

Abu Dhabi Commercial Bank PJSC
Review report and condensed consolidated interim financial
information for the three month period ended March 31, 2016

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Report on review of condensed consolidated interim financial information

The Board of Directors
Abu Dhabi Commercial Bank PJSC
Abu Dhabi
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank PJSC (the “Bank”) and its subsidiaries (together, the “Group”) as at 31 March 2016 and the related condensed consolidated interim income statement and statements of comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)



Mutasem M. Dajani
Registration No. 726
27 April 2016



Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim statement of financial position

As at March 31, 2016

	Notes	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Assets			
Cash and balances with central banks	3	18,704,709	20,180,277
Deposits and balances due from banks	4	16,258,636	14,954,997
Reverse-repo placements	5	1,515,845	4,256,277
Trading securities	6	71,732	62,261
Derivative financial instruments	7	5,216,007	4,001,908
Investment securities	8	21,158,943	20,863,607
Loans and advances, net	9	156,671,746	153,677,386
Investment in associate		198,873	197,156
Investment properties	10	646,702	647,647
Other assets	11	10,887,603	8,571,640
Property and equipment, net		857,118	835,145
Intangible assets		18,800	18,800
Total assets		232,206,714	228,267,101
Liabilities			
Due to banks	12	2,012,306	1,691,793
Derivative financial instruments	7	5,483,671	4,741,180
Deposits from customers	13	147,333,441	143,526,296
Euro commercial paper	14	5,171,396	5,700,064
Borrowings	15	32,068,890	33,471,731
Other liabilities	16	12,793,995	10,403,234
Total liabilities		204,863,699	199,534,298
Equity			
Share capital	17	5,595,597	5,595,597
Share premium		3,848,286	3,848,286
Other reserves, net of treasury shares	18	5,656,457	5,656,564
Retained earnings		8,239,081	9,627,315
Capital notes	19	4,000,000	4,000,000
Equity attributable to equity holders of the Bank		27,339,421	28,727,762
Non-controlling interests		3,594	5,041
Total equity		27,343,015	28,732,803
Total liabilities and equity		232,206,714	228,267,101

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on April 27, 2016 and signed on its behalf by:



Eissa Al Suwaidi
Chairman



Ala'a Eraiqat
Chief Executive Officer



Deepak Khullar
Chief Financial Officer

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

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

For the three month period ended March 31, 2016

	Notes	3 months ended March 31	
		2016 AED'000	2015 AED'000
Interest income	20	1,914,372	1,834,354
Interest expense	21	(491,901)	(324,209)
Net interest income		1,422,471	1,510,145
Income from Islamic financing		183,420	157,198
Islamic profit distribution		(32,956)	(26,567)
Net income from Islamic financing		150,464	130,631
Total net interest and Islamic financing income		1,572,935	1,640,776
Net fees and commission income	22	358,431	375,002
Net trading income	23	121,843	122,859
Other operating income	24	58,480	53,560
Operating income		2,111,689	2,192,197
Operating expenses	25	(738,003)	(700,131)
Operating profit before impairment allowances		1,373,686	1,492,066
Impairment allowances	26	(352,181)	(241,268)
Share in profit of associate		1,717	-
Profit before taxation		1,023,222	1,250,798
Overseas income tax expense		(2,178)	(1,796)
Net profit for the period		1,021,044	1,249,002
Attributed to:			
Equity holders of the Bank		1,020,275	1,247,906
Non-controlling interests		769	1,096
Net profit for the period		1,021,044	1,249,002
Basic and diluted earnings per share (AED)	27	0.18	0.23

The accompanying notes are an integral part of this 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, 2016

	3 months ended March 31	
	2016 AED'000	2015 AED'000
Net profit for the period	1,021,044	1,249,002
Items that may be re-classified subsequently to the condensed consolidated interim income statement		
Exchange difference arising on translation of foreign operations (Note 18)	(271)	1,738
Net movement in cash flow hedge reserve (Note 18)	(20,292)	16,352
Net movement in fair value of available-for-sale investments (Note 18)	18,168	(47,386)
Other comprehensive loss for the period	(2,395)	(29,296)
Total comprehensive income for the period	1,018,649	1,219,706
Attributed to:		
Equity holders of the Bank	1,017,880	1,218,610
Non-controlling interests	769	1,096
Total comprehensive income for the period	1,018,649	1,219,706

The accompanying notes are an integral part of this 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, 2016

	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, 2016	5,595,597	3,848,286	5,656,564	9,627,315	4,000,000	28,727,762	5,041	28,732,803
Net profit for the period	-	-	-	1,020,275	-	1,020,275	769	1,021,044
Other comprehensive loss for the period	-	-	(2,395)	-	-	(2,395)	-	(2,395)
Other movements (Note 18)	-	-	2,288	(3,240)	-	(952)	-	(952)
Dividends paid to equity holders of the Bank	-	-	-	(2,339,204)	-	(2,339,204)	-	(2,339,204)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,216)	(2,216)
Capital notes coupon paid (Note 19)	-	-	-	(66,065)	-	(66,065)	-	(66,065)
Balance at March 31, 2016	5,595,597	3,848,286	5,656,457	8,239,081	4,000,000	27,339,421	3,594	27,343,015
Balance at January 1, 2015	5,595,597	3,848,286	5,791,798	7,172,755	4,000,000	26,408,436	10,397	26,418,833
Net profit for the period	-	-	-	1,247,906	-	1,247,906	1,096	1,249,002
Other comprehensive loss for the period	-	-	(29,296)	-	-	(29,296)	-	(29,296)
Other movements (Note 18)	-	-	(18,909)	4,037	-	(14,872)	-	(14,872)
Dividends paid to equity holders of the Bank	-	-	-	(2,079,292)	-	(2,079,292)	-	(2,079,292)
Capital notes coupon paid (Note 19)	-	-	-	(65,510)	-	(65,510)	-	(65,510)
Balance at March 31, 2015	5,595,597	3,848,286	5,743,593	6,279,896	4,000,000	25,467,372	11,493	25,478,865

Following the Annual General Meeting held on March 1, 2016, the shareholders approved the distribution of proposed cash dividends of AED 2,339,204 thousand, being AED 0.45 dividend per share and representing 45% of the paid up share capital net of shares bought back (For the year 2014 - AED 2,079,292 thousand, being AED 0.40 dividend per share and representing 40% of the paid up share capital net of shares bought back).

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

Condensed consolidated interim statement of cash flows (unaudited)

For the three month period ended March 31, 2016

	3 months ended March 31	
	2016	2015
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxation	1,023,222	1,250,798
Adjustments for:		
Depreciation on property and equipment, net (Note 25)	34,196	32,495
Amortisation of intangible assets (Note 25)	-	5,635
Impairment allowance on loans and advances, net (Note 26)	398,961	305,032
Share in profit of associate	(1,717)	-
Discount unwind (Note 9)	(16,949)	(77,798)
Net gains from disposal of available-for-sale investments (Note 24)	(5)	-
Recoveries on written off available-for-sale investments (Note 26)	(12,855)	(35)
Interest income on available-for-sale investments	(121,767)	(111,001)
Dividend income on available-for-sale investments	(21)	-
Interest expense on borrowings and euro commercial paper	151,777	120,505
Net losses from trading securities (Note 23)	704	492
Ineffective portion of hedges – (gains)/losses (Note 7)	(6,580)	5,994
Employees' incentive plan benefit expense (Note 18)	8,032	6,458
Cash flow from operating activities before changes in operating assets and liabilities	1,456,998	1,538,575
(Increase)/decrease in balances with central banks	(2,733,250)	750,000
Increase in due from banks	(1,983,071)	(2,022,320)
Decrease in reverse-repo placements	1,775,742	154,854
Net movement in derivative financial instruments	(74,116)	217,228
Net purchases of trading securities	(10,175)	(73,147)
Increase in loans and advances, net	(3,364,744)	(763,044)
Increase in other assets	(192,919)	(145,483)
Increase in due to banks	885,356	233,283
Increase in deposits from customers	3,807,145	2,459,299
Increase in other liabilities	458,825	460,583
Net cash from operations	25,791	2,809,828
Overseas tax paid	(1,981)	(1,263)
Net cash from operating activities	23,810	2,808,565
INVESTING ACTIVITIES		
Recoveries on written off available-for-sale investments (Note 26)	12,855	35
Proceeds from redemption/disposal of available-for-sale investments	2,443,747	2,231,269
Purchase of available-for-sale investments	(2,500,139)	(2,301,493)
Interest received on available-for-sale investments	148,822	124,127
Dividends received on available-for-sale investments	21	-
Additions to investment properties	(505)	-
Disposals of investment properties	1,450	-
Net purchase of property and equipment, net	(56,169)	(26,790)
Net cash from investing activities	50,082	27,148
FINANCING ACTIVITIES		
Net decrease in euro commercial paper	(540,665)	(789,139)
Net proceeds from borrowings	1,838,614	5,119,816
Repayment of borrowings	(3,938,590)	(4,513,147)
Interest paid on borrowings	(304,879)	(160,240)
Dividends paid to equity holders of the Bank	(2,339,204)	(2,079,292)
Share buyback (Note 18)	-	(17,005)
Purchase of employees' incentive plan shares (Note 18)	(8,984)	(4,325)
Dividends paid to non-controlling interests	(2,216)	-
Capital notes coupon paid (Note 19)	(66,065)	(65,510)
Net cash used in financing activities	(5,361,989)	(2,508,842)
Net (decrease)/increase in cash and cash equivalents	(5,288,097)	326,871
Cash and cash equivalents at the beginning of the period	30,773,569	15,020,506
Cash and cash equivalents at the end of the period	25,485,472	15,347,377

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

Condensed consolidated interim statement of cash flows (unaudited)

For the three month period ended March 31, 2016 (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 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Cash and balances with central banks	18,704,709	20,180,277
Deposits and balances due from banks	16,258,636	14,954,997
Reverse-repo placements	1,515,845	4,256,277
Due to banks	(2,012,306)	(1,691,793)
	34,466,884	37,699,758
Less: Cash and balances with central banks, deposits and balances due from banks and reverse-repo placements – with original maturity of more than 3 months	(10,304,705)	(7,364,126)
Add: Due to banks – with original maturity of more than 3 months	1,323,293	437,937
Total cash and cash equivalents	25,485,472	30,773,569

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

1. Activities and areas of operations

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

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

ADCB is registered as a public joint stock company in accordance with the UAE Federal Law No. (8) of 1984 (as amended) ("Companies Law"). The UAE Federal Law No. (2) of 2015 which came into effect on July 1, 2015 replaced the existing Companies Law. The Group is currently assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on June 30, 2016.

2. Summary of significant accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information has been prepared on a going concern basis and in accordance with IAS 34 - Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The same accounting policies, presentation and methods of computation have been followed in this condensed consolidated interim financial information as were applied in the preparation and presentation of the Group's consolidated financial statements for the year ended December 31, 2015. Certain disclosure notes have been reclassified and rearranged from the Group's prior period condensed consolidated interim financial information to conform to the current year's presentation.

For details of related party balances and transactions, refer to Note 37 in the consolidated financial statements for the year ended December 31, 2015. The related party balances and transactions for the three month period ended March 31, 2016 are similar in nature and magnitude. Note 9 of this condensed consolidated interim financial information provide details of lending exposure to government entities.

The results for the three month period ended March 31, 2016 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2016.

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

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

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

The main areas of judgments, estimates and assumptions applied in this condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the Group's consolidated financial statements for the year ended December 31, 2015.

2. Summary of significant accounting policies (continued)**2.2 Application of new and revised International Financial Reporting Standards (IFRSs)****2.2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 2016**

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2016. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.
- Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.
- Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.
- Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.
- Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.
- Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2016.

2.2.2 Standards and Interpretations in issue but not yet effective

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

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
Amendments to IFRS 7 - Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 - Financial Instruments: Disclosures additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 9 - Financial Instruments (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.	January 1, 2018
IFRS 9 - Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.	

2. Summary of significant accounting policies (continued)**2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)****2.2.2 Standards and Interpretations in issue but not yet effective (continued)**

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	
IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets (2) the classification and measurement requirements for both financial assets and financial liabilities (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before February 1, 2015.	
IFRS 15 - Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers.	January 1, 2018
IFRS 16 - Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	January 1, 2019
Amendments to IAS 12 – Income Taxes relating to recognition of deferred tax assets for unrealised losses.	January 1, 2017
Amendments to IAS 7 – Statement of Cash Flows provides disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated interim financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the condensed consolidated interim financial statements of the Group in the period of initial application.

The application of the finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's condensed consolidated interim financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

2.3 Basis of consolidation

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

Subsidiaries

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

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Special purpose entities

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

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

Funds under management

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

Loss of control

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

Transactions eliminated on consolidation

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

Investment in associate

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

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

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

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

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Joint arrangements

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

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

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

2.4 Financial instruments – Investment securities

Investment securities are measured initially at their fair value, plus transaction costs directly attributable to the acquisition, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost are recognised immediately in profit or loss and subsequently accounted for depending on their classification.

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

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

Investments at fair value through profit or loss (FVTPL)

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

Investment securities are classified as held for trading if:

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

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

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

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

2. Summary of significant accounting policies (continued)

2.4 Financial instruments – Investment securities (continued)

Held-to-maturity

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

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

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

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

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

Available-for-sale

Investments not classified as either "fair value through profit or loss" or "held-to-maturity" are classified as "available-for-sale". Available-for-sale assets are intended to be held for an indefinite period of time and may be sold in response to liquidity requirements or changes in interest rates, commodity prices or equity prices.

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

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 under other operating income.

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 Financial instruments – 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 property under development is measured at fair value.

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

3. Cash and balances with central banks

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Cash on hand	910,938	917,855
Balances with central banks	1,248,112	2,869,993
Reserves maintained with central banks	9,726,023	9,745,626
Certificate of deposits with UAE Central Bank	6,802,450	6,641,250
Reverse-repo with Central Bank	17,186	5,553
Total cash and balances with central banks	18,704,709	20,180,277
The geographical concentration is as follows:		
Within the UAE	18,644,526	20,145,189
Outside the UAE	60,183	35,088
	18,704,709	20,180,277

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.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2016

4. Deposits and balances due from banks

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Nostro balances	366,936	398,773
Margin deposits	55,426	524,324
Time deposits	14,644,449	13,843,958
Wakala placements	1,191,825	187,942
Total deposits and balances due from banks	16,258,636	14,954,997
The geographical concentration is as follows:		
Within the UAE	7,721,016	5,602,428
Outside the UAE	8,537,620	9,352,569
	16,258,636	14,954,997

The Group hedges its foreign currency time deposits for foreign currency exchange rate risk using foreign exchange swap contracts and designates these instruments as cash flow hedges. The fair value of these swaps was AED Nil as at March 31, 2016 (December 31, 2015 – net positive fair value of AED 479 thousand).

5. Reverse-repo placements

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Banks and financial institutions	1,515,845	2,419,776
Customers	-	1,836,501
Total reverse-repo placements	1,515,845	4,256,277
The geographical concentration is as follows:		
Within the UAE	22,325	2,762,095
Outside the UAE	1,493,520	1,494,182
	1,515,845	4,256,277

The Group entered into reverse repurchase and collateral swap agreements under which cash of AED 5,697 thousand and bonds with fair value of AED 1,525,105 thousand (December 31, 2015 – cash of AED 12,158 thousand and bonds with fair value of AED 4,386,217 thousand) were received as collateral against reverse-repo placements. The risks and rewards relating to these bonds remain with the counterparties. The terms and conditions of these collaterals are governed by Global Master Repurchase Agreements (GMRA).

6. Trading securities

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Bonds	71,732	62,261
The geographical concentration is as follows:		
Within the UAE	68,046	48,416
Outside the UAE	3,686	13,845
	71,732	62,261

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

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2016

7. Derivative financial instruments

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

As at March 31, 2016 (unaudited)	Fair values		Notional AED'000
	Assets AED'000	Liabilities AED'000	
Derivatives held or issued for trading			
Foreign exchange derivatives	758,411	830,252	140,129,219
Interest rate and cross currency swaps	3,183,636	3,266,199	134,589,601
Interest rate and commodity options	138,573	123,725	16,574,137
Forward rate agreements	633	-	978,213
Futures (exchange traded)	2,716	2,555	38,779,879
Commodity and energy swaps	266,144	264,070	1,580,152
Swaptions	50,814	40,342	8,753,860
Total derivatives held or issued for trading	4,400,927	4,527,143	341,385,061
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	618,049	836,581	49,931,548
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	23,373	62,456	4,696,996
Forward foreign exchange contracts	173,658	57,491	16,150,402
Total derivatives held as cashflow hedges	197,031	119,947	20,847,398
Total derivative financial instruments	5,216,007	5,483,671	412,164,007
As at December 31, 2015 (audited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	603,776	547,656	83,468,566
Interest rate and cross currency swaps	2,451,771	2,510,906	126,344,389
Interest rate and commodity options	188,336	178,628	16,178,025
Forward rate agreements	796	397	1,234,013
Futures (exchange traded)	1,335	1,045	38,970,027
Commodity and energy swaps	297,824	297,369	1,322,557
Swaptions	36,062	19,578	6,733,713
Total derivatives held or issued for trading	3,579,900	3,555,579	274,251,290
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	365,361	1,001,934	48,936,487
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	49,271	35,463	3,700,749
Forward foreign exchange contracts	7,376	148,204	15,233,654
Total derivatives held as cash flow hedges	56,647	183,667	18,934,403
Total derivative financial instruments	4,001,908	4,741,180	342,122,180

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

The net hedge ineffectiveness gains relating to the fair value and cash flow hedges amounting to AED 6,580 thousand (for the three month period ended March 31, 2015 – losses of AED 5,994 thousand) has been recognised in the condensed consolidated interim income statement.

As at March 31, 2016, the Group held cash collateral of AED 57,161 thousand (December 31, 2015 - AED 76,674 thousand) against derivative assets from certain counterparties.

As at March 31, 2016, the Group placed cash collateral of AED 20,018 thousand (December 31, 2015 - AED 600,980 thousand) and investment securities of AED 1,943,897 thousand (December 31, 2015 - AED 1,367,440 thousand) against the negative fair value of derivative liabilities. These collaterals are governed by collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2016

8. Investment securities

As at March 31, 2016 (unaudited)	UAE AED'000	Other GCC(*) Countries AED'000	Rest of the world AED'000	Total AED'000
Available-for-sale investments				
Quoted:				
Government securities	1,250,805	780,225	3,192,591	5,223,621
Bonds – Public sector	5,237,642	354,206	1,228,007	6,819,855
Bonds – Banks and financial institutions	2,564,317	553,884	4,275,187	7,393,388
Bonds – Corporate	529,227	-	260,410	789,637
Equity instruments	595	-	289	884
Mutual funds	69,551	-	70,022	139,573
Total quoted	9,652,137	1,688,315	9,026,506	20,366,958
Unquoted:				
Government securities	-	322,720	-	322,720
Bonds – Banks and financial institutions	-	-	55,018	55,018
Equity instruments	350,067	-	13,291	363,358
Mutual funds	50,889	-	-	50,889
Total unquoted	400,956	322,720	68,309	791,985
Total available-for-sale investments	10,053,093	2,011,035	9,094,815	21,158,943
As at December 31, 2015 (audited)				
Available-for-sale investments				
Quoted:				
Government securities	1,032,722	736,295	3,153,778	4,922,795
Bonds – Public sector	4,654,165	102,898	1,250,173	6,007,236
Bonds – Banks and financial institutions	2,612,778	348,164	5,342,028	8,302,970
Bonds – Corporate	528,172	-	146,130	674,302
Equity instruments	540	-	448	988
Mutual funds	66,719	-	76,867	143,586
Total quoted	8,895,096	1,187,357	9,969,424	20,051,877
Unquoted:				
Government securities	-	398,109	-	398,109
Equity instruments	349,484	-	13,248	362,732
Mutual funds	50,889	-	-	50,889
Total unquoted	400,373	398,109	13,248	811,730
Total available-for-sale investments	9,295,469	1,585,466	9,982,672	20,863,607

(*) Gulf Cooperation Council

The Group hedges interest rate and foreign currency risks on certain fixed rate and floating rate investments through interest rate and currency swaps and designates these instruments as fair value and cash flow hedges, respectively. The net negative fair value of these swaps as at March 31, 2016 was AED 143,396 thousand (December 31, 2015 – net positive fair value of AED 224,564 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2016

8. Investment securities (continued)

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

	As at March 31, 2016 (unaudited)		As at December 31, 2015 (audited)	
	Carrying value of pledged securities AED'000	Carrying value of associated liabilities AED'000	Carrying value of pledged securities AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	1,744,106	1,638,120	3,304,381	3,152,676

As at March 31, 2016, the Group placed AED 35,408 thousand as cash collateral against repurchase borrowings (December 31, 2015 – AED Nil).

Further, the Group pledged investment securities with fair value amounting to AED 1,958,511 thousand (December 31, 2015 – AED 1,382,197 thousand) as collateral against margin calls. The risks and rewards on these pledged investments remain with the Group.

9. Loans and advances, net

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Overdrafts (retail and corporate)	4,953,667	4,487,083
Retail loans	29,421,090	28,400,112
Corporate loans	119,344,561	115,797,708
Credit cards	3,540,651	3,517,946
Other facilities	5,784,180	7,819,424
Gross loans and advances	163,044,149	160,022,273
Less: Allowance for impairment	(6,372,403)	(6,344,887)
Total loans and advances, net	156,671,746	153,677,386

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

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Murabaha	2,769,301	2,456,265
Ijara financing	7,095,361	6,749,806
Mudaraba	22,514	32,390
Salam	5,701,959	5,303,398
Others	206,815	197,983
Gross Islamic financing assets	15,795,950	14,739,842
Less: Allowance for impairment	(304,151)	(197,885)
Net Islamic financing assets	15,491,799	14,541,957

The Group 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 negative fair value of these swaps as at March 31, 2016 was AED 7,751 thousand (December 31, 2015 - net negative fair value of AED 481 thousand).

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2016

9. Loans and advances, net (continued)

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

	As at March 31, 2016 (unaudited)		As at December 31, 2015 (audited)	
	Carrying value of pledged loans	Carrying value of associated liabilities	Carrying value of pledged loans	Carrying value of associated liabilities
	AED'000	AED'000	AED'000	AED'000
Repurchase financing	2,019,303	1,403,600	2,023,245	1,406,541

The Group entered into a security lending and borrowing arrangement, under which loans and advances with nominal value of AED 795,475 thousand were lent against high quality bonds with nominal value of AED 496,819 thousand. The fair value of bonds borrowed was AED 554,298 thousand as at March 31, 2016. The risks and rewards relating to loans lent and bonds borrowed remain with respective counterparties. The arrangement is governed under the terms and conditions of Global Master Securities Lending Agreement (GMSLA).

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

	As at March 31, 2016 (unaudited)			As at December 31, 2015 (audited)		
	Individual impairment	Collective impairment	Total	Individual impairment	Collective impairment	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Opening balance	3,375,998	2,968,889	6,344,887	3,856,796	2,920,947	6,777,743
Charge for the period/year	190,009	208,952	398,961	704,616	48,230	752,846
Recoveries during the period/year	(33,925)	-	(33,925)	(252,566)	-	(252,566)
Net charge for the period/year	156,084	208,952	365,036	452,050	48,230	500,280
Discount unwind	(16,949)	-	(16,949)	(126,033)	-	(126,033)
Net amounts written-off	(320,548)	-	(320,548)	(806,219)	-	(806,219)
Currency translation	(19)	(4)	(23)	(596)	(288)	(884)
Closing balance	3,194,566	3,177,837	6,372,403	3,375,998	2,968,889	6,344,887

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

	As at March 31, 2016 (unaudited)			As at December 31, 2015 (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 activity sector						
Agriculture	213,260	-	213,260	216,646	-	216,646
Energy	74,205	144,129	218,334	78,005	215,698	293,703
Trading	3,857,580	830,616	4,688,196	3,854,238	1,071,780	4,926,018
Real estate investment & hospitality	54,375,612	1,263,932	55,639,544	53,293,920	1,088,985	54,382,905
Transport	1,501,261	998,963	2,500,224	1,417,433	962,756	2,380,189
Personal	40,371,870	249,334	40,621,204	39,077,248	235,132	39,312,380
Government & public sector entities	34,618,648	275,475	34,894,123	32,822,161	258,258	33,080,419
Financial institutions (*)	10,414,639	7,634,469	18,049,108	10,468,266	9,449,013	19,917,279
Manufacturing	2,078,194	1,402,477	3,480,671	1,774,395	1,508,795	3,283,190
Services	1,981,301	230,038	2,211,339	1,591,190	187,590	1,778,780
Others	281,135	247,011	528,146	203,714	247,050	450,764
	149,767,705	13,276,444	163,044,149	144,797,216	15,225,057	160,022,273
Less: Allowance for impairment			(6,372,403)			(6,344,887)
Total loans and advances, net			156,671,746			153,677,386

(*) includes investment companies

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2016

10. Investment properties

	AED'000
January 1, 2015	615,778
Additions during the year	31,677
Revaluation of investment properties	192
December 31, 2015 (audited)	647,647
Additions during the period	505
Disposals during the period	(1,450)
March 31, 2016 (unaudited)	646,702

Fair valuations

Valuations are carried out by registered independent valuers having an appropriate recognised professional qualification and experience in the location and category of the property being valued. The properties were valued during the last quarter of the year 2015.

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

The valuation methodologies considered by external valuers include:

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

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

11. Other assets

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Interest receivable	1,241,486	1,079,214
Advance tax	7,275	7,241
Prepayments	102,901	55,083
Acceptances (Note 16)	9,266,395	7,168,716
Others	269,546	261,386
Total other assets	10,887,603	8,571,640

12. Due to banks

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Vostro balances	313,880	282,666
Margin deposits	40,271	88,289
Time deposits	1,658,155	1,320,838
Total due to banks	2,012,306	1,691,793

The Bank hedges certain foreign currency time deposits for foreign currency risk using foreign exchange swap contracts and designates these instruments as cash flow hedges. The net negative fair value of these swaps as at March 31, 2016 was AED 1,580 thousand (December 31, 2015 – net negative fair value of AED 1,562 thousand).

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2016

13. Deposits from customers

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Time deposits	68,104,435	62,189,594
Current account deposits	52,490,309	51,713,778
Savings deposits	11,667,306	10,932,983
Murabaha deposits	13,985,337	17,628,523
Long term government deposits	411,313	418,907
Margin deposits	674,741	642,511
Total deposits from customers	147,333,441	143,526,296

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

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Mudaraba term deposits	1,219,091	1,280,738
Wakala deposits	1,553,405	1,363,893
Current account deposits	3,464,978	2,646,781
Mudaraba savings deposits	5,345,218	4,919,033
Margin deposits	16,616	11,122
Total Islamic deposits	11,599,308	10,221,567

The Group hedges certain foreign currency time deposits for foreign currency and floating interest rate risks using foreign exchange and interest rate swaps and designates these instruments as either cash flow or fair value hedges. The net positive fair value of these swaps as at March 31, 2016 was AED 128,418 thousand (December 31, 2015 – net negative fair value of AED 32,953 thousand).

14. Euro commercial paper

The details of euro commercial paper (“ECP”) issuances under the Bank’s ECP programme are as follows:

Currency	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Swiss franc (CHF)	384,697	453,223
Euro (EUR)	1,446,958	2,341,393
GB pound (GBP)	792,615	543,636
Australian dollar (AUD)	63,564	67,062
US dollar (USD)	2,483,562	2,294,750
Total euro commercial paper	5,171,396	5,700,064

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 negative fair value of these swaps as at March 31, 2016 was AED 1,962 thousand (December 31, 2015 - net negative fair value of AED 82,811 thousand).

ECP are issued at a discount and the discount rate ranges between -0.68% p.a. to 2.27% p.a. (December 31, 2015 - 0.04% p.a. to 2.17% p.a. and negative discount rate ranges between 0.68% p.a. to 0.85% p.a.).

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15. Borrowings

The details of borrowings as at March 31, 2016 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	-	-	720,551	-	720,551
	Chinese renminbi (CNH)	-	169,992	-	-	169,992
	Euro (EUR)	-	-	50,777	-	50,777
	Malaysian ringgit (MYR)	-	670,948	-	-	670,948
	Swiss franc (CHF)	-	388,677	-	-	388,677
	Turkish lira (TRY)	48,240	-	-	-	48,240
	UAE dirham (AED)	505,763	-	-	-	505,763
	Japanese yen (JPY)	81,812	49,355	50,082	-	181,249
	Hong Kong dollar (HKD)	-	-	153,114	-	153,114
	US dollar (USD)	1,890,853	5,531,497	5,395,546	2,352,898	15,170,794
		2,526,668	6,810,469	6,370,070	2,352,898	18,060,105
Islamic sukuk notes	US dollar (USD)	1,848,007	-	-	-	1,848,007
Bilateral loans – floating rate	US dollar (USD)	550,950	2,751,897	-	-	3,302,847
Syndicated loan – floating rate	US dollar (USD)	-	1,465,513	-	-	1,465,513
Certificate of deposits issued	Great Britain pound (GBP)	132,062	-	-	-	132,062
Subordinated notes – fixed rate	US dollar (USD)	-	-	-	3,829,474	3,829,474
	Swiss franc (CHF)	-	-	-	389,162	389,162
Borrowings through repurchase agreements	US dollar (USD)	1,811,205	1,230,515	-	-	3,041,720
		6,868,892	12,258,394	6,370,070	6,571,534	32,068,890

The Group hedges certain borrowings for foreign currency exchange risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at March 31, 2016 was AED 115,177 thousand.

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Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2016

15. Borrowings (continued)

The details of borrowings as at December 31, 2015 (audited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	-	-	679,758	-	679,758
	Chinese renminbi (CNH)	-	167,032	-	-	167,032
	Euro (EUR)	-	-	48,314	-	48,314
	Malaysian ringgit (MYR)	-	598,227	-	-	598,227
	Swiss franc (CHF)	-	388,677	-	-	388,677
	Turkish lira (TRY)	46,821	-	-	-	46,821
	UAE dirham (AED)	-	504,164	-	-	504,164
	Japanese yen (JPY)	130,562	45,896	46,192	-	222,650
	Hong Kong dollar (HKD)	-	-	151,181	-	151,181
	US dollar (USD)	-	4,586,299	7,988,737	2,014,940	14,589,976
		177,383	6,290,295	8,914,182	2,014,940	17,396,800
Islamic sukuk notes	US dollar (USD)	1,841,406	-	-	-	1,841,406
Bilateral loans – floating rate	US dollar (USD)	550,950	2,751,371	-	-	3,302,321
Syndicated loan – floating rate	US dollar (USD)	-	1,465,125	-	-	1,465,125
Certificate of deposits issued	Great Britain pound (GBP)	636,355	-	-	-	636,355
	Hong Kong dollar (HKD)	236,708	-	-	-	236,708
Subordinated notes – fixed rate	US dollar (USD)	-	-	-	3,662,417	3,662,417
	Swiss franc (CHF)	-	-	-	371,382	371,382
Borrowings through repurchase agreements	US dollar (USD)	3,284,750	1,274,467	-	-	4,559,217
		6,727,552	11,781,258	8,914,182	6,048,739	33,471,731

The Group hedges certain borrowings for foreign currency exchange risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2015 was AED 870,826 thousand.

15. Borrowings (continued)

Global medium term notes

Interest on Global medium term notes is payable in arrears and the contractual coupon rates as at March 31, 2016 (unaudited) are as follows:

Currency	Within 1 year	1-3 years	3-5 years	Over 5 years
AUD	-	-	Fixed rate of 4.75% p.a.	-
CNH	-	Fixed rate between 3.70% p.a. to 4.125% p.a.	-	-
EUR	-	-	Quarterly coupons with 59 basis points over EURIBOR	-
MYR	-	Fixed rate between 4.30% p.a. to 5.35% p.a.	-	-
CHF	-	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 0.81% p.a.	Fixed rate of 0.48% p.a.	Fixed rate of 0.68% p.a.	-
HKD	-	-	Fixed rate between 2.30% p.a. to 2.46% p.a.	-
USD(*)	Quarterly coupons between 108 to 130 basis points over LIBOR	Fixed rate of 2.50% p.a. to 3.00% p.a.	Fixed rate between 2.63% p.a. to 2.75% p.a. and quarterly coupons with 73 basis points over LIBOR	Fixed rate between 4.52% p.a. to 5.12% p.a.

(*) include AED 1,637,864 thousand 30 year accreting notes with yield ranging from 4.52% p.a. to 5.12% p.a. and are callable at the end of every 5th year from issue date.

Islamic Sukuk notes

The Sukuk carries a profit rate of 4.071% p.a. payable semi annually.

Bilateral floating rate loans

Monthly coupons with 60 to 80 basis points over LIBOR.

Quarterly coupons with 70 basis points over LIBOR.

Syndicated floating rate loans

Monthly coupon with 68 basis points over LIBOR.

Quarterly coupons with 60 basis points over LIBOR.

Certificate of deposits issued

Fixed rate of 0.90% p.a.

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, 2016 (unaudited) are as follows:

Currency	Over 5 years
USD	Fixed rate 3.125% p.a. to 4.50% p.a.
CHF	Fixed rate 1.885% p.a.

15. Borrowings (continued)

Subordinated fixed rate notes (continued)

The subordinated fixed rate notes qualify as Tier 2 subordinated loan capital for the first 5 year period till 2018 and thereafter are amortised at the rate of 20% per annum until 2023 for capital adequacy calculation (Note 30). This has been approved by the Central Bank of the UAE. Subordinated notes of AED 1,486,860 thousand mature in 2023 but are callable after 5 years from the issuance date at the option of the Bank.

Borrowings through repurchase agreements

Fixed rate ranging from 0.80% p.a. to 1.12% p.a.
Quarterly coupon between 130 to 145 basis points over LIBOR.

16. Other liabilities

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Interest payable	520,388	506,502
Recognised liability for defined benefit obligations	392,827	384,677
Accounts payable and other creditors	275,188	291,506
Deferred income	634,886	626,360
Acceptances (Note 11)	9,266,395	7,168,716
Others	1,704,311	1,425,473
Total other liabilities	12,793,995	10,403,234

17. Share capital

	Authorised	Issued and fully paid	
		As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Ordinary shares of AED 1 each	5,595,597	5,595,597	5,595,597

As at March 31, 2016, Abu Dhabi Investment Council held 58.083% (December 31, 2015 - 58.083%) of the Bank's issued and fully paid up share capital.

Treasury shares

The total number of shares bought back by the Bank as at March 31, 2016 was 397,366,172 (December 31, 2015 - 397,366,172). 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.

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18. Other reserves, net of treasury shares (unaudited)

Reserves movement for the three month period ended March 31, 2016:

	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, 2016	(1,825,653)	(92,959)	2,797,799	2,797,799	2,000,000	150,000	(73,260)	3,057	(100,219)	5,656,564
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(271)	-	-	(271)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	-	204,103	-	204,103
Net fair value changes reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	-	(224,395)	-	(224,395)
Net fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	18,173	18,173
Net fair value changes released to condensed consolidated interim income statement on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(5)	(5)
Total other comprehensive (loss)/income for the period	-	-	-	-	-	-	(271)	(20,292)	18,168	(2,395)
Fair value adjustments	-	3,240	-	-	-	-	-	-	-	3,240
Shares – vested portion	-	8,032	-	-	-	-	-	-	-	8,032
Shares purchased	-	(8,984)	-	-	-	-	-	-	-	(8,984)
Balance at March 31, 2016	(1,825,653)	(90,671)	2,797,799	2,797,799	2,000,000	150,000	(73,531)	(17,235)	(82,051)	5,656,457
Balance at January 1, 2015	(1,808,648)	(66,099)	2,692,154	2,647,367	2,000,000	150,000	(63,385)	(11,283)	251,692	5,791,798
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	1,738	-	-	1,738
Net fair value changes on cash flow hedges	-	-	-	-	-	-	-	(98,902)	-	(98,902)
Net fair value changes reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	-	115,254	-	115,254
Net fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	(47,386)	(47,386)
Total other comprehensive income/(loss) for the period	-	-	-	-	-	-	1,738	16,352	(47,386)	(29,296)
Fair value adjustments	-	(4,037)	-	-	-	-	-	-	-	(4,037)
Shares – vested portion	-	6,458	-	-	-	-	-	-	-	6,458
Share buyback	(17,005)	-	-	-	-	-	-	-	-	(17,005)
Shares purchased	-	(4,325)	-	-	-	-	-	-	-	(4,325)
Balance at March 31, 2015	(1,825,653)	(68,003)	2,692,154	2,647,367	2,000,000	150,000	(61,647)	5,069	204,306	5,743,593

19. Capital notes

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

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

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

20. Interest income (unaudited)

	3 months ended March 31	
	2016	2015
	AED'000	AED'000
Loans and advances to banks	74,349	48,788
Loans and advances to customers	1,735,814	1,678,561
Available-for-sale investments	103,289	104,172
Trading securities	920	2,833
Total interest income	1,914,372	1,834,354

21. Interest expense (unaudited)

	3 months ended March 31	
	2016	2015
	AED'000	AED'000
Deposits from banks	3,460	1,775
Deposits from customers	363,813	205,359
Euro commercial paper	11,997	7,081
Borrowings	112,631	109,994
Total interest expense	491,901	324,209

22. Net fees and commission income (unaudited)

	3 months ended March 31	
	2016	2015
	AED'000	AED'000
Fees and commission income		
Retail banking fees	274,707	220,125
Corporate banking fees	131,351	156,704
Brokerage fees	4,588	2,999
Fees from trust and other fiduciary activities	36,951	67,968
Other fees	9,242	10,301
Total fees and commission income	456,839	458,097
Fees and commission expenses	(98,408)	(83,095)
Net fees and commission income	358,431	375,002

23. Net trading income (unaudited)

	3 months ended March 31	
	2016	2015
	AED'000	AED'000
Net gains on dealing in derivatives	1,667	17,685
Net gains from dealing in foreign currencies	120,880	105,666
Net losses from trading securities	(704)	(492)
Net trading income	121,843	122,859

24. Other operating income (unaudited)

	3 months ended March 31	
	2016	2015
	AED'000	AED'000
Property management income	36,200	36,193
Rental income	16,611	13,517
Dividend income	21	-
Net gains from disposal of available-for-sale investments	5	-
Others	5,643	3,850
Total other operating income	58,480	53,560

25. Operating expenses (unaudited)

	3 months ended March 31	
	2016	2015
	AED'000	AED'000
Staff expenses	468,402	443,013
Depreciation on property and equipment, net	34,196	32,495
Amortisation of intangible assets	-	5,635
Others	235,405	218,988
Total operating expenses	738,003	700,131

26. Impairment allowances (unaudited)

	3 months ended March 31	
	2016	2015
	AED'000	AED'000
Charge for the period	398,961	305,032
Recoveries during the period	(33,925)	(63,729)
Impairment allowance on loans and advances, net (Note 9)	365,036	241,303
Recoveries on written off available-for-sale investments	(12,855)	(35)
Total impairment allowances	352,181	241,268

27. Earnings per share (unaudited)

Basic and diluted earnings per share

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

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For the three month period ended March 31, 2016

27. Earnings per share (unaudited) (continued)

	3 months ended March 31	
	2016	2015
	AED'000	AED'000
Net profit for the period attributable to the equity holders of the Bank	1,020,275	1,247,906
Less: Coupons paid on capital notes	(66,065)	(65,510)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	954,210	1,182,396
	Number of shares in thousand	
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	(397,366)	(397,221)
Less: Weighted average number of shares resulting from Employees' incentive plan shares	(14,419)	(12,200)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	5,183,812	5,186,176
Add: Weighted average number of shares resulting from Employees' incentive plan shares	14,419	12,200
Weighted average number of equity shares in issue during the period for diluted earnings per share (c)	5,198,231	5,198,376
Basic earnings per share (AED) (a)/(b)	0.18	0.23
Diluted earnings per share (AED) (a)/(c)	0.18	0.23

28. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Letters of credit	7,147,192	7,397,227
Guarantees	21,115,006	20,688,203
Commitments to extend credit – revocable (*)	10,441,894	10,140,076
Commitments to extend credit – irrevocable	12,519,051	13,436,760
Total commitments on behalf of customers	51,223,143	51,662,266
Commitments for future capital expenditure	335,426	364,985
Commitments to invest in investment securities	220,986	89,182
Total commitments and contingent liabilities	51,779,555	52,116,433

(*) includes AED 7,062,602 thousand (December 31, 2015: AED 6,860,860 thousand) for undrawn credit card limits.

29. Operating segments

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

Notes to the condensed consolidated interim financial information

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29. Operating segments (continued)

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

Consumer banking - comprises of retail, wealth management 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.

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

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

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

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

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

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	648,827	470,944	275,370	27,330	1,422,471
Net income from Islamic financing	100,682	33,087	15,908	787	150,464
Total net interest and Islamic financing income	749,509	504,031	291,278	28,117	1,572,935
Non-interest income	237,211	152,969	89,937	58,637	538,754
Operating expenses	(454,339)	(199,214)	(55,216)	(29,234)	(738,003)
Operating profit before impairment allowances	532,381	457,786	325,999	57,520	1,373,686
Impairment (allowances)/recoveries	(132,768)	(232,268)	12,855	-	(352,181)
Share in profit of associate	1,717	-	-	-	1,717
Profit before taxation	401,330	225,518	338,854	57,520	1,023,222
Overseas income tax expense	-	(2,178)	-	-	(2,178)
Net profit for the period	401,330	223,340	338,854	57,520	1,021,044
Capital expenditure					56,674
March 31, 2016 (unaudited)					
Segment assets	71,288,174	98,171,451	62,089,279	657,810	232,206,714
Segment liabilities	48,468,163	70,020,296	86,345,291	29,949	204,863,699

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29. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segment for the three month period ended March 31, 2015 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	546,796	554,733	382,666	25,950	1,510,145
Net income from Islamic financing	85,940	35,755	8,367	569	130,631
Total net interest and Islamic financing income	632,736	590,488	391,033	26,519	1,640,776
Non-interest income	220,483	178,427	98,308	54,203	551,421
Operating expenses	(423,148)	(193,766)	(55,341)	(27,876)	(700,131)
Operating profit before impairment allowances	430,071	575,149	434,000	52,846	1,492,066
Impairment (allowances)/recoveries	(277,343)	36,040	35	-	(241,268)
Profit before taxation	152,728	611,189	434,035	52,846	1,250,798
Overseas income tax expense	-	(1,796)	-	-	(1,796)
Net profit for the period	152,728	609,393	434,035	52,846	1,249,002
Capital expenditure					26,790
December 31, 2015 (audited)					
Segment assets	69,845,328	94,301,998	63,465,784	653,991	228,267,101
Segment liabilities	43,486,000	67,541,312	88,484,442	22,544	199,534,298

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	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Consumer banking	1,249,904	1,113,107	(263,184)	(259,888)
Wholesale banking	835,995	998,898	(178,995)	(229,983)
Investments and treasury	(29,334)	26,126	410,549	463,215
Property management	55,124	54,066	31,630	26,656
Total operating income	2,111,689	2,192,197	-	-

Geographical information

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

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

	Domestic (unaudited)		International (unaudited)	
	3 months ended March 31		3 months ended March 31	
	2016	2015	2016	2015
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest and Islamic financing income	1,549,520	1,621,774	23,415	19,002
Non-interest income	539,878	532,755	(1,124)	18,666
	Domestic		International	
	As at	As at	As at	As at
	March 31	December 31	March 31	December 31
	2016	2015	2016	2015
	unaudited	audited	unaudited	audited
	AED'000	AED'000	AED'000	AED'000
Non-current assets				
Investment in associate	198,873	197,156	-	-
Investment properties	646,702	647,647	-	-
Property and equipment, net	852,020	830,136	5,098	5,009
Intangible assets	18,800	18,800	-	-

30. Capital adequacy ratio

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

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Tier 1 capital		
Share capital (Note 17)	5,595,597	5,595,597
Share premium	3,848,286	3,848,286
Other reserves, net of treasury shares (Note 18)	5,656,457	5,656,564
Retained earnings	8,239,081	9,627,315
Non-controlling interests	3,594	5,041
Capital notes (Note 19)	4,000,000	4,000,000
Less: Intangible assets	(18,800)	(18,800)
Less: Investment in associate	(99,437)	(98,578)
Total tier 1 capital	27,224,778	28,615,425
Tier 2 capital		
Collective impairment allowance on loans and advances	2,049,567	1,966,431
Subordinated notes (Note 15)	4,239,434	4,226,037
Less: Investment in associate	(99,436)	(98,578)
Total tier 2 capital	6,189,565	6,093,890
Total regulatory capital	33,414,343	34,709,315
Risk-weighted assets		
Credit risk	163,965,370	157,314,517
Market risk	6,968,988	5,652,368
Operational risk	13,741,466	12,689,402
Total risk-weighted assets	184,675,824	175,656,287
Capital adequacy ratio	18.09%	19.76%
Tier 1 ratio	14.74%	16.29%
Tier 2 ratio	3.35%	3.47%

The capital adequacy ratio was above the minimum requirement of 12% for March 31, 2016 (December 31, 2015 – 12%) stipulated by the Central Bank of the UAE.

31. Fair value hierarchy

Fair value measurements recognised in the condensed consolidated interim financial information

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

Quoted market prices – Level 1

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

Valuation techniques using observable inputs – Level 2

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

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

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.

Valuation techniques using significant unobservable inputs – Level 3

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

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

Financial instruments under this category mainly includes private equity instruments and 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.

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

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

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31. Fair value hierarchy (continued)

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

	Notes	Level 1	Level 2	Level 3	Total fair value AED'000	Carrying value AED'000
		Quoted market prices AED'000	Observable inputs AED'000	Significant unobservable inputs AED'000		
As at March 31, 2016 (unaudited)						
Assets at fair value						
Trading securities	6	71,732	-	-	71,732	71,732
Derivative financial instruments	7	2,716	5,213,291	-	5,216,007	5,216,007
Investment securities	8					
- Quoted		19,609,060	757,898	-	20,366,958	20,366,958
- Unquoted		-	377,738	414,247	791,985	791,985
Investment properties	10	-	-	646,702	646,702	646,702
Total		19,683,508	6,348,927	1,060,949	27,093,384	27,093,384
Liabilities at fair value						
Derivative financial instruments	7	2,555	5,481,116	-	5,483,671	5,483,671
Liabilities at amortised cost						
Borrowings	15	19,214,419	12,742,367	-	31,956,786	32,068,890
Total		19,216,974	18,223,483	-	37,440,457	37,552,561
As at December 31, 2015 (audited)						
Assets at fair value						
Trading securities	6	62,261	-	-	62,261	62,261
Derivative financial instruments	7	1,335	4,000,573	-	4,001,908	4,001,908
Investment securities	8					
- Quoted		19,298,541	753,336	-	20,051,877	20,051,877
- Unquoted		-	398,109	413,621	811,730	811,730
Investment properties	10	-	-	647,647	647,647	647,647
Total		19,362,137	5,152,018	1,061,268	25,575,423	25,575,423
Liabilities at fair value						
Derivative financial instruments	7	1,045	4,740,135	-	4,741,180	4,741,180
Liabilities at amortised cost						
Borrowings	15	18,965,637	14,585,679	-	33,551,316	33,471,731
Total		18,966,682	19,325,814	-	38,292,496	38,212,911

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

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

	As at March 31 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Opening balance	413,621	378,216
Purchases, net during the period/year	-	14,520
Disposals including capital refunds during the period/year	(445)	(5,304)
Adjustment through other comprehensive income during the period/year	1,071	26,189
Closing balance	414,247	413,621

No gains/losses were realised on disposal of Level 3 investments during the period (March 31, 2015: AED Nil).

There were no transfers between Level 1 and Level 2 available-for-sale investments and there is no change in valuation techniques used during the period.

32. Legal proceedings

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's condensed consolidated interim financial information if disposed unfavourably.