at the statutory tax rate of 25% of taxable profits of the subsidiary as applicable in Malaysia. There were no deferred tax assets and liabilities.

**15 Share capital**

	<b>Authorised AED'000</b>	<b>Issued and fully paid</b>	
		<b>As at March 31 2011 (unaudited) AED'000</b>	<b>As at December 31 2010 (audited) AED'000</b>
Ordinary shares of AED 1 each	<b>4,810,000</b>	<b>4,810,000</b>	4,810,000
	<hr/> <b>4,810,000</b> <hr/>	<hr/> <b>4,810,000</b> <hr/>	<hr/> 4,810,000 <hr/>

As at March 31, 2011, Abu Dhabi Investment Council holds 64.843% (December 31, 2010 : 64.843%) of the Bank's issued and fully paid up share capital.



**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**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, and are callable by the Bank subject to certain conditions. The Notes are direct, unsecured, subordinated obligations of the Bank and rank pari passu without any preference among themselves and the rights and claims of the Note holders will be subordinated to the claims of Senior Creditors. The Notes bear interest at the rate of 6% per annum payable semi-annually until February 2014, and a floating interest rate of 6 month EIBOR plus 2.3% per annum thereafter. However the Bank may at its sole discretion elect not to make a coupon payment. The Note holders do not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default. In addition, there are certain circumstances under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date ("Non-Payment Event").

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

**17 Interest income**

	<b>3 months ended March 31</b>	
	<b>(unaudited)</b>	
	<b>2011</b>	2010
	<b>AED'000</b>	AED'000
Loans and advances to banks	<b>64,766</b>	17,675
Loans and advances to customers	<b>1,698,491</b>	1,580,507
Investment securities	<b>52,939</b>	33,100
	<b>1,816,196</b>	1,631,282

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**18 Interest expense**

	<b>3 months ended March 31</b>	
	<b>(unaudited)</b>	
	<b>2011</b>	<b>2010</b>
	<b>AED'000</b>	<b>AED'000</b>
Deposits from banks	<b>4,575</b>	35,729
Deposits from customers	<b>685,261</b>	543,339
Debt securities issued and subordinated liabilities	<b>110,882</b>	96,875
Interest on mandatory convertible securities and long term notes	<b>101,281</b>	94,807
	<b>901,999</b>	770,750

**19 Net fees and commission income**

	<b>3 months ended March 31</b>	
	<b>(unaudited)</b>	
	<b>2011</b>	<b>2010</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Fees and commission income</b>		
Retail banking fees	<b>186,197</b>	121,158
Corporate banking fees	<b>82,392</b>	92,979
Brokerage fees	<b>1,232</b>	1,553
Fees from trust and other fiduciary activities	<b>12,706</b>	7,024
Other fees	<b>12,349</b>	8,170
	<b>294,876</b>	230,884
<b>Total fees and commission income</b>	<b>294,876</b>	230,884
Fees and commission expenses	<b>(32,320)</b>	(21,197)
	<b>262,556</b>	209,687
<b>Net fees and commission income</b>	<b>262,556</b>	209,687

**20 Net trading income**

	<b>3 months ended March 31</b>	
	<b>(unaudited)</b>	
	<b>2011</b>	<b>2010</b>
	<b>AED'000</b>	<b>AED'000</b>
Net gains/(losses) on dealing in derivatives	<b>62,177</b>	(13,528)
Net gains from dealing in foreign currencies	<b>36,440</b>	27,464
Net gains from trading and investment securities	<b>3,152</b>	13,781
	<b>101,769</b>	27,717

Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)

21 Other impairment

	<b>3 months ended March 31</b>	
	<b>(unaudited)</b>	
	<b>2011</b>	2010
	<b>AED'000</b>	AED'000
Impairment allowance on investment securities	<b>3,673</b>	34,992
Impairment allowance on credit default swaps (Note 23)	<b>69,971</b>	57,144
	<b>73,644</b>	92,136

22 Earnings per share

Basic

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

Ordinary shares that will be issued upon the conversion of mandatory convertible securities (MCS) are included in the calculation of basic earnings per share.

	<b>3 months ended March 31</b>	
	<b>(unaudited)</b>	
	<b>2011</b>	2010
Net profit for the period attributable to the equity holders of the Bank AED'000)	<b>574,400</b>	218,557
Add: Interest on MCS for the period ended (AED'000)	<b>20,738</b>	28,725
Less: Coupons paid on capital notes (AED'000)	<b>(116,667)</b>	(122,667)
Net adjusted profit for the period attributable to the equity holders of the Bank (AED'000) (a)	<b>478,471</b>	124,615
Weighted average number of shares in issue throughout the period (000's)	<b>4,810,000</b>	4,810,000
Add: Weighted average number of shares resulting from conversion of MCS (000's)	<b>785,597</b>	785,597
Less: Weighted average number of shares resulting from Employees' incentive plan shares (000's)	<b>(35,080)</b>	(24,618)
Weighted average number of potential equity shares in issue during the period (000's) (b)	<b>5,560,517</b>	5,570,979
Basic earnings per share (AED) (a)/(b)	<b>0.09</b>	0.02

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**23 Commitments and contingent liabilities**

The Bank had the following commitments and contingent liabilities at:

	<b>March 31 2011 (unaudited) AED'000</b>	December 31 2010 (audited) AED'000
<b>Commitments on behalf of customers</b>		
Letters of credit	<b>2,696,526</b>	2,261,976
Guarantees	<b>12,272,715</b>	13,705,166
Commitments to extend credit – Revocable	<b>6,697,963</b>	5,590,046
Commitments to extend credit – Irrevocable	<b>7,685,596</b>	8,257,407
Credit default swaps	<b>371,891</b>	412,295
	<hr/> <b>29,724,691</b>	<hr/> 30,226,890
<b>Others</b>		
Commitments for future capital expenditure	<b>437,613</b>	425,319
Commitments to invest in investment securities	<b>235,059</b>	246,380
Commitments to invest in associate	<b>394,424</b>	387,133
	<hr/> <b>30,791,787</b> <hr/>	<hr/> 31,285,722 <hr/>

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

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)****24 Business segments**

Information reported to the Management Executive Committee of the Bank as the Chief operating decision maker of the Bank, for the purpose of resource allocation and assessment of performance is more specifically focused on the business segments of the Bank. The business segments as reported under IFRS 8 are wholesale banking, consumer banking and investment and treasury banking. Assets, liabilities and performance information that are not allocated to segments are presented in the following table as corporate support.

Wholesale banking comprises of business banking, cash management, trade finance, corporate finance, investment banking, Indian operations, infrastructure and strategic client operations.

Consumer banking comprises of consumer, retail, wealth management and Islamic operations.

Investments and treasury comprises of central treasury operations, management of the Bank's investment portfolio and interest rate, currency and commodity derivative portfolio.

The above segments are supported by other departments termed as corporate support and include risk, human resources, operations, finance, legal, internal audit and central management. Corporate support also includes a subsidiary – Abu Dhabi Commercial Properties LLC which comprises of the Bank's real estate management and service operations.

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

Wholesale banking includes loans, deposits and other transactions and balances with corporate customers.

Consumer banking 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 undertakes the Bank's funding and centralized risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities and trading and corporate finance activities.

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 statements  
for the period ended March 31, 2011 (continued)**

**24 Business segments (continued)**

The following is an analysis of the Bank's revenue and results by operating segment for the three months period ended March 31, 2011 (unaudited):

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Corporate support AED' 000	Total AED' 000
Net interest and Islamic financing income	<u>522,208</u>	<u>238,826</u>	<u>139,040</u>	<u>25,606</u>	<u>925,680</u>
Non-interest income	<u>184,532</u>	<u>106,584</u>	<u>75,252</u>	<u>33,947</u>	<u>400,315</u>
Share of profit of associates	<u>(8,889)</u>	<u>93,265</u>	<u>-</u>	<u>-</u>	<u>84,376</u>
Impairment allowance on doubtful loans and advances, net	<u>(278,815)</u>	<u>(46,684)</u>	<u>-</u>	<u>-</u>	<u>(325,499)</u>
Other impairment	<u>-</u>	<u>-</u>	<u>(73,644)</u>	<u>-</u>	<u>(73,644)</u>
Operating expenses	<u>(292,610)</u>	<u>(86,608)</u>	<u>(31,016)</u>	<u>(16,844)</u>	<u>(427,078)</u>
Profit before taxation	<u>126,426</u>	<u>305,383</u>	<u>109,632</u>	<u>42,709</u>	<u>584,150</u>
Overseas income tax expense	<u>-</u>	<u>(1,590)</u>	<u>-</u>	<u>-</u>	<u>(1,590)</u>
Net profit for the period	<u>126,426</u>	<u>303,793</u>	<u>109,632</u>	<u>42,709</u>	<u>582,560</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,693</u>	<u>36,693</u>
<b>As at March 31, 2011 (unaudited)</b>					
Segment assets	<u>67,290,992</u>	<u>71,461,389</u>	<u>40,554,086</u>	<u>1,398,915</u>	<u>180,705,382</u>
Segment liabilities	<u>28,280,363</u>	<u>64,978,714</u>	<u>67,461,375</u>	<u>94,466</u>	<u>160,814,918</u>

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**24 Business segments (continued)**

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

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Corporate support AED' 000	Total AED' 000
Net interest and Islamic financing income	<u>374,611</u>	<u>277,612</u>	<u>196,930</u>	<u>22,540</u>	<u>871,693</u>
Non-interest income	<u>133,237</u>	<u>116,991</u>	<u>12,086</u>	<u>27,778</u>	<u>290,092</u>
Share of profit of associates	<u>8,983</u>	<u>99,047</u>	<u>-</u>	<u>-</u>	<u>108,030</u>
Impairment allowance on doubtful loans and advances, net	<u>(193,299)</u>	<u>(395,889)</u>	<u>-</u>	<u>-</u>	<u>(589,188)</u>
Other impairment	<u>-</u>	<u>(12,997)</u>	<u>(79,139)</u>	<u>-</u>	<u>(92,136)</u>
Operating expenses	<u>(221,426)</u>	<u>(93,509)</u>	<u>(28,053)</u>	<u>(18,416)</u>	<u>(361,404)</u>
Profit before taxation	<u>102,106</u>	<u>(8,745)</u>	<u>101,824</u>	<u>31,902</u>	<u>227,087</u>
Overseas income tax expense	<u>-</u>	<u>(2,078)</u>	<u>-</u>	<u>-</u>	<u>(2,078)</u>
Net profit for the period	<u>102,106</u>	<u>(10,823)</u>	<u>101,824</u>	<u>31,902</u>	<u>225,009</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,502</u>	<u>24,502</u>
As at December 31, 2010 (audited)					
Segment assets	<u>67,600,302</u>	<u>72,500,848</u>	<u>36,720,276</u>	<u>1,449,768</u>	<u>178,271,194</u>
Segment liabilities	<u>27,016,819</u>	<u>58,443,650</u>	<u>73,172,986</u>	<u>64,391</u>	<u>158,697,846</u>

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**24 Business segments (continued)**

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

- all assets are allocated to reportable segments other than property and equipment.
- 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.

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Corporate Support AED' 000	Total AED' 000
<b>March 31, 2011 (unaudited)</b>					
External	<u>1,160,284</u>	<u>483,350</u>	<u>(266,717)</u>	<u>33,454</u>	<u>1,410,371</u>
Inter-segment	<u>(462,433)</u>	<u>(44,675)</u>	<u>481,009</u>	<u>26,099</u>	<u>-</u>
<b>March 31, 2010 (unaudited)</b>					
External	<u>936,744</u>	<u>724,893</u>	<u>(419,511)</u>	<u>27,689</u>	<u>1,269,815</u>
Inter-segment	<u>(419,913)</u>	<u>(231,243)</u>	<u>628,527</u>	<u>22,629</u>	<u>-</u>



**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**24 Business segments (continued)**

**Geographical information**

The Bank operates in two principal geographic areas which 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 the 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:

	<b>Domestic (unaudited)</b>		<b>International (unaudited)</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>March 31</b>	March 31	<b>March 31</b>	March 31
	<b>2011</b>	2010	<b>2011</b>	2010
<b>Income</b>	<b>AED'000</b>	AED'000	<b>AED'000</b>	AED'000
Net interest and Islamic financing income	<b>919,872</b>	864,359	<b>5,808</b>	7,334
Non-interest income	<b>400,298</b>	287,421	<b>17</b>	2,671
Share in profit of associates	<b>(8,889)</b>	8,983	<b>93,265</b>	99,047
<b>Non-current assets</b>	<b>Domestic</b>		<b>International</b>	
	<b>As at</b>	As at	<b>As at</b>	As at
	<b>March 31</b>	December 31	<b>March 31</b>	December 31
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>(unaudited)</b>	(audited)	<b>(unaudited)</b>	(audited)
	<b>AED'000</b>	AED'000	<b>AED'000</b>	AED'000
Investment properties	<b>302,230</b>	289,192	-	-
Property and equipment, net	<b>1,052,281</b>	1,064,670	<b>5,594</b>	5,651
Intangible assets	<b>148,160</b>	155,180	-	-

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)**

**25 Capital adequacy**

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

	<b>Basel II</b>	
	<b>As at March 31 2011 (unaudited) AED'000</b>	<b>As at December 31 2010 (audited) AED'000</b>
<b>Tier 1 capital</b>		
Share capital	4,810,000	4,810,000
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	(88,232)	(36,677)
Foreign currency translation reserve	240,225	136,676
Retained earnings	1,372,367	991,927
Non-controlling interest in equity of subsidiaries	16,721	8,561
Capital notes (Note 16)	4,000,000	4,000,000
Mandatory convertible securities	4,640,201	4,663,014
Less: Investments in associates (50%)	(2,762,955)	(2,679,100)
Less: Intangible assets	(148,160)	-
Less: Securitization exposures (due to rating migration)	(427,825)	(532,475)
	<b>16,506,521</b>	<b>16,216,105</b>
<b>Tier 2 capital</b>		
Collective impairment allowance on loans and advances	1,556,260	1,581,985
Cumulative changes in fair value	23,094	174,799
Long term borrowings (Note 13)	6,617,456	6,617,456
Subordinated floating rate notes (Note 13)	1,172,789	1,172,789
Less: Investments in associates (50%)	(2,762,955)	(2,679,099)
Less: Securitization exposures (due to rating migration)	(427,824)	(532,475)
	<b>6,178,820</b>	<b>6,335,455</b>
<b>Total regulatory capital</b>	<b>22,685,341</b>	<b>22,551,560</b>
<b>Risk-weighted assets:</b>		
Credit risk	124,500,818	126,558,829
Market risk	2,983,919	3,464,224
Operational risk	5,740,828	5,405,406
<b>Total risk-weighted assets</b>	<b>133,225,565</b>	<b>135,428,459</b>
<b>Capital adequacy ratio</b>	<b>17.03%</b>	<b>16.65%</b>

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

**Notes to the condensed consolidated interim financial statements  
for the period ended March 31, 2011 (continued)****26 Events after the reporting period**

In 2008, the Bank issued mandatory convertible securities (MCS) with nominal value amounting to AED 4,800,000 thousand that have been converted into new ordinary registered shares on April 24, 2011.

**27 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 Standards & Poor’s in 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 statements if disposed unfavorably.

**28 Comparative figures**

Certain prior period figures have been reclassified to comply with the current period classification. This reclassification did not have any impact on net profit, earning per share or retained earnings of current or prior period.

**29 Approval of condensed consolidated interim financial statements**

The condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on April 26, 2011.