

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

**Review report and interim financial
information for the period
ended September 30, 2010**

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

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Abu Dhabi Commercial Bank P.J.S.C. and its subsidiaries (together referred to as the "Bank") as of September 30, 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-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.

Scope of review

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

Conclusion

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


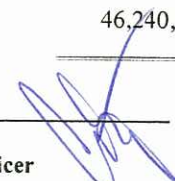
Deloitte & Touche



Saba Y. Sindaha
Registration Number 410
October 26, 2010



**Condensed consolidated statement of financial position
as at September 30, 2010**

	Notes	As at September 30 2010 (unaudited) AED'000	As at December 31 2009 (audited) AED'000
ASSETS			
Cash and balances with Central Banks	3	4,978,573	4,139,015
Deposits and balances due from banks	4	19,236,887	18,348,988
Trading securities	5	175,162	86,561
Loans and advances, net	6	120,343,280	116,610,292
Derivative financial instruments	7	6,485,114	4,953,019
Investment securities	8	8,135,376	4,372,744
Investments in associates	9	5,284,945	4,582,659
Investment properties	10	490,328	549,492
Other assets	11	9,863,830	5,774,287
Property and equipment, net		873,950	791,721
Total assets		175,867,445	160,208,778
LIABILITIES			
Due to banks		6,730,817	4,738,201
Customers' deposits		100,623,157	86,299,957
Mandatory convertible securities – liability component		53,561	109,049
Short and medium term borrowings	12	23,403,207	28,921,804
Derivative financial instruments	7	6,227,238	4,689,489
Long term borrowings	13	8,492,675	8,619,494
Other liabilities	14	11,080,111	7,740,665
Total liabilities		156,610,766	141,118,659
EQUITY			
Share capital	15	4,810,000	4,810,000
Statutory and legal reserves		2,627,979	2,627,979
General and contingency reserves		2,150,000	2,150,000
Employees' incentive plan shares, net	16	(38,910)	(13,438)
Foreign currency translation reserve		135,146	(353,736)
Hedge reserve		(526,480)	(107,360)
Cumulative changes in fair values		136,479	(194,279)
Other reserve		5,700	-
Retained earnings		1,233,606	1,467,983
Capital notes	17	4,000,000	4,000,000
Mandatory convertible securities – equity component		4,633,883	4,633,883
Equity attributable to equity holders of the parent		19,167,403	19,021,032
Non-controlling interest		89,276	69,087
Total equity		19,256,679	19,090,119
Total liabilities and equity		175,867,445	160,208,778
Commitments and contingent liabilities	23	33,467,931	46,240,133
			
Eissa Al Suwaidi Chairman		 Ala'a Eraiqat Chief Executive Officer	

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

**Condensed consolidated income statement (unaudited)
for the period ended September 30, 2010**

	Notes	3 months ended September 30		9 months ended September 30	
		2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Interest income	18	1,857,241	1,702,620	5,213,682	5,214,459
Income from Islamic financing		60,414	14,839	146,925	25,012
Interest expense	19	(983,383)	(857,836)	(2,587,758)	(2,715,002)
Net interest income		934,272	859,623	2,772,849	2,524,469
Distribution to depositors		(57,234)	(36,265)	(124,193)	(106,554)
Net interest income net of distribution to depositors		877,038	823,358	2,648,656	2,417,915
Net fees and commission income	20	286,789	252,666	702,060	748,763
Net gain on dealing in derivatives		84,740	15,267	99,066	45,183
Net gain from dealing in foreign currencies		71,063	31,203	99,921	78,434
Dividend income		5,893	14	11,008	4,647
Net (loss)/gain from trading and investment securities		(10,556)	17,649	(7,880)	18,638
Decrease in fair value of investment properties		-	-	(35,000)	(50,000)
Other operating income		37,616	30,560	120,818	124,001
Share of profit of associates, net		98,882	73,244	293,018	181,650
Operating income		1,451,465	1,243,961	3,931,667	3,569,231
Staff expenses		(265,113)	(206,099)	(703,148)	(646,733)
Depreciation		(23,169)	(17,916)	(70,148)	(55,151)
Other operating expenses		(181,650)	(164,651)	(496,901)	(462,827)
Impairment allowances	21	(655,887)	(810,711)	(2,640,122)	(1,700,802)
Operating expenses		(1,125,819)	(1,199,377)	(3,910,319)	(2,865,513)
Profit from operations before taxation		325,646	44,584	21,348	703,718
Overseas income tax expense		(644)	(644)	(2,289)	(3,061)
Net profit for the period		325,002	43,940	19,059	700,657
Attributed to:					
Equity holders of the parent		317,724	34,774	8,956	683,340
Non-controlling interest		7,278	9,166	10,103	17,317
Net profit for the period		325,002	43,940	19,059	700,657
Basic earnings/(loss) per share (AED)	22	0.04	(0.01)	(0.03)	0.12

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the period ended September 30, 2010**

	3 months ended September 30		9 months ended September 30	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Net profit for the period	325,002	43,940	19,059	700,657
Exchange difference arising on translation of foreign operations	240,914	76,838	500,552	(4,595)
Net loss on hedge of net investment in foreign operation	(190,432)	(32,587)	(419,120)	(72,239)
Fair value changes reversed on disposal of available for sale investments	99,757	12,473	110,143	12,489
Fair value changes on available for sale investments	66,166	222,496	169,455	308,440
Share in other comprehensive income statement items of associate	14,560	(29,509)	45,190	(29,089)
Total comprehensive income for the period	555,967	293,651	425,279	915,663
Attributed to:				
Equity holders of the parent	548,689	284,485	415,176	898,346
Non-controlling interest	7,278	9,166	10,103	17,317
Total comprehensive income for the period	555,967	293,651	425,279	915,663

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

**Condensed consolidated statement of changes in equity (unaudited)
for the period ended September 30, 2010**

	Share capital	Statutory reserve	Legal reserve	General reserve	Contingency reserve	Employees' incentive plan shares, net	Foreign currency translation reserve	Hedge reserve	Cumulative changes in fair values	Other reserve	Retained earnings	Capital notes	Mandatory convertible securities - equity component	Attributable to equity holders of the parent	Non-controlling interest	Total equity
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at January 1, 2010	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(13,438)	(353,736)	(107,360)	(194,279)	-	1,467,983	4,000,000	4,633,883	19,021,032	69,087	19,090,119
Net profit for the period	-	-	-	-	-	-	-	-	-	-	8,956	-	-	8,956	10,103	19,059
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	500,552	-	-	-	-	-	-	500,552	-	500,552
Net loss on hedge of net investment in foreign operation	-	-	-	-	-	-	-	(419,120)	-	-	-	-	-	(419,120)	-	(419,120)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	169,455	-	-	-	-	169,455	-	169,455
Fair value changes reversed on disposal of available for sale investments	-	-	-	-	-	-	-	-	110,143	-	-	-	-	110,143	-	110,143
Share of other comprehensive income statement items of associate	-	-	-	-	-	-	(11,670)	-	51,160	5,700	-	-	-	45,190	-	45,190
Total comprehensive profit/(loss) for the period	-	-	-	-	-	-	488,882	(419,120)	330,758	5,700	8,956	-	-	415,176	10,103	425,279
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(66,562)	(66,562)
Capital notes coupon paid	-	-	-	-	-	-	-	-	-	-	(243,333)	-	-	(243,333)	-	(243,333)
Shares granted (Note16)	-	-	-	-	-	(47,085)	-	-	-	-	-	-	-	(47,085)	-	(47,085)
Shares – vested portion (Note16)	-	-	-	-	-	21,613	-	-	-	-	-	-	-	21,613	-	21,613
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,648	76,648
Balance at September 30, 2010	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(38,910)	135,146	(526,480)	136,479	5,700	1,233,606	4,000,000	4,633,883	19,167,403	89,276	19,256,679

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

**Condensed consolidated statement of changes in equity (unaudited)
for the period ended September 30, 2010 (continued)**

	Share capital AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive plan shares, net AED'000	Foreign currency translation reserve AED'000	Proposed dividends AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Retained earnings AED'000	Capital notes AED'000	Mandatory convertible securities - equity component AED'000	Attributable to equity holders of the parent AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at January 1, 2009	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(25,708)	(392,022)	481,000	-	(625,014)	2,147,431	-	4,633,883	15,807,549	107,603	15,915,152
Net profit for the period	-	-	-	-	-	-	-	-	-	-	683,340	-	-	683,340	17,317	700,657
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(4,595)	-	-	-	-	-	-	(4,595)	-	(4,595)
Net loss on hedge of net investment in foreign operation	-	-	-	-	-	-	-	-	(72,239)	-	-	-	-	(72,239)	-	(72,239)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	-	308,440	-	-	-	308,440	-	308,440
Fair value changes reversed on disposal of available for sale investments	-	-	-	-	-	-	-	-	-	12,489	-	-	-	12,489	-	12,489
Share of other comprehensive income statement items of associate	-	-	-	-	-	-	(2,867)	-	-	(26,222)	-	-	-	(29,089)	-	(29,089)
Total comprehensive (loss)/ profit for the period	-	-	-	-	-	-	(7,462)	-	(72,239)	294,707	683,340	-	-	898,346	17,317	915,663
Dividends paid	-	-	-	-	-	-	-	(481,000)	-	-	-	-	-	(481,000)	(88,479)	(569,479)
Capital notes issued (Note 17)	-	-	-	-	-	-	-	-	-	-	-	4,000,000	-	4,000,000	-	4,000,000
Capital notes coupon paid	-	-	-	-	-	-	-	-	-	-	(120,000)	-	-	(120,000)	-	(120,000)
Shares – vested portion (Note16)	-	-	-	-	-	9,202	-	-	-	-	-	-	-	9,202	-	9,202
Balance at September 30, 2009	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(16,506)	(399,484)	-	(72,239)	(330,307)	2,710,771	4,000,000	4,633,883	20,114,097	36,441	20,150,538

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

**Condensed consolidated statement of cash flows (unaudited)
for the period ended September 30, 2010**

	9 months ended September 30	
	2010	2009
	AED'000	AED'000
OPERATING ACTIVITIES		
Net profit before taxation	21,348	703,718
Adjustments for:		
Depreciation on property and equipment	70,148	55,151
Dividend income	(11,008)	(4,647)
Decrease in fair value of investment properties	35,000	50,000
Impairment allowance on doubtful loans and advances	2,464,540	1,327,534
Recovery of allowance for doubtful loans and advances	(168,612)	(82,894)
Impairment allowance on credit default swaps	120,707	164,619
Impairment allowance on investment securities	223,487	291,543
Realised and unrealised net loss/(gain) from available for sale and trading securities	7,880	(18,638)
Share of profit of associates, net	(293,018)	(181,650)
Imputed interest on mandatory convertible securities	(55,488)	-
Employees' incentive plan benefit expense	21,613	9,202
Operating profit before changes in operating assets and liabilities	2,436,597	2,313,938
(Increase)/decrease in due from banks	(3,722,476)	1,612
Increase in net trading derivative financial instruments	(66,989)	(127,061)
Increase in loans and advances	(6,028,916)	(8,866,592)
Increase in other assets	(1,070,601)	(80,623)
Increase/(decrease) in due to banks	332,357	(144,720)
Increase in customers' deposits	14,323,200	5,760,815
(Decrease)/increase in other liabilities	(38,858)	357,859
Cash from/(used in) operations	6,164,314	(784,772)
Overseas taxation paid	-	(3,061)
Net cash from/(used in) operations	6,164,314	(787,833)
INVESTING ACTIVITIES		
Dividend received from associate	133,819	65,966
Dividend income	11,008	4,647
Purchase of trading and available for sale investment securities	(5,637,954)	(1,877,739)
Net proceeds from disposal of trading and available for sale investment securities	1,834,952	892,963
Purchase of property and equipment	(128,213)	(278,212)
Net cash used in investing activities	(3,786,388)	(1,192,375)
FINANCING ACTIVITIES		
Net (repayment)/proceeds of short and medium term borrowings	(5,758,243)	133,182
Proceeds from issue of long term capital notes	-	4,000,000
Dividends paid to equity shareholders	-	(481,000)
Dividends paid to non-controlling interest	(66,562)	(88,479)
Capital notes coupon paid	(243,333)	(120,000)
Increase in non-controlling interest	76,648	-
Purchase of employees' incentive plan shares	(47,085)	-
Net cash (used in)/from financing activities	(6,038,575)	3,443,703
Net (decrease)/increase in cash and cash equivalents	(3,660,649)	1,463,495
Cash and cash equivalents at the beginning of the period	19,373,919	15,144,109
Cash and cash equivalents at the end of the period	15,713,270	16,607,604

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

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010**

1 General

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

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

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

2 Summary of significant accounting policies

2.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E..

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation and presentation of the Bank’s consolidated financial statements for the year ended December 31, 2009.

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

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

2.2 Standards and Interpretations in issue but not yet effective

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

New Interpretations and amendments to Interpretations:	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue 	February 1, 2010
<ul style="list-style-type: none"> • IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government 	January 1, 2011

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

2 Summary of significant accounting policies (continued)

2.2 Standards and Interpretations in issue but not yet effective (continued)

New Interpretations and amendments to Interpretations:	Effective for annual periods beginning on or after
• IFRS 9 <i>Financial Instruments: Classification and Measurement</i> (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2013
• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	July 1, 2010
• Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i>	January 1, 2011
• Amendments to IFRS 7, IAS 1, IAS 22, IAS 34 and IFRIC 13 resulting from May 2010 <i>Annual Improvements to IFRSs</i> .	Majority effective for annual periods beginning on or after January 1, 2011
• IFRS 1 <i>First time Adoption of International Financial Reporting Standards</i> – Accounting policy change in the year of adoption, Revaluation basis as deemed cost and Use of deemed cost for operations subject to rate regulation	January 1, 2011
• IFRS 3 <i>Business Combinations (2008)</i> – Measurement of non-controlling interests, Un-replaced and voluntary replaced share-based payment awards and Transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3(2008)	July 1, 2010
• IFRS 7 <i>Financial Instruments Disclosures</i> – Clarifications of certain disclosures	January 1, 2011
• IAS 1 <i>Presentation of Financial Statements</i> – Clarification of statement of changes in equity	January 1, 2011
• IAS 27 <i>Consolidated and Separate Financial Statements (2008)</i> – Transitional requirements for consequential amendments as a result IAS 27 (2008)	July 1, 2010
• IAS 34 <i>Interim Financial Reporting</i> – Significant events and transactions	January 1, 2011
• IFRIC 13 <i>Customer Loyalty Programmes</i> – Fair value of award credit	January 1, 2011
• IFRS 7 <i>Financial Instruments Disclosures</i> – Enhanced disclosure requirement for transfer transactions of financial assets	July 1, 2011

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 financial statements
for the period ended September 30, 2010 (continued)****2 Summary of significant accounting policies (continued)****2.3 Basis of consolidation**

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

Changes in the bank's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the 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.

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.

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.

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (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 other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

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

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 profit or loss 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 profit or loss.

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (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 profit or loss. 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 profit or loss for the period.

Dividends on available for sale equity instruments are recognised in the profit or loss 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 profit or loss is removed from other comprehensive income statement and recognized in the profit or loss.

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)****2 Summary of significant accounting policies (continued)****2.4 Trading and Investment securities (continued)****Available for sale (continued)**

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

- For an available-for-sale debt security, a subsequent decline in the fair value of the instrument is recognised in the profit or loss 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 profit or loss, the impairment loss is reversed through the profit or loss to the extent that the carrying value of the investment does not exceed what it would have been had the impairment not been recognised at the date of reversal of impairment.
- 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 other comprehensive income statement. Impairment losses recognised on the equity security are not reversed through the profit or loss.

Reclassifications

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

Derecognition of investment securities

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

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (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 profit or loss in the period in which these gains or losses arise.

3 Cash and balances with Central Banks

	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Within the U.A.E.	4,941,488	4,113,522
Outside the U.A.E.	37,085	25,493
	<hr/> 4,978,573 <hr/>	<hr/> 4,139,015 <hr/>

4 Deposits and balances due from banks

	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Within the U.A.E.	9,532,115	5,719,958
Outside the U.A.E.	9,704,772	12,629,030
	<hr/> 19,236,887 <hr/>	<hr/> 18,348,988 <hr/>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

5 Trading securities

	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Quoted – Equity instruments	175,162	86,561

The geographical concentration is as follows:

As at September 30, 2010 (unaudited)	U.A.E. AED'000	Other G.C.C. AED'000	Rest of the world AED'000	Total AED'000
Trading securities				
Quoted – Equity instruments	10,337	142,161	22,664	175,162

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

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

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

6 Loans and advances, net (continued)

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

	September 30, 2010 (unaudited)			December 31, 2009 (audited)		
	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000
Economic sector						
Agriculture	10,563	-	10,563	10,831	-	10,831
Energy	4,336,827	260,942	4,597,769	3,292,251	247,967	3,540,218
Trading	868,016	37,467	905,483	1,161,429	313,138	1,474,567
Contractor finance	2,578,900	268,954	2,847,854	2,646,334	740,156	3,386,490
Development & construction	19,898,048	804,545	20,702,593	17,709,746	855,805	18,565,551
Real estate investment	13,589,834	166,036	13,755,870	11,044,961	112,027	11,156,988
Transport	2,349,316	563,682	2,912,998	3,325,111	240,185	3,565,296
Personal – retail loans	15,024,980	6,993	15,031,973	16,319,076	7,738	16,326,814
Personal – collateralised	20,626,990	296,754	20,923,744	18,307,694	559,342	18,867,036
Government	4,034,606	-	4,034,606	1,741,839	-	1,741,839
Financial institutions	5,519,145	1,278,584	6,797,729	5,858,927	2,325,129	8,184,056
Manufacturing	2,083,273	111,195	2,194,468	2,459,748	118,373	2,578,121
Services	26,656,726	4,617,396	31,274,122	26,371,314	5,031,395	31,402,709
Others	58	-	58	42,033	-	42,033
	<u>117,577,282</u>	<u>8,412,548</u>	<u>125,989,830</u>	<u>110,291,294</u>	<u>10,551,255</u>	<u>120,842,549</u>
Less: Allowance for impairment			<u>(5,646,550)</u>			<u>(4,232,257)</u>
Total			<u><u>120,343,280</u></u>			<u><u>116,610,292</u></u>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

7 Derivative financial instruments

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

	Fair values	
	Assets AED'000	Liabilities AED'000
At September 30, 2010 (unaudited)		
Derivatives held for trading		
Forward foreign exchange contracts	380,224	341,436
Interest rate swaps and forward rate agreements	5,396,992	5,347,218
Options	176,257	176,122
Futures	5,801	3,104
Commodity forwards	25,304	14,153
Energy swaps	11,601	10,515
	<u>5,996,179</u>	<u>5,892,548</u>
Derivatives held for hedging	<u>488,935</u>	<u>334,690</u>
	<u><u>6,485,114</u></u>	<u><u>6,227,238</u></u>

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

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

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

8 Investment securities

	September 30, 2010 (unaudited)			
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Available for sale investments				
Quoted:				
Floating rate notes (FRNs)	519,211	17,244	7,346	543,801
Collateralised debt obligations (CDOs)	-	-	49,526	49,526
Equity instruments	11,427	-	317	11,744
Bonds	2,876,969	588,848	893,449	4,359,266
Government securities	1,311,175	1,200,784	304,732	2,816,691
Total Quoted	4,718,782	1,806,876	1,255,370	7,781,028
Unquoted:				
Equity instruments	221,292	-	33	221,325
Mutual funds	41,413	-	-	41,413
Total Unquoted	262,705	-	33	262,738
Total available for sale investments	4,981,487	1,806,876	1,255,403	8,043,766
Held to maturity investments:				
Quoted:				
Bonds	91,610	-	-	91,610
Total Held to maturity investments	91,610	-	-	91,610
Total investment securities	5,073,097	1,806,876	1,255,403	8,135,376

Bonds in Quoted investment under available for sale investments include Bonds of fair value AED 1,009,401 thousand in public sector companies.

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

8 Investment securities (continued)

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

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

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

	September 30, 2010 (unaudited)		December 31, 2009 (audited)	
	Carrying value of pledged assets AED'000	Carrying value of associated liabilities AED'000	Carrying value of pledged assets AED'000	Carrying value of associated liabilities AED'000
Total return swaps	624,151	622,374	616,521	636,394
Repurchase financing	609,878	440,760	578,244	440,760
	1,234,029	1,063,134	1,194,765	1,077,154

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)****8 Investment securities (continued)**

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 September 30, 2010 amounted to AED 458,598 thousand and AED 56,872 thousand respectively (December 31, 2009 - AED 933,249 thousand and AED 414,338 thousand respectively). These securities have been negatively impacted by the global financial crisis and subsequent recession that stemmed from the U.S.A. subprime situation, corporate credit events and corporate insolvencies in both the U.S.A. and Europe, as well as ongoing liquidity shortages. The continued uncertainty in long-term outlook for the global economy and increased volatility in credit default spreads also continues to negatively impact fair values. The above exposure is net of collective impairment allowance amounting to AED 376,003 thousand (December 31, 2009 - AED 404,663 thousand) against the total above exposure.

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

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

9 Investments in associates

Name of associate	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
RHB Capital Berhad	5,190,692	4,474,784
Al Nokhitha Fund	64,317	73,150
ADCB MSCI U.A.E. Index Fund	29,936	34,725
	<hr/>	<hr/>
Carrying value	5,284,945	4,582,659
	<hr/> <hr/>	<hr/> <hr/>

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

	Name of associate	Principal activities	Country of incorporation	Ownership Interest	
				September 30 2010	December 31 2009
(a)	RHB Capital Berhad	Wholesale, retail and Islamic banking, financial advisory and underwriting, insurance and property investment.	Malaysia	25%	25%
(b)	Al Nokhitha Fund	Investing in Equities listed in Abu Dhabi Exchange, Dubai Financial Market and in any other recognised stock exchanges of the GCC countries.	U.A.E.	21%	22%
(c)	ADCB MSCI U.A.E. Index Fund	Investing in Equities listed in Abu Dhabi Exchange, Dubai Financial Market, Dubai International Financial Exchange determined by MSCI UAE Index ("Index Securities").	U.A.E.	29%	30%

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)****9 Investments in associates (continued)**

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

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

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

The equity instruments of RHB Capital Berhad are quoted in Bursa Stock Exchange, Malaysia and the quoted value of the investment at September 30, 2010 amounted to AED 4,632,046 thousand (December 31, 2009 – AED 3,061,303 thousand).

The Bank partially hedged its currency translation risk in net investment in RHB Capital Berhad through foreign exchange forward contracts and designated these contracts as hedging derivatives. The hedging instruments resulted in losses of AED 419,120 thousand (December 31, 2009 losses of AED 107,360 thousand) which have been recognised in other comprehensive income. No amounts are withdrawn from equity during the period as there was no disposal of net investment in associate.

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

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

9 Investments in associates (continued)

The latest available financial information in respect of Bank's associates are as of June 30, 2010 and are summarised as follows:

	AED'000
Total assets	143,481,408
Total liabilities	(131,922,406)
	<hr/>
Net assets	11,559,002
	<hr/> <hr/>
Bank's share in net asset of associates	2,881,773
	<hr/> <hr/>
Total interest and other operating income	2,368,318
	<hr/> <hr/>
Total profit for the period	898,489
	<hr/> <hr/>
Bank's share in profit of associates	223,200
	<hr/> <hr/>

10 Investment properties

	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
At January 1	549,492	632,492
Decrease in fair value of investment properties	(35,000)	(83,000)
Transfer to property and equipment, net	(24,164)	-
	<hr/>	<hr/>
Balance at	490,328	549,492
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Bank's investment properties has been arrived at on the basis of valuations carried out by independent valuers that are not related to the Bank. The fair value of investment properties is estimated periodically by considering recent prices for similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at these prices. The effective date of the valuation is June 30, 2010. All the investment properties of the Bank are located within the U.A.E.

During the period the Bank has decided to utilise a part of one of its investment property for its own operation. Accordingly, AED 24,164 thousand which represents the fair value of the investment property on the date of such change in use has been transferred to property and equipment, net.

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

11 Other assets

	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Interest receivable	1,064,930	607,052
Withholding tax	64,176	37,743
Prepayments	95,995	121,985
Clearing receivables	-	106
Acceptances	7,650,452	4,631,510
Others	988,277	375,891
	<hr/> 9,863,830 <hr/>	<hr/> 5,774,287 <hr/>

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

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

12 Short and medium term borrowings

The details of short and medium term borrowings as at September 30, 2010 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Total AED'000
Unsecured notes	Australian Dollar (AUD)	-	177,755	-	177,755
	Hong Kong Dollar (HKD)	47,334	94,667	-	142,001
	Japanese Yen (JPY)	-	219,730	-	219,730
	Malaysian Ringitt (MYR)	-	-	892,516	892,516
	Pound Sterling (GBP)	-	2,908,832	-	2,908,832
	Slovak Koruna (SKK)	-	124,402	-	124,402
	South African Rand (ZAR)	-	52,701	-	52,701
	Swiss Franc (CHF)	1,127,264	-	-	1,127,264
	U.A.E. Dirham (AED)	2,200,000	-	1,253,000	3,453,000
	US Dollar (US\$)	36,730	36,730	3,673,000	3,746,460
		3,411,328	3,614,817	5,818,516	12,844,661
Syndicated loans	US Dollar (US\$)	1,858,538	6,978,700	-	8,837,238
	Euro (EUR)	-	199,855	-	199,855
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
		5,269,866	10,793,372	6,881,650	22,944,888
Fair value adjustment on short and medium term borrowings being hedged					458,319
					23,403,207

Included in short and medium term borrowings is a carrying amount of AED 1,601,804 thousand which have been hedged using cross currency swaps.

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

12 Short and medium term borrowings (continued)

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

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

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

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

12 Short and medium term borrowings (continued)

Interest on unsecured notes are payable in arrears and the coupon rates at September 30, 2010 (unaudited) are as follows:

<u>Currency</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>
AUD	-	3 months AUD-BBSW plus 30 basis points	-
HKD	3 months HIBOR offer rate plus 35 basis points	3 months HIBOR offer rate plus 29 basis points	-
JPY	-	Fixed rate of 1.66% p.a.	-
GBP	-	Fixed rate of 5.625% p.a.	-
SKK	-	3 months BRIBOR plus 11 basis points	-
ZAR	-	3 months JIBAR plus 41 basis points	-
CHF	Fixed rate of 2.76% p.a.	-	-
MYR	-	-	Fixed rate of 5.2% p.a.
AED	3 months EIBOR plus 200 to 250 basis points	-	Fixed rate of 6% p.a.
US\$	3 months LIBOR plus 30 basis points	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 to 27.5 basis points over 1 month LIBOR and quarterly coupons in arrears with 27.5 basis points to 185 basis points over 3 months LIBOR. The Bank has option to roll over the syndicated loan for a further period of two years from the date of maturity.

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

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

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

13 Long term borrowings

Instrument	Currency	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Unsecured notes	Turkish Lira (TRY)	93,752	90,204
	U.A.E. Dirham (AED)	500,000	500,000
	US Dollar (US\$)	73,460	73,460
		<hr/> 667,212	<hr/> 663,664
Subordinated floating rate notes	US Dollar (US\$)	1,180,135	1,328,891
Tier II loan	U.A.E. Dirham (AED)	6,617,456	6,617,456
Fair value adjustment on long term borrowings being hedged		27,872	9,483
		<hr/> 8,492,675 <hr/>	<hr/> 8,619,494 <hr/>

Interest on unsecured notes are payable in arrears and the coupon rates as at September 30, 2010 (unaudited) are as follows:

Currency

Over 5 years

TRY	Fixed rate of 12.75% p.a.
AED	Fixed rate of 6% p.a.
US\$	Fixed rate of 5.3875% p.a.

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

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

13 Long term borrowings (continued)

Tier II loan

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

14 Other liabilities

	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Interest payable	1,215,223	992,049
Employees' end of service and other benefits	156,637	130,973
Accounts payable and other creditors	824,377	736,492
Clearing payables	3,073	606
Deferred income	245,225	263,881
Acceptances	7,650,452	4,631,510
Others	985,124	985,154
	<hr/> 11,080,111 <hr/>	<hr/> 7,740,665 <hr/>

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

15 Share capital

	Authorised AED'000	Issued and fully paid	
		September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Ordinary shares of AED 1 each	4,810,000	4,810,000	4,810,000
	<hr/> 4,810,000 <hr/>	<hr/> 4,810,000 <hr/>	<hr/> 4,810,000 <hr/>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

16 Employees' incentive plan shares, net

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

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

The movement of plan shares is as follows

	September 30 2010 (unaudited)	December 31 2009 (audited)
Shares outstanding at January 1	13,173,328	14,346,260
Shares purchased during the period/year	27,058,292	-
Exercised during the period/year	-	(1,172,932)
	<hr/>	<hr/>
Outstanding at	40,231,620	13,173,328
	<hr/> <hr/>	<hr/> <hr/>
Exercisable at	-	-
	<hr/> <hr/>	<hr/> <hr/>

	3 months ended September 30 (unaudited)		9 months ended September 30 (unaudited)	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Amount of "Plan" costs recognised in the statement of income	7,061	2,782	21,613	9,202
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

17 Capital notes

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

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

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

18 Interest income

	<u>3 months ended September 30</u>		<u>9 months ended September 30</u>	
	<u>(unaudited)</u>		<u>(unaudited)</u>	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Loans and advances to banks	58,691	30,571	112,449	122,653
Loans and advances to customers	1,750,012	1,631,758	4,975,099	4,974,157
Investment securities	48,538	40,291	126,134	117,649
	<hr/>	<hr/>	<hr/>	<hr/>
	1,857,241	1,702,620	5,213,682	5,214,459
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

19 Interest expense

	3 months ended September 30		9 months ended September 30	
	(unaudited)		(unaudited)	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Deposits from banks	27,212	22,119	96,784	73,063
Deposits from customers	681,408	568,256	1,832,731	1,891,575
Debt securities issued and subordinated liabilities	114,782	146,162	329,731	463,673
Interest on mandatory convertible securities and long term notes	159,981	121,299	328,512	286,691
	<u>983,383</u>	<u>857,836</u>	<u>2,587,758</u>	<u>2,715,002</u>

20 Net fees and commission income

	3 months ended September 30		9 months ended September 30	
	(unaudited)		(unaudited)	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Fees and commission income				
Retail banking fees	138,869	120,969	397,000	348,438
Corporate banking fees	146,173	108,186	309,964	358,137
Brokerage fees	1,430	4,107	4,106	15,399
Fees from trust and other fiduciary activities	6,766	28,365	22,278	42,949
Other fees	16,682	11,263	36,430	28,875
	<u>309,920</u>	<u>272,890</u>	<u>769,778</u>	<u>793,798</u>
Total fees and commission income	309,920	272,890	769,778	793,798
Fees and commission expenses	(23,131)	(20,224)	(67,718)	(45,035)
	<u>286,789</u>	<u>252,666</u>	<u>702,060</u>	<u>748,763</u>
Net fees and commission income	286,789	252,666	702,060	748,763

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

21 Impairment allowances

	<u>3 months ended September 30</u>		<u>9 months ended September 30</u>	
	<u>(unaudited)</u>		<u>(unaudited)</u>	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Impairment allowance on doubtful loans and advances, net of recoveries (Note 6)	609,174	708,239	2,295,928	1,244,640
Impairment allowance on investment securities	5,188	22,038	223,487	291,543
Impairment allowance on credit default swaps (Note 23)	41,525	80,434	120,707	164,619
	<u>655,887</u>	<u>810,711</u>	<u>2,640,122</u>	<u>1,700,802</u>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

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.

	<u>3 months ended September 30</u>		<u>9 months ended September 30</u>	
	<u>(unaudited)</u> <u>2010</u>	2009	<u>(unaudited)</u> <u>2010</u>	2009
Net profit for the period attributable to the equity holders of the Bank (AED'000)	317,724	34,774	8,956	683,340
Add: Interest on MCS for the period (AED'000)	25,527	38,039	77,634	127,835
Less: Coupons paid on capital notes (AED'000)	(120,666)	(120,000)	(243,333)	(120,000)
Net adjusted profit/(loss) for the period attributable to the equity holders of the Bank (AED'000) (a)	222,585	(47,187)	(156,743)	691,175
Weighted average number of shares in issue throughout the period (000's)	4,810,000	4,810,000	4,810,000	4,810,000
Add: Weighted average number of shares resulting from conversion of MCS (000's)	785,597	785,597	785,597	785,597
Less: Weighted average number of shares resulting from Employees' incentive plan shares (000's)	(40,232)	(13,173)	(34,051)	(5,642)
Weighted average number of potential equity shares in issue during the period (000's) (b)	5,555,365	5,582,424	5,561,546	5,589,955
Basic earnings/(loss) per share (AED) (a)/(b)	0.04	(0.01)	(0.03)	0.12

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

23 Commitments and contingent liabilities

The Bank had the following commitments and contingent liabilities at:

	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Commitments on behalf of customers		
Letters of credit	2,861,791	4,107,386
Guarantees	13,939,479	16,077,519
Commitments to extend credit – Revocable	3,296,120	4,791,152
Commitments to extend credit – Irrevocable	10,768,394	18,820,730
Credit default swaps	1,534,382	2,007,017
	<hr/>	<hr/>
	32,400,166	45,803,804
Others		
Commitments for future capital expenditure	433,726	190,920
Commitments to invest in investment securities	634,039	245,409
	<hr/>	<hr/>
	33,467,931	46,240,133
	<hr/> <hr/>	<hr/> <hr/>

The Bank's total exposure in credit default swaps net of provisions amounted to AED 1,534,382 thousand. During the period, an amount of AED 120,707 thousand (Note 21) has been provided (September 30, 2009 – AED 164,619 thousand) towards expected calls against impaired credit default swaps based on the independent advisors' reports and recommendations.

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

24 Business segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

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.

The following is an analysis of the Bank's revenue and results by operating segment:

	Consumer Banking AED' 000	Wholesale Banking AED' 000	Investments and Treasury AED' 000	Corporate Support AED' 000	Total AED' 000
For the 9 months period ended September 30, 2010 – unaudited					
Net interest income net of distribution to depositors	<u>1,233,851</u>	<u>864,622</u>	<u>481,582</u>	<u>68,601</u>	<u>2,648,656</u>
Other operating income, excluding share of (loss)/profit of associates	<u>413,031</u>	<u>388,460</u>	<u>134,905</u>	<u>53,597</u>	<u>989,993</u>
Share of (loss)/profit of associates	<u>(13,623)</u>	<u>306,641</u>	<u>-</u>	<u>-</u>	<u>293,018</u>
Provision for impairment of loans & advances	<u>(667,099)</u>	<u>(1,628,829)</u>	<u>-</u>	<u>-</u>	<u>(2,295,928)</u>
Impairment of investment securities and credit default swaps	<u>-</u>	<u>(29,232)</u>	<u>(314,962)</u>	<u>-</u>	<u>(344,194)</u>
Depreciation and amortisation	<u>(51,307)</u>	<u>(9,674)</u>	<u>(7,347)</u>	<u>(1,820)</u>	<u>(70,148)</u>
Other operating expenses	<u>(718,044)</u>	<u>(332,910)</u>	<u>(99,335)</u>	<u>(49,760)</u>	<u>(1,200,049)</u>
Net profit/(loss) before taxation	<u>196,809</u>	<u>(440,922)</u>	<u>194,843</u>	<u>70,618</u>	<u>21,348</u>
Taxation	<u>-</u>	<u>(2,289)</u>	<u>-</u>	<u>-</u>	<u>(2,289)</u>
Net profit/(loss) after taxation	<u>196,809</u>	<u>(443,211)</u>	<u>194,843</u>	<u>70,618</u>	<u>19,059</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,213</u>	<u>128,213</u>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

24 Business segments (continued)

	Consumer Banking AED' 000	Wholesale Banking AED' 000	Investments and Treasury AED' 000	Corporate Support AED' 000	Total AED' 000
For the 9 months period ended September 30, 2009 – unaudited					
Net interest income net of distribution to depositors	<u>961,817</u>	<u>645,425</u>	<u>753,431</u>	<u>57,242</u>	<u>2,417,915</u>
Other operating income, excluding share of profit of associate	<u>362,010</u>	<u>448,829</u>	<u>111,208</u>	<u>47,619</u>	<u>969,666</u>
Share of profit of associate	<u>-</u>	<u>181,650</u>	<u>-</u>	<u>-</u>	<u>181,650</u>
Provision for impairment of loans & advances	<u>(542,945)</u>	<u>(701,695)</u>	<u>-</u>	<u>-</u>	<u>(1,244,640)</u>
Impairment of investment securities and credit default swaps	<u>-</u>	<u>-</u>	<u>(456,162)</u>	<u>-</u>	<u>(456,162)</u>
Depreciation and amortisation	<u>(40,795)</u>	<u>(7,439)</u>	<u>(5,302)</u>	<u>(1,615)</u>	<u>(55,151)</u>
Other operating expenses	<u>(634,373)</u>	<u>(302,584)</u>	<u>(125,925)</u>	<u>(46,678)</u>	<u>(1,109,560)</u>
Net profit before taxation	<u>105,714</u>	<u>264,186</u>	<u>277,250</u>	<u>56,568</u>	<u>703,718</u>
Taxation	<u>-</u>	<u>(3,061)</u>	<u>-</u>	<u>-</u>	<u>(3,061)</u>
Net profit after taxation	<u>105,714</u>	<u>261,125</u>	<u>277,250</u>	<u>56,568</u>	<u>700,657</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,212</u>	<u>278,212</u>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

24 Business segments (continued)

	Consumer Banking AED' 000	Wholesale Banking AED' 000	Investments and Treasury AED' 000	Corporate Support AED' 000	Total AED' 000
For the 3 months period ended September 30, 2010 – unaudited					
Net interest income net of distribution to depositors	<u>433,576</u>	<u>335,098</u>	<u>85,403</u>	<u>22,961</u>	<u>877,038</u>
Other operating income, excluding share of (loss)/profit of associates	<u>154,894</u>	<u>173,435</u>	<u>116,256</u>	<u>30,960</u>	<u>475,545</u>
Share of (loss)/profit of associates	<u>1,075</u>	<u>97,807</u>	<u>-</u>	<u>-</u>	<u>98,882</u>
Provision for impairment of loans & advances	<u>(270,931)</u>	<u>(338,243)</u>	<u>-</u>	<u>-</u>	<u>(609,174)</u>
Impairment of investment securities and credit default swaps	<u>-</u>	<u>-</u>	<u>(46,713)</u>	<u>-</u>	<u>(46,713)</u>
Depreciation and amortisation	<u>(16,991)</u>	<u>(3,158)</u>	<u>(2,404)</u>	<u>(616)</u>	<u>(23,169)</u>
Other operating expenses	<u>(272,327)</u>	<u>(126,090)</u>	<u>(32,318)</u>	<u>(16,028)</u>	<u>(446,763)</u>
Net profit before taxation	<u>29,296</u>	<u>138,849</u>	<u>120,224</u>	<u>37,277</u>	<u>325,646</u>
Taxation	<u>-</u>	<u>(644)</u>	<u>-</u>	<u>-</u>	<u>(644)</u>
Net profit after taxation	<u>29,296</u>	<u>138,205</u>	<u>120,224</u>	<u>37,277</u>	<u>325,002</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,338</u>	<u>78,338</u>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

24 Business segments (continued)

	Consumer Banking AED' 000	Wholesale Banking AED' 000	Investments and Treasury AED' 000	Corporate Support AED' 000	Total AED' 000
For the 3 months period ended September 30, 2009 – unaudited					
Net interest income net of distribution to depositors	<u>343,269</u>	<u>226,889</u>	<u>231,567</u>	<u>21,633</u>	<u>823,358</u>
Other operating income, excluding share of profit of associate	<u>119,111</u>	<u>200,601</u>	<u>30,103</u>	<u>(2,456)</u>	<u>347,359</u>
Share of profit of associate	<u>-</u>	<u>73,244</u>	<u>-</u>	<u>-</u>	<u>73,244</u>
Provision for impairment of loans & advances	<u>(248,493)</u>	<u>(459,746)</u>	<u>-</u>	<u>-</u>	<u>(708,239)</u>
Impairment of investment securities and credit default swaps	<u>-</u>	<u>-</u>	<u>(102,472)</u>	<u>-</u>	<u>(102,472)</u>
Depreciation and amortisation	<u>(13,318)</u>	<u>(2,018)</u>	<u>(1,813)</u>	<u>(767)</u>	<u>(17,916)</u>
Other operating expenses	<u>(215,010)</u>	<u>(90,957)</u>	<u>(50,601)</u>	<u>(14,182)</u>	<u>(370,750)</u>
Net (loss)/profit before taxation	<u>(14,441)</u>	<u>(51,987)</u>	<u>106,784</u>	<u>4,228</u>	<u>44,584</u>
Taxation	<u>-</u>	<u>(644)</u>	<u>-</u>	<u>-</u>	<u>(644)</u>
Net (loss)/profit after taxation	<u>(14,441)</u>	<u>(52,631)</u>	<u>106,784</u>	<u>4,228</u>	<u>43,940</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,893</u>	<u>102,893</u>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

24 Business segments (continued)

	Consumer Banking AED' 000	Wholesale Banking AED' 000	Investments and Treasury AED' 000	Corporate Support AED' 000	Total AED' 000
As of September 30, 2010 – unaudited					
Segment assets	<u>65,234,968</u>	<u>70,893,717</u>	<u>38,285,868</u>	<u>1,452,892</u>	<u>175,867,445</u>
Segment liabilities	<u>23,085,701</u>	<u>54,431,559</u>	<u>78,925,372</u>	<u>168,134</u>	<u>156,610,766</u>
As at December 31, 2009 - audited					
Segment assets	<u>59,106,435</u>	<u>68,474,440</u>	<u>31,180,835</u>	<u>1,447,068</u>	<u>160,208,778</u>
Segment liabilities	<u>23,741,334</u>	<u>34,413,534</u>	<u>82,679,810</u>	<u>283,981</u>	<u>141,118,659</u>

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

24 Business 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)	
	9 months ended		9 months ended	
	September 30 2010 AED'000	September 30 2009 AED'000	September 30 2010 AED'000	September 30 2009 AED'000
Income				
Net interest income net of distribution to depositors	2,635,234	2,406,175	13,422	11,740
Other operating income	969,455	966,746	313,556	184,570
	Domestic (unaudited)		International (unaudited)	
	3 months ended		3 months ended	
	September 30 2010 AED'000	September 30 2009 AED'000	September 30 2010 AED'000	September 30 2009 AED'000
Income				
Net interest income net of distribution to depositors	872,841	820,462	4,197	2,896
Other operating income	474,014	346,614	100,413	73,989
	Domestic		International	
	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Investment properties	490,328	549,492	-	-
Property and equipment, net	868,980	786,736	4,970	4,985

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

25 Capital adequacy

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

	Basel II	
	September 30 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Tier 1 capital		
Share capital	4,810,000	4,810,000
Statutory and legal reserves	2,627,979	2,627,979
General and contingency reserves	2,150,000	2,150,000
Foreign currency translation reserve	135,146	(353,736)
Retained earnings	712,826	1,360,623
Non-controlling interest in equity of subsidiaries	89,276	69,087
Employees' incentive plan shares, net	(38,910)	(13,438)
Mandatory convertible securities	4,687,444	4,742,932
Capital notes (Note 17)	4,000,000	4,000,000
Less: Investments in associates (50%)	(2,642,473)	(2,291,330)
Less: Securitization exposures (due to rating migration)	(685,935)	-
	<u>15,845,353</u>	<u>17,102,117</u>
Tier 2 capital		
Collective impairment allowance on loans and advances (Note 6)	1,536,863	1,504,854
Cumulative changes in fair value	136,479	(194,279)
Tier II loan (Note 13)	6,617,456	6,617,456
Subordinated floating rate notes (Note 13)	1,180,135	1,328,891
Less: Investments in associates (50%)	(2,642,472)	(2,291,329)
Less: Securitization exposures (due to rating migration)	(685,935)	-
	<u>6,142,526</u>	<u>6,965,593</u>
Total regulatory capital	<u>21,987,879</u>	<u>24,067,710</u>
Risk-weighted assets:		
Credit risk	128,912,118	126,294,138
Market risk	3,518,870	6,523,298
Operational risk	5,405,406	5,657,608
Total risk-weighted assets	<u>137,836,394</u>	<u>138,475,044</u>
Capital adequacy ratio	<u>15.95%</u>	<u>17.38%</u>

The capital adequacy ratio was above the minimum requirement of 12% for September 30, 2010 (December 31, 2009 – 11%) stipulated by the U.A.E. Central Bank.

**Notes to the condensed consolidated financial statements
for the period ended September 30, 2010 (continued)**

26 Events after reporting period

Business combination

On October 1, 2010, the Bank acquired the retail banking business (“the business”) of The Royal Bank of Scotland (“RBS”) in the U.A.E. for a total cash consideration of AED 64,610 thousand received on account of net liability assumed. This acquisition has been approved by the U.A.E. Central Bank.

The acquisition would provide opportunities for the Bank to grow its credit card business and creating one of the largest mass affluent businesses in the U.A.E.. The combined business would benefit from delivering economies of scale, a stronger operating platform and a wider distribution network by leveraging RBS’s established local retail banking presence.

At the date of the reporting period, the Bank is still in the process of assessing the value of acquired identifiable assets and liabilities and the goodwill, if any.

27 Approval of financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on October 26, 2010.