

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

**Review report and condensed consolidated interim financial
information for the nine month period ended September 30, 2012**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank P.J.S.C. and its subsidiaries (together referred to as "the Bank") as of September 30, 2012 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting ("IAS 34)". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Jacques E. Fakhoury', is written over a horizontal line.


Jacques E. Fakhoury
Registration Auditor Number 379
November 1, 2012

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W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

**Condensed consolidated interim statement of financial position
as at September 30, 2012**

	Notes	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
ASSETS			
Cash and balances with Central Banks	3	7,984,720	6,629,945
Deposits and balances due from banks	4	15,820,544	20,839,932
Trading securities	5	34,769	15,755
Loans and advances, net	6	123,777,062	124,754,737
Derivative financial instruments	7	5,326,955	4,844,764
Investment securities	8	18,966,700	15,052,103
Investment in associates	9	97,925	81,817
Investment properties	10	661,667	396,912
Other assets	11	8,367,667	10,021,494
Property and equipment, net		752,619	964,518
Intangible assets		100,008	123,653
Total assets		181,890,636	183,725,630
LIABILITIES			
Due to Central Banks		-	48,100
Due to banks	12	4,273,448	3,090,386
Euro commercial paper	13	4,512,831	716,652
Deposits from customers	14	108,988,191	109,170,825
Short and medium term borrowings	15	25,406,995	30,808,557
Derivative financial instruments	7	5,105,871	4,821,568
Long term borrowings	16	897,679	1,088,452
Other liabilities	17	9,189,984	11,903,567
Total liabilities		158,374,999	161,648,107
EQUITY			
Share capital	18	5,595,597	5,595,597
Share premium	18	3,848,286	3,848,286
Statutory and legal reserves		3,309,351	3,309,351
General and contingency reserves		2,150,000	2,150,000
Employees' incentive plan shares, net		(106,871)	(104,595)
Foreign currency translation reserve		(26,729)	(27,521)
Hedge reserve		18,228	(2,581)
Cumulative changes in fair values		248,154	(404,758)
Retained earnings		4,476,823	3,708,227
Capital notes	19	4,000,000	4,000,000
Equity attributable to equity holders of the parent		23,512,839	22,072,006
Non-controlling interests		2,798	5,517
Total equity		23,515,637	22,077,523
Total liabilities and equity		181,890,636	183,725,630



Eissa Al Suwaidi
Chairman



Ala'a Eraiqat
Chief Executive Officer



Deepak Khullar
Chief Financial Officer

**Condensed consolidated interim income statement (unaudited)
for the nine month period ended September 30, 2012**

	Notes	3 months ended September 30		9 months ended September 30	
		2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Interest income	20	1,875,112	1,874,579	5,669,804	5,447,938
Interest expense	21	(571,359)	(575,921)	(1,800,031)	(2,245,128)
Net interest income		1,303,753	1,298,658	3,869,773	3,202,810
Income from Islamic financing		87,130	93,954	248,659	259,724
Islamic profit distribution		(60,023)	(57,634)	(209,148)	(166,227)
Net income from Islamic financing		27,107	36,320	39,511	93,497
Total net interest and Islamic financing income		1,330,860	1,334,978	3,909,284	3,296,307
Net fees and commission income	22	213,664	205,820	732,645	715,363
Net trading income	23	49,580	116,099	226,421	322,531
Other operating income		37,702	42,052	116,549	112,597
Operating income		1,631,806	1,698,949	4,984,899	4,446,798
Staff costs		(299,084)	(300,174)	(899,512)	(815,017)
Depreciation		(31,786)	(40,209)	(97,217)	(113,186)
Amortisation of intangible assets		(7,881)	(7,020)	(23,645)	(21,060)
Other operating expenses		(177,561)	(180,853)	(538,430)	(566,080)
Operating expenses		(516,312)	(528,256)	(1,558,804)	(1,515,343)
Operating profit before impairment allowances		1,115,494	1,170,693	3,426,095	2,931,455
Impairment allowance on loans and advances, net	6	(529,719)	(542,903)	(1,279,087)	(1,606,596)
Other impairment release/(allowances)	24	746	29,042	(28,611)	(241,198)
Share of profit/(loss) of associates	9	8,602	(8,285)	16,108	167,565
Net gain on sale of investment in associate		-	-	-	1,314,315
Profit before taxation		595,123	648,547	2,134,505	2,565,541
Overseas income tax credit /(expense)		253	(35,372)	(3,992)	(34,400)
Net profit for the period		595,376	613,175	2,130,513	2,531,141

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

**Condensed consolidated interim income statement (unaudited)
for the nine month period ended September 30, 2012 (continued)**

	Notes	<u>3 months ended September 30</u>		<u>9 months ended September 30</u>	
		2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Attributed to:					
Equity holders of the parent		594,203	607,566	2,127,715	2,516,909
Non-controlling interests		1,173	5,609	2,798	14,232
Net profit for the period		<u>595,376</u>	<u>613,175</u>	<u>2,130,513</u>	<u>2,531,141</u>
Basic earnings per share (AED)	25	<u>0.09</u>	0.09	<u>0.34</u>	0.42
Diluted earnings per share (AED)	25	<u>0.08</u>	0.09	<u>0.34</u>	0.41

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

**Condensed consolidated interim statement of comprehensive income (unaudited)
for the nine month period ended September 30, 2012**

	3 months ended September 30		9 months ended September 30	
	2012	2011	2012	2011
	AED'000	AED'000	AED'000	AED'000
Net profit for the period	595,376	613,175	2,130,513	2,531,141
Exchange difference arising on translation of foreign operations	10,211	(9,713)	792	51,694
Fair value changes on cash flow hedges on financial assets	14,671	(119)	20,809	445
Fair value changes on net investment in foreign operation hedges	-	-	-	(66,561)
Fair value changes on available for sale investments	275,265	(335,172)	650,144	(495,177)
Fair value changes reversed on disposal/ impairment of available for sale investments	(781)	-	2,768	(129)
Share in other comprehensive income statement items of associate	-	-	-	(19,098)
Reversal of related reserve balances on disposal of associate	-	-	-	399,309
Reversal of share in other comprehensive income statement items of associate on disposal of associate	-	-	-	(59,050)
Total comprehensive income for the period	894,742	268,171	2,805,026	2,342,574
Attributed to:				
Equity holders of the parent	893,569	262,562	2,802,228	2,328,342
Non-controlling interests	1,173	5,609	2,798	14,232
Total comprehensive income for the period	894,742	268,171	2,805,026	2,342,574

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

**Condensed consolidated interim statement of changes in equity (unaudited)
for the nine month period ended September 30, 2012**

	Share Capital AED'000	Share premium AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive plan shares, net AED'000	Foreign currency translation reserve AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the parent AED'000	Non - controlling interests AED'000	Total equity AED'000
Balance at January 1, 2012	5,595,597	3,848,286	1,677,069	1,632,282	2,000,000	150,000	(104,595)	(27,521)	(2,581)	(404,758)	3,708,227	4,000,000	22,072,006	5,517	22,077,523
Net profit for the period	-	-	-	-	-	-	-	-	-	-	2,127,715	-	2,127,715	2,798	2,130,513
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	792	-	-	-	-	792	-	792
Fair value changes on cash flow hedges on financial assets	-	-	-	-	-	-	-	-	20,809	-	-	-	20,809	-	20,809
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	-	650,144	-	-	650,144	-	650,144
Fair value changes reversed on disposal/impairment of available for sale investments	-	-	-	-	-	-	-	-	-	2,768	-	-	2,768	-	2,768
Total comprehensive income for the period	-	-	-	-	-	-	-	792	20,809	652,912	2,127,715	-	2,802,228	2,798	2,805,026
Dividends paid to equity holders of the parent (Note 18)	-	-	-	-	-	-	-	-	-	-	(1,119,119)	-	(1,119,119)	-	(1,119,119)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,517)	(5,517)
Capital notes coupon paid	-	-	-	-	-	-	-	-	-	-	(240,000)	-	(240,000)	-	(240,000)
Shares purchased	-	-	-	-	-	-	(40,000)	-	-	-	-	-	(40,000)	-	(40,000)
Shares – vested portion	-	-	-	-	-	-	37,724	-	-	-	-	-	37,724	-	37,724
Balance at September 30, 2012	5,595,597	3,848,286	1,677,069	1,632,282	2,000,000	150,000	(106,871)	(26,729)	18,228	248,154	4,476,823	4,000,000	23,512,839	2,798	23,515,637

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

Condensed consolidated interim statement of changes in equity (unaudited)
for the nine month period ended September 30, 2012 (continued)

	Share capital AED'000	Share premium AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive shares, net AED'000	Foreign currency translation reserve AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Other reserve AED'000	Retained earnings AED'000	Capital notes AED'000	Mandatory convertible securities - equity component AED'000	Equity attributable to equity holders of the parent AED'000	Non - controlling interests AED'000	Total equity AED'000
Balance at January 1, 2011	4,810,000	-	1,374,483	1,329,696	2,000,000	150,000	(36,677)	136,676	(537,904)	174,799	5,630	1,524,201	4,000,000	4,633,883	19,564,787	8,561	19,573,348
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	2,516,909	-	-	2,516,909	14,232	2,531,141
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	51,694	-	-	-	-	-	-	51,694	-	51,694
Fair value changes on cash flow hedges on financial assets	-	-	-	-	-	-	-	-	445	-	-	-	-	-	445	-	445
Fair value changes on net investment in foreign operation hedges	-	-	-	-	-	-	-	-	(66,561)	-	-	-	-	-	(66,561)	-	(66,561)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	-	(495,177)	-	-	-	-	(495,177)	-	(495,177)
Fair value changes reversed on disposal / impairment of available for sale investments	-	-	-	-	-	-	-	-	-	(129)	-	-	-	-	(129)	-	(129)
Share in other comprehensive income statement items of associate	-	-	-	-	-	-	-	763	-	(20,072)	211	-	-	-	(19,098)	-	(19,098)
Reversal of related reserve balances on disposal of associate	-	-	-	-	-	-	-	(205,156)	604,465	-	-	-	-	-	399,309	-	399,309
Reversal of share in other comprehensive income statement items of associate on disposal of associate	-	-	-	-	-	-	-	-	-	(53,209)	(5,841)	-	-	-	(59,050)	-	(59,050)
Total comprehensive (loss) / profit for the period	-	-	-	-	-	-	(152,699)	(152,699)	538,349	(568,587)	(5,630)	2,516,909	-	-	2,328,342	14,232	2,342,574
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,290)	(22,290)
Shares issued on conversion of MCS (Note 18)	785,597	3,848,286	-	-	-	-	-	-	-	-	-	(236,667)	-	(4,633,883)	-	-	(236,667)
Capital notes coupon paid	-	-	-	-	-	-	(100,800)	-	-	-	-	-	-	-	(100,800)	-	(100,800)
Shares purchased	-	-	-	-	-	-	28,131	-	-	-	-	-	-	-	28,131	-	28,131
Shares - vested portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at September 30, 2011	5,595,597	3,848,286	1,374,483	1,329,696	2,000,000	150,000	(109,346)	(16,023)	445	(393,788)	-	3,804,443	4,000,000	-	21,583,793	503	21,584,296

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

**Condensed consolidated interim statement of cash flows (unaudited)
for the nine month period ended September 30, 2012**

	9 months ended September 30	
	2012 AED'000	2011 AED'000
OPERATING ACTIVITIES		
Profit before tax and non-controlling interests	2,134,505	2,565,541
Adjustments for:		
Depreciation	97,217	113,186
Amortisation of intangible assets	23,645	21,060
Dividends income	(3,510)	(8,668)
Impairment allowance on loans and advances	1,425,055	1,787,804
Recovery of doubtful loans and advances	(145,968)	(181,208)
Discount unwind	(96,897)	(146,334)
Loss on credit default swaps	-	195,688
Impairment allowance on investment securities	7,274	45,510
Impairment allowance on property and equipment, net	21,337	-
Realised and unrealised net gain from available for sale and trading securities	(29,973)	(30,145)
Share of profit of associates, net	(16,108)	(167,565)
Imputed interest on mandatory convertible securities	-	(29,131)
Net gain on sale of investment in associate	-	(1,314,315)
Ineffective portion of hedges	(35,803)	(35,779)
Employees' incentive plan benefit expense	37,724	28,131
Operating profit before changes in operating assets and liabilities	3,418,498	2,843,775
Increase in balance with Central Bank	(750,000)	(750,000)
Increase in due from banks	(897,666)	(488,888)
Decrease/(increase) in net trading derivative financial instruments	23,721	(42,282)
Increase in loans and advances	(204,515)	(2,898,480)
Decrease/(increase) in other assets	590,297	(161,182)
Increase in due to banks	905,317	188,411
(Decrease)/increase in deposits from customers	(294,240)	2,053,559
Decrease in other liabilities	(1,653,252)	(526,059)
Cash from operations	1,138,160	218,854
Board of Directors' remuneration paid	-	(5,250)
Net cash from operations	1,138,160	213,604
INVESTING ACTIVITIES		
Net proceeds from disposal of associate	-	7,111,817
Dividends received from associate	-	36,697
Dividends income	3,510	8,668
Recovery of investment securities written off	2,668	-
Purchase of available for sale investment securities	(3,863,272)	(8,731,567)
Net proceeds from disposal of available for sale investment securities	689,658	1,840,532
Net purchase of trading securities	(13,941)	-
Additions to investment properties	(82,225)	(78,196)
Purchase of property and equipment, net	(89,185)	(80,181)
Net cash (used in)/from investing activities	(3,352,787)	107,770
FINANCING ACTIVITIES		
Increase in Euro commercial paper	3,796,179	-
Net (repayment of)/increase in short and medium term borrowings	(5,739,442)	1,308,872
Dividends paid to non-controlling interests	(5,517)	(22,290)
Dividends paid to equity holders of the parent	(1,119,119)	-
Capital notes coupon paid	(240,000)	(236,667)
Purchase of employees' incentive plan shares	(40,000)	(100,800)
Net cash (used in)/ generated from financing activities	(3,347,899)	949,115
Net (decrease)/increase in cash and cash equivalents	(5,562,526)	1,270,489
Cash and cash equivalents at the beginning of the period	19,261,633	16,676,284
Cash and cash equivalents at the end of the period	13,699,107	17,946,773

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

**Condensed consolidated interim statement of cash flows (unaudited)
for the nine month period ended September 30, 2012 (continued)**

Cash and cash equivalents

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

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Cash and balances with Central Banks	7,984,720	6,629,945
Deposits and balances due from banks	15,820,544	20,839,932
Due to Central Banks	-	(48,100)
Due to banks	(4,273,448)	(3,090,386)
	19,531,816	24,331,391
Less: Deposits and balances due from banks and cash and balances with Central Banks – maturity more than 3 months	(7,157,231)	(5,509,565)
Add: Due to banks – maturity more than 3 months	1,324,522	439,807
	13,699,107	19,261,633

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

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012****1 General**

Abu Dhabi Commercial Bank P.J.S.C. (“ADCB”) is a public joint stock company with limited liability incorporated in the Emirate of Abu Dhabi, United Arab Emirates (U.A.E.). ADCB is principally engaged in the business of retail banking, commercial banking and Islamic banking and provision of other financial services through its network of forty nine branches and four pay offices in the U.A.E., two branches in India and one offshore branch in Jersey, its subsidiaries and associates.

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

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

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

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting”. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2011, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The same accounting policies, presentation and methods of computation have been followed in this condensed consolidated interim financial information as were applied in the preparation and presentation of the Bank’s consolidated financial statements for the year ended December 31, 2011 except for notes 6, 13 and 14 where certain items have been reclassified from the Bank’s prior year financial statements to conform to the current period’s presentation and improve the transparency of certain line items.

For details of related party balances and transactions, refer to Note 34 in the consolidated financial statements for the year ended December 31, 2011. The related party balances and transactions in 2012 are similar in nature and magnitude. Note 6 provides the details of lending exposure to Government entities.

The results for the three and nine month periods ended September 30, 2012 are not necessary indicative of the results that may be expected for the financial year ending December 31, 2012.

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

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

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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 the condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the Bank's consolidated financial statements for the year ended December 31, 2011.

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

2.2.1 New and revised IFRSs effective for accounting periods beginning January 1, 2012

There are no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning January 1, 2012 that have had a material impact on Bank's condensed consolidated interim financial information.

2.2.2 Standards and Interpretations in issue not yet effective

The Bank has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
Amendments to disclosure requirements in IFRS 7 Financial Instruments: Disclosures - requires information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.	January 1, 2013
Amendments to IAS 19, Employee Benefits — Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects, requiring recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, with all actuarial gains and losses recognized immediately through other comprehensive income.	January 1, 2013

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

2 Summary of significant accounting policies (continued)

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

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

**Effective for
annual periods
beginning on or
after**

New Standards and amendments to Standards:

Annual Improvements 2009-2011 Cycle made amendments to the following standards:

January 1, 2013

- IFRS 1 — Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets, requiring an entity to measure government loans with a below market rate of interest at fair value on initial recognition
- IAS 1 — Clarification of the requirements for comparative information
- IAS 16 — Classification of servicing equipment
- IAS 32 — Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes
- IAS 34 — Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments

IAS 27, Separate Financial Statements (revised 2011) and IAS 28, Investments in Associates and Joint Ventures (revised 2011) – Revision as required by IFRS 10 and IFRS 11.

January 1, 2013

IFRS 10, Consolidated Financial Statements - Replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. Under IFRS 10 there is only one basis of consolidation that is control, for which a new definition has been included.

January 1, 2013

IFRS 11, Joint Arrangements - Replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. It deals with how a joint arrangement of which two or more parties have joint control should be classified and requires that joint ventures are accounted for using the equity method of accounting.

January 1, 2013

IFRS 12, Disclosure of Interests in Other Entities - Replaces the requirements previously included in IAS 27 – Consolidated and Separate Financial Statements, IAS 31 – Interests in Joint Ventures and IAS 28 - Investments in Associates. In general, the disclosure requirements are more extensive than the current standards.

January 1, 2013

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

2 Summary of significant accounting policies (continued)

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

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

	Effective for annual periods beginning on or after
New Standards and amendments to Standards:	
IFRS 13, Fair Value measurement - represents the completion of the joint project to establish a single source for the requirements on how to measure fair value under IFRS. The Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and improving disclosure requirements for use across IFRSs.	January 1, 2013
The amendments to IAS 32, Financial Instruments: Presentation – The amendments clarify the offsetting criteria in IAS 32 to address inconsistencies in their application. An entity will have a legally enforceable right to set off only if it is non-contingent in nature and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.	January 1, 2014
IFRS 9, Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39)	January 1, 2015

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Management anticipates that these IFRSs and amendments will be adopted in the initial period when they become mandatorily effective. An initial assessment of the potential impact indicates that application of most of these standards is not expected to have significant impact on amounts reported in the financial statements, but it is expected that additional disclosures will be required. The Bank is yet to assess IFRS 9's full impact, particularly as the hedging and impairment aspects of IFRS 9 are still outstanding and intends to adopt IFRS 9 in the initial period when they become mandatorily effective.

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)****2 Summary of significant accounting policies (continued)****2.3 Basis of consolidation**

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

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

A Special Purpose Entity (SPE) is consolidated if, based on an evaluation of the substance of its relationship with the Bank and the SPE's risks and rewards, 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 an SPE.

The Bank manages and administers assets held in unit trusts on behalf of investors without recourse to the assets. The financial statements of these entities are not included in this condensed consolidated financial information except when the Bank controls the entity.

Upon the 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 the condensed consolidated income statement. 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.

This condensed consolidated interim financial information also includes the attributable share of the results and reserves of associates.

2.4 Trading and Investment securities

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

Investment securities are classified into the following categories depending on the nature and purpose of the investment:

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

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)****2 Summary of significant accounting policies (continued)****2.4 Trading and Investment securities (continued)****Investments designated at fair value through profit or loss (FVTPL)**

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

An investment is classified as held for trading if:

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

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

Investments at FVTPL are stated at fair value, with any gains or losses arising on re-measurement are recognised in condensed consolidated interim income statement. The fair values are based on current prices in active markets.

Held-to-maturity

Investments which have fixed or determinable payments with fixed maturities which the Bank 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. Any gain or loss on such investments is recognised in the condensed consolidated interim income statement when the investment is derecognised or impaired.

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

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)****2 Summary of significant accounting policies (continued)****2.4 Trading and Investment securities (continued)****Held-to-maturity (continued)**

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

Available for sale

Investments not classified as either "fair value through profit or loss" or "held to maturity" are classified as "available for sale". Available for sale 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 Bank establishes fair value by using valuation techniques (e.g. recent arms 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.

Gains and losses arising from changes in fair value are recognised in the condensed consolidated comprehensive income statement and recorded in cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the condensed consolidated interim income statement. When 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 values 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 other comprehensive income.

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012** (continued)**2 Summary of significant accounting policies** (continued)**2.4 Trading and Investment securities** (continued)**Available for sale** (continued)

- 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 condensed consolidated other comprehensive income statement, accumulating in equity. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in the condensed consolidated interim income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security.

Reclassifications

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

Derecognition of investment securities

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

2.5 Investment properties

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

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

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

3 Cash and balances with Central Banks

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Cash on hand	355,642	547,769
Balances with Central Banks (*)	5,879,078	5,082,176
Certificate of deposits with Central Bank	1,750,000	1,000,000
	<u>7,984,720</u>	<u>6,629,945</u>

(*) Balances with Central Banks include reserve requirements of AED 5,438,925 thousand as at September 30, 2012 (December 31, 2011 – AED 5,082,176 thousand) with the Central Banks.

The geographical concentration is as follows:

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Within the U.A.E.	7,961,279	6,601,201
Outside the U.A.E.	23,441	28,744
	<u>7,984,720</u>	<u>6,629,945</u>

4 Deposits and balances due from banks

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Current and demand deposits	174,943	257,728
Placements	13,750,601	17,592,265
Murabaha placements	1,845,000	2,249,000
Wakala placements	50,000	740,939
	<u>15,820,544</u>	<u>20,839,932</u>

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

4 Deposits and balances due from banks (continued)

The geographical concentration is as follows:

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Within the U.A.E.	6,836,460	12,798,544
Outside the U.A.E.	8,984,084	8,041,388
	15,820,544	20,839,932

5 Trading securities

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Quoted within the U.A.E.	30,894	15,755
Quoted outside the U.A.E.	3,875	-
	34,769	15,755

Trading securities represent investments in public sector bonds. The fair value of these investments is based on quoted market prices. The bonds yield a fixed coupon rate in the range of 5.75% - 8.5% per annum.

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

6 Loans and advances, net

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Overdrafts (Retail and Corporate)	8,818,427	9,949,513
Corporate loans	100,206,676	101,565,326
Retail loans	12,727,350	12,303,074
Credit cards	2,107,838	2,133,144
Islamic financing	4,277,576	3,749,732
Other facilities	2,114,176	765,824
	130,252,043	130,466,613
Less: Allowance for impairment	(6,474,981)	(5,711,876)
	123,777,062	124,754,737

Islamic financing balances include the following:

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Murabaha	676,824	565,975
Ijara financing	698,167	651,970
Mudaraba	207,498	154,578
Salam	2,630,930	2,324,991
Others	64,157	52,218
	4,277,576	3,749,732
Less: Allowance for impairment	(20,058)	(20,942)
	4,257,518	3,728,790

The Bank hedges certain variable rate loans and advances for interest rate risk through interest rate swaps and designates these instruments as cash flow hedges. The positive fair value of these hedge contracts at September 30, 2012 was AED 18,044 thousand (December 31, 2011: AED Nil).

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

6 Loans and advances, net (continued)

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

	As at September 30, 2012 (unaudited)			As at December 31, 2011 (audited)		
	Individual impairment	Collective impairment	Total	Individual Impairment	Collective impairment	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At January 1	3,652,804	2,059,072	5,711,876	4,653,146	1,643,291	6,296,437
Charge for the period/year	1,269,962	155,093	1,425,055	1,886,939	416,167	2,303,106
Net recoveries during the period/year	(145,968)	-	(145,968)	(220,746)	-	(220,746)
Net charge for the period/year	1,123,994	155,093	1,279,087	1,666,193	416,167	2,082,360
Discount unwind	(96,897)	-	(96,897)	(177,216)	-	(177,216)
Net amounts written off	(419,112)	-	(419,112)	(2,487,492)	-	(2,487,492)
Currency translation	19	8	27	(1,827)	(386)	(2,213)
Balance at	4,260,808	2,214,173	6,474,981	3,652,804	2,059,072	5,711,876

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

Industry sector	As at September 30, 2012 (unaudited)			As at December 31, 2011 (audited)		
	Within the U.A.E.	Outside the U.A.E.	Total	Within the U.A.E.	Outside the U.A.E.	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Agriculture	11,222	-	11,222	9,084	-	9,084
Energy	9,915,591	349,313	10,264,904	10,864,758	362,316	11,227,074
Trading	1,725,749	14,155	1,739,904	846,973	15,080	862,053
Development & construction	24,225,269	347,437	24,572,706	28,580,804	224,245	28,805,049
Real estate investment	25,147,278	41,449	25,188,727	19,716,776	191,045	19,907,821
Transport	1,294,184	475,978	1,770,162	1,365,925	512,684	1,878,609
Personal – retail	17,740,478	15,220	17,755,698	16,939,914	13,362	16,953,276
Personal – collateralised	13,254,077	304,060	13,558,137	16,190,310	370,741	16,561,051
Government	1,898,575	-	1,898,575	2,855,458	-	2,855,458
Financial institutions (*)	7,953,131	1,625,350	9,578,481	7,681,348	1,315,783	8,997,131
Manufacturing	1,915,754	128,176	2,043,930	2,124,486	123,940	2,248,426
Services	20,128,607	1,740,990	21,869,597	18,009,069	2,152,512	20,161,581
	125,209,915	5,042,128	130,252,043	125,184,905	5,281,708	130,466,613
Less: Allowance for impairment			(6,474,981)			(5,711,876)
Total			123,777,062			124,754,737

(*) includes investment companies.

During the period, industry sector composition was revisited for certain loans and advances based on the purpose of use and main line of business of the borrower. Accordingly, industry sector of these loans and advances were reclassified for prior year financial statements to conform to the current period's presentation. Also, the management has decided to consolidate Contractor finance with Development & construction as both the industry sector carries the same risk profile.

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

6 Loans and advances, net (continued)

The Bank entered into repurchase agreements whereby loans are pledged and held by counter parties as collateral. The risks and rewards relating to the loans pledged will remain with the Bank. The following table reflects the carrying value of these loans and the associated financial liabilities:

	<u>As at September 30, 2012 (unaudited)</u>		<u>As at December 31, 2011 (audited)</u>	
	<u>Carrying value of pledged assets AED'000</u>	<u>Carrying value of associated liabilities AED'000</u>	<u>Carrying value of pledged assets AED'000</u>	<u>Carrying value of associated liabilities AED'000</u>
Repurchase agreements	<u>4,756,807</u>	<u>2,358,230</u>	<u>4,756,807</u>	<u>2,358,230</u>

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**
7 Derivative financial instruments

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

	Fair values	
	Assets AED'000	Liabilities AED'000
As at September 30, 2012 (unaudited)		
Derivatives held for trading:		
Foreign exchange contracts	95,208	87,126
Interest rate and cross currency swaps	4,305,454	4,330,210
Options	204,817	169,970
Futures	2,255	-
Commodity and energy swaps	5,784	5,649
Swaptions	2,245	7,480
	<u>4,615,763</u>	<u>4,600,435</u>
Derivatives held as fair value hedges:		
Interest rate and cross currency swaps	589,520	495,997
Derivatives held as cash flow hedges:		
Interest rate swaps	19,696	-
Forward foreign exchange contracts	101,976	9,439
	<u>5,326,955</u>	<u>5,105,871</u>
	Fair values	
	Assets AED'000	Liabilities AED'000
As at December 31, 2011 (audited)		
Derivatives held for trading:		
Foreign exchange contracts	110,015	96,112
Interest rate and cross currency swaps	4,070,651	4,050,688
Options	166,578	173,714
Futures	354	227
Commodity and energy swaps	23,067	21,835
Swaptions	5,903	5,666
	<u>4,376,568</u>	<u>4,348,242</u>
Derivatives held as fair value hedges:		
Interest rate and cross currency swaps	468,196	444,350
Derivatives held as cash flow hedges:		
Interest rate swaps	-	2,714
Forward foreign exchange contracts	-	26,262
	<u>4,844,764</u>	<u>4,821,568</u>

The net hedge ineffectiveness gains relating to the fair value and cash flow hedges amounting to AED 35,803 thousand (Nine month period ended September 30, 2011 – net gains of AED 35,779 thousand) have been recognised in the condensed consolidated interim income statement under “ Net gains on dealing in derivatives”(Note 23).

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

8 Investment securities

	As at September 30, 2012 (unaudited)			
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Available for sale investments				
Quoted:				
Floating rate notes (FRNs)	275,475	-	-	275,475
Equity instruments	406	-	-	406
Bonds	5,754,257	707,253	7,978,786	14,440,296
Mutual funds	37,513	-	-	37,513
Government securities	2,498,942	1,031,828	413,946	3,944,716
Total Quoted	8,566,593	1,739,081	8,392,732	18,698,406
Unquoted:				
Equity instruments	179,980	-	684	180,664
Mutual funds	87,630	-	-	87,630
Total Unquoted	267,610	-	684	268,294
Total available for sale investments	8,834,203	1,739,081	8,393,416	18,966,700

	As at December 31, 2011 (audited)			
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Available for sale investments				
Quoted:				
Floating rate notes (FRNs)	367,708	-	-	367,708
Collateralised debt obligations (CDOs)	-	-	44,194	44,194
Equity instruments	6,905	-	-	6,905
Bonds	4,641,033	857,742	5,605,453	11,104,228
Mutual funds	35,016	-	-	35,016
Government securities	1,847,763	1,141,628	241,639	3,231,030
Total Quoted	6,898,425	1,999,370	5,891,286	14,789,081
Unquoted:				
Equity instruments	180,423	-	483	180,906
Mutual funds	82,116	-	-	82,116
Total Unquoted	262,539	-	483	263,022
Total available for sale investments	7,160,964	1,999,370	5,891,769	15,052,103

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

8 Investment securities (continued)

At September 30, 2012 quoted bond investments include bonds with fair value AED 5,203,710 thousand (December 31, 2011: AED 4,687,545 thousand) in public sector companies.

The Bank hedges interest rate risk on investments through interest rate swaps and designates these either as fair value or cash flow hedges. The negative fair value of these interest rate swaps at September 30, 2012 was AED 494,346 thousand (December 31, 2011: negative fair value of AED 447,064 thousand). The hedge ineffectiveness gains and losses relating to these hedges are included in the condensed consolidated interim income statement under 'Net gains on dealing in derivatives' (Note 23).

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

	As at September 30, 2012 (unaudited)		As at December 31, 2011 (audited)	
	Fair value of pledged assets AED'000	Carrying value of associated liabilities AED'000	Fair value of pledged assets AED'000	Carrying value of associated liabilities AED'000
Repurchase agreements	<u>1,226,650</u>	<u>1,063,132</u>	<u>4,237,403</u>	<u>3,776,167</u>

Further, the Bank has also pledged investment securities with fair value amounting to AED 1,179,463 thousand (December 31, 2011 - AED 1,110,902 thousand) as collateral against margin calls. The risks and rewards relating to the investments pledged will remain with the Bank.

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

9 Investment in associates

Name of associate	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Al Nokhitha Fund	67,197	56,298
ADCB MSCI U.A.E. Index Fund	30,728	25,519
Carrying value	97,925	81,817

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

	Name of associate	Principal activities	Country of incorporation	Ownership Interest	
				September 30 2012	December 31 2011
(a)	Al Nokhitha Fund	Investing in Equities listed on Abu Dhabi Exchange, Dubai Financial Market and in any other recognised stock exchanges of the GCC countries.	U.A.E.	22%	21%
(b)	ADCB MSCI U.A.E. Index Fund	Investing in Equities listed on Abu Dhabi Exchange, Dubai Financial Market, Dubai International Financial Exchange determined by MSCI UAE Index ("Index Securities").	U.A.E.	29%	28%

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)****9 Investment in associates (continued)**

The latest available financial information in respect of the Bank's associates is as at and for the nine month period ended September 30, 2012 for Al Nokhitha Fund and ADCB MSCI U.A.E. Index Fund as follows:

	AED'000
Total assets	410,123
Total liabilities	(1,765)
	<hr/>
Net assets	408,358
	<hr/> <hr/>
Bank's share in net assets of associates	97,925
	<hr/> <hr/>
Total interest and other operating income	75,595
	<hr/> <hr/>
Total profit for the period	70,642
	<hr/> <hr/>
Bank's share in profit of associates	16,108
	<hr/> <hr/>

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

10 Investment properties

	Completed and in use AED'000	Under development AED'000	Total AED'000
As at January 1, 2011	215,609	73,583	289,192
Additions during the year	-	119,620	119,620
Decrease in fair value during the year	(7,798)	(4,102)	(11,900)
As at January 1, 2012 (audited)	207,811	189,101	396,912
Additions during the period	-	82,225	82,225
Transfer from property and equipment	182,530	-	182,530
As at September 30, 2012 (unaudited)	390,341	271,326	661,667

The fair value of the Bank's investment properties are estimated by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. Valuations are carried out by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Discounted cash flow techniques may be used to calculate fair value in certain situations where there have been no recent transactions using current external market inputs such as market rents and interest rates. The effective date of the last formal valuation is June 30, 2012.

The valuation methodologies considered by external valuers include:

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

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

During the period, the Bank has transferred a part of its property from property and equipment, net, to investment properties following a change in the use of the property. Accordingly, AED 182,530 thousand which represents the fair value of the property on the date of such change in use has been transferred from property and equipment, net. This transaction being a non-cash transaction has not been reflected in the consolidated statement of cash flows.

The difference between the carrying value of the transferred property and its fair value at the date of transfer amounting to AED 21,337 thousand has been accounted for as an impairment allowance on property and equipment (Note 24).

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

11 Other assets

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Interest receivable	1,046,771	859,898
Withholding tax	91,209	87,311
Prepayments	73,979	71,336
Acceptances	6,875,676	8,771,823
Others	280,032	231,126
	<u>8,367,667</u>	<u>10,021,494</u>

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date, and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the bank and are therefore recognised as a financial liability (Note 17) in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset. The Bank generally receives cash collateral against these acceptances.

12 Due to banks

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Current and demand deposits	640,231	574,271
Deposits – banks	3,633,217	2,516,115
	<u>4,273,448</u>	<u>3,090,386</u>

The Bank hedges certain interbank deposits for interest rate and foreign currency exchange risk through cross currency swaps and designates these instruments as fair value hedges. The positive fair value of these cross currency swaps at September 30, 2012 was AED 2,634 thousand (December 31, 2011: positive fair value of AED 22, 578 thousand).

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

13 Euro commercial paper

The Bank established a USD 4 billion Euro commercial paper programme (the “ECP Programme”) for the issuance of Euro commercial paper under the agreement dated June 5, 2007 with Banc of America Securities Limited.

The Bank hedges ECP for foreign currency exchange risk through foreign exchange forward contracts and designates these instruments as cash flow hedges. The net positive fair value of these hedge contracts at September 30, 2012 was AED 58,233 thousand (December 31, 2011: Nil).

Refer Note 14 for the reclassification of Deposits from customers to Euro commercial paper.

14 Deposits from customers

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Call and demand deposits	27,397,647	24,274,344
Savings deposits	2,630,349	2,237,783
Time deposits	60,157,552	64,146,038
Murabaha deposits	8,187,391	9,201,851
Long term government deposits	449,569	458,940
Islamic deposits	10,165,683	8,851,869
	<u>108,988,191</u>	<u>109,170,825</u>

Islamic product related deposits include the following:

Product	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Wadiah – demand deposits	276,662	437,980
Mudaraba savings and term deposits	4,530,143	3,653,439
Wakala deposits	5,358,878	4,760,450
	<u>10,165,683</u>	<u>8,851,869</u>

An amount of AED 716,652 thousand of Euro commercial paper has been reclassified in the statement of financial position as at December 31, 2011 from Deposits from customers to Euro commercial paper to be consistent and comparable to current period’s presentation.

The Bank hedges certain deposits from customer for interest rate and foreign currency exchange risk through cross currency swaps and foreign exchange contracts and designates these instruments as fair value or cash flow hedges. The net positive fair value of these hedge contracts at September 30, 2012 was AED 34,304 (December 31, 2011: positive fair value of AED 7,198 thousand).

Notes to the condensed consolidated interim financial information for the nine month period ended September 30, 2012 (continued)

15 Short and medium term borrowings

The details of short and medium term borrowings as at September 30, 2012 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Total AED'000
Unsecured notes	Chinese Renminbi (CNH)	-	-	115,394	115,394
	Malaysian Ringitt (MYR)	-	871,027	373,321	1,244,348
	Swiss Franc (CHF)	-	-	575,705	575,705
	Turkish Lira (TRY)	-	-	94,003	94,003
	U.A.E. Dirham (AED)	-	1,253,000	500,000	1,753,000
	US Dollar (US\$)	-	3,673,000	-	3,673,000
			5,797,027	1,658,423	7,455,450
Syndicated loans	US Dollar (US\$)	4,290,799	-	-	4,290,799
	Euro (EUR)	135,065	-	-	135,065
Sukuk financing notes	US Dollar (US\$)	-	-	1,836,500	1,836,500
Subordinated floating rate notes	US Dollar (US\$)	-	-	1,117,143	1,117,143
Tier 2 loan	U.A.E. Dirham (AED)	-	-	6,617,456	6,617,456
Borrowings through repurchase agreements	US Dollar (US\$)	1,450,631	620,737	-	2,071,368
	U.A.E. Dirham (AED)	1,349,995	-	-	1,349,995
		7,226,490	6,417,764	11,229,522	24,873,776
Fair value adjustment on short and medium term borrowings being hedged					533,219
					25,406,995

Included in short and medium term borrowings is AED 13,974,016 thousand which have been hedged using interest rate and cross currency swaps. These swaps are designated as fair value hedges. The positive fair value of these swaps at September 30, 2012 was AED 526,050 thousand.

Notes to the condensed consolidated interim financial information for the nine month period ended September 30, 2012 (continued)

15 Short and medium term borrowings (continued)

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

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Total AED'000
Unsecured notes					
	Australian Dollar (AUD)	72,126	-	-	72,126
	Hong Kong Dollar (HKD)	94,333	-	-	94,333
	Malaysian Ringitt (MYR)	-	-	871,027	871,027
	Slovak Koruna (SKK)	103,758	-	-	103,758
	South African Rand (ZAR)	51,299	-	-	51,299
	Swiss Franc (CHF)	-	-	575,705	575,705
	Turkish Lira (TRY)	-	-	94,003	94,003
	U.A.E. Dirham (AED)	-	1,253,000	-	1,253,000
	US Dollar (US\$)	-	3,673,000	-	3,673,000
		321,516	4,926,000	1,540,735	6,788,251
Syndicated loans					
	US Dollar (US\$)	3,789,801	3,739,849	-	7,529,650
	Euro (EUR)	328,015	-	-	328,015
Sukuk financing notes					
	US Dollar (US\$)	-	-	1,836,500	1,836,500
Subordinated floating rate notes					
	US Dollar (US\$)	-	-	1,172,789	1,172,789
Tier 2 loan					
	U.A.E. Dirham (AED)	-	-	6,617,456	6,617,456
Borrowings through repurchase agreements					
	US Dollar (US\$)	2,713,033	870,134	-	3,583,167
	U.A.E. Dirham (AED)	2,358,230	193,000	-	2,551,230
		9,510,595	9,728,983	11,167,480	30,407,058
Fair value adjustment on short and medium term borrowings being hedged					
		-	-	-	401,499
					30,808,557

Included in short and medium term borrowings is AED 9,049,767 thousand which have been hedged using interest rate and cross currency swaps. These swaps are designated as fair value hedges. The positive fair value of these swaps at December 31, 2011 was AED 394,000 thousand.

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

15 Short and medium term borrowings (continued)

Interest on unsecured notes is payable half yearly and yearly in arrears and the contractual coupon rates as at September 30, 2012 (unaudited) are as follows:

<u>Currency</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>
CNH	-	-	Fixed rate of 3.7% p. a
MYR	-	Fixed rate of 5.2% p.a	Fixed rate of 4.3% p.a.
CHF	-	-	Fixed rate of 3.01% p.a.
TRY	-	-	Fixed rate of 12.75% p.a.
AED	-	Fixed rate of 6% p.a.	Fixed rate of 6% p.a.
US\$	-	Fixed rate of 4.75% p.a.	-

Syndicated loans

Contractual interest on the syndicated loans are payable as follows:

US\$: Monthly coupons in arrears with 25 basis points to 125 basis points over LIBOR and quarterly coupons with 27.5 basis points to 55 basis points.

EUR: Quarterly coupons in arrears with 110 basis points over EURIBOR.

Sukuk financing notes

The Sukuk carries an expected profit rate of 4.07% per annum payable semi annually.

Subordinated floating rate notes

Interest on the subordinated floating rate notes is payable quarterly in arrears at a coupon rate of 110 basis points over 3 months LIBOR. The subordinated floating rate notes were obtained from financial institutions outside the U.A.E. and qualified as Tier 2 subordinated loan capital for the first 5 year period till 2011 and thereafter are amortised at the rate of 20% per annum until 2016 for capital adequacy calculation (Note 28). This has been approved by the Central Bank of the U.A.E.

Tier 2 loan

In March 2009, the Bank converted AED 6,617,456 thousand government deposits into Tier 2 qualifying loans. The Tier 2 qualifying loans will mature seven years from the date of the issue and interest is payable on a quarterly basis at a fixed rate of 4 percent per annum commencing March 31, 2009 for the first two years, 4.5 percent per annum for the third year, 5 percent per annum for the fourth year and 5.25 percent per annum for the remaining period. The terms also provide that the Bank will have a call option to repay the loans partially or fully at the end of five years from the date of issue. For regulatory purposes, the loans qualify as Tier 2 capital (Note 28).

Borrowings through repurchase agreements

Interest on borrowings through repurchase agreements are payable in quarterly coupons in arrears with 300 basis points over 3 months and half yearly coupons in arrears with 155 to 300 basis points over 6 months LIBOR and EIBOR.

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

16 Long term borrowings

Instrument	Currency	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Unsecured notes	U.A.E. Dirham (AED)	-	500,000
	Malaysian Ringitt (MYR)	473,706	473,706
	US Dollar (US\$)	367,300	73,460
		841,006	1,047,166
Fair value adjustment on long term borrowings being hedged		56,673	41,286
		897,679	1,088,452

Included in long term borrowings is AED 767,546 thousand (December 31, 2011 – AED 1,047,166 thousand) which have been hedged using interest rate and cross currency swaps. These swaps are designated as fair value hedges. The positive fair value of these swaps at September 30, 2012 was AED 60,817 thousand (December 31, 2011: positive fair value of AED 44,421 thousand).

Interest on unsecured notes is payable half yearly in arrears and the contractual coupon rates as at September 30, 2012 (unaudited) are as follows:

Currency

Over 5 years

MYR

Fixed rate of 5.35% p.a.

US\$

Fixed rate of 5% to 5.3875% p.a.

Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)

17 Other liabilities

	As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Interest payable	836,142	931,026
Employees' end of service benefits	207,685	179,824
Accounts payable and other creditors	153,638	973,519
Clearing payables	607	238
Deferred income	221,908	171,805
Acceptances (Note 11)	6,875,676	8,771,823
Others	894,328	875,332
	<u>9,189,984</u>	<u>11,903,567</u>

18 Share capital

	Authorised	Issued and fully paid	
		As at September 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Ordinary shares of AED 1 each	5,595,597	5,595,597	5,595,597

	September 30, 2012 (unaudited)		December 31, 2011 (audited)	
	Number of shares	AED'000	Number of shares	AED'000
As of January 1	5,595,597,381	5,595,597	4,810,000,000	4,810,000
Shares issued on conversion of mandatory convertible securities	-	-	785,597,381	785,597
As at	<u>5,595,597,381</u>	<u>5,595,597</u>	<u>5,595,597,381</u>	<u>5,595,597</u>

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

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

18 Share capital (continued)

Reconciliation of share premium is as follows:

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

As at September 30, 2012, Abu Dhabi Investment Council held 58.08% (December 31, 2011: 58.08 %) of the Bank's issued and fully paid up share capital.

Proposed dividends

Following the Annual General Meeting held on April 24, 2012, the Shareholders approved the distribution of proposed cash dividends of AED 1,119,119 thousand representing 20% of the paid up share capital for the year 2011 (For the year 2010 : Nil).

19 Capital notes

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

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 bear interest at the rate of 6% per annum payable semi-annually until February 2014, and a floating interest rate of 6 month EIBOR plus 2.3% per annum thereafter. However the Bank may at its sole discretion elect not to make a coupon payment. The Note holders do not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default. In addition, there are certain circumstances under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date ("Non-Payment Event").

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

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

20 Interest income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Loans and advances to banks	54,964	42,444	188,798	163,906
Loans and advances to customers	1,693,060	1,744,185	5,128,503	5,065,497
Investment securities	127,088	87,950	352,503	218,535
	<u>1,875,112</u>	<u>1,874,579</u>	<u>5,669,804</u>	<u>5,447,938</u>

21 Interest expense (unaudited)

	3 months ended September 30		9 months ended September 30	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Deposits from banks	4,191	1,856	10,822	28,374
Deposits from customers	386,191	427,155	1,299,520	1,693,979
Debt securities issued and subordinated liabilities	112,328	103,225	339,703	291,349
Interest on mandatory convertible securities and long term notes	68,649	43,685	149,986	231,426
	<u>571,359</u>	<u>575,921</u>	<u>1,800,031</u>	<u>2,245,128</u>

22 Net fees and commission income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Fees and commission income				
Retail banking fees	165,302	158,009	510,223	502,843
Corporate banking fees	78,849	66,178	277,680	224,805
Brokerage fees	959	695	3,137	3,022
Fees from trust and other fiduciary activities	18,991	9,870	56,151	39,592
Other fees	8,240	12,192	35,984	36,286
	<u>272,341</u>	<u>246,944</u>	<u>883,175</u>	<u>806,548</u>
Total fees and commission income	272,341	246,944	883,175	806,548
Fees and commission expenses	(58,677)	(41,124)	(150,530)	(91,185)
	<u>213,664</u>	<u>205,820</u>	<u>732,645</u>	<u>715,363</u>
Net fees and commission income	213,664	205,820	732,645	715,363

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

23 Net trading income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Net gains from dealing in derivatives	14,219	61,014	91,104	167,989
Net gains from dealing in foreign currencies	27,010	51,187	105,344	124,397
Net gains from trading and investment securities	8,351	3,898	29,973	30,145
	49,580	116,099	226,421	322,531

24 Other impairment (release)/allowances (unaudited)

	3 months ended September 30		9 months ended September 30	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Impairment (release)/ allowance on investment securities	(746)	41,837	7,274	45,510
(Reversal of)/loss on credit default swaps	-	(70,879)	-	195,688
Impairment allowance on property and equipment	-	-	21,337	-
	(746)	(29,042)	28,611	241,198

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

25 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.

	3 months ended September 30		9 months ended September 30	
	2012	2011	2012	2011
Net profit for the period attributable to the equity holders of the Bank (AED'000)	594,203	607,566	2,127,715	2,516,909
Add: Interest on MCS for the period (AED'000)	-	-	-	25,564
Less: Capital notes coupon paid (AED'000)	(120,000)	(120,000)	(240,000)	(236,667)
Net adjusted profit for the period attributable to the equity holders of the Bank (AED'000) (a)	474,203	487,566	1,887,715	2,305,806
Weighted average number of shares in issue throughout the period (000's)	5,595,597	5,595,597	5,595,597	5,595,597
Less: Weighted average number of shares held on account of Employees' incentive plan (000's)	(56,589)	(50,424)	(57,892)	(45,538)
Weighted average number of equity shares used for calculating basic earnings per share (000's) (b)	5,539,008	5,545,173	5,537,705	5,550,059
Add: Weighted average number of shares held on account of Employees' incentive plan (000's)	56,589	50,424	57,892	45,538
Weighted average number of equity shares used for calculating diluted earnings per share (000's) (c)	5,595,597	5,595,597	5,595,597	5,595,597
Basic earnings per share (AED) (a)/(b)	0.09	0.09	0.34	0.42
Diluted earnings per share (AED) (a)/(c)	0.08	0.09	0.34	0.41

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

26 Commitments and contingent liabilities

The Bank had the following commitments and contingent liabilities at:

	September 30 2012 (unaudited) AED'000	December 31 2011 (audited) AED'000
Commitments on behalf of customers		
Letters of credit	5,612,441	4,049,791
Guarantees	11,330,071	9,806,027
Commitments to extend credit – Revocable	6,643,814	6,313,900
Commitments to extend credit – Irrevocable	4,029,537	5,688,356
Others	55,095	55,095
	<hr/> 27,670,958	<hr/> 25,913,169
Others		
Commitments for future capital expenditure	154,960	274,887
Commitments to invest in investment securities	219,525	230,009
	<hr/> 28,045,443	<hr/> 26,418,065
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)****27 Operating segments**

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

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

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

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

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

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**
27 Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the nine month period ended September 30, 2012 (unaudited):

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
Net interest and Islamic financing income	1,773,461	1,109,227	935,686	90,910	3,909,284
Non-interest income	462,089	344,164	150,553	118,809	1,075,615
Operating expenses	(992,253)	(396,854)	(116,170)	(53,527)	(1,558,804)
Operating profit before impairment allowances	1,243,297	1,056,537	970,069	156,192	3,426,095
Impairment allowance on loans and advances, net	(1,056,118)	(222,969)	-	-	(1,279,087)
Other impairment release/(allowances)	-	220	(7,494)	(21,337)	(28,611)
Share of profit of associates	16,108	-	-	-	16,108
Profit before taxation	203,287	833,788	962,575	134,855	2,134,505
Overseas income tax expense	-	(3,992)	-	-	(3,992)
Net profit for the period	<u>203,287</u>	<u>829,796</u>	<u>962,575</u>	<u>134,855</u>	<u>2,130,513</u>
Capital expenditure					<u>171,410</u>
As at September 30, 2012 (unaudited)					
Segment assets	<u>58,551,324</u>	<u>74,922,516</u>	<u>47,747,360</u>	<u>669,436</u>	<u>181,890,636</u>
Segment liabilities	<u>30,009,689</u>	<u>49,580,069</u>	<u>78,774,144</u>	<u>11,097</u>	<u>158,374,999</u>

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**
27 Operating segments (continued)

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

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
Net interest and Islamic financing income	1,629,273	881,589	705,789	79,656	3,296,307
Non-interest income	519,710	218,092	314,402	98,287	1,150,491
Operating expenses	(991,362)	(354,283)	(115,834)	(53,864)	(1,515,343)
Operating profit before impairment allowances	1,157,621	745,398	904,357	124,079	2,931,455
Impairment allowance on loans and advances, net	(956,162)	(650,434)	-	-	(1,606,596)
Other impairment allowances	(40,000)	-	(201,198)	-	(241,198)
Share of (loss)/profit of associates	(13,811)	181,376	-	-	167,565
Profit before taxation	147,648	276,340	703,159	124,079	1,251,226
Overseas income tax expense	-	(34,400)	-	-	(34,400)
Profit for the period	147,648	241,940	703,159	124,079	1,216,826
Net gain on sale of investment in associate	-	1,314,315	-	-	1,314,315
Net profit for the period	147,648	1,556,255	703,159	124,079	2,531,141
Capital expenditure					158,377
As at December 31, 2011 (audited)					
Segment assets	64,430,343	71,728,699	47,161,658	404,930	183,725,630
Segment liabilities	27,814,765	50,886,621	82,073,228	873,493	161,648,107

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**
27 Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended September 30, 2012 (unaudited):

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
Net interest and Islamic financing income	573,777	383,940	340,295	32,848	1,330,860
Non-interest income	145,371	93,730	22,397	39,448	300,946
Operating expenses	(328,273)	(131,759)	(37,583)	(18,697)	(516,312)
Operating profit before impairment allowances	390,875	345,911	325,109	53,599	1,115,494
Impairment (allowance)/release on loans and advances, net	(583,372)	53,653	-	-	(529,719)
Other impairment release	-	11	735	-	746
Share of profit of associates	8,602	-	-	-	8,602
(Loss)/profit before taxation	(183,895)	399,575	325,844	53,599	595,123
Overseas income tax credit	-	253	-	-	253
Net (loss)/profit for the period	<u>(183,895)</u>	<u>399,828</u>	<u>325,844</u>	<u>53,599</u>	<u>595,376</u>
Capital expenditure					<u>27,650</u>

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**
27 Operating segments (continued)

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

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
Net interest and Islamic financing income	566,413	401,076	340,490	26,999	1,334,978
Non-interest income	146,816	89,312	95,317	32,526	363,971
Operating expenses	(337,135)	(129,844)	(43,961)	(17,316)	(528,256)
Operating profit before impairment allowances	376,094	360,544	391,846	42,209	1,170,693
Impairment allowance on loans and advances, net	(303,081)	(239,822)	-	-	(542,903)
Other impairment (allowances)/release	(40,000)	-	69,042	-	29,042
Share of loss of associates	(8,285)	-	-	-	(8,285)
Profit before taxation	24,728	120,722	460,888	42,209	648,547
Overseas income tax expense	-	(35,372)	-	-	(35,372)
Net profit for the period	24,728	85,350	460,888	42,209	613,175
Capital expenditure					74,716

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

27 Operating segments (continued)

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

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

Other disclosures

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

Nine month period ended September 30, 2012 (unaudited)	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
External	3,306,063	1,943,899	(383,874)	118,811	4,984,899
Inter-segment	(1,070,513)	(490,508)	1,470,113	90,908	-
Nine month period ended September 30, 2011 (unaudited)					
External	3,463,605	1,354,302	(468,588)	97,479	4,446,798
Inter-segment	(1,314,622)	(254,621)	1,488,779	80,464	-
Three month period ended September 30, 2012 (unaudited)					
External	1,055,490	700,189	(163,323)	39,450	1,631,806
Inter-segment	(336,342)	(222,519)	526,015	32,846	-
Three month period ended September 30, 2011 (unaudited)					
External	1,127,757	639,719	(101,052)	32,525	1,698,949
Inter-segment	(414,528)	(149,331)	536,859	27,000	-

Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)

27 Operating segments (continued)

Geographical information

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

	Domestic (unaudited)		International (unaudited)	
	9 months ended		9 months ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest and Islamic financing income	3,884,269	3,202,922	25,015	93,385
Non-interest income	1,072,025	1,225,987	3,590	(75,496)
Share of profit/(loss) of associates	16,108	(13,811)	-	181,376
Net gain from sale of investment in associate	-	-	-	1,314,315

	Domestic (unaudited)		International (unaudited)	
	3 months ended		3 months ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest and Islamic financing income	1,321,778	1,254,328	9,082	80,650
Non-interest income	298,827	365,849	2,119	(1,878)
Share of profit/(loss) of associates	8,602	(8,285)	-	-
Net gain from sale of investment in associate	-	-	-	-

	Domestic		International	
	As at September 30 2012	As at December 31 2011	As at September 30 2012	As at December 31 2011
	(unaudited)	(audited)	(unaudited)	(audited)
	AED'000	AED'000	AED'000	AED'000
Non-current assets				
Investment properties	661,667	396,912	-	-
Property and equipment, net	746,283	958,491	6,336	6,027
Intangible assets	100,008	123,653	-	-

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)**

28 Capital adequacy

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

	Basel II	
	As at September 30, 2012 (unaudited) AED'000	As at December 31, 2011 (audited) AED'000
Tier 1 capital		
Share capital	5,595,597	5,595,597
Share premium	3,848,286	3,848,286
Statutory and legal reserves	3,309,351	3,309,351
General and contingency reserves	2,150,000	2,150,000
Employees' incentive plan shares, net	(106,871)	(104,595)
Foreign currency translation reserve	(26,729)	(27,521)
Retained earnings and other reserves	4,495,051	3,300,888
Non-controlling interests in equity of subsidiaries	2,798	5,517
Capital notes (Note 19)	4,000,000	4,000,000
Less: Investment in associates (50%)	(48,963)	(40,909)
Less: Intangible assets	(100,008)	(123,653)
Less: Securitization exposures	(27,548)	(38,350)
	23,090,964	21,874,611
Tier 2 capital		
Collective impairment allowance on loans and advances	1,651,347	1,621,328
Tier 2 loan (Note 15)	6,617,456	6,617,456
Subordinated floating rate notes (Note 15)	670,286	938,231
Cumulative changes in fair values	111,669	-
Less: Investment in associates (50%)	(48,962)	(40,908)
Less: Securitization exposures	(27,548)	(38,350)
	8,974,248	9,097,757
Total regulatory capital	32,065,212	30,972,368
Risk-weighted assets:		
Credit risk	132,107,770	129,706,214
Market risk	3,705,273	2,103,768
Operational risk	6,526,611	5,805,137
Total risk-weighted assets	142,339,654	137,615,119
Total Capital adequacy ratio	22.53%	22.51%
Tier 1 ratio	16.22%	15.90%
Tier 2 ratio	6.30%	6.61%

The capital adequacy ratio was above the minimum requirement of 12% for September 30, 2012 (December 31, 2011 - 12%) stipulated by the U.A.E. Central Bank.

**Notes to the condensed consolidated interim financial information
for the nine month period ended September 30, 2012 (continued)****29 Legal proceedings**

The Bank 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 Bank's condensed consolidated interim financial information if disposed unfavorably.

30 Approval of financial statements

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on November 1, 2012.