

Abu Dhabi Commercial Bank PJSC
Review report and condensed consolidated interim financial
information for the three month period ended March 31, 2014

Table of contents

Report on review of condensed consolidated interim financial information	3
Condensed consolidated interim statement of financial position	4
Condensed consolidated interim income statement (unaudited)	5
Condensed consolidated interim statement of comprehensive income (unaudited)	6
Condensed consolidated interim statement of changes in equity (unaudited)	7
Condensed consolidated interim statement of cash flows (unaudited)	8
Notes to the condensed consolidated interim financial information	
1. Activities and areas of operations	10
2. Summary of significant accounting policies	10
2.1 Basis of preparation	10
2.2 Application of new and revised International Financial Reporting Standards (IFRSs)	11
2.3 Basis of consolidation	12
2.4 Investment securities	13
2.5 Investment properties	15
3. Cash and balances with central banks	16
4. Deposits and balances due from banks	16
5. Trading securities	16
6. Derivative financial instruments	17
7. Investment securities	18
8. Loans and advances, net	19
9. Investment properties	20
10. Other assets	21
11. Due to banks	21
12. Deposits from customers	21
13. Euro commercial paper	22
14. Borrowings	23
15. Other liabilities	26
16. Share capital	26
17. Other reserves, net of treasury shares	27
18. Capital notes	28
19. Interest income (unaudited)	28
20. Interest expense (unaudited)	28
21. Net fees and commission income (unaudited)	28
22. Net trading income (unaudited)	29
23. Other operating income (unaudited)	29
24. Operating expenses (unaudited)	29
25. Impairment allowances (unaudited)	29
26. Earnings per share (unaudited)	29
27. Commitments and contingent liabilities	30
28. Operating segments	30
29. Capital adequacy ratio	33
30. Disposal of fund subsidiaries (unaudited)	34
31. Fair value hierarchy	35
32. Legal proceedings	36



Report on review of condensed consolidated interim financial information

To the Board of Directors of
Abu Dhabi Commercial Bank PJSC
Abu Dhabi, UAE.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank PJSC (the "Bank") and its subsidiaries (together referred to as the "Group") as at March 31, 2014 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and accompanying notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting ("IAS 34)". Our responsibility is to express a conclusion on these condensed consolidated 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 of the Group is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers

Jacques Fakhoury
Registration Auditor Number 379
April 22, 2014

PricewaterhouseCoopers, Abu Dhabi Trade Centre, Level 9, East Tower, PO Box 45263, Abu Dhabi, United Arab Emirates
T: +971 (0)2 694 6800, F: +971 (0)2 645 6610, www.pwc.com/middle-east

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

Abu Dhabi Commercial Bank PJSC**Condensed consolidated interim income statement (unaudited)**

For the three month period ended March 31, 2014

	Notes	3 months ended March 31	
		2014 AED'000	2013 AED'000
Interest income	19	1,589,144	1,657,834
Interest expense	20	(333,096)	(491,345)
Net interest income		1,256,048	1,166,489
Income from Islamic financing		151,377	137,851
Islamic profit distribution		(27,179)	(45,288)
Net income from Islamic financing		124,198	92,563
Total net interest and Islamic financing income		1,380,246	1,259,052
Net fees and commission income	21	284,750	214,893
Net trading income	22	174,569	125,871
Other operating income	23	61,083	144,269
Operating income		1,900,648	1,744,085
Operating expenses	24	(624,909)	(517,392)
Operating profit before impairment allowances		1,275,739	1,226,693
Impairment allowances	25	(173,566)	(321,679)
Profit before taxation		1,102,173	905,014
Overseas income tax credit/(expense)		1,106	(2,030)
Net profit for the period		1,103,279	902,984
Attributed to:			
Equity holders of the Bank		953,172	829,499
Non-controlling interests		150,107	73,485
Net profit for the period		1,103,279	902,984
Basic earnings per share (AED)	26	0.16	0.13
Diluted earnings per share (AED)	26	0.16	0.13

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

Abu Dhabi Commercial Bank PJSC**Condensed consolidated interim statement of comprehensive income (unaudited)**

For the three month period ended March 31, 2014

	3 months ended March 31	
	2014	2013
	AED'000	AED'000
Net profit for the period	1,103,279	902,984
Items that may be re-classified subsequently to the condensed consolidated interim income statement		
Exchange difference arising on translation of foreign operations	6,581	2,357
Fair value changes on cash flow hedges	(396)	(7,273)
Fair value changes on available-for-sale investments	60,603	22,784
Other comprehensive income for the period	66,788	17,868
Total comprehensive income for the period	1,170,067	920,852
Attributed to:		
Equity holders of the Bank	1,019,960	847,367
Non-controlling interests	150,107	73,485
Total comprehensive income for the period	1,170,067	920,852

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

Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim statement of changes in equity (unaudited)

For the three month period ended March 31, 2014

	Share capital AED'000	Share premium AED'000	Other reserves, net of treasury shares AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the Bank AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance at January 1, 2014	5,595,597	3,848,286	5,135,440	5,597,275	4,000,000	24,176,598	644,712	24,821,310
Net profit for the period	-	-	-	953,172	-	953,172	150,107	1,103,279
Other comprehensive income for the period	-	-	66,788	-	-	66,788	-	66,788
Other movements (Note 17)	-	-	17,227	11,545	-	28,772	-	28,772
Dividends to equity holders of the parent	-	-	-	(1,560,857)	-	(1,560,857)	-	(1,560,857)
Net increase in non-controlling interests	-	-	-	-	-	-	50,527	50,527
Disposal of fund subsidiaries (Note 30)	-	-	-	-	-	-	(836,495)	(836,495)
Net gains on treasury shares arising on disposal of fund subsidiaries (Note 30)	-	-	-	91,521	-	91,521	-	91,521
Capital notes coupon paid (Note 18)	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Balance at March 31, 2014	5,595,597	3,848,286	5,219,455	4,972,656	4,000,000	23,635,994	8,851	23,644,845
Balance at January 1, 2013	5,595,597	3,848,286	6,288,591	4,537,315	4,000,000	24,269,789	437,800	24,707,589
Net profit for the period	-	-	-	829,499	-	829,499	73,485	902,984
Other comprehensive income for the period	-	-	17,868	-	-	17,868	-	17,868
Other movements (Note 17)	-	-	14,583	-	-	14,583	-	14,583
Net decrease in non-controlling interests	-	-	-	-	-	-	(32,865)	(32,865)
Net realised gain on treasury shares	-	-	-	624	-	624	-	624
Capital notes coupon paid (Note 18)	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Balance at March 31, 2013	5,595,597	3,848,286	6,321,042	5,247,438	4,000,000	25,012,363	478,420	25,490,783

Following the Annual General Meeting held on March 12, 2014, the shareholders approved the distribution of proposed cash dividends of AED 1,560,857 thousand, being AED 0.30 dividends per share and representing 30% of the paid up share capital net of shares bought back (For the year 2012 - AED 1,398,620 thousand, being AED 0.25 dividends per share and representing 25% of the paid up share capital net of shares bought back).

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

Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim statement of cash flows (unaudited)

For the three month period ended March 31, 2014

	3 months ended March 31	
	2014 AED'000	2013 AED'000
OPERATING ACTIVITIES		
Profit before taxation	1,102,173	905,014
Adjustments for:		
Depreciation on property and equipment, net (Note 24)	30,494	31,959
Amortisation of intangible assets (Note 24)	6,785	7,882
Impairment allowance on loans and advances, net (Note 8)	288,633	389,377
Discount unwind (Note 8)	(39,208)	(34,141)
Impairment recoveries on available-for-sale investments (Note 25)	(14,126)	(8,088)
Net gains from trading securities (Note 22)	(95,783)	(76,036)
Ineffective portion of hedges – (gains)/losses (Note 6)	(732)	1,894
Employees' incentive plan benefit expense (Note 17)	6,760	9,935
Cash flow from operating activities before changes in operating assets and liabilities	1,284,996	1,227,796
Increase in balances with central banks	-	(750,755)
Decrease/(increase) in due from banks	875,955	(5,802,597)
Decrease in net trading derivative financial instruments	85,406	75,553
Net proceeds from disposal of/(purchases of) trading securities	161,294	(26,973)
Increase in loans and advances	(797,138)	(1,538,154)
Increase in other assets	(107,347)	(266,288)
Increase in due to banks	350,839	86,540
Increase in deposits from customers	182,752	1,864,372
Increase in other liabilities	22,163	51,358
Cash from/(used in) operating activities	2,058,920	(5,079,148)
Overseas tax paid	-	(2,707)
Net cash from/(used in) operating activities	2,058,920	(5,081,855)
INVESTING ACTIVITIES		
Impairment recoveries on available-for-sale investments (Note 25)	14,126	8,088
Overseas tax paid, net	-	(8,929)
Net proceeds from disposal of available-for-sale investments	750,688	425,768
Net purchase of available-for-sale investments	(1,534,736)	(1,209,070)
Additions to investment properties	(252)	(16,659)
Cash received on disposal of fund subsidiaries (Note 30)	95,112	-
Net purchase of property and equipment, net	(33,586)	(16,911)
Net cash used in investing activities	(708,648)	(817,713)
FINANCING ACTIVITIES		
Net (decrease)/increase in euro commercial paper	(512,973)	192,613
Net proceeds from borrowings	9,592,753	8,194,928
Repayment of borrowings	(8,448,794)	(9,245,259)
Net proceeds from sale of treasury shares by fund subsidiaries	1,751	11,015
Dividends paid to equity holders of the parent	(1,020,752)	-
Buy back of own shares (Note 16)	-	(4,276)
Net movement in non-controlling interests	50,527	(40,715)
Capital notes coupon paid (Note 18)	(120,000)	(120,000)
Net cash used in financing activities	(457,488)	(1,011,694)
Net increase/(decrease) in cash and cash equivalents	892,784	(6,911,262)
Cash and cash equivalents at the beginning of the period	9,797,941	19,180,314
Cash and cash equivalents at the end of the period	10,690,725	12,269,052

Operating activities include dividend income and interest income on available-for-sale investments.

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

Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim statement of cash flows (unaudited)

For the three month period ended March 31, 2014 (continued)

Cash and cash equivalents

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

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Cash and balances with central banks	10,145,787	9,961,206
Deposits and balances due from banks	12,039,909	11,344,700
Due to banks	(5,511,404)	(4,291,011)
	16,674,292	17,014,895
Less: Cash and balances with central banks and Deposits and balances due from banks – with original maturity of more than 3 months	(6,363,209)	(7,245,757)
Add: Due to banks – with original maturity of more than 3 months	379,642	28,803
Total cash and cash equivalents	10,690,725	9,797,941

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

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

1. Activities and areas of operations

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information has been prepared on a going concern basis and in accordance with IAS 34 - Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2013, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial information as were applied in the preparation and presentation of the Bank's consolidated financial statements for the year ended December 31, 2013. In March 2014, the Bank has deconsolidated its fund subsidiaries due to loss of control which is disclosed in Note 30.

For details of related party balances and transactions, refer to Note 35 in the consolidated financial statements for the year ended December 31, 2013. The related party balances and transactions for the quarter ended March 31, 2014 are similar in nature and magnitude. Note 8 of these condensed consolidated interim financial information provide details of lending exposure to Government entities.

The results for the three month period ended March 31, 2014 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2014.

The 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 unless otherwise indicated.

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

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

The main areas of judgments, estimates and assumptions applied in these 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, 2013.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

2. Summary of significant accounting policies (continued)

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

2.2.1 New and revised IFRSs effective for accounting periods beginning January 1, 2014

Amendments to IAS 32 - Financial Instruments require presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off',
- the application of simultaneous realisation and settlement,
- the offsetting of collateral amounts and
- the unit of account for applying the offsetting requirements.

Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 27 - Separate Financial Statements relate only to investment entities, therefore will not apply to the Bank.

Amendment to IAS 36 - Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Amendment to IAS 39 - Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

Other than the above, there are no other IFRSs that were effective for the first time for the financial year beginning January 1, 2014.

2.2.2 Standards and Interpretations in issue not yet effective

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

	Effective for annual periods beginning on or after
New Standards and amendments to Standards:	January 1, 2016
IFRS 14 - Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.	
IFRS 9 - Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39).	January 1, 2018

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 will be adopted in the condensed consolidated interim financial statements in the initial period when they become mandatorily effective. The Bank will assess IFRS 9's full impact once the standard is formally issued.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation

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

Subsidiaries

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

Special purpose entities

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

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

Funds management

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

Loss of control

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 profit or loss. If the Bank retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Bank’s accounting policy for financial instruments depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Joint arrangements

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

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Joint arrangements (continued)

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

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

2.4 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:

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

Investments at fair value through profit or loss (FVTPL)

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

Investment securities are classified as held for trading if:

- it has been acquired 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.

Investment securities other than held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise for measuring such securities on a different basis; or
- it forms part of a group of financial assets, which is managed and its performance is evaluated on a fair value basis, in accordance with the 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.

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

Held-to-maturity

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

2. Summary of significant accounting policies (continued)

2.4 Investment securities (continued)

Held-to-maturity (continued)

Held-to-maturity investments are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses, with revenue recognised on an effective yield basis.

Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective interest rate method.

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

Investments classified as held-to-maturity and not close to their maturity, cannot ordinarily be sold or reclassified without impacting the 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 interim statement of comprehensive income and recorded in cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the condensed consolidated interim income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity in the cumulative changes in fair value is included in the condensed consolidated interim income statement for the period.

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

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

2. Summary of significant accounting policies (continued)

2.4 Investment securities (continued)

Available-for-sale (continued)

- For an available-for-sale debt security, a subsequent decline in the fair value of the instrument is recognised in the condensed consolidated interim income statement when there is further objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised directly in equity. If the fair value of a debt security increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the condensed consolidated interim income statement, the impairment loss is reversed through the condensed consolidated interim income statement to the extent of the increase in fair value.
- For an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in other comprehensive income, accumulating in equity. A subsequent decline in the fair value of the instrument is recognised in the condensed consolidated interim income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security. Impairment losses recognised on the equity security are not reversed through the condensed consolidated interim income statement.

2.5 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is reflected at valuation based on fair value at the statement of financial position date. The fair value is determined on a periodic basis by independent professional valuers.

Investment property under development that is being constructed or developed for future use as investment property is measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. Subsequent to initial recognition, investment properties under development are measured at fair value.

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

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

3. Cash and balances with central banks

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Cash on hand	435,965	586,709
Balances with central banks	1,321,338	370,743
Reserves maintained with central banks	6,913,484	7,448,647
Certificate of deposits with UAE Central Bank	1,475,000	1,475,000
Reverse repo with Central Bank	-	80,107
Total cash and balances with central banks	10,145,787	9,961,206
The geographical concentration is as follows:		
Within the UAE	10,107,777	9,857,886
Outside the UAE	38,010	103,320
	10,145,787	9,961,206

Reserves maintained with central banks represent deposits with the central banks at stipulated percentages of its demand, savings, time and other deposits. These are only available for day to day operations under certain specified conditions and cannot be withdrawn without the central banks' prior approval.

4. Deposits and balances due from banks

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Nostro balances	420,523	1,031,020
Margin deposits	182,546	232,021
Time deposits	9,486,840	8,061,659
Murabaha placements	750,000	1,870,000
Wakala placements	1,200,000	150,000
Total deposits and balances due from banks	12,039,909	11,344,700
The geographical concentration is as follows:		
Within the UAE	6,777,767	4,614,768
Outside the UAE	5,262,142	6,729,932
	12,039,909	11,344,700

The Bank hedges its foreign currency time deposits placements for foreign currency exchange rate risk using foreign exchange swap contracts and designates these instruments as cash flow hedges. The net positive fair value of these swaps as at March 31, 2014 was AED 4,891 thousand (December 31, 2013 – AED Nil).

5. Trading securities

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Bonds	59,675	136,772
Equity instruments	-	747,868
Total trading securities	59,675	884,640
The geographical concentration is as follows:		
Within the UAE	53,831	659,568
Outside the UAE	5,844	225,072
	59,675	884,640

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

5. Trading securities (continued)

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

The decline in trading securities is mainly because of disposal of fund subsidiaries (Note 30).

6. Derivative financial instruments

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

	Fair values	
	Assets AED'000	Liabilities AED'000
As at March 31, 2014 (unaudited)		
Derivatives held or issued for trading		
Forward foreign exchange contracts	94,635	63,313
Foreign exchange options	12,121	55,037
Interest rate and cross currency swaps	2,738,643	2,782,056
Options	137,342	233,753
Futures (exchange traded)	4,695	5,448
Commodity and energy swaps	25,429	24,995
Swaptions	74,080	23,594
Total derivatives held or issued for trading	3,086,945	3,188,196
Derivatives held as fair value hedges		
Interest and cross currency swaps	256,480	724,879
Derivatives held as cash flow hedges		
Interest rate swaps	42,998	1,065
Forward foreign exchange contracts	65,710	5,238
Total derivatives held as cashflow hedges	108,708	6,303
Total derivative financial instruments	3,452,133	3,919,378
As at December 31, 2013 (audited)		
Derivatives held or issued for trading		
Forward foreign exchange contracts	96,863	55,816
Foreign exchange options	7,734	31,525
Interest rate and cross currency swaps	2,869,393	2,853,585
Options	58,591	156,821
Futures (exchange traded)	1,767	-
Commodity and energy swaps	36,767	36,385
Swaptions	70,685	23,513
Total derivatives held or issued for trading	3,141,800	3,157,645
Derivatives held as fair value hedges		
Interest and cross currency swaps	295,327	807,917
Derivatives held as cash flow hedges		
Interest rate swaps	42,273	-
Forward foreign exchange contracts	136,803	25
Total derivatives held as cashflow hedges	179,076	25
Total derivative financial instruments	3,616,203	3,965,587

The net hedge ineffectiveness gains relating to the fair value and cash flow hedges amounting to AED 732 thousand (March 31, 2013 – losses of AED 1,894 thousand) has been recognised in the condensed consolidated interim income statement.

As at March 31, 2014, the Bank received cash collateral of AED 239,225 thousand (December 31, 2013 – AED 341,993 thousand) against positive fair value of derivative assets from certain counterparties.

As at March 31, 2014, the Bank placed cash collateral of AED 220,911 thousand (December 31, 2013 – AED 280,378 thousand) and investment securities of AED 1,699,566 thousand (December 31, 2013 – AED 1,502,425 thousand) against the negative fair value of derivative liabilities.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

7. Investment securities

	UAE AED'000	Other GCC countries AED'000	Rest of the world AED'000	Total AED'000
As at March 31, 2014 (unaudited)				
Available-for-sale investments				
Quoted:				
Government securities	2,690,233	1,446,015	457,827	4,594,075
Bonds – Public sector	5,693,556	490,667	1,155,322	7,339,545
Bonds – Banks and financial institutions	2,560,515	836,524	5,788,765	9,185,804
Bonds – Corporate	93,375	-	-	93,375
Equity instruments	1,424	-	-	1,424
Mutual funds	74,515	-	95,460	169,975
Total quoted	11,113,618	2,773,206	7,497,374	21,384,198
Unquoted:				
Government securities	67,276	-	-	67,276
Bonds – Public sector	59,378	-	-	59,378
Bonds – Banks and financial institutions	-	-	32	32
Bonds – Corporate	-	-	1,125	1,125
Equity instruments	239,554	-	13,240	252,794
Mutual funds	71,644	-	-	71,644
Total unquoted	437,852	-	14,397	452,249
Total available-for-sale investments	11,551,470	2,773,206	7,511,771	21,836,447
As at December 31, 2013 (audited)				
Available-for-sale investments				
Quoted:				
Government securities	2,675,550	1,294,248	487,908	4,457,706
Bonds – Public sector	5,428,547	491,255	972,824	6,892,626
Bonds – Banks and financial institutions	2,249,622	834,683	5,953,539	9,037,844
Bonds – Corporate	90,833	-	-	90,833
Equity instruments	1,028	-	-	1,028
Total quoted	10,445,580	2,620,186	7,414,271	20,480,037
Unquoted:				
Bonds – Public sector	58,147	-	-	58,147
Bonds – Banks and financial institutions	-	-	32	32
Bonds – Corporate	-	-	1,131	1,131
Equity instruments	230,476	-	13,240	243,716
Mutual funds	71,709	-	-	71,709
Total unquoted	360,332	-	14,403	374,735
Total available-for-sale investments	10,805,912	2,620,186	7,428,674	20,854,772

The Bank hedges interest rate risk on certain fixed rate and floating rate investments through interest rate swaps and designates these as fair value and cash flow hedges, respectively. The net negative fair value of these interest rate swaps as at March 31, 2014 was AED 172,094 thousand (December 31, 2013 – net negative fair value AED 210,427 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

The Bank entered into repurchase agreements and total return swap agreements whereby bonds were pledged and held by counterparties 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 March 31, 2014 (unaudited)		As at December 31, 2013 (audited)	
	Carrying value of pledged assets AED'000	Carrying value of associated liabilities AED'000	Carrying value of pledged assets AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	736,473	620,737	2,390,637	2,274,631

Further, the Bank pledged investment securities with fair value amounting to AED 1,709,231 thousand (December 31, 2013 – AED 1,508,768 thousand) as collateral against margin calls. The risks and rewards relating to the investment securities pledged remain with the Bank.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

8. Loans and advances, net

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Overdrafts (retail and corporate)	3,882,236	4,396,183
Retail loans	15,546,180	14,957,734
Corporate loans	100,535,964	101,121,762
Credit cards	2,277,422	2,238,316
Islamic financing assets (see below)	10,417,455	10,666,627
Other facilities	6,154,461	5,157,995
Gross loans and advances	138,813,718	138,538,617
Less: Allowance for impairment	(6,616,584)	(6,889,947)
Total loans and advances, net	132,197,134	131,648,670

Islamic financing assets

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Murabaha	1,088,707	1,038,429
Ijara financing	5,063,271	5,594,710
Mudaraba	447,644	463,049
Salam	3,718,021	3,476,441
Others	99,812	93,998
Gross Islamic financing assets	10,417,455	10,666,627
Less: Allowance for impairment	(158,405)	(102,384)
Net Islamic financing assets	10,259,050	10,564,243

The Bank hedges certain fixed rate and floating rate loans and advances for interest rate risk using interest rate swaps and designates these instruments as fair value and cash flow hedges, respectively. The net positive fair value of these swaps as at March 31, 2014 was AED 5,090 thousand (December 31, 2013 - net positive fair value of AED 9,103 thousand).

Movements of the individual and collective impairment allowance on loans and advances:

	As at March 31, 2014 (unaudited)			As at December 31, 2013 (audited)		
	Individual impairment AED'000	Collective impairment AED'000	Total AED'000	Individual impairment AED'000	Collective impairment AED'000	Total AED'000
At January 1,	4,250,195	2,639,752	6,889,947	4,207,137	2,256,583	6,463,720
Charge for the period/year	131,752	156,881	288,633	1,170,603	383,517	1,554,120
Recoveries during the period/year	(100,941)	-	(100,941)	(187,964)	-	(187,964)
Net charge for the period/year	30,811	156,881	187,692	982,639	383,517	1,366,156
Discount unwind/others	(39,208)	(44,245)	(83,453)	(144,016)	-	(144,016)
Net amounts written-off	(378,067)	-	(378,067)	(795,407)	-	(795,407)
Currency translation	167	298	465	(158)	(348)	(506)
Balance at	3,863,898	2,752,686	6,616,584	4,250,195	2,639,752	6,889,947

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

8. Loans and advances, net (continued)

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

	As at March 31, 2014 (unaudited)			As at December 31, 2013 (audited)		
	Within the UAE	Outside the UAE	Total	Within the UAE	Outside the UAE	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Economic sector						
Agriculture	210,249	-	210,249	215,777	-	215,777
Energy	513,752	241,408	755,160	527,279	183,377	710,656
Trading	1,953,881	133,435	2,087,316	2,172,597	155,286	2,327,883
Real estate investment & hospitality	49,223,071	894,909	50,117,980	51,704,059	733,630	52,437,689
Transport	623,828	659,336	1,283,164	558,357	673,627	1,231,984
Personal	30,725,249	255,272	30,980,521	29,901,512	389,073	30,290,585
Government & public sector entities	32,115,398	-	32,115,398	31,690,007	560,690	32,250,697
Financial institutions (*)	9,814,933	6,725,950	16,540,883	9,844,961	4,987,911	14,832,872
Manufacturing	944,582	540,140	1,484,722	944,955	364,810	1,309,765
Services	2,029,834	137,188	2,167,022	1,586,456	352,906	1,939,362
Others	794,363	276,940	1,071,303	769,479	221,868	991,347
	128,949,140	9,864,578	138,813,718	129,915,439	8,623,178	138,538,617
Less: Allowance for impairment			(6,616,584)			(6,889,947)
Total loans and advances, net			132,197,134			131,648,670

(*) includes investment companies.

Loans and advances include a loan to the Government of Abu Dhabi ("Government") of AED 425,898 thousand (December 31, 2013 – AED 436,008 thousand). This loan arose as a result of the Government acquiring certain non-performing loans in previous years against which the Bank was indemnified by the Government through a guarantee. The Bank has an equivalent amount of long term deposit against this loan (Note 12).

9. Investment properties

	Completed and in use	Under development	Total
	AED'000	AED'000	AED'000
As at January 1, 2013	264,695	264,700	529,395
Additions during the year	14,147	17,148	31,295
Transfer on completion of construction	281,848	(281,848)	-
As at January 1, 2014 (audited)	560,690	-	560,690
Additions during the period	252	-	252
As at March 31, 2014 (unaudited)	560,942	-	560,942

Valuations are carried out by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The properties were valued during the last quarter of the year 2013.

The valuation methodologies considered by external valuers include:

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

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

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

10. Other assets

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Interest receivable	1,053,734	911,968
Advance tax	22,341	79,603
Clearing receivables	-	404
Prepayments	68,134	38,985
Acceptances	3,639,040	2,140,725
Others	164,137	232,953
Total other assets	4,947,386	3,404,638

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 is therefore recognised as a financial liability (Note 15) in the condensed consolidated interim statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

11. Due to banks

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Vostro balances	291,983	192,242
Margin deposits	198,381	255,097
Time deposits	5,021,040	3,843,672
Total due to banks	5,511,404	4,291,011

The Bank hedges certain time deposits for foreign currency exchange risk using foreign exchange swap contracts and designates these as cash flow hedges. The net positive fair value of these swaps as at March 31, 2014 was AED 1,702 thousand (December 31, 2013 – AED Nil).

12. Deposits from customers

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Category :		
Time deposits	53,359,689	65,550,746
Current account deposits	45,033,234	37,131,506
Savings deposits	7,666,707	6,951,691
Murabaha deposits	8,802,166	4,974,515
Long term government deposits (Note 8)	425,898	436,008
Margin deposits	416,479	383,242
Total deposits from customers	115,704,173	115,427,708

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

12. Deposits from customers (continued)

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

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Mudaraba savings deposits	3,635,919	3,270,613
Current account deposits	2,501,449	2,139,789
Wakala deposits	1,723,676	1,224,052
Mudaraba term deposits	1,457,251	1,528,311
Margin deposits	11,422	9,247
Total Islamic deposits	9,329,717	8,172,012

The Bank hedges certain foreign currency time deposits for foreign currency exchange risk using foreign exchange swap contracts and designates these as cash flow hedges. The net positive fair value of these swaps as at March 31, 2014 was AED 22,281 thousand (December 31, 2013 - net positive fair value of AED 59,578 thousand).

13. Euro commercial paper

The Bank established a USD 4,000,000 thousand euro commercial paper programme for the issuance of euro commercial paper (ECP). The details of the ECP are as follows:

Currency	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Swiss franc (CHF)	519,137	618,385
Euro (EUR)	1,605,219	1,568,178
GB pound (GBP)	794,758	1,329,692
US dollar (USD)	2,462,747	2,424,180
Total euro commercial paper	5,381,861	5,940,435

The Bank hedges certain ECP for foreign currency exchange risk through foreign exchange swap contracts and designates these instruments as cash flow hedges. The net positive fair value of these hedge contracts as at March 31, 2014 was AED 31,598 thousand (December 31, 2013 - net positive fair value of AED 77,202 thousand).

ECP are issued at a discount and the discount rate ranges between 0.13% to 0.74% (December 31, 2013 - 0.12% to 1.03%)

Abu Dhabi Commercial Bank PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

14. Borrowings

The details of borrowings as at March 31, 2014 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Chinese renminbi (CNH)	-	-	173,580	-	173,580
	Malaysian ringgit (MYR)	-	871,027	847,028	-	1,718,055
	Swiss franc (CHF)	-	575,705	388,677	-	964,382
	Turkish lira (TRY)	-	94,003	-	-	94,003
	UAE dirham (AED)	-	500,000	-	-	500,000
	Japanese yen (JPY)	-	146,385	-	-	146,385
	US dollar (USD)	4,220,342	1,888,846	5,478,767	624,410	12,212,365
		4,220,342	4,075,966	6,888,052	624,410	15,808,770
Islamic sukuk notes	US dollar (USD)	-	1,831,866	-	-	1,831,866
Bilateral loans – floating rate	US dollar (USD)	1,652,539	-	-	-	1,652,539
Subordinated notes – floating rate	US dollar (USD)	-	1,058,316	-	-	1,058,316
	– fixed rate	US dollar (USD)	-	-	3,816,802	3,816,802
	Swiss franc (CHF)	-	-	-	380,130	380,130
Borrowings through repurchase agreements	US dollar (USD)	620,737	-	-	-	620,737
Certificate of deposits (CDs)	Euro (EUR)	50,638	-	-	-	50,638
		6,544,256	6,966,148	6,888,052	4,821,342	25,219,798
Fair value adjustment on borrowings hedged						(279,115)
						<u>24,940,683</u>

Included in borrowings is AED 20,365,287 thousand which have been hedged using interest rate, foreign exchange and cross currency swaps. These swaps are designated as either fair value or cash flow hedges. The net negative fair value of these swaps as at March 31, 2014 was AED 259,462 thousand.

Abu Dhabi Commercial Bank PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

14. Borrowings (continued)

The details of borrowings as at December 31, 2013 (audited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Chinese renminbi (CNH)	-	-	173,580	-	173,580
	Malaysian ringgit (MYR)	-	871,027	847,028	-	1,718,055
	Swiss franc (CHF)	-	575,705	388,677	-	964,382
	Turkish lira (TRY)	-	94,003	-	-	94,003
	UAE dirham (AED)	-	-	500,000	-	500,000
	Japanese yen (JPY)	-	92,046	-	-	92,046
	US dollar (USD)	4,218,641	-	4,627,500	624,410	9,470,551
		4,218,641	1,632,781	6,536,785	624,410	13,012,617
Islamic sukuk notes	US dollar (USD)	-	1,831,435	-	-	1,831,435
Bilateral loans – floating rate	US dollar (USD)	1,652,261	-	-	-	1,652,261
Subordinated notes – floating rate	US dollar (USD)	-	1,058,152	-	-	1,058,152
	- fixed rate	US dollar (USD)	-	-	3,816,027	3,816,027
	Swiss franc (CHF)	-	-	-	380,130	380,130
Borrowings through repurchase agreements	US dollar (USD)	2,274,631	-	-	-	2,274,631
Certificate of deposits (CDs)	Euro (EUR)	50,587	-	-	-	50,587
		8,196,120	4,522,368	6,536,785	4,820,567	24,075,840
Fair value adjustment on borrowings hedged						(290,272)
						<u>23,785,568</u>

Included in borrowings is AED 17,567,911 thousand which have been hedged using interest rate, foreign exchange and cross currency swaps. These swaps are designated as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2013 was AED 268,993 thousand.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

14. Borrowings (continued)

Interest on global medium term notes is payable quarterly, semi-annually and annually in arrears and the contractual coupon rates as at March 31, 2014 (unaudited) are as follows:

Currency	Within 1 year	1-3 years	3-5 years	Over 5 years
CNH	-	-	Fixed rate of 3.7% p.a. and 4.125% p.a.	-
MYR	-	Fixed rate of 5.20% p.a.	Fixed rate of 4.30% p.a. and 5.35% p.a.	-
CHF	-	Fixed rate of 3.01% p.a.	Quarterly coupons with 110 basis points over CHF LIBOR	-
TRY	-	Fixed rate of 12.75% p.a.	-	-
AED	-	Fixed rate of 6.00% p.a.	-	-
JPY	-	Fixed rate of 0.41% p.a. and 0.81% p.a.	-	-
USD	Fixed rate of 0.905% p.a. to 4.75% p.a.	Quarterly coupons with 108 to 130 basis points over LIBOR	Fixed rate of 2.50% p.a. and 3% p.a.	Fixed rate of 4.70% p.a. to 5.10% p.a.

Sukuk financing notes

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

Bilateral loans

USD: Quarterly coupons with 58 to 78 basis points plus LIBOR.

Subordinated notes:

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 qualify 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 29). This has been approved by the Central Bank of the UAE.

Subordinated fixed rate notes

Interest on the subordinated fixed rate notes is payable half yearly in arrears and the contractual coupon rates as at March 31, 2014 (unaudited) are as follows:

Currency	Over 5 years
USD	Fixed rate 3.125% p.a. to 4.5% p.a.
CHF	Fixed rate 1.885% p.a.

The subordinated fixed rate notes qualify as Tier 2 subordinated loan capital for the first 5 year period till 2018 and thereafter are amortised at the rate of 20% per annum until 2023 for capital adequacy calculation (Note 29). This has been approved by the Central Bank of the UAE. Subordinated notes of AED 1,476,933 thousand mature in 2023 but are callable after 5 years from the issuance date at the option of the Bank.

14. Borrowings (continued)

Borrowings through repurchase agreements

USD: Quarterly coupons in arrears with 300 basis points plus LIBOR.
Half yearly coupons in arrears with 86 to 300 basis points over LIBOR.

Certificate of deposits – Fixed rate of 0.409% p.a.

Further, the Bank has undrawn borrowing floating rate facilities of AED 1,469,200 thousand expiring in April 2014 (December 31, 2013 – AED 1,469,200 thousand).

15. Other liabilities

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Interest payable	438,859	398,931
Recognised liability for defined benefit obligations	288,814	256,102
Accounts payable and other creditors	217,880	189,724
Clearing payables	393	131
Deferred income	439,636	445,561
Acceptances (Note 10)	3,639,040	2,140,725
Others(*)	1,975,771	1,479,743
Total other liabilities	7,000,393	4,910,917

(*) Others include dividends payable of AED 540,105 thousand pertaining for the year 2013.

16. Share capital

	Authorised AED'000	Issued and fully paid	
		As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Ordinary shares of AED 1 each	5,595,597	5,595,597	5,595,597

As at March 31, 2014, Abu Dhabi Investment Council held 58.083% (December 31, 2013 - 58.083%) of the Bank's issued and fully paid up share capital.

Treasury shares

The Bank bought back ordinary shares from certain shareholders and these shares are held as treasury shares (Note 17) and are expected eventually to be cancelled. This buyback programme of up to 10% of the Bank's shares was approved by the Securities & Commodities Authority, Central Bank of the UAE and the Bank's shareholders. The approval has been extended until January 2015. There was no buy back of shares during the period (December 31, 2013 – 392,741,711 shares).

Abu Dhabi Commercial Bank PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

17. Other reserves, net of treasury shares

Reserves movement for the three month period ended March 31, 2014:

	Treasury shares AED'000	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Total AED'000
Balance at January 1, 2014	(1,818,969)	(57,438)	2,287,181	2,242,394	2,000,000	150,000	(59,686)	40,800	351,158	5,135,440
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	6,581	-	-	6,581
Fair value changes on cash flow hedges	-	-	-	-	-	-	-	(396)	-	(396)
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	60,603	60,603
Total comprehensive profit/(loss) for the period	-	-	-	-	-	-	6,581	(396)	60,603	66,788
Fair value adjustment	-	(11,545)	-	-	-	-	-	-	-	(11,545)
Shares – vested portion	-	6,760	-	-	-	-	-	-	-	6,760
Net movement in treasury shares on disposal of fund subsidiaries (Note 30)	22,012	-	-	-	-	-	-	-	-	22,012
Balance at March 31, 2014 (unaudited)	(1,796,957)	(62,223)	2,287,181	2,242,394	2,000,000	150,000	(53,105)	40,404	411,761	5,219,455
Balance at January 1, 2013	(30,937)	(96,256)	1,950,650	1,905,863	2,000,000	150,000	(34,333)	26,756	416,848	6,288,591
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	2,357	-	-	2,357
Fair value changes on cash flow hedges	-	-	-	-	-	-	-	(7,273)	-	(7,273)
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	22,784	22,784
Total comprehensive profit/(loss) for the period	-	-	-	-	-	-	2,357	(7,273)	22,784	17,868
Shares – vested portion	-	9,935	-	-	-	-	-	-	-	9,935
Buy back of own shares (Note 16)	(4,276)	-	-	-	-	-	-	-	-	(4,276)
Net movement in treasury shares held by fund subsidiaries	8,924	-	-	-	-	-	-	-	-	8,924
Balance at March 31, 2013 (unaudited)	(26,289)	(86,321)	1,950,650	1,905,863	2,000,000	150,000	(31,976)	19,483	439,632	6,321,042

18. Capital notes

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

The Notes are non-voting, non-cumulative perpetual securities for which there is no fixed redemption date. Redemption is only at the option of the Bank. The Notes are direct, unsecured, subordinated obligations of the Bank and rank pari passu without any preference among themselves and the rights and claims of the Note holders will be subordinated to the claims of Senior Creditors. The Notes 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 the 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 Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Notes except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full.

19. Interest income (unaudited)

	3 months ended March 31	
	2014	2013
	AED'000	AED'000
Loans and advances to banks	47,334	50,965
Loans and advances to customers	1,410,594	1,478,334
Investment securities	131,216	128,535
Total interest income	1,589,144	1,657,834

20. Interest expense (unaudited)

	3 months ended March 31	
	2014	2013
	AED'000	AED'000
Deposits from banks	2,072	5,431
Deposits from customers and euro commercial paper	210,245	301,032
Borrowings	120,779	184,882
Total interest expense	333,096	491,345

21. Net fees and commission income (unaudited)

	3 months ended March 31	
	2014	2013
	AED'000	AED'000
Fees and commission income		
Retail banking fees	194,366	172,838
Corporate banking fees	107,235	72,551
Brokerage fees	12,114	2,047
Fees from trust and other fiduciary activities	25,889	23,641
Other fees	18,856	10,230
Total fees and commission income	358,460	281,307
Fees and commission expenses	(73,710)	(66,414)
Net fees and commission income	284,750	214,893

22. Net trading income (unaudited)

	3 months ended March 31	
	2014	2013
	AED'000	AED'000
Net gains on dealing in derivatives	15,946	5,486
Net gains from dealing in foreign currencies	62,840	44,349
Net gains from trading securities	95,783	76,036
Net trading income	174,569	125,871

23. Other operating income (unaudited)

	3 months ended March 31	
	2014	2013
	AED'000	AED'000
Gains arising from retirement of hedges	-	97,280
Net losses from available-for-sale investments	(59)	-
Property management income	31,431	28,558
Rental income	10,596	4,495
Income from retirement of long term debt	-	1,973
Dividends income	14,348	11,958
Others	4,767	5
Total other operating income	61,083	144,269

24. Operating expenses (unaudited)

	3 months ended March 31	
	2014	2013
	AED'000	AED'000
Staff expenses	365,762	301,251
Depreciation	30,494	31,959
Amortisation of intangible assets	6,785	7,882
Others	221,868	176,300
Total operating expenses	624,909	517,392

25. Impairment allowances (unaudited)

	3 months ended March 31	
	2014	2013
	AED'000	AED'000
Impairment allowance on loans and advances, net (Note 8)	187,692	329,767
Recoveries on written off available-for-sale investments	(14,126)	(8,088)
Total impairment allowances	173,566	321,679

26. 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 and treasury shares arising on consolidation of fund subsidiaries.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

26. Earnings per share (unaudited) (continued)

	3 months ended March 31	
	2014	2013
	AED'000	AED'000
Net profit for the period attributable to the equity holders of the Bank	953,172	829,499
Less: Coupons paid on capital notes	(120,000)	(120,000)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	833,172	709,499
	Number of shares in thousands	
Weighted average number of shares in issue throughout the period	5,595,597	5,595,597
Less: Weighted average number of treasury shares arising on buy back	(392,742)	(898)
Less: Weighted average number of treasury shares arising on consolidation of funds	(7,503)	(9,335)
Less: Weighted average number of shares resulting from Employees' incentive plan shares	(15,445)	(34,256)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	5,179,907	5,551,108
Add: Weighted average number of treasury shares arising on consolidation of funds	7,503	9,335
Add: Weighted average number of shares resulting from Employees' incentive plan shares	15,445	34,256
Weighted average number of equity shares in issue during the period for diluted earnings per share (c)	5,202,855	5,594,699
Basic earnings per share (AED) (a)/(b)	0.16	0.13
Diluted earnings per share (AED) (a)/(c)	0.16	0.13

27. Commitments and contingent liabilities

The Bank had the following commitments and contingent liabilities:

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Letters of credit	7,254,042	8,677,520
Guarantees	14,868,041	14,249,313
Commitments to extend credit – Revocable	8,892,850	8,293,471
Commitments to extend credit – Irrevocable	7,733,236	3,262,963
Total commitments on behalf of customers	38,748,169	34,483,267
Commitments for future capital expenditure	176,600	189,007
Commitments to invest in investment securities	132,185	132,185
Total commitments and contingent liabilities	39,056,954	34,804,459

28. Operating segments

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's Performance 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

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

28. Operating segments (continued)

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

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

Investments and treasury undertakes the Bank's funding and centralized risk management activities through borrowings, issue of debt securities and use of derivatives for risk management. It also undertakes trading and corporate finance activities and investing in liquid assets such as short-term placements, corporate and government debt securities.

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

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 Performance Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended March 31, 2014 (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	577,058	314,143	461,488	27,557	1,380,246
Non-interest income	340,996	128,359	4,995	46,052	520,402
Operating expenses	(387,674)	(173,344)	(38,276)	(25,615)	(624,909)
Operating profit before impairment allowances	530,380	269,158	428,207	47,994	1,275,739
Impairment (allowances)/recoveries	(251,619)	63,927	14,126	-	(173,566)
Profit before taxation	278,761	333,085	442,333	47,994	1,102,173
Overseas income tax credit	-	1,106	-	-	1,106
Net profit for the period	278,761	334,191	442,333	47,994	1,103,279
Capital expenditure					33,838
As at March 31, 2014 (unaudited)					
Segment assets	60,823,329	78,114,216	46,595,545	569,647	186,102,737
Segment liabilities	35,926,015	49,492,127	77,028,936	10,814	162,457,892

28. Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended March 31, 2013 (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	520,705	337,646	369,404	31,297	1,259,052
Non-interest income	217,022	97,128	132,418	38,465	485,033
Operating expenses	(306,823)	(141,609)	(50,055)	(18,905)	(517,392)
Operating profit before impairment allowances	430,904	293,165	451,767	50,857	1,226,693
Impairment (allowances)/recoveries	(329,424)	(343)	8,088	-	(321,679)
Profit before taxation	101,480	292,822	459,855	50,857	905,014
Overseas income tax expense	-	(2,030)	-	-	(2,030)
Net profit for the period	101,480	290,792	459,855	50,857	902,984

Capital expenditure 33,570

As at December 31, 2013 (audited)

Segment assets	61,382,901	76,113,146	45,078,609	567,880	183,142,536
Segment liabilities	32,165,627	43,746,149	82,370,825	38,625	158,321,226

For the purpose of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments.

Other disclosures

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

	External (unaudited)		Inter-segment (unaudited)	
	3 months ended March 31		3 months ended March 31	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Consumer banking	1,207,105	1,062,384	(289,051)	(324,657)
Wholesale banking	707,537	679,213	(265,035)	(244,439)
Investments and treasury	(60,046)	(35,976)	526,529	537,798
Property management	46,052	38,464	27,557	31,298
Total	1,900,648	1,744,085	-	-

Geographical information

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

28. Operating segments (continued)
Geographical information (continued)

	Domestic (unaudited)		International (unaudited)	
	3 months ended March 31		3 months ended March 31	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Income				
Net interest and Islamic financing income	1,370,847	1,251,107	9,399	7,945
Non-interest income	519,122	480,699	1,280	4,334

	Domestic		International	
	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
	Non-current assets			
Investment properties	560,942	560,690	-	-
Property and equipment, net	804,387	801,295	4,027	4,027
Intangible assets	54,910	61,695	-	-

29. Capital adequacy ratio

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

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Tier 1 capital		
Share capital (Note 16)	5,595,597	5,595,597
Share premium	3,848,286	3,848,286
Other reserves, net of treasury shares (Note 17)	4,807,694	4,784,282
Retained earnings	4,972,656	5,597,275
Non-controlling interests in equity of subsidiaries	8,851	644,712
Capital notes (Note 18)	4,000,000	4,000,000
Less: Intangible assets	(54,910)	(61,695)
Total tier 1 capital	23,178,174	24,408,457
Tier 2 capital		
Collective impairment allowance on loans and advances	1,727,105	1,684,495
Cumulative changes in fair value (Note 17)	185,292	158,021
Subordinated notes (Note 14)	4,907,780	4,904,727
Total tier 2 capital	6,820,177	6,747,243
Total regulatory capital	29,998,351	31,155,700
Risk-weighted assets		
Credit risk	138,168,436	134,759,561
Market risk	2,785,018	4,890,071
Operational risk	7,890,391	7,216,753
Total risk-weighted assets	148,843,845	146,866,385
Capital adequacy ratio	20.15%	21.21%
Tier 1 ratio	15.57%	16.62%
Tier 2 ratio	4.58%	4.59%

The capital adequacy ratio was above the minimum requirement of 12% for March 31, 2014 (December 31, 2013 – 12%) stipulated by the Central Bank of the UAE.

30. Disposal of fund subsidiaries (unaudited)

On March 31, 2014, the Bank redeemed substantial units in Al Nokhitha Investments Feeder Fund, MSCI UAE Index Feeder Fund and Arabian Index Feeder Fund which resulted in reduction of its indirect stake in Al Nokhitha Fund, ADCB MSCI UAE Index Fund and ADCB Arabian Index Fund (the "Funds") and consequently its exposure to variable returns from its involvement in these Funds reduced considerably to a level that led the Bank to conclude that there is a loss of control over these subsidiaries. The residual interest in these funds is classified as available-for-sale investments as per IAS 39.

Analysis of net assets over which control was lost:

	AED'000
Bank balances	226,121
Trading securities	867,792
Other assets	11,888
Total assets	1,105,801
Other liabilities	4,218
Non-controlling interests	836,495
Total liabilities	840,713
Net assets over which control was lost	265,088

Sales consideration

	AED'000
Cash consideration received	95,112
Fair value of residual interest classified as available-for-sale investments	169,976
Total sales consideration	265,088
Less: Fair value of net assets over which control was lost	265,088
Gain on disposal of fund subsidiaries	-

Net cash inflow on disposal of fund subsidiaries

	AED'000
Consideration received in cash and cash equivalents	95,112

Fair value of residual interest has been booked as transfer to available-for-sale investments and this being a non-cash transaction has not been reflected in the condensed consolidated interim statement of cash flows.

Net gains amounting to AED 91,521 thousand on treasury shares held by fund subsidiaries pertaining to previous periods have now been recognised.

31. Fair value hierarchy

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

Quoted market prices – Level 1

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

Valuation techniques using observable inputs – Level 2

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

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

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

Level 2 investment properties include buildings completed and under development. Refer Note 9 in respect of the valuation techniques used.

Valuation techniques using significant unobservable inputs – Level 3

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

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

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

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

Other assets and liabilities not measured at fair value

The majority of the Bank's assets and liabilities measured at amortised cost, including loans and advances and deposits from customers, are Level 3 assets and liabilities, as there is no active market for such assets and liabilities. The Bank considers these to have a fair value approximately equivalent to their net carrying value, based on discounted cash flow calculations performed for a sample of loans, the majority of which carry variable interest rates, and given the relatively short tenor of most deposits from customers.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2014

31. Fair value hierarchy (continued)

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. The table below analyses recurring fair value measurements for assets and liabilities.

		Level 1	Level 2	Level 3	
		Quoted market prices	Observable inputs	Significant unobservable inputs	Total
	Notes	AED'000	AED'000	AED'000	AED'000
As at March 31, 2014 (unaudited)					
Assets at fair value					
Trading securities	5	59,675	-	-	59,675
Derivative financial instruments	6	4,695	3,447,438	-	3,452,133
Investment securities	7				
- Quoted		21,384,198	-	-	21,384,198
- Unquoted		-	126,654	325,595	452,249
Investment properties	9	-	560,942	-	560,942
Total assets at fair value		21,448,568	4,135,034	325,595	25,909,197
Liabilities at fair value					
Derivative financial instruments	6	5,448	3,913,930	-	3,919,378
Total liabilities at fair value		5,448	3,913,930	-	3,919,378
As at December 31, 2013 (audited)					
Assets at fair value					
Trading securities	5	884,640	-	-	884,640
Derivative financial instruments	6	1,767	3,614,436	-	3,616,203
Investment securities	7				
- Quoted		20,480,037	-	-	20,480,037
- Unquoted		-	58,147	316,588	374,735
Investment properties	9	-	560,690	-	560,690
Total assets at fair value		21,366,444	4,233,273	316,588	25,916,305
Liabilities at fair value					
Derivative financial instruments	6	-	3,965,587	-	3,965,587
Total liabilities at fair value		-	3,965,587	-	3,965,587

The Bank's OTC derivatives in the Trading Book are classified as Level 2 as they are valued using inputs that can be observed in the market.

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

	As at March 31 2014 unaudited AED'000	As at December 31 2013 audited AED'000
At January 1,	316,588	278,436
Acquisitions during the period/ year	-	49,217
Matured/disposals during the period/ year	-	(9,726)
Fair value adjustments	9,007	(2,502)
Transfer from Level 1	-	1,163
Balance at	325,595	316,588

There were no significant transfer between Level 1 and Level 2 during the period.

There is no change in valuation techniques during the period.

32. 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 unfavourably.