Abu Dhabi Commercial Bank PJSC

Review report and condensed consolidated interim financial information for the three month period ended March 31, 2017

بنك أبوظبي التجاري
ADCB

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Report on review of condensed consolidated interim financial information

To the Board of Directors of
Abu Dhabi Commercial Bank PJSC
Abu Dhabi
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank PJSC as at 31 March 2017 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 IAS 34, "Interim Financial Reporting". 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, "Interim Financial Reporting".

Deloitte & Touche (M.E.)

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Signed by:
Mohammad Khamees Al Tah
Registration No. 717
30 April 2017
Abu Dhabi
United Arab Emirates

Condensed consolidated interim statement of financial position
As at March 31, 2017

	Notes	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Assets			
Cash and balances with central banks	3	19,234,469	19,261,902
Deposits and balances due from banks, net	4	24,300,705	24,663,615
Reverse-repo placements	5	323,683	1,524,806
Trading securities	6	629,336	418,758
Derivative financial instruments	7	4,452,640	3,971,789
Investment securities	8	40,957,963	33,059,466
Loans and advances to customers, net	9	159,801,613	158,457,695
Investment in associate		199,002	204,977
Investment properties	10	662,168	659,776
Other assets	11	12,148,169	15,120,988
Property and equipment, net		943,717	926,685
Intangible assets		18,800	18,800
Total assets		263,672,265	258,289,257
Liabilities			
Due to banks	12	6,300,521	3,842,714
Derivative financial instruments	7	5,361,091	4,792,529
Deposits from customers	13	162,362,027	155,442,207
Euro commercial paper	14	8,721,223	8,728,533
Borrowings	15	37,639,911	38,015,030
Other liabilities	16	13,748,725	17,117,359
Total liabilities		234,133,498	227,938,372
Equity			
Share capital	17	5,198,231	5,198,231
Share premium		2,419,999	2,419,999
Other reserves	18	7,674,919	7,437,283
Retained earnings		10,245,618	11,295,372
Capital notes	19	4,000,000	4,000,000
Total equity		29,538,767	30,350,885
Total liabilities and equity		263,672,265	258,289,257

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on April 30, 2017 and signed on its behalf by:

Eissa Al Suwaidi Chairman	Ala'a Eraiqat Group Chief Executive Officer	Deepak Khullar Group Chief Financial Officer

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

Condensed consolidated interim income statement (unaudited)
For the three month period ended March 31, 2017

		3 months ended March 31	
		2017	2016
	Notes	**AED'000**	AED'000
Interest income	**20**	**2,143,743**	1,914,372
Interest expense	**21**	**(734,257)**	(491,901)
Net interest income		**1,409,486**	1,422,471
Income from Islamic financing		**246,373**	183,420
Islamic profit distribution		**(24,971)**	(32,956)
Net income from Islamic financing		**221,402**	150,464
Total net interest and Islamic financing income		**1,630,888**	1,572,935
Net fees and commission income	**22**	**373,260**	358,431
Net trading income	**23**	**166,050**	121,843
Other operating income	**24**	**58,759**	58,480
Operating income		**2,228,957**	2,111,689
Operating expenses	**25**	**(740,139)**	(738,003)
Operating profit before impairment allowances		**1,488,818**	1,373,686
Impairment allowances	**26**	**(386,384)**	(352,181)
Share in profit of associate		**3,475**	1,717
Profit before taxation		**1,105,909**	1,023,222
Overseas income tax expense		**(597)**	(2,178)
Net profit for the period		**1,105,312**	1,021,044
Attributed to:			
Equity holders of the Bank		**1,105,312**	1,020,275
Non-controlling interests		**-**	769
Net profit for the period		**1,105,312**	1,021,044
Basic and diluted earnings per share (AED)	**27**	**0.20**	0.18

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

Condensed consolidated interim statement of comprehensive income (unaudited)
For the three month period ended March 31, 2017

	3 months ended March 31	
	2017	2016
	AED'000	AED'000
Net profit for the period	**1,105,312**	1,021,044
Items that may be re-classified subsequently to the condensed consolidated interim income statement		
Exchange difference arising on translation of foreign operations (Note 18)	**9,809**	(271)
Net movement in cash flow hedge reserve (Note 18)	**(16,053)**	(20,292)
Net movement in fair value of available-for-sale investments (Note 18)	**236,860**	18,168
Other comprehensive income/(loss) for the period	**230,616**	(2,395)
Total comprehensive income for the period	**1,335,928**	1,018,649
Attributed to:		
Equity holders of the Bank	**1,335,928**	1,017,880
Non-controlling interests	**-**	769
Total comprehensive income for the period	**1,335,928**	1,018,649

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

Condensed consolidated interim statement of changes in equity (unaudited)

For the three month period ended March 31, 2017

	Share capital AED'000	Share premium AED'000	Other reserves AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at January 1, 2017	**5,198,231**	**2,419,999**	**7,437,283**	**11,295,372**	**4,000,000**	**30,350,885**	**-**	**30,350,885**
Net profit for the period	**-**	**-**	**-**	**1,105,312**	**-**	**1,105,312**	**-**	**1,105,312**
Other comprehensive income for the period	**-**	**-**	**230,616**	**-**	**-**	**230,616**	**-**	**230,616**
Other movements (Note 18)	**-**	**-**	**7,020**	**1,141**	**-**	**8,161**	**-**	**8,161**
Dividends paid to equity holders of the Bank	**-**	**-**	**-**	**(2,079,292)**	**-**	**(2,079,292)**	**-**	**(2,079,292)**
Capital notes coupon paid (Note 27)	**-**	**-**	**-**	**(76,915)**	**-**	**(76,915)**	**-**	**(76,915)**
Balance at March 31, 2017	**5,198,231**	**2,419,999**	**7,674,919**	**10,245,618**	**4,000,000**	**29,538,767**	**-**	**29,538,767**
Balance at January 1, 2016	5,595,597	3,848,286	5,656,564	9,627,315	4,000,000	28,727,762	5,041	28,732,803
Net profit for the period	-	-	-	1,020,275	-	1,020,275	769	1,021,044
Other comprehensive loss for the period	-	-	(2,395)	-	-	(2,395)	-	(2,395)
Other movements (Note 18)	-	-	2,288	(3,240)	-	(952)	-	(952)
Dividends paid to equity holders of the Bank	-	-	-	(2,339,204)	-	(2,339,204)	-	(2,339,204)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,216)	(2,216)
Capital notes coupon paid (Note 27)	-	-	-	(66,065)	-	(66,065)	-	(66,065)
Balance at March 31, 2016	5,595,597	3,848,286	5,656,457	8,239,081	4,000,000	27,339,421	3,594	27,343,015

Following the Annual General Meeting held on March 7, 2017, the shareholders approved the distribution of proposed cash dividend of AED 2,079,292 thousand for the year 2016, being AED 0.40 dividend per share and representing 40% of the paid up share capital (For the year 2015 - AED 2,339,204 thousand, being AED 0.45 dividend per share and representing 45% of the paid up share capital net of shares bought back).

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

Condensed consolidated interim statement of cash flows (unaudited)
For the three month period ended March 31, 2017

	3 months ended March 31	
	2017	2016
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxation	**1,105,909**	1,023,222
Adjustments for:		
Depreciation on property and equipment, net (Note 25)	**38,810**	34,196
Impairment allowance on loans and advances, net (Note 26)	**504,075**	398,961
Share in profit of associate	**(3,475)**	(1,717)
Discount unwind (Note 9)	**(13,400)**	(16,949)
Net gains from disposal of available-for-sale investments (Note 24)	**(407)**	(5)
Other impairment allowances and recoveries on available-for-sale investments (Note 26)	**400**	(12,855)
Interest income on available-for-sale investments	**(270,128)**	(121,767)
Dividend income on available-for-sale investments (Note 24)	**-**	(21)
Interest expense on borrowings and euro commercial paper	**237,849**	151,777
Net losses from trading securities (Note 23)	**1,308**	704
Ineffective portion of hedges – gains (Note 7)	**(20,480)**	(6,580)
Employees' incentive plan benefit expense (Note 18)	**8,161**	8,032
Cash flow from operating activities before changes in operating assets and liabilities	**1,588,622**	1,456,998
Decrease/(increase) in balances with central banks	**3,544,445**	(2,733,250)
Increase in due from banks, net	**(6,625,855)**	(1,983,071)
Decrease in reverse-repo placements	**-**	1,775,742
Net movement in derivative financial instruments	**50,959**	(74,116)
Net purchases of trading securities	**(211,886)**	(10,175)
Increase in loans and advances to customers, net	**(1,841,348)**	(3,364,744)
Increase in other assets	**(101,864)**	(192,919)
(Decrease)/increase in due to banks	**(485,159)**	885,356
Increase in deposits from customers	**6,919,289**	3,807,145
(Decrease)/increase in other liabilities	**(217,075)**	458,825
Net cash from operations	**2,620,128**	25,791
Overseas tax paid	**(1,306)**	(1,981)
Net cash from operating activities	**2,618,822**	23,810
INVESTING ACTIVITIES		
Recoveries on available-for-sale investments (Note 26)	**-**	12,855
Proceeds from redemption/disposal of available-for-sale investments	**3,731,691**	2,443,747
Purchase of available-for-sale investments	**(11,444,256)**	(2,500,139)
Interest received on available-for-sale investments	**285,214**	148,822
Dividends received on available-for-sale investments	**-**	21
Dividends received from associate	**9,450**	-
Additions to investment properties	**-**	(505)
Disposals of investment properties	**-**	1,450
Net purchase of property and equipment, net	**(55,842)**	(56,169)
Net cash (used in)/from investing activities	**(7,473,743)**	50,082
FINANCING ACTIVITIES		
Net decrease in euro commercial paper	**(37,577)**	(540,665)
Net proceeds from borrowings	**6,271,495**	1,838,614
Repayment of borrowings	**(6,634,745)**	(3,938,590)
Interest paid on borrowings	**(206,653)**	(304,879)
Dividends paid to equity holders of the Bank	**(2,079,292)**	(2,339,204)
Purchase of employees' incentive plan shares (Note 18)	**-**	(8,984)
Dividends paid to non-controlling interests	**-**	(2,216)
Capital notes coupon paid (Note 27)	**(76,915)**	(66,065)
Net cash used in financing activities	**(2,763,687)**	(5,361,989)
Net decrease in cash and cash equivalents	**(7,618,608)**	(5,288,097)
Cash and cash equivalents at the beginning of the period	**34,651,119**	30,773,569
Cash and cash equivalents at the end of the period	**27,032,511**	25,485,472

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

Condensed consolidated interim statement of cash flows (unaudited)
For the three month period ended March 31, 2017

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated interim statement of cash flows comprise the following amounts:

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Cash and balances with central banks	**19,234,469**	19,261,902
Deposits and balances due from banks, net (excluding loans and advances to banks, net)	**20,600,343**	21,079,997
Reverse-repo placements	**323,683**	1,524,806
Due to banks	**(6,300,521)**	(3,842,714)
	33,857,974	38,023,991
Less: Cash and balances with central banks, deposits and balances due from banks, net and reverse-repo placements – with original maturity of more than 3 months	**(7,834,437)**	(4,867,005)
Add: Due to banks – with original maturity of more than 3 months	**1,008,974**	1,494,133
Total cash and cash equivalents	**27,032,511**	34,651,119

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

1. Activities and areas of operations

Abu Dhabi Commercial Bank PJSC ("ADCB" or the "Bank") is a public joint stock company with limited liability incorporated in the emirate of Abu Dhabi, United Arab Emirates (UAE). ADCB is principally engaged in the business of retail, commercial and Islamic banking and provision of other financial services through its network of forty eight branches and three pay offices in the UAE, two branches in India, one offshore branch in Jersey, its subsidiaries and two representative offices located in London and Singapore.

The registered head office of ADCB is at Abu Dhabi Commercial Bank Head Office Building, Sheikh Zayed Bin Sultan Street, Plot C- 33, Sector E-11, P. O. Box 939, Abu Dhabi, UAE.

ADCB is registered as a public joint stock company in accordance with the UAE Federal Law No. (8) of 1984 (as amended) ("Companies Law"). The UAE Federal Law No. (2) of 2015 which came into effect on July 1, 2015 replaced the existing Companies Law. The Group expects to be fully compliant on or before the end of the grace period which expires on June 30, 2017 (as extended pursuant to Cabinet Resolution 35/F of 2016).

2. Summary of significant accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information has been prepared on a going concern basis and in accordance with IAS 34 - Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The same accounting policies, presentation and methods of computation have been followed in this condensed consolidated interim financial information as were applied in the preparation and presentation of the Group's consolidated financial statements for the year ended December 31, 2016. Certain disclosure notes have been reclassified and rearranged from the Group's prior period condensed consolidated interim financial information to conform to the current period's presentation.

For details of related party balances and transactions, refer to Note 37 in the consolidated financial statements for the year ended December 31, 2016. The related party balances and transactions for the three month period ended March 31, 2017 are similar in nature and magnitude. Note 9 of this condensed consolidated interim financial information provide details of lending exposure to government entities.

The results for the three month period ended March 31, 2017 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2017.

The condensed consolidated interim financial information is prepared and presented in United Arab Emirates Dirhams (AED) which is the Group's functional and presentation currency and are rounded off to the nearest thousand unless otherwise indicated.

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

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

The main areas of judgments, estimates and assumptions applied in this condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the Group's consolidated financial statements for the year ended December 31, 2016.

2. Summary of significant accounting policies (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 2017

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2017. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Amendments to *IAS 12 Income Taxes* relating to the recognition of deferred tax assets for unrealised losses.
- Amendments to *IAS 7 Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2017.

2.2.2 Standards and Interpretations in issue but not yet effective

The Group has not early adopted new and revised IFRSs that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Group:	**Effective for annual periods beginning on or after**
IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures requiring additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 15 Revenue from Contracts with Customers - In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, *IAS 11 Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: Step 1: Identify the contract(s) with a customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract. Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	January 1, 2018

2. Summary of significant accounting policies (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

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

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing *IAS 39 Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas: **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	January 1, 2018
IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28	January 1, 2018

2. Summary of significant accounting policies (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

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

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
IFRIC 22 Foreign Currency Transactions and Advance Consideration - the interpretation addresses foreign currency transactions or parts of transactions where: - there is consideration that is denominated or priced in a foreign currency; - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and - the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
Amendments to *IFRS 2 Share-based Payment* regarding classification and measurement of share based payment transactions	January 1, 2018
Amendments to *IFRS 4 Insurance Contracts* relating to different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
Amendments to *IAS 40 Investment Property* stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.	January 1, 2018
Amendments to *IFRS 15 Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
Amendments to *IFRS 10 Consolidated Financial Statements* and *IAS 28 Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these IFRSs and amendments will be adopted in the Group's condensed consolidated interim financial statements in the initial period when they become mandatorily effective. Among the new standards, the application of IFRS 9 will have significant impact on the Group's condensed consolidated interim financial statements in respect of:

(a) Classification and measurement - as these requirements are different than the assessments under the existing IAS 39 rules, some differences to the classification and measurement of financial assets under IAS 39 are expected. The classification and measurement of financial liabilities remain largely unchanged under IFRS 9 from current requirements.

(b) Impairment - as a result of the changes to the impairment rules, IFRS 9 will result in an increase in subjectivity as allowances will be based on reasonable and supportable forward-looking information which is derived from probability weighted future economic situations that are continuously monitored and updated over the life of the financial asset. This is in contrast to impairment recognition under IAS 39 which requires the occurrence of one or more loss events before an allowance is recorded. IFRS 9 may result in an increase in the overall level of impairment allowances, due to the requirement to record an allowance equal to 12 months expected credit losses on those instruments whose credit risk has not significantly increased since initial recognition and the likelihood that there will be a larger population of financial assets to which lifetime expected losses apply as compared to the population of financial assets for which loss events have already occurred under IAS 39. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed quantitative assessment with finalised ECL models.

2. Summary of significant accounting policies (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

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

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of IFRS 9. The Group has implemented a IFRS 9 program sponsored by the Group's Chief Financial Officer and includes subject matter experts on methodology, data sourcing and modelling, IT processing and reporting. Overall governance is through the IFRS 9 Steering Committee which includes joint representation from Finance, Risk and IT. Guidance and training on IFRS 9 is delivered across businesses and functions as part of the Group's internal control system in preparation for IFRS 9 becoming effective for the Group from January 1, 2018.

2.3 Basis of consolidation

The condensed consolidated interim financial information incorporates the financial statements of Abu Dhabi Commercial Bank PJSC and its subsidiaries (collectively referred to as the "Group").

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the condensed consolidated interim financial information from the date that control commences until the date that control ceases.

Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Bank, the Bank's power over the SPE, exposures or rights to variable returns from its involvement with the SPE and its ability to use its power over the SPE at inception and subsequently to affect the amount of its return, the Bank concludes that it controls the SPE.

The assessment of whether the Bank has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Bank and the SPE except whenever there is a change in the substance of the relationship between the Bank and the SPE.

Funds under management

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

Loss of control

Upon loss of control, the Bank derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Bank retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Bank's accounting policy for financial instruments depending on the level of influence retained.

Transactions eliminated on consolidation

All intragroup balances and income, expenses and cash flows resulting from intragroup transactions are eliminated in full on consolidation.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Investment in associate

Associates are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The condensed consolidated interim financial information includes the Group's share of the profit or loss and other comprehensive income of investment in associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

Joint operation – when the Group has rights to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method, as for associates.

2.4 Financial instruments – Investment securities

Investment securities are measured initially at their fair value, plus transaction costs directly attributable to the acquisition, except in the case of investment securities recorded at fair value through profit or loss where transaction cost are recognised immediately in profit or loss.

The classification of investment securities at initial recognition depends on the purpose and management's intention for which they were acquired and their characteristics. Investment securities are classified into the following categories:

- Investments at fair value through profit or loss;
- Held-to-maturity investments and
- Available-for-sale.

Investments at fair value through profit or loss (FVTPL)

Investment securities are classified as at FVTPL when either held for trading or when designated as at FVTPL.

Investment securities are classified as held for trading if:

- it has been acquired or purchased 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 Group 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.

2. Summary of significant accounting policies (continued)

2.4 Financial instruments – Investment securities (continued)

Investments at fair value through profit or loss (FVTPL) (continued)

Investment securities other than 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 for measuring such securities on a different basis; or
- it forms part of a group of financial assets, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group'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.

Investments at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the condensed consolidated interim income statement.

Held-to-maturity

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

Held-to-maturity investments are initially recognised 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 recognised 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.

If there is objective evidence that impairment on held-to-maturity investments carried at amortised cost has been incurred, the amount of impairment loss recognised in the condensed consolidated interim income statement is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the investments' original effective interest rate.

Investments classified as held-to-maturity and not close to their maturity, cannot ordinarily be sold or reclassified without impacting the Group'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 assets are intended to be held for an indefinite period of time and may be sold in response to liquidity requirements or changes in interest rates, commodity prices or equity prices.

Available-for-sale investments are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at fair value. The fair values of quoted financial assets in active markets are based on current prices. If the market for a financial asset is not active, and for unquoted securities, the Group establishes fair value by using valuation techniques (e.g. recent arm's length transactions, discounted cash flow analysis and other valuation techniques). Only in very rare cases where fair value cannot be measured reliably, investments are carried at cost and tested for impairment, if any.

2. Summary of significant accounting policies (continued)

2.4 Financial instruments – Investment securities (continued)

Available-for-sale (continued)

Gains and losses arising from changes in fair value are recognised in the condensed consolidated interim statement of comprehensive income 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 equity in the cumulative changes in fair value is included in the condensed consolidated interim income statement for the period.

If an available-for-sale investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in the condensed consolidated interim income statement is removed from equity and recognised 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 financial asset concerned:

- For an available-for-sale debt security, a subsequent decline in the fair value of the instrument is recognised in the condensed consolidated 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 equity. If the fair value of a debt security increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the condensed consolidated 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 in other comprehensive income, accumulating in equity. A subsequent decline in the fair value of the instrument is 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. Impairment losses recognised on the equity security are not reversed through the condensed consolidated interim income statement.

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 statement of financial position date. The fair value is determined on a periodic basis by independent professional valuers.

Investment property under development that is being constructed or developed for future use as investment property is 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 property under development is measured at fair value.

Gains and losses arising from changes in the fair value of investment property and investment property under development are included in the condensed consolidated interim income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property and investment property under development are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between net disposal proceeds and the carrying amount of the asset) in included in profit or loss in the period in which the property is derecognised.

3. Cash and balances with central banks

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Cash on hand	**949,010**	1,145,235
Balances with central banks	**1,584,273**	3,109,498
Reserves maintained with central banks	**10,733,879**	9,900,556
Certificate of deposits with UAE Central Bank	**5,913,530**	5,013,645
Reverse-repo with Central Bank	**53,777**	92,968
Total cash and balances with central banks	**19,234,469**	19,261,902
The geographical concentration is as follows:		
Within the UAE	**19,115,200**	19,106,421
Outside the UAE	**119,269**	155,481
	19,234,469	19,261,902

Reserves maintained with central banks represent deposits with the central banks at stipulated percentages of its demand, savings, time and other deposits. These are only available for day-to-day operations under certain specified conditions.

4. Deposits and balances due from banks, net

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Nostro balances	**447,892**	724,047
Margin deposits	**382,690**	40,660
Time deposits	**19,409,761**	19,955,290
Wakala placements	**360,000**	360,000
Loans and advances to banks	**3,800,965**	3,686,987
Gross deposits and balances due from banks	**24,401,308**	24,766,984
Less: Allowance for impairment (Note 9)	**(100,603)**	(103,369)
Total deposits and balances due from banks, net	**24,300,705**	24,663,615
The geographical concentration is as follows:		
Within the UAE	**8,873,382**	10,098,340
Outside the UAE	**15,527,926**	14,668,644
	24,401,308	24,766,984
Less: Allowance for impairment (Note 9)	**(100,603)**	(103,369)
	24,300,705	24,663,615

The Group hedges its foreign currency time deposits for foreign currency exchange rate risk using foreign exchange swap contracts and designates these instruments as cash flow hedges. The net negative fair value of these swaps was AED 1,857 thousand as at March 31, 2017 (December 31, 2016 – AED Nil).

4. Deposits and balances due from banks, net (continued)

The Group entered into structured financing repurchase agreements whereby loans and advances to banks were pledged and held by counterparties as collateral. The risks and rewards relating to the loans pledged remains with the Group. The loans placed as collateral are governed under collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements. The following table reflects the carrying value of these loans and the associated financial liabilities:

	As at March 31, 2017 (unaudited)		As at December 31, 2016 (audited)	
	Carrying value of pledged loans AED'000	Carrying value of associated liabilities AED'000	Carrying value of pledged loans AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	1,569,706	1,057,674	1,624,801	1,098,684

5. Reverse-repo placements

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Banks and financial institutions	323,683	1,524,806
The geographical concentration is as follows:		
Within the UAE	3,635	-
Outside the UAE	320,048	1,524,806
	323,683	1,524,806

The Group enters into reverse repurchase and collateral swap agreements under which bonds with fair value of AED 326,376 thousand (December 31, 2016 – bonds with fair value of AED 1,574,002 thousand) were received as collateral against reverse-repo placements. The risks and rewards relating to these bonds remains with the counterparties. The terms and conditions of these collaterals are governed by Global Master Repurchase Agreements (GMRA).

6. Trading securities

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Bonds	629,336	418,758
The geographical concentration is as follows:		
Within the UAE	312,441	141,138
Outside the UAE	316,895	277,620
	629,336	418,758

Bonds represent investments mainly in banks and public sector. The fair value of trading securities is based on quoted market prices.

7. Derivative financial instruments

The table below shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments.

	Fair values		
As at March 31, 2017 (unaudited)	**Assets AED'000**	**Liabilities AED'000**	**Notional AED'000**
Derivatives held or issued for trading			
Foreign exchange derivatives	**1,269,898**	**1,211,550**	**141,269,315**
Interest rate and cross currency swaps	**2,275,375**	**2,319,987**	**171,187,805**
Interest rate and commodity options	**259,792**	**240,595**	**18,341,311**
Forward rate agreements	**1,963**	**520**	**13,567,648**
Futures (exchange traded)	**339**	**416**	**9,697,177**
Commodity and energy swaps	**106,292**	**96,083**	**3,344,848**
Swaptions	**105,547**	**88,027**	**15,445,475**
Total derivatives held or issued for trading	**4,019,206**	**3,957,178**	**372,853,579**
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	**365,489**	**1,007,476**	**58,466,787**
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	**33,813**	**176,385**	**7,407,352**
Forward foreign exchange contracts	**34,132**	**220,052**	**11,524,459**
Total derivatives held as cashflow hedges	**67,945**	**396,437**	**18,931,811**
Total derivative financial instruments	**4,452,640**	**5,361,091**	**450,252,177**
As at December 31, 2016 (audited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	606,608	416,641	113,962,359
Interest rate and cross currency swaps	2,401,276	2,424,337	165,014,702
Interest rate and commodity options	256,446	225,476	14,707,345
Forward rate agreements	972	1,130	4,471,101
Futures (exchange traded)	10,612	1,290	20,353,204
Commodity and energy swaps	213,716	200,638	3,098,707
Swaptions	51,174	29,098	5,047,292
Total derivatives held or issued for trading	3,540,804	3,298,610	326,654,710
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	352,416	973,647	52,411,284
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	43,658	187,205	7,152,434
Forward foreign exchange contracts	34,911	333,067	10,874,259
Total derivatives held as cash flow hedges	78,569	520,272	18,026,693
Total derivative financial instruments	3,971,789	4,792,529	397,092,687

The notional amounts indicate the volume of transactions and are neither indicative of the market risk nor credit risk.

The net hedge ineffectiveness gains relating to the fair value and cash flow hedges amounting to AED 20,480 thousand (for the three month period ended March 31, 2016 – gains of AED 6,580 thousand) has been recognised in the condensed consolidated interim income statement.

As at March 31, 2017, the Group received cash collateral of AED 191,761 thousand (December 31, 2016 – AED 253,524 thousand) and received bonds with fair value of AED 7,763 thousand (December 31, 2016 – AED 3,167 thousand) against positive fair value of derivative assets.

As at March 31, 2017, the Group placed cash collateral of AED 397,345 thousand (December 31, 2016 – AED 120,878 thousand) and bonds of AED 1,707,234 thousand (December 31, 2016 – AED 2,012,757 thousand) against the negative fair value of derivative liabilities. The bonds placed as collaterals include those received by the Group in other structuring arrangements. These collaterals are governed by collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements.

8. Investment securities

As at March 31, 2017 (unaudited)	UAE AED'000	Other GCC(*) Countries AED'000	Rest of the world AED'000	Total AED'000
Available-for-sale investments				
Quoted:				
Government securities	**3,869,247**	**2,830,999**	**3,455,141**	**10,155,387**
Bonds – Public sector	**5,574,138**	**485,889**	**1,402,260**	**7,462,287**
Bonds – Banks and financial institutions	**4,181,784**	**971,763**	**3,148,654**	**8,302,201**
Bonds – Corporate	**531,211**	**53,857**	**255,541**	**840,609**
Equity instruments	**546**	**-**	**-**	**546**
Mutual funds	**76,053**	**-**	**84,959**	**161,012**
Total quoted	**14,232,979**	**4,342,508**	**8,346,555**	**26,922,042**
Unquoted:				
Government securities	**13,686,323**	**-**	**-**	**13,686,323**
Equity instruments	**336,200**	**-**	**13,398**	**349,598**
Total unquoted	**14,022,523**	**-**	**13,398**	**14,035,921**
Total available-for-sale investments	**28,255,502**	**4,342,508**	**8,359,953**	**40,957,963**
As at December 31, 2016 (audited)				
Available-for-sale investments				
Quoted:				
Government securities	3,556,811	2,356,584	3,275,588	9,188,983
Bonds – Public sector	5,383,401	456,788	1,336,649	7,176,838
Bonds – Banks and financial institutions	3,189,513	975,724	3,034,272	7,199,509
Bonds – Corporate	565,698	-	254,575	820,273
Equity instruments	548	-	-	548
Mutual funds	74,690	-	83,368	158,058
Total quoted	12,770,661	3,789,096	7,984,452	24,544,209
Unquoted:				
Government securities	8,178,003	-	-	8,178,003
Equity instruments	323,872	-	13,382	337,254
Total unquoted	8,501,875	-	13,382	8,515,257
Total available-for-sale investments	21,272,536	3,789,096	7,997,834	33,059,466

(*) Gulf Cooperation Council

The Group hedges interest rate and foreign currency risks on certain fixed rate and floating rate investments through interest rate and currency swaps and designates these instruments as fair value and cash flow hedges, respectively. The net positive fair value of these swaps as at March 31, 2017 was AED 238,032 thousand (December 31, 2016 – net positive fair value of AED 269,512 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

The Group entered into repurchase agreements whereby bonds were pledged and held by counterparties as collateral. The risks and rewards relating to the investments pledged remains with the Group. The bonds placed as collateral are governed under Global Master Repurchase Agreements (GMRA). The following table reflects the carrying value of these bonds and the associated financial liabilities:

	As at March 31, 2017 (unaudited)		As at December 31, 2016 (audited)	
	Carrying value of pledged securities AED'000	**Carrying value of associated liabilities AED'000**	Carrying value of pledged securities AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	**224,692**	**207,782**	275,351	264,835

8. Investment securities (continued)

Further, the Group pledged investment securities with fair value amounting to AED 1,713,978 thousand (December 31, 2016 – AED 2,028,708 thousand) as collateral against margin calls. The risks and rewards on these pledged investments remains with the Group.

9. Loans and advances to customers, net

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Overdrafts (retail and corporate)	**5,440,828**	5,689,706
Retail loans	**29,878,940**	29,661,611
Corporate loans	**122,413,632**	121,242,781
Credit cards	**3,886,190**	3,873,572
Other facilities	**4,193,978**	3,932,400
Gross loans and advances to customers	**165,813,568**	164,400,070
Less: Allowance for impairment	**(6,011,955)**	(5,942,375)
Total loans and advances to customers, net	**159,801,613**	158,457,695

Islamic financing assets included in the above table are as follows:

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Murabaha	**2,793,744**	2,589,031
Ijara financing	**9,914,847**	9,552,393
Salam	**6,815,357**	6,564,582
Others	**180,896**	169,878
Gross Islamic financing assets	**19,704,844**	18,875,884
Less: Allowance for impairment	**(400,848)**	(376,892)
Net Islamic financing assets	**19,303,996**	18,498,992

The Group hedges certain fixed rate and floating rate loans and advances to customers for interest rate risk using interest rate swaps and designates these instruments as fair value and cash flow hedges, respectively. The net negative fair value of these swaps as at March 31, 2017 was AED 112,008 thousand (December 31, 2016 – net negative fair value of AED 128,190 thousand).

The Group entered into structured financing repurchase agreements whereby loans and advances to customers were pledged and held by counterparties as collateral. The risks and rewards relating to the loans pledged remains with the Group. The loans placed as collateral are governed under collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements. The following table reflects the carrying value of these loans and the associated financial liabilities:

	As at March 31, 2017 (unaudited)		As at December 31, 2016 (audited)	
	Carrying value of pledged loans AED'000	**Carrying value of associated liabilities AED'000**	Carrying value of pledged loans AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	**219,946**	**163,556**	322,814	165,697

9. Loans and advances to customers, net (continued)

Further, the Group entered into a security lending and borrowing arrangement, under which loans and advances to customers with nominal value of AED 795,478 thousand were lent against high quality bonds with nominal value of AED 567,240 thousand. The risks and rewards relating to loans lent and bonds borrowed remains with respective counterparties. The arrangement is governed under the terms and conditions of Global Master Securities Lending Agreement (GMSLA).

The movement in individual and collective impairment allowance on loans and advances is as follows:

	As at March 31, 2017 (unaudited)			As at December 31, 2016 (audited)		
	Individual impairment AED'000	**Collective impairment AED'000**	**Total AED'000**	Individual impairment AED'000	Collective impairment AED'000	Total AED'000
Opening balance	**2,851,323**	**3,194,421**	**6,045,744**	3,375,998	2,968,889	6,344,887
Charge for the period/year	**535,198**	**(31,123)**	**504,075**	1,464,214	225,699	1,689,913
Recoveries during the period/year	**(118,091)**	**-**	**(118,091)**	(137,597)	-	(137,597)
Net charge for the period/year	**417,107**	**(31,123)**	**385,984**	1,326,617	225,699	1,552,316
Discount unwind	**(13,400)**	**-**	**(13,400)**	(64,359)	-	(64,359)
Net amounts written-off	**(306,647)**	**-**	**(306,647)**	(1,786,884)	-	(1,786,884)
Currency translation	**554**	**323**	**877**	(49)	(167)	(216)
Closing balance	**2,948,937**	**3,163,621**	**6,112,558**	2,851,323	3,194,421	6,045,744

Allocation of impairment allowance on loans and advances to customers and banks is as follows:

	As at March 31, 2017 (unaudited)			As at December 31, 2016 (audited)		
	Individual impairment AED'000	**Collective impairment AED'000**	**Total AED'000**	Individual impairment AED'000	Collective impairment AED'000	Total AED'000
Loans and advances to customers	**2,948,937**	**3,063,018**	**6,011,955**	2,851,323	3,091,052	5,942,375
Loans and advances to banks (Note 4)	**-**	**100,603**	**100,603**	-	103,369	103,369
Total impairment allowance on loans and advances	**2,948,937**	**3,163,621**	**6,112,558**	2,851,323	3,194,421	6,045,744

The economic activity sector composition of the loans and advances to customers is as follows:

	As at March 31, 2017 (unaudited)			As at December 31, 2016 (audited)		
	Within the UAE AED'000	**Outside the UAE AED'000**	**Total AED'000**	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000
Economic activity sector						
Agriculture	**207,840**	**-**	**207,840**	207,906	-	207,906
Energy	**119,170**	**425,256**	**544,426**	98,138	410,237	508,375
Trading	**4,159,334**	**1,156,947**	**5,316,281**	4,117,854	1,302,085	5,419,939
Real estate investment & hospitality	**57,418,425**	**1,363,421**	**58,781,846**	56,682,307	1,387,668	58,069,975
Transport & communication	**2,028,662**	**1,845,236**	**3,873,898**	2,019,289	1,584,562	3,603,851
Personal	**40,838,491**	**232,948**	**41,071,439**	40,429,267	236,162	40,665,429
Government & public sector entities	**34,590,402**	**993,291**	**35,583,693**	35,138,681	990,422	36,129,103
Financial institutions (*)	**10,309,020**	**3,059,347**	**13,368,367**	10,205,802	2,639,883	12,845,685
Manufacturing	**2,289,736**	**1,646,886**	**3,936,622**	2,239,667	1,645,144	3,884,811
Services	**2,187,763**	**231,380**	**2,419,143**	2,084,554	230,353	2,314,907
Others	**639,151**	**70,862**	**710,013**	678,063	72,026	750,089
	154,787,994	**11,025,574**	**165,813,568**	153,901,528	10,498,542	164,400,070
Less: Allowance for impairment			**(6,011,955)**			(5,942,375)
Total loans and advances to customers, net			**159,801,613**			158,457,695

(*) includes investment companies

10. Investment properties

	AED'000
As at January 1, 2016	647,647
Additions during the year	505
Disposals during the year	(4,401)
Revaluation of investment properties	16,025
As at December 31, 2016 (audited)	**659,776**
Additions during the period	**2,392**
As at March 31, 2017 (unaudited)	**662,168**

Additions during the period pertain to real estate acquired on settlements of certain loans and advances (March 31, 2016 - AED Nil). This being a non-cash transaction has not been reflected in the condensed consolidated interim statement of cash flows.

Fair valuations

Valuations are carried out by registered independent valuers having an appropriate recognised professional qualification and experience in the location and category of the property being valued. The properties were valued during the last quarter of the year 2016.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

The valuation methodologies considered by external valuers include:

- Direct Comparable method: This method seeks to determine the value of the property from transactions of comparable properties in the vicinity applying adjustments to reflect differences to the subject property.
- Investment method: This method is used to assess the value of the property by capitalising the net operating income of the property at an appropriate yield an investor would expect for an investment of the duration of the interest being valued.

All investment properties of the Group are located within the UAE.

11. Other assets

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Interest receivable	**1,509,285**	1,584,558
Advance tax	**6,503**	5,575
Prepayments	**128,606**	58,553
Acceptances (Note 16)	**10,154,085**	13,262,942
Others	**349,690**	209,360
Total other assets	**12,148,169**	15,120,988

12. Due to banks

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Vostro balances	**962,666**	267,453
Margin deposits	**179,349**	245,402
Time deposits	**5,158,506**	3,329,859
Total due to banks	**6,300,521**	3,842,714

13. Deposits from customers

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Time deposits	**85,095,499**	84,044,103
Current account deposits	**57,602,371**	51,596,345
Savings deposits	**13,080,674**	12,644,918
Murabaha deposits	**5,421,672**	6,011,966
Long term government deposits	**397,282**	411,313
Margin deposits	**764,529**	733,562
Total deposits from customers	**162,362,027**	155,442,207

Islamic deposits (excluding Murabaha deposits) included in the above table are as follows:

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Mudaraba term deposits	**951,554**	1,009,604
Wakala deposits	**2,226,631**	1,615,814
Current account deposits	**3,739,851**	3,480,635
Mudaraba savings deposits	**6,148,669**	5,840,816
Margin deposits	**45,612**	40,556
Total Islamic deposits	**13,112,317**	11,987,425

The Bank hedges certain foreign currency time deposits for foreign currency and floating interest rate risks using foreign exchange and interest rate swaps and designates these instruments as either cash flow or fair value hedges. The net negative fair value of these swaps as at March 31, 2017 was AED 48,578 thousand (December 31, 2016 – net negative fair value of AED 88,191 thousand).

14. Euro commercial paper

The details of euro commercial paper ("ECP") issuances under the Bank's ECP programme are as follows:

Currency	**As at March 31 2017 unaudited AED'000**	As at December 31 2016 audited AED'000
US dollar (USD)	**4,337,622**	5,972,681
Euro (EUR)	**1,525,871**	1,309,526
GB pound (GBP)	**2,857,730**	1,446,326
Total euro commercial paper	**8,721,223**	8,728,533

The Bank hedges certain ECP for foreign currency exchange rate risk through foreign exchange swap contracts and designates these instruments as cash flow hedges. The net negative fair value of these swaps as at March 31, 2017 was AED 100,699 thousand (December 31, 2016 - net negative fair value of AED 161,942 thousand).

The effective interest rate on ECPs issued ranges between negative 0.23% p.a. to positive 2.01% p.a. (December 31, 2016 – between negative 0.03% p.a. to positive 1.76% p.a.).

15. Borrowings

The details of borrowings as at March 31, 2017 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	-	712,944	167,032	-	879,976
	Chinese renminbi (CNH)	159,579	377,063	-	-	536,642
	Euro (EUR)	-	211,767	-	74,811	286,578
	Malaysian ringgit (MYR)	584,108	-	-	-	584,108
	Swiss franc (CHF)	388,677	-	290,545	-	679,222
	Japanese yen (JPY)	49,244	49,476	-	-	98,720
	Hong Kong dollar (HKD)	-	75,354	300,145	106,774	482,273
	US dollar (USD)	4,064,762	8,060,112	-	5,582,261	17,707,135
		5,246,370	9,486,716	757,722	5,763,846	21,254,654
Bilateral loans – floating rate	US dollar (USD)	1,285,401	1,285,550	-	-	2,570,951
Syndicated loan – floating rate	US dollar (USD)	-	2,921,255	-	-	2,921,255
Certificate of deposits issued	Great Britain pound (GBP)	1,449,384	-	-	-	1,449,384
	Euro (EUR)	270,678	-	-	-	270,678
	Indian rupee (INR)	533,469	-	-	-	533,469
	US dollar (USD)	1,288,568	1,836,009	-	-	3,124,577
Subordinated notes – fixed rate	US dollar (USD)	-	-	-	3,715,393	3,715,393
	Swiss franc (CHF)	-	-	-	370,538	370,538
Borrowings through repurchase agreements	US dollar (USD)	1,045,382	181,297	-	202,333	1,429,012
		11,119,252	15,710,827	757,722	10,052,110	37,639,911

The Group hedges certain borrowings for foreign currency exchange rate risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at March 31, 2017 was AED 945,368 thousand.

15. Borrowings (continued)

The details of borrowings as at December 31, 2016 (audited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	-	672,505	77,142	-	749,647
	Chinese renminbi (CNH)	157,452	350,729	-	-	508,181
	Euro (EUR)	-	164,183	46,691	73,796	284,670
	Malaysian ringgit (MYR)	576,215	-	-	-	576,215
	Swiss franc (CHF)	388,677	-	284,354	-	673,031
	UAE dirham (AED)	500,358	-	-	-	500,358
	Japanese yen (JPY)	47,263	47,647	-	-	94,910
	Hong Kong dollar (HKD)	-	-	294,740	103,451	398,191
	US dollar (USD)	3,203,777	7,686,977	3,096,121	2,749,226	16,736,101
		4,873,742	8,922,041	3,799,048	2,926,473	20,521,304
Bilateral loans – floating rate	US dollar (USD)	2,018,887	1,285,550	-	-	3,304,437
Syndicated loan – floating rate	US dollar (USD)	734,600	2,919,383	-	-	3,653,983
Certificate of deposits issued	Great Britain pound (GBP)	898,422	-	-	-	898,422
	Euro (EUR)	189,304	-	-	-	189,304
	Indian rupee (INR)	307,793	-	-	-	307,793
	US dollar (USD)	1,707,110	1,835,966	-	-	3,543,076
Subordinated notes – fixed rate	US dollar (USD)	-	-	-	3,702,602	3,702,602
	Swiss franc (CHF)	-	-	-	364,893	364,893
Borrowings through repurchase agreements	US dollar (USD)	956,327	370,556	-	202,333	1,529,216
		11,686,185	15,333,496	3,799,048	7,196,301	38,015,030

The Group hedges certain borrowings for foreign currency exchange rate risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2016 was AED 954,122 thousand.

15. Borrowings (continued)

Interests are payable in arrears and the contractual coupon rates as at March 31, 2017 are as follows:

Instrument	CCY	Within 1 year	1-3 years	3-5 years	Over 5 years
Global medium term notes	AUD	-	Fixed rate of 4.75% p.a.	Fixed rate between 3.73% p.a. to 3.92 % p.a.	-
	CNH	Fixed rate between 3.70% p.a. to 4.13% p.a.	Fixed rate between 3.85% p.a. to 4.50% p.a.	-	-
	EUR	-	Quarterly coupons with 46 to 59 basis points over Euribor	-	Fixed rate of 0.75% p.a.
	MYR	Fixed rate between 4.30% p.a. to 5.35% p.a.	-	-	-
	CHF	Quarterly coupons with 110 basis points over CHF Libor	-	-	-
	JPY	Fixed rate of 0.48% p.a.	Fixed rate of 0.68% p.a.	-	-
	HKD	-	Fixed rate of 2.46% p.a.	Fixed rate between 2.30% p.a. to 3.20% p.a.	Fixed rate of 2.84% p.a.
	USD(*)	Fixed rate between 1.45% p.a. to 2.50% p.a.	Fixed rate between 2.63% p.a. to 3.00% p.a. and quarterly coupons with 73 basis points over Libor	-	Fixed rate between 4.30% p.a. to 5.13% p.a.
Bilateral loans – floating rate	USD	Monthly coupons with 75 basis points over Libor and quarterly coupons with 70 basis points over Libor	Monthly coupons with 68 to 80 basis points over Libor	-	-
Syndicated loan – floating rate	USD	-	Quarterly coupons with 60 to 95 basis points over Libor	-	-
Certificate of deposits issued	GBP	Fixed rate between 0.35% p.a. to 0.93% p.a.	-	-	-
	EUR	Fixed rate between negative 0.12% p.a. to negative 0.02% p.a.	-	-	-
	INR	Fixed rate between 6.63% p.a. to 6.90% p.a.	-	-	-
	USD	Fixed rate between 1.42% p.a. to 2.01% p.a. and quarterly coupons with 76 basis points over Libor	Quarterly coupons with 114 basis points over Libor	-	-
Subordinated notes – fixed rate	USD	-	-	-	Fixed rate between 3.13% p.a. to 4.50% p.a.
	CHF	-	-	-	Fixed rate of 1.89% p.a.
Borrowings through repurchase agreements	USD	Fixed negative rate of 2.00% and quarterly coupons between 130 to 145 basis points over Libor	Quarterly coupons between 130 to 145 basis points over Libor	-	Semi-annual coupons between negative 20 to negative 18 basis points over Libor

(*) includes AED 4,921,105 thousand 30 year accreting notes with yield ranging from 4.30% p.a. to 5.13% p.a. and are callable at the end of every 5th year from issue date.

15. Borrowings (continued)

The subordinated fixed rate notes qualify as Tier 2 subordinated loan capital for the first 5 year period till 2018 and thereafter are amortised at the rate of 20% per annum until 2023 for capital adequacy calculation (Note 30). This has been approved by the Central Bank of the UAE. Subordinated notes of AED 1,463,031 thousand mature in 2023 but are callable after 5 years from the issuance date at the option of the Bank.

16. Other liabilities

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Interest payable	**901,187**	1,022,845
Recognised liability for defined benefit obligations	**430,798**	421,275
Accounts payable and other creditors	**260,857**	271,313
Deferred income	**629,966**	635,476
Acceptances (Note 11)	**10,154,085**	13,262,942
Others	**1,371,832**	1,503,508
Total other liabilities	**13,748,725**	17,117,359

17. Share capital

	Authorised	**Issued and fully paid**	
		As at March 31 2017 unaudited	As at December 31 2016 audited
	AED'000	**AED'000**	AED'000
Ordinary shares of AED 1 each	**5,595,597**	**5,198,231**	5,198,231

In December 2016, the Board of Directors approved cancellation of 397,366,172 shares which were acquired by the Bank during the buyback period (Note 18). The cancellation is effective from January 8, 2017 as the period of two years for the sale of purchased shares ended on January 5, 2017.

As at March 31, 2017, Abu Dhabi Investment Council held 62.523% (December 31, 2016 – 62.523%) of the Bank's issued and fully paid up share capital.

18. Other reserves (unaudited)

Reserves movement for the three month period ended March 31, 2017:

	Treasury shares AED'000	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Cumulative changes in fair values AED'000	Total AED'000
As at January 1, 2017	**-**	**(100,059)**	**2,797,799**	**2,797,799**	**2,000,000**	**150,000**	**(78,741)**	**(143,493)**	**13,978**	**7,437,283**
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	**9,809**	-	-	**9,809**
Net fair value changes on cash flow hedges	-	-	-	-	-	-	-	**113,211**	-	**113,211**
Net fair value changes reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	-	**(129,264)**	-	**(129,264)**
Net fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	**237,267**	**237,267**
Net fair value changes released to condensed consolidated interim income statement on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	**(407)**	**(407)**
Total other comprehensive income/(loss) for the period	-	-	-	-	-	-	**9,809**	**(16,053)**	**236,860**	**230,616**
Fair value adjustments	-	**(1,141)**	-	-	-	-	-	-	-	**(1,141)**
Shares – vested portion	-	**8,161**	-	-	-	-	-	-	-	**8,161**
As at March 31, 2017	**-**	**(93,039)**	**2,797,799**	**2,797,799**	**2,000,000**	**150,000**	**(68,932)**	**(159,546)**	**250,838**	**7,674,919**
As at January 1, 2016	(1,825,653)	(92,959)	2,797,799	2,797,799	2,000,000	150,000	(73,260)	3,057	(100,219)	5,656,564
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(271)	-	-	(271)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	-	204,103	-	204,103
Net fair value changes reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	-	(224,395)	-	(224,395)
Net fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	18,173	18,173
Net fair value changes released to condensed consolidated interim income statement on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(5)	(5)
Total other comprehensive (loss)/income for the period	-	-	-	-	-	-	(271)	(20,292)	18,168	(2,395)
Fair value adjustments	-	3,240	-	-	-	-	-	-	-	3,240
Shares – vested portion	-	8,032	-	-	-	-	-	-	-	8,032
Shares purchased	-	(8,984)	-	-	-	-	-	-	-	(8,984)
As at March 31, 2016	(1,825,653)	(90,671)	2,797,799	2,797,799	2,000,000	150,000	(73,531)	(17,235)	(82,051)	5,656,457

19. Capital notes

In February 2009, the Department of Finance, Government of Abu Dhabi subscribed to ADCB's Tier I regulatory capital notes with a principal amount of AED 4,000,000 thousand (the "Notes").

The Notes are non-voting, non-cumulative perpetual securities for which there is no fixed redemption date. Redemption is only at the option of the Bank. 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 bore interest at the rate of 6% per annum payable semi-annually until February 2014 and bear 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 the coupon is not considered an event of default. In addition, there are certain circumstances ("non-payment event") under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date.

If the Bank makes a non-payment election or a non-payment event occurs, then the Bank 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 Bank 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.

20. Interest income (unaudited)

	3 months ended March 31	
	2017	2016
	AED'000	AED'000
Loans and advances to banks	**135,050**	105,045
Loans and advances to customers	**1,730,603**	1,705,118
Available-for-sale investments	**274,232**	103,289
Trading securities	**3,858**	920
Total interest income	**2,143,743**	1,914,372

21. Interest expense (unaudited)

	3 months ended March 31	
	2017	2016
	AED'000	AED'000
Deposits from banks	**9,908**	3,460
Deposits from customers	**504,834**	363,813
Euro commercial paper	**30,267**	11,997
Borrowings	**189,248**	112,631
Total interest expense	**734,257**	491,901

22. Net fees and commission income (unaudited)

	3 months ended March 31	
	2017	2016
	AED'000	AED'000
Fees and commission income		
Card related fees	**199,555**	183,839
Loan processing fees	**145,750**	127,518
Accounts related fees	**13,523**	9,864
Trade finance commission	**65,146**	63,223
Insurance commission	**18,534**	23,237
Asset management and investment services	**27,548**	21,694
Brokerage fees	**6,484**	4,588
Others	**20,717**	22,876
Total fees and commission income	**497,257**	456,839
Fees and commission expenses (*)	**(123,997)**	(98,408)
Net fees and commission income	**373,260**	358,431

23. Net trading income (unaudited)

	3 months ended March 31	
	2017	2016
	AED'000	AED'000
Net gains from dealing in derivatives	**22,937**	1,667
Net gains from dealing in foreign currencies	**144,421**	120,880
Net losses from trading securities	**(1,308)**	(704)
Net trading income	**166,050**	121,843

24. Other operating income (unaudited)

	3 months ended March 31	
	2017	2016
	AED'000	AED'000
Property management income	**37,703**	36,200
Rental income	**14,157**	16,611
Dividend income	**-**	21
Net gains from disposal of available-for-sale investments	**407**	5
Others	**6,492**	5,643
Total other operating income	**58,759**	58,480

25. Operating expenses (unaudited)

	3 months ended March 31	
	2017	2016
	AED'000	AED'000
Staff expenses	**441,124**	468,402
Depreciation on property and equipment, net	**38,810**	34,196
Others	**260,205**	235,405
Total operating expenses	**740,139**	738,003

26. Impairment allowances (unaudited)

	3 months ended March 31	
	2017	2016
	AED'000	AED'000
Charge for the period	**504,075**	398,961
Recoveries during the period	**(118,091)**	(33,925)
Impairment allowance on loans and advances, net (Note 9)	**385,984**	365,036
Recoveries on available-for-sale investments	**-**	(12,855)
Impairment allowance - others	**400**	-
Total impairment allowances	**386,384**	352,181

27. Earnings per share (unaudited)

Basic and diluted earnings per share

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

27. Earnings per share (unaudited) (continued)

	3 months ended March 31	
	2017	2016
	AED'000	AED'000
Net profit for the period attributable to the equity holders of the Bank	**1,105,312**	1,020,275
Less: Coupons paid on capital notes (Note 19)	**(76,915)**	(66,065)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	**1,028,397**	954,210
	Number of shares in thousand	
Weighted average number of shares in issue throughout the period	**5,198,231**	5,595,597
Less: Weighted average number of treasury shares arising on buy back	**-**	(397,366)
Less: Weighted average number of shares resulting from Employees' incentive plan shares	**(17,682)**	(14,419)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	**5,180,549**	5,183,812
Add: Weighted average number of shares resulting from Employees' incentive plan shares	**17,682**	14,419
Weighted average number of equity shares in issue during the period for diluted earnings per share (c)	**5,198,231**	5,198,231
Basic earnings per share (AED) (a)/(b)	**0.20**	0.18
Diluted earnings per share (AED) (a)/(c)	**0.20**	0.18

28. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Letters of credit	**8,950,085**	11,721,924
Guarantees	**21,689,564**	22,000,322
Commitments to extend credit – revocable (*)	**11,526,910**	11,021,112
Commitments to extend credit – irrevocable	**11,498,871**	13,656,251
Total commitments on behalf of customers	**53,665,430**	58,399,609
Commitments for future capital expenditure	**349,809**	307,268
Commitments to invest in investment securities	**71,126**	57,202
Total commitments and contingent liabilities	**54,086,365**	58,764,079

(*) includes AED 7,268,743 thousand (December 31, 2016: AED 7,032,650 thousand) for undrawn credit card limits.

29. Operating segments

The Group has four reportable segments as described below. These segments offer different products and services and are managed separately based on the Group's management and internal reporting structure. The Group's Management Executive Committee (the Chief Operating Decision Maker "CODM"), is responsible for allocation of resources to these segments, whereas, the Group's Performance Management Committee, based on delegation from CODM reviews the performance of these segments on a regular basis.

29. Operating segments (continued)

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

Consumer banking - comprises of retail, wealth management, Islamic financing and investment in associate. It includes loans, deposits and other transactions and balances with retail customers and corporate and private accounts of high net worth individuals and funds management activities.

Wholesale banking - comprises of business banking, cash management, trade finance, corporate finance, small and medium enterprise financing, investment banking, Indian operations, Islamic financing, infrastructure and asset finance, government and public enterprises. It includes loans, deposits and other transactions and balances with corporate customers.

Investments and treasury - comprises of central treasury operations, management of the Group's investment portfolio and interest rate, currency and commodity derivative portfolio and Islamic financing. Investments and treasury undertakes the Group's funding and centralised risk management activities through borrowings, issue of debt securities and use of derivatives for risk management. It also undertakes trading and corporate finance activities and investing in liquid assets such as short-term placements, corporate and government debt securities.

Property management - comprises of real estate management and engineering service operations of subsidiaries - Abu Dhabi Commercial Properties LLC and Abu Dhabi Commercial Engineering Services LLC and rental income of ADCB.

Information regarding the results of each reportable segment is shown below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Performance Management 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.

The following is an analysis of the Group's revenue and results by operating segment for the three month period ended March 31, 2017 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	655,014	414,806	315,739	23,927	1,409,486
Net income from Islamic financing	113,655	49,366	57,237	1,144	221,402
Total net interest and Islamic financing income	768,669	464,172	372,976	25,071	1,630,888
Non-interest income	225,630	180,768	133,554	58,117	598,069
Operating expenses	(463,690)	(191,845)	(54,856)	(29,748)	(740,139)
Operating profit before impairment allowances	530,609	453,095	451,674	53,440	1,488,818
Impairment allowances	(290,907)	(95,077)	-	(400)	(386,384)
Share in profit of associate	3,475	-	-	-	3,475
Profit before taxation	243,177	358,018	451,674	53,040	1,105,909
Overseas income tax expense	-	(597)	-	-	(597)
Net profit for the period	243,177	357,421	451,674	53,040	1,105,312
Capital expenditure					55,842
As at March 31, 2017 (unaudited)					
Segment assets	74,602,241	103,286,432	85,149,176	634,416	263,672,265
Segment liabilities	54,421,666	76,838,716	102,826,832	46,284	234,133,498

29. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segment for the three month period ended March 31, 2016 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	648,827	470,944	275,370	27,330	1,422,471
Net income from Islamic financing	100,682	33,087	15,908	787	150,464
Total net interest and Islamic financing income	749,509	504,031	291,278	28,117	1,572,935
Non-interest income	237,211	152,969	89,937	58,637	538,754
Operating expenses	(454,339)	(199,214)	(55,216)	(29,234)	(738,003)
Operating profit before impairment allowances	532,381	457,786	325,999	57,520	1,373,686
Impairment (allowances)/recoveries	(132,768)	(232,268)	12,855	-	(352,181)
Share in profit of associate	1,717	-	-	-	1,717
Profit before taxation	401,330	225,518	338,854	57,520	1,023,222
Overseas income tax expense	-	(2,178)	-	-	(2,178)
Net profit for the period	401,330	223,340	338,854	57,520	1,021,044
Capital expenditure					56,674
As at December 31, 2016 (audited)					
Segment assets	73,885,539	105,660,754	78,147,077	595,887	258,289,257
Segment liabilities	51,659,677	80,948,903	95,283,613	46,179	227,938,372

For the purpose of monitoring segment performance and allocating resources between segments, all assets and 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.

	External (unaudited)		**Inter-segment** (unaudited)	
	3 months ended March 31		**3 months ended March 31**	
	2017 AED'000	2016 AED'000	**2017 AED'000**	2016 AED'000
Consumer banking	**1,228,444**	1,249,904	**(234,145)**	(263,184)
Wholesale banking	**838,154**	835,995	**(193,214)**	(178,995)
Investments and treasury	**108,660**	(29,334)	**397,870**	410,549
Property management	**53,699**	55,124	**29,489**	31,630
Total operating income	**2,228,957**	2,111,689	**-**	-

Geographical information

The Group operates in two principal geographic areas i.e. domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the UAE branches and subsidiaries. International area represents the operations of the Group that originates from its branches in India, Jersey and through its subsidiaries outside UAE. The information regarding the Group's revenue and non-current assets by geographical location are detailed as follows:

29. Operating segments (continued)

Geographical information (continued)

	Domestic (unaudited)		**International** (unaudited)	
	3 months ended March 31		**3 months ended March 31**	
	2017	2016	**2017**	2016
	AED'000	AED'000	**AED'000**	AED'000
Income				
Net interest and Islamic financing income	**1,631,500**	1,570,082	**(612)**	2,853
Non-interest income	**595,634**	539,191	**2,435**	(437)

	Domestic		**International**	
	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000	**As at March 31 2017 unaudited AED'000**	As at December 31 2016 audited AED'000
Non-current assets				
Investment in associate	**199,002**	204,977	**-**	-
Investment properties	**662,168**	659,776	**-**	-
Property and equipment, net	**938,391**	921,938	**5,326**	4,747
Intangible assets	**18,800**	18,800	**-**	-

30. Capital adequacy ratio

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

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Tier 1 capital		
Share capital (Note 17)	**5,198,231**	5,198,231
Share premium	**2,419,999**	2,419,999
Other reserves (Note 18)	**7,424,081**	7,423,305
Retained earnings	**9,956,063**	11,052,553
Capital notes (Note 19)	**4,000,000**	4,000,000
Less: Intangible assets	**(18,800)**	(18,800)
Less: Investment in associate	**-**	(102,489)
Total tier 1 capital	**28,979,574**	29,972,799
Tier 2 capital		
Collective impairment allowance on loans and advances	**2,197,407**	2,115,655
Cumulative changes in fair value (Note 18)	**112,877**	6,290
Subordinated notes (Note 15)	**4,223,583**	4,217,314
Less: Investment in associate	**-**	(102,488)
Total tier 2 capital	**6,533,867**	6,236,771
Total regulatory capital	**35,513,441**	36,209,570
Risk-weighted assets		
Credit risk	**175,792,561**	169,252,435
Market risk	**8,837,748**	8,343,579
Operational risk	**14,529,229**	13,741,466
Total risk-weighted assets	**199,159,538**	191,337,480
Capital adequacy ratio	**17.83%**	18.92%
Tier 1 ratio	**14.55%**	15.66%
Tier 2 ratio	**3.28%**	3.26%

The capital adequacy ratio was above the minimum requirement of 12% for March 31, 2017 (December 31, 2016 – 12%) stipulated by the Central Bank of the UAE.

31. Fair value hierarchy

Fair value measurements recognised in the condensed consolidated interim financial information

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions.

Valuation techniques using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs include financial instruments such as swaps and forwards which are valued using market standard pricing techniques and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

The category includes derivative financial instruments such as OTC derivatives, commodity derivatives, foreign exchange spot and forward contracts, certain investment securities and borrowings.

These instruments are valued using the inputs observable in an active market. Valuation of the derivative financial instruments is made through discounted cash flow method using the applicable yield curve for the duration of the instruments for non-optional derivatives and standard option pricing models such as Black-Scholes and other valuation models for derivatives with options.

Valuation techniques using significant unobservable inputs – Level 3

Financial instruments and investment properties are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Financial instruments under this category mainly includes private equity instruments and funds. The carrying values of these investments are adjusted as follows:

a) Private equity instruments – using the latest available net book value; and
b) Funds – based on the net asset value provided by the fund manager.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Refer Note 10 in respect of valuation methodology used for investment properties.

31. Fair value hierarchy (continued)

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and liabilities recognised in the condensed consolidated interim financial information approximate their fair values.

		Level 1	Level 2	Level 3		
As at March 31, 2017 (unaudited)	**Notes**	**Quoted market prices AED'000**	**Observable inputs AED'000**	**Significant unobservable inputs AED'000**	**Total fair value AED'000**	**Carrying value AED'000**
Assets at fair value						
Trading securities	**6**	**629,336**	**-**	**-**	**629,336**	**629,336**
Derivative financial instruments	**7**	**339**	**4,452,301**	**-**	**4,452,640**	**4,452,640**
Investment securities	**8**					
- Quoted		**24,575,795**	**2,346,247**	**-**	**26,922,042**	**26,922,042**
- Unquoted		**-**	**13,686,323**	**349,598**	**14,035,921**	**14,035,921**
Investment properties	**10**	**-**	**-**	**662,168**	**662,168**	**662,168**
Total		**25,205,470**	**20,484,871**	**1,011,766**	**46,702,107**	**46,702,107**
Liabilities at fair value						
Derivative financial instruments	**7**	**416**	**5,360,675**	**-**	**5,361,091**	**5,361,091**
Liabilities at amortised cost		**-**	**-**			
Borrowings	**15**	**15,563,277**	**21,349,230**	**-**	**36,912,507**	**37,639,911**
Total		**15,563,693**	**26,709,905**	**-**	**42,273,598**	**43,001,002**
As at December 31, 2016 (audited)						
Assets at fair value						
Trading securities	6	418,758	-	-	418,758	418,758
Derivative financial instruments	7	10,612	3,961,177	-	3,971,789	3,971,789
Investment securities	8					
- Quoted		23,494,544	1,049,665	-	24,544,209	24,544,209
- Unquoted		-	8,178,003	337,254	8,515,257	8,515,257
Investment properties	10	-	-	659,776	659,776	659,776
Total		23,923,914	13,188,845	997,030	38,109,789	38,109,789
Liabilities at fair value						
Derivative financial instruments	7	1,290	4,791,239	-	4,792,529	4,792,529
Liabilities at amortised cost						
Borrowings	15	17,228,384	20,671,150	-	37,899,534	38,015,030
Total		17,229,674	25,462,389	-	42,692,063	42,807,559

The Group's OTC derivatives in the trading book are classified as Level 2 as they are valued using inputs that can be observed in the market.

Reconciliation showing the movement in fair values of Level 3 available-for-sale investments is as follows:

	As at March 31 2017 unaudited AED'000	As at December 31 2016 audited AED'000
Opening balance	**337,254**	413,621
Purchases, net during the period/year	**13,991**	4,130
Disposals including capital refunds during the period/year	**(1,567)**	(50,623)
Adjustment through other comprehensive income during the period/year	**(80)**	(29,874)
Closing balance	**349,598**	337,254

Gain of AED 773 thousand was realised on disposal of Level 3 investments during the period (for the three month period ended March 31, 2016 – AED Nil).

32. Legal proceedings

The Group is involved in various 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 Group's condensed consolidated interim financial information if disposed unfavourably.