Abu Dhabi Commercial Bank PJSC

Review report and condensed consolidated interim financial information for the three month period ended March 31, 2019

بنك أبوظبي التجاري
ADCB

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Report on review of condensed consolidated interim financial information

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank PJSC as at 31 March 2019 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)

Signed by:
Mohammad Khamees Al Tah
Registration No. 717
06 May 2019
Abu Dhabi
United Arab Emirates

Condensed consolidated interim statement of financial position
As at March 31, 2019

	Notes	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Assets			
Cash and balances with central banks, net	4	**20,243,848**	19,589,957
Deposits and balances due from banks, net	5	**24,274,897**	19,627,076
Reverse-repo placements, net	6	**994,056**	2,203,800
Trading securities	7	**78,946**	60,134
Derivative financial instruments	8	**4,892,837**	4,447,247
Investment securities	9	**57,185,167**	52,362,234
Loans and advances to customers, net	10	**169,075,649**	166,425,762
Investment in associate		**197,888**	205,158
Investment properties	12	**575,021**	576,671
Other assets, net	13	**13,456,800**	13,349,694
Property and equipment, net		**1,137,749**	982,605
Total assets		**292,112,858**	279,830,338
Liabilities			
Due to banks	14	**6,277,176**	3,071,408
Derivative financial instruments	8	**5,253,580**	5,695,911
Deposits from customers	15	**184,407,734**	176,653,857
Euro commercial paper	16	**4,538,726**	3,279,302
Borrowings	17	**44,309,185**	43,027,749
Other liabilities	18	**15,395,984**	15,296,568
Total liabilities		**260,182,385**	247,024,795
Equity			
Share capital	19	**5,198,231**	5,198,231
Share premium		**2,419,999**	2,419,999
Other reserves	20	**7,327,403**	6,859,271
Retained earnings		**12,984,840**	14,328,042
Capital notes	21	**4,000,000**	4,000,000
Total equity		**31,930,473**	32,805,543
Total liabilities and equity		**292,112,858**	279,830,338

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on May 06, 2019 and signed on its behalf by:

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

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

Condensed consolidated interim income statement (unaudited)
For the three month period ended March 31, 2019

		3 months ended March 31	
	Notes	**2019** **AED'000**	2018 AED'000
Interest income	**22**	**2,801,345**	2,368,328
Interest expense	**23**	**(1,348,298)**	(810,729)
Net interest income		**1,453,047**	1,557,599
Income from Islamic financing		**315,148**	302,966
Islamic profit distribution		**(61,431)**	(32,148)
Net income from Islamic financing		**253,717**	270,818
Total net interest and Islamic financing income		**1,706,764**	1,828,417
Net fees and commission income	**24**	**378,642**	350,247
Net trading income	**25**	**133,095**	131,448
Other operating income	**26**	**54,646**	44,324
Operating income		**2,273,147**	2,354,436
Operating expenses	**27**	**(793,226)**	(770,151)
Operating profit before impairment allowances		**1,479,921**	1,584,285
Impairment allowances	**28**	**(329,923)**	(380,294)
Operating profit after impairment allowances		**1,149,998**	1,203,991
Share in profit of associate		**2,749**	2,682
Profit before taxation		**1,152,747**	1,206,673
Overseas tax (expense)/income		**(436)**	373
Net profit for the period		**1,152,311**	1,207,046
Basic and diluted earnings per share (AED)	**29**	**0.20**	0.22

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

Condensed consolidated interim statement of comprehensive income (unaudited)
For the three month period ended March 31, 2019

	3 months ended March 31	
	2019	2018
	AED'000	AED'000
Net profit for the period	**1,152,311**	1,207,046
Items that may be re-classified subsequently to the condensed consolidated interim income statement		
Exchange difference arising on translation of foreign operations (Note 20)	**4,676**	(4,553)
Net movement in cash flow hedge reserve (Note 20)	**125,042**	(131,169)
Net movement in revaluation reserve of debt instruments designated at FVTOCI (Note 20)	**325,530**	(180,200)
	455,248	(315,922)
Items that may not be re-classified subsequently to the condensed consolidated interim income statement		
Net movement in revaluation reserve of equity instruments designated at FVTOCI (Note 20)	**9,523**	(2,227)
Other comprehensive income/(loss) for the period	**464,771**	(318,149)
Total comprehensive income for the period	**1,617,082**	888,897

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

Condensed consolidated interim statement of changes in equity (unaudited)
For the three month period ended March 31, 2019

	Share capital AED'000	Share premium AED'000	Other reserves AED'000	Retained earnings AED'000	Capital notes AED'000	Total equity AED'000
As at January 1, 2019	**5,198,231**	**2,419,999**	**6,859,271**	**14,328,042**	**4,000,000**	**32,805,543**
Net profit for the period	**-**	**-**	**-**	**1,152,311**	**-**	**1,152,311**
Other comprehensive income for the period	**-**	**-**	**464,771**	**-**	**-**	**464,771**
Other movements (Note 20)	**-**	**-**	**3,361**	**-**	**-**	**3,361**
Dividends paid to equity holders of the Bank	**-**	**-**	**-**	**(2,391,186)**	**-**	**(2,391,186)**
Capital notes coupon paid (Note 29)	**-**	**-**	**-**	**(104,327)**	**-**	**(104,327)**
As at March 31, 2019	**5,198,231**	**2,419,999**	**7,327,403**	**12,984,840**	**4,000,000**	**31,930,473**
As at January 1, 2018 (as previously reported)	5,198,231	2,419,999	7,484,927	13,341,783	4,000,000	32,444,940
Effect of change in accounting policy for IFRS 9	-	-	149,349	(1,510,228)	-	(1,360,879)
As at January 1, 2018 (restated)	5,198,231	2,419,999	7,634,276	11,831,555	4,000,000	31,084,061
Net profit for the period	-	-	-	1,207,046	-	1,207,046
Other comprehensive loss for the period	-	-	(318,149)	-	-	(318,149)
Other movements (Note 20)	-	-	6,448	-	-	6,448
Dividends paid to equity holders of the Bank	-	-	-	(2,183,257)	-	(2,183,257)
Capital notes coupon paid (Note 29)	-	-	-	(83,931)	-	(83,931)
As at March 31, 2018	5,198,231	2,419,999	7,322,575	10,771,413	4,000,000	29,712,218

Following the Annual General Meeting held on March 21, 2019, the shareholders approved the distribution of proposed cash dividend of AED 2,391,186 thousand for the year 2018, being AED 0.46 dividend per share and representing 46% of the paid up share capital (For the year 2017 – cash dividend of AED 2,183,257 thousand, being AED 0.42 dividend per share and representing 42% of the paid up share capital).

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, 2019

	3 months ended March 31	
	2019	2018
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxation	**1,152,747**	1,206,673
Adjustments for:		
Depreciation on property and equipment (Note 27)	**57,023**	42,599
Impairment allowances (Note 28)	**371,315**	431,203
Share in profit of associate	**(2,749)**	(2,682)
Discount unwind	**-**	(11,759)
Net (gains)/losses from disposal of investment securities (Note 26)	**(504)**	100
Interest income on investment securities	**(492,768)**	(363,384)
Interest expense on borrowings and euro commercial paper	**441,392**	286,081
Net (gains)/losses from trading securities (Note 25)	**(679)**	3,998
Ineffective portion of hedges – losses/(gains) (Note 8)	**21,616**	(21,771)
Employees' incentive plan expense (Note 20)	**3,361**	6,448
Cash flow from operating activities before changes in operating assets and liabilities	**1,550,754**	1,577,506
Decrease in balances with central banks	**1,836,500**	1,836,500
Increase in due from banks	**(265,207)**	(1,262,445)
Net movement in derivative financial instruments	**(151,089)**	(63,966)
Net purchases of trading securities	**(18,133)**	(99,462)
Increase in loans and advances to customers	**(3,075,103)**	(1,087,388)
Increase in other assets	**(194,980)**	(124,583)
Increase in due to banks	**55,316**	629,366
Increase in deposits from customers	**7,753,259**	3,802,909
Increase in other liabilities	**41,391**	353,612
Net cash from operations	**7,532,708**	5,562,049
Overseas tax paid	**(2,002)**	-
Net cash from operating activities	**7,530,706**	5,562,049
INVESTING ACTIVITIES		
Net proceeds from redemption/disposal of investment securities	**7,301,350**	8,865,329
Net purchases of investment securities	**(11,567,744)**	(7,475,531)
Interest received on investment securities	**480,020**	361,128
Dividends received from associate	**10,019**	10,284
Disposals of investment properties (Note 12)	**1,650**	1,900
Net purchases of property and equipment	**(52,082)**	(25,534)
Net cash (used in)/from investing activities	**(3,826,787)**	1,737,576
FINANCING ACTIVITIES		
Net increase in euro commercial paper	**1,229,248**	191,892
Net proceeds from borrowings	**3,669,529**	10,278,156
Repayment of borrowings	**(3,456,761)**	(8,762,862)
Interest paid on borrowings and euro commercial paper	**(116,986)**	(84,798)
Payment of lease liabilities	**(20,906)**	-
Dividends paid to equity holders of the Bank	**(2,391,186)**	(2,183,257)
Capital notes coupon paid (Note 29)	**(104,327)**	(83,931)
Net cash used in financing activities	**(1,191,389)**	(644,800)
Net increase in cash and cash equivalents	**2,512,530**	6,654,825
Cash and cash equivalents at the beginning of the period	**23,094,853**	15,811,548
Cash and cash equivalents at the end of the period	**25,607,383**	22,466,373

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, 2019

Cash and cash equivalents

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

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Cash and balances with central banks (Note 4)	**20,243,953**	19,590,185
Deposits and balances due from banks (excluding loans and advances to banks) (Note 5)	**16,812,356**	12,638,037
Reverse-repo placements (Note 6)	**994,058**	2,203,800
Due to banks (Note 14)	**(6,277,176)**	(3,071,408)
	31,773,191	31,360,614
Less: Cash and balances with central banks and deposits and balances due from banks – with original maturity of more than 3 months	**(7,894,776)**	(9,935,092)
Add: Due to banks – with original maturity of more than 3 months	**1,728,968**	1,669,331
Total cash and cash equivalents	**25,607,383**	23,094,853

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 fifty branches 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.

The Bank has amended its Articles of Association to ensure its compliance with the provisions of the UAE Federal Law No. 2 of 2015, which came into effect on July 1, 2015.

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, 2018, 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, 2018, except for the changes in accounting policies mentioned in Note 2.4.

Certain disclosure notes have been reclassified and rearranged from the Group's prior period condensed consolidated interim financial information to conform to the current period's presentation.

For details of related party balances and transactions, refer to Note 36 in the consolidated financial statements for the year ended December 31, 2018.

The results for the three month period ended March 31, 2019 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2019.

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 is 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, 2018, except for those introduced on adoption of IFRS 16 (Note 3).

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, 2019

In the current period, the Group applied for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed in Note 2.4 of the condensed consolidated interim financial information.

The Group has also 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, 2019. 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 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation
- Amendment to IAS 19 Employee Benefits
- Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures

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, 2019.

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 references to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these amendments will be adopted in the condensed consolidated interim financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

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 the "Group").

Subsidiaries

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

Special purpose entities

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

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

Funds under management

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

Loss of control

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

Transactions eliminated on consolidation

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

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 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.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

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

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

Joint arrangements

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

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

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

2.4 Changes in accounting policy

General impact of application of IFRS 16 Leases

In the current period, the Group, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016). IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requires the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the Group is January 1, 2019. The Group has applied IFRS 16 using simplified modified approach. Management has assessed that the impact of adoption of IFRS 16 on the Group's condensed consolidated interim financial statements is not material.

Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before January 1, 2019. The lease liability for such leases are measured at the present value of the remaining lease payments using the incremental borrowing rate as of January 1, 2019. The right-of-use asset is measured at an amount equal to lease liability, adjusted by any prepaid amounts. The Group has applied a single discount rate to portfolio of leases, as the leases are of reasonably similar characteristics. The Group also applied the practical expedient for leases which are due to expire within 12 months from the date of transition. These leases are accounted for in the same way as short-term leases.

2. Summary of significant accounting policies (continued)

2.4 Changes in accounting policy (continued)

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance lease or operating lease and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Significant accounting policies introduced on adoption of IFRS 16

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangement in which it is the lessee, except for short-term (defined as leases with a lease term of 12 months or less) and leases of low value asset. For these leases, the Group recognises the lease payments as an operating lease on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. This expense is presented within other expenses in the condensed consolidated interim income statement.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the period of lease term or useful life of the underlying asset whichever is shorter. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as per the Group's impairment policy for non-financial assets.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease component, and instead account for any lease and associated non-lease component as a single arrangement. The Group has used this practical expedient.

The Group has presented right of use asset within 'Property and equipment' and lease liabilities within 'Other liabilities' in the condensed consolidated interim statement of financial position.

The Group as lessor

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Rental income are recognised in the condensed consolidated interim income statement on a straight line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments – Investment securities

Financial assets

All financial assets are recognised and derecognised on settlement date basis (other than derivative contracts which are recognised and derecognised on trade date basis) where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Settlement date is the date that the Group physically receives or transfers the assets. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) debt instruments 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 amount outstanding (SPPI), are subsequently measured at amortised cost;
(ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
(iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Group may make the following irrevocable election/designation at the date of initial application of IFRS 9 or at the date of initial recognition of a financial asset on an asset-by-asset basis:
   - the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI) with dividend income recognised in profit or loss; and
   - the Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Group holds equity investments and mutual funds as strategic investments and has elected to carry these investments at FVTOCI with changes in fair value through other comprehensive income.

(a) Debt instruments at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments – Investment securities (continued)

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments which reflects how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models during each reporting period to determine whether the business models have changed since the preceding period.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

(b) Financial assets at FVTPL

Financial assets at FVTPL are:

(i) assets with contractual cash flows that are not SPPI; or/and
(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
(iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

(c) Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets.

2.6 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.

2. Summary of significant accounting policies (continued)

2.6 Investment properties (continued)

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgments in applying the changes in Group's accounting policies

The following are the critical judgments in the application of IFRS 16, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the condensed consolidated interim financial information:

- identifying whether a contract (or part of a contract) includes a lease;
- determining whether it is reasonably certain that an extension or termination option will be exercised;
- classification of lease arrangements (when the entity is a lessor);

3.2 Key sources of estimation uncertainty

The following are key estimations that the management has used in the process of applying the Group's accounting policies for IFRS 16 and that have the most significant effect on the amounts recognised in the Group's condensed consolidated interim financial information:

- determination of the appropriate rate to discount the lease payments;
- assessment of whether a right-of-use asset is impaired.

4. Cash and balances with central banks, net

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Cash on hand	**1,327,912**	1,499,000
Balances with central banks	**3,740,902**	3,404,794
Reserves maintained with central banks	**10,984,089**	11,004,968
Certificate of deposits with UAE Central Bank	**4,173,000**	3,673,000
Reverse-repo with Central Bank	**18,050**	8,423
Gross cash and balances with central banks	**20,243,953**	19,590,185
Less: Allowance for impairment (Note 11)	**(105)**	(228)
Total cash and balances with central banks, net	**20,243,848**	19,589,957
The geographical concentration is as follows:		
Within the UAE	**20,165,751**	19,534,940
Outside the UAE	**78,202**	55,245
	20,243,953	19,590,185
Less: Allowance for impairment (Note 11)	**(105)**	(228)
	20,243,848	19,589,957

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

5. Deposits and balances due from banks, net

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Nostro balances	**1,882,651**	1,913,798
Margin deposits	**732,426**	256,474
Time deposits	**10,520,373**	6,888,240
Wakala placements	**3,676,906**	3,579,525
Loans and advances to banks	**7,492,389**	7,023,366
Gross deposits and balances due from banks	**24,304,745**	19,661,403
Less: Allowance for impairment (Note 11)	**(29,848)**	(34,327)
Total deposits and balances due from banks, net	**24,274,897**	19,627,076
The geographical concentration is as follows:		
Within the UAE	**11,475,524**	8,730,693
Outside the UAE	**12,829,221**	10,930,710
	24,304,745	19,661,403
Less: Allowance for impairment (Note 11)	**(29,848)**	(34,327)
	24,274,897	19,627,076

6. Reverse-repo placements, net

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Banks and financial institutions	**994,058**	2,203,800
Less: Allowance for impairment (Note 11)	**(2)**	-
Total reverse-repo placements, net	**994,056**	2,203,800
The geographical concentration is as follows:		
Within the UAE	**734,600**	2,020,150
Outside the UAE	**259,458**	183,650
	994,058	2,203,800
Less: Allowance for impairment (Note 11)	**(2)**	-
	994,056	2,203,800

The Group enters into reverse repurchase agreements under which bonds with fair value of AED 1,017,979 thousand (December 31, 2018 – bonds with fair value of AED 2,271,007 thousand) were received as collateral against reverse-repo placements. The risks and rewards relating to these bonds remains with the counterparties. The terms and conditions of these collaterals are governed by Global Master Repurchase Agreements (GMRA).

7. Trading securities

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Bonds	**78,946**	60,134
The geographical concentration is as follows:		
Within the UAE	**32,236**	-
Outside the UAE	**46,710**	60,134
	78,946	60,134

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

8. 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	Notional AED'000
As at March 31, 2019 (unaudited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	**860,014**	**555,265**	**358,695,436**
Interest rate and cross currency swaps	**2,623,716**	**2,575,025**	**244,650,522**
Interest rate and commodity options	**447,356**	**432,803**	**61,144,120**
Forward rate agreements	**19**	**420**	**525,000**
Futures (exchange traded)	**-**	**411**	**514,222**
Commodity and energy swaps	**233,179**	**224,195**	**2,228,311**
Swaptions	**202,524**	**200,830**	**43,564,498**
Total derivatives held or issued for trading	**4,366,808**	**3,988,949**	**711,322,109**
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	**434,164**	**1,119,874**	**70,192,316**
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	**37,157**	**63,744**	**5,843,384**
Forward foreign exchange contracts	**54,708**	**81,013**	**17,309,111**
Total derivatives held as cash flow hedges	**91,865**	**144,757**	**23,152,495**
Total derivative financial instruments	**4,892,837**	**5,253,580**	**804,666,920**
As at December 31, 2018 (audited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	719,659	440,214	268,624,410
Interest rate and cross currency swaps	2,548,601	2,516,720	232,645,162
Interest rate and commodity options	524,402	593,051	49,190,144
Forward rate agreements	9	303	1,100,000
Futures (exchange traded)	56	275	1,212,100
Commodity and energy swaps	107,552	92,133	3,105,642
Swaptions	176,872	173,068	45,421,133
Total derivatives held or issued for trading	4,077,151	3,815,764	601,298,591
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	347,962	1,645,460	70,385,718
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	17,923	154,190	5,479,207
Forward foreign exchange contracts	4,211	80,497	18,445,248
Total derivatives held as cash flow hedges	22,134	234,687	23,924,455
Total derivative financial instruments	4,447,247	5,695,911	695,608,764

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

The net hedge ineffectiveness losses relating to the fair value and cash flow hedges amounting to AED 21,616 thousand (for the three month period ended March 31, 2018 – net gains of AED 21,771 thousand) has been recognised in the condensed consolidated interim income statement.

As at March 31, 2019, the Group received cash collateral of AED 307,866 thousand (December 31, 2018 - AED 207,554 thousand) and bonds with fair value of AED 136,293 thousand (December 31, 2018 – AED 26,847 thousand) against positive fair value of derivative assets.

As at March 31, 2019, the Group placed cash collateral of AED 735,365 thousand (December 31, 2018 – AED 275,060 thousand) and bonds of AED 1,980,529 thousand (December 31, 2018 - AED 2,317,131 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.

9. Investment securities

	UAE AED'000	Other GCC(*) countries AED'000	Rest of the world AED'000	Total AED'000
As at March 31, 2019 (unaudited)				
Quoted:				
Government securities	**5,029,644**	**10,012,242**	**11,790,565**	**26,832,451**
Bonds – Public sector	**7,288,960**	**1,082,458**	**4,368,517**	**12,739,935**
Bonds – Banks and financial institutions	**4,903,918**	**737,234**	**4,034,910**	**9,676,062**
Bonds – Corporate	**611,132**	**225,620**	**251,983**	**1,088,735**
Equity instruments	**300**	**-**	**-**	**300**
Mutual funds	**72,087**	**-**	**87,080**	**159,167**
Total quoted	**17,906,041**	**12,057,554**	**20,533,055**	**50,496,650**
Unquoted:				
Government securities	**6,285,028**	**-**	**-**	**6,285,028**
Bonds – Banks and financial institutions	**-**	**135,086**	**-**	**135,086**
Equity instruments	**258,242**	**-**	**10,161**	**268,403**
Total unquoted	**6,543,270**	**135,086**	**10,161**	**6,688,517**
Total investment securities	**24,449,311**	**12,192,640**	**20,543,216**	**57,185,167**
As at December 31, 2018 (audited)				
Quoted:				
Government securities	4,934,961	9,028,003	9,022,797	22,985,761
Bonds – Public sector	6,918,084	1,019,842	4,308,028	12,245,954
Bonds – Banks and financial institutions	3,525,733	798,208	4,009,956	8,333,897
Bonds – Corporate	604,407	174,855	271,557	1,050,819
Equity instruments	333	-	-	333
Mutual funds	68,136	-	81,767	149,903
Total quoted	16,051,654	11,020,908	17,694,105	44,766,667
Unquoted:				
Government securities	7,210,099	-	-	7,210,099
Bonds – Banks and financial institutions	-	133,625	-	133,625
Equity instruments	241,654	-	10,189	251,843
Total unquoted	7,451,753	133,625	10,189	7,595,567
Total investment securities	23,503,407	11,154,533	17,704,294	52,362,234

(*) Gulf Cooperation Council

As at March 31, 2019, the allowance for impairment on debt instruments designated at FVTOCI amounting to AED 172,699 thousand (Note 11) (December 31, 2018 - AED 183,435 thousand) is included in revaluation reserve of investments carried at FVTOCI and recognised in other comprehensive income.

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 as fair value and cash flow hedges, respectively. The net negative fair value of these swaps at March 31, 2019 was AED 266,185 thousand (December 31, 2018 – net negative fair value AED 85,541 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

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

	As at March 31, 2019 (unaudited)		As at December 31, 2018 (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 (Note 17)	**237,968**	**215,604**	240,856	228,653

Further, the Group pledged investment securities with fair value amounting to AED 2,032,492 thousand (December 31, 2018 – AED 2,333,615 thousand) as collateral against margin calls. The risks and rewards on these pledged investments remains with the Group.

10. Loans and advances to customers, net

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Overdrafts (retail and corporate)	**4,615,143**	5,091,419
Retail loans	**25,628,663**	26,296,282
Corporate loans	**135,730,004**	131,833,632
Credit cards	**4,355,980**	4,461,828
Other facilities	**5,454,464**	5,469,473
Gross loans and advances to customers	**175,784,254**	173,152,634
Less: Allowance for impairment (Note 11)	**(6,708,605)**	(6,726,872)
Total loans and advances to customers, net	**169,075,649**	166,425,762

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

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Murabaha	**5,535,700**	3,633,709
Ijara financing	**12,786,790**	11,436,508
Salam	**6,377,027**	6,596,310
Others	**234,752**	234,908
Gross Islamic financing assets	**24,934,269**	21,901,435
Less: Allowance for impairment	**(627,409)**	(568,667)
Total Islamic financing assets, net	**24,306,860**	21,332,768

The Group hedges certain fixed rate and floating rate loans and advances to customers for interest rate risk using interest rate swaps and designates these instruments as fair value and cash flow hedges, respectively. The net negative fair value of these swaps at March 31, 2019 was AED 5,938 thousand (December 31, 2018 - net negative fair value of AED 60,106 thousand).

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

	As at March 31, 2019 (unaudited)			As at December 31, 2018 (audited)		
	Within the UAE AED'000	**Outside the UAE AED'000**	**Total AED'000**	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000
Economic activity sector						
Agriculture	**203,504**	**-**	**203,504**	206,858	-	206,858
Energy	**1,166,911**	**665,713**	**1,832,624**	984,371	635,136	1,619,507
Trading	**5,854,020**	**748,951**	**6,602,971**	5,159,486	749,157	5,908,643
Real estate investment & hospitality	**67,012,178**	**1,701,903**	**68,714,081**	65,717,702	1,794,972	67,512,674
Transport & communication	**1,742,303**	**1,002,657**	**2,744,960**	1,419,435	1,041,719	2,461,154
Personal	**35,447,665**	**103,001**	**35,550,666**	36,582,222	111,637	36,693,859
Government & public sector entities	**35,276,808**	**88,955**	**35,365,763**	35,260,180	88,955	35,349,135
Financial institutions (*)	**11,149,765**	**3,366,655**	**14,516,420**	11,055,743	3,379,204	14,434,947
Manufacturing	**2,570,183**	**2,310,273**	**4,880,456**	2,681,505	2,143,409	4,824,914
Services	**4,359,057**	**323,116**	**4,682,173**	3,141,602	284,631	3,426,233
Others	**638,890**	**51,746**	**690,636**	662,963	51,747	714,710
	165,421,284	**10,362,970**	**175,784,254**	162,872,067	10,280,567	173,152,634
Less: Allowance for impairment (Note 11)			**(6,708,605)**			(6,726,872)
Total loans and advances to customers, net			**169,075,649**			166,425,762

(*) includes investment companies

11. Impairment allowances

The movement in impairment allowances is as follows:

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Opening balance (*)	**7,308,843**	6,090,677
Effect of change in accounting policy for IFRS 9	**-**	1,510,228
Opening balance restated	**7,308,843**	7,600,905
Charge for the period/year	**371,315**	1,483,876
Recoveries during the period/year	**(41,392)**	(218,089)
Net charge for the period/year	**329,923**	1,265,787
Discount unwind	**-**	(19,380)
Net amounts written-off	**(406,854)**	(1,538,469)
Closing balance	**7,231,912**	7,308,843

Allocation of impairment allowances is as follows:

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Cash and balances with central banks (Note 4)	**105**	228
Deposits and balances due from banks (Note 5)	**29,848**	34,327
Reverse-repo placements (Note 6)	**2**	-
Investment securities (Note 9) (*)	**172,699**	183,435
Loans and advances to customers (Note 10)	**6,708,605**	6,726,872
Other assets (Note 13)	**14,278**	14,229
Letters of credit, guarantees and other commitments (Note 18)	**306,375**	349,752
Total impairment allowances	**7,231,912**	7,308,843

(*) impairment allowance is included in revaluation reserve of investments carried at FVTOCI and recognised in other comprehensive income.

12. Investment properties

	AED'000
As at January 1, 2018	634,780
Disposal during the year	(1,900)
Revaluation of investment properties	(56,209)
As at December 31, 2018 (audited)	**576,671**
Disposal during the period	**(1,650)**
As at March 31, 2019 (unaudited)	**575,021**

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 2018.

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.

13. Other assets, net

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Interest receivable	**2,312,674**	2,229,084
Advance tax	**7,122**	5,597
Prepayments	**106,929**	78,314
Acceptances (Note 18)	**10,566,702**	10,531,047
Intangible asset - Goodwill	**18,800**	18,800
Others	**458,851**	501,081
Gross other assets	**13,471,078**	13,363,923
Less: Allowance for impairment (Note 11)	**(14,278)**	(14,229)
Total other assets, net	**13,456,800**	13,349,694

14. Due to banks

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Vostro balances	**1,639,780**	870,881
Margin deposits	**175,851**	200,090
Time deposits	**4,461,545**	2,000,437
Total due to banks	**6,277,176**	3,071,408

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 swaps as either cash flow or fair value hedges. The net positive fair value of these swaps at March 31, 2019 was AED 7,108 thousand (December 31, 2018 – net negative fair value of AED 3,008 thousand).

15. Deposits from customers

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Time deposits	**93,914,540**	95,078,854
Current account deposits	**64,640,964**	54,855,845
Savings deposits	**14,176,074**	13,534,209
Murabaha deposits	**10,238,459**	11,549,497
Long term government deposits	**351,702**	377,014
Margin deposits	**1,085,995**	1,258,438
Total deposits from customers	**184,407,734**	176,653,857

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

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Mudaraba term deposits	**529,826**	621,365
Wakala deposits	**6,538,355**	5,228,283
Current account deposits	**4,980,476**	4,282,450
Mudaraba savings deposits	**6,949,166**	6,732,645
Margin deposits	**81,842**	75,248
Total Islamic deposits	**19,079,665**	16,939,991

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 swaps as either cash flow or fair value hedges. The net negative fair value of these swaps at March 31, 2019 was AED 4,881 thousand (December 31, 2018 – net negative fair value of AED 40,044 thousand).

16. Euro commercial paper

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

Currency	**As at March 31 2019 unaudited AED'000**	As at December 31 2018 audited AED'000
US dollar (USD)	**2,943,194**	2,338,833
Euro (EUR)	**940,456**	715,882
Swiss franc (CHF)	**425,694**	-
GB pound (GBP)	**229,382**	224,587
Total euro commercial paper	**4,538,726**	3,279,302

The Group hedges certain ECP for foreign currency exchange rate risk through foreign exchange swap contracts and designates these instruments as cash flow hedges. The net negative fair value of these hedge contracts as at March 31, 2019 was AED 63,590 thousand (December 31, 2018 - net negative fair value of AED 34,895 thousand).

The effective interest rate on ECPs issued ranges between negative 0.439% p.a. to positive 3.23% p.a. (December 31, 2018 – between negative 0.164% p.a. to positive 3.23% p.a.).

17. Borrowings

The details of borrowings as at March 31, 2019 (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)	652,328	159,825	653,154	402,058	1,867,365
	Chinese renminbi (CNH)	388,559	133,985	176,882	-	699,426
	Euro (EUR)	214,659	164,560	-	85,037	464,256
	Swiss franc (CHF)	-	298,189	1,015,508	-	1,313,697
	Japanese yen (JPY)	49,672	82,837	-	-	132,509
	Hong Kong dollar (HKD)	75,284	439,177	106,169	72,724	693,354
	US dollar (USD)	5,927,966	367,220	3,678,544	13,181,934	23,155,664
		7,308,468	1,645,793	5,630,257	13,741,753	28,326,271
Bilateral loans – floating rate	US dollar (USD)	-	4,949,358	1,238,469	-	6,187,827
Syndicated loan – floating rate	US dollar (USD)	2,202,167	734,600	-	-	2,936,767
Certificate of deposits issued	Great Britain pound (GBP)	167,454	-	-	-	167,454
	Canadian dollar (CAD)	202,498	-	-	-	202,498
	Indian rupee (INR)	419,152	-	-	-	419,152
	US dollar (USD)	3,019,021	97,962	-	-	3,116,983
Subordinated notes – fixed rate	US dollar (USD)	-	-	2,736,629	-	2,736,629
Borrowings through repurchase agreements	US dollar (USD)	-	-	-	202,333	202,333
	Indian rupee (INR)	13,271	-	-	-	13,271
		13,332,031	7,427,713	9,605,355	13,944,086	44,309,185

The Group hedges certain borrowings for foreign currency exchange rate risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at March 31, 2019 was AED 405,115 thousand.

17. Borrowings (continued)

The details of borrowings as at December 31, 2018 (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)	649,799	78,613	723,569	372,866	1,824,847
	Chinese renminbi (CNH)	379,195	130,085	64,709	-	573,989
	Euro (EUR)	167,632	219,047	-	83,532	470,211
	Swiss franc (CHF)	-	298,691	648,917	373,533	1,321,141
	Japanese yen (JPY)	50,092	83,592	-	-	133,684
	Hong Kong dollar (HKD)	-	297,650	179,361	71,798	548,809
	US dollar (USD)	5,308,791	3,772,456	3,137,192	11,479,505	23,697,944
		6,555,509	4,880,134	4,753,748	12,381,234	28,570,625
Bilateral loans – floating rate	US dollar (USD)	-	4,947,819	1,237,915	-	6,185,734
Syndicated loan – floating rate	US dollar (USD)	2,201,050	734,600	-	-	2,935,650
Certificate of deposits issued	Great Britain pound (GBP)	163,944	-	-	-	163,944
	Indian rupee (INR)	312,804	-	-	-	312,804
	US dollar (USD)	1,872,803	97,713	-	-	1,970,516
Subordinated notes – fixed rate	US dollar (USD)	-	-	2,659,823	-	2,659,823
Borrowings through repurchase agreements	US dollar (USD)	-	-	-	202,333	202,333
	Indian rupee (INR)	26,320	-	-	-	26,320
		11,132,430	10,660,266	8,651,486	12,583,567	43,027,749

The Group hedges certain borrowings for foreign currency exchange rate risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2018 was AED 1,286,457 thousand.

17. Borrowings (continued)

Interests are payable in arrears and the contractual coupon rates as at March 31, 2019 (unaudited) are as follows:

Instrument	CCY	Within 1 year	1-3 years	3-5 years	Over 5 years
Global medium term notes	AUD	Fixed rate of 4.75% p.a.	Fixed rate between 3.73% p.a. to 3.92 % p.a.	Fixed rate of 3.75% p.a. and quarterly coupons with 138 basis points over bank bill swap rate (BBSW)	Fixed rate of 4.50% p.a.
	CNH	Fixed rate between 3.85% p.a. to 4.50% p.a.	Fixed rate between 4.85% p.a. to 5.02% p.a.	Fixed rate between 4.60% p.a. to 4.82% p.a.	-
	EUR	Quarterly coupons between 46 to 59 basis points over Euribor	Quarterly coupons with 50 basis points over Euribor	-	Fixed rate of 0.75% p.a.
	CHF	-	-	Fixed rate between 0.385% p.a. and 0.735% p.a.	-
	JPY	Fixed rate of 0.68% p.a.	Fixed rate of 0.45 % p.a.	-	-
	HKD	Fixed rate of 2.46% p.a.	Fixed rate between 2.30% p.a. to 3.20% p.a.	Fixed rate of 2.84 % p.a.	Fixed rate of 2.87% p.a.
	USD	Fixed rate between 2.625% p.a. to 2.75% p.a. and quarterly coupons between 50 to 73 basis points over Libor.	Quarterly coupons between 65 to 90 basis points over Libor.	Fixed rate of 4.00% p.a. and quarterly coupons between 88 to 155 basis points over Libor.	Fixed rate between 4.30% p.a. to 5.785% p.a. and quarterly coupons with 140 basis points over Libor (*)
Bilateral loans – floating rate	USD	-	Monthly coupons between 60 to 85 basis points over Libor and quarterly coupons with 60 basis points over Libor	Monthly coupons of 95 basis points over Libor	-
Syndicated loan – floating rate	USD	Quarterly coupons of 95 basis points over Libor	Monthly coupons of 73 basis points over Libor	-	-
Certificate of deposits issued	GBP	Fixed rate 1.126% p.a.	-	-	-
	CAD	Fixed rate 2.40% p.a.	-	-	-
	INR	Fixed rate between 7.30% p.a. to 7.90% p.a.	-	-	-
	USD	Fixed rate between 2.81% p.a. to 2.88% p.a. and quarterly Coupons with 114 bps over Libor	Fixed rate between 2.41% p.a. to 2.48% p.a.	-	-
Subordinated notes – fixed rate	USD	-	-	Fixed rate of 4.50% p.a.	-
Borrowings through repurchase agreements	USD	-	-	-	Semi-annual coupons between negative 20 to negative 18 basis points over Libor
	INR	Fixed rate of 7.75 % p.a.	-	-	-

(*) includes AED 12,399,002 thousand 30 year accreting notes with yield ranging between 4.30% p.a. to 5.785% p.a. and are callable at the end of every 5th, 6th, 7th or 10th year from issue date.

17. Borrowings (continued)

The subordinated fixed rate note qualifies as Tier 2 capital and is eligible for grandfathering at the rate of 10% per annum in accordance with capital guidance issued by the UAE Central Bank. Further, the subordinated fixed rate note has entered its five years to maturity and is being amortised at the rate of 20% per annum till its maturity in 2023 (Note 32).

18. Other liabilities

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Interest payable	**1,367,073**	1,409,503
Recognised liability for defined benefit obligation	**496,849**	487,995
Accounts payable and other creditors	**226,259**	215,558
Deferred income	**668,730**	672,303
Acceptances (Note 13)	**10,566,702**	10,531,047
Impairment allowance on letters of credit, guarantees and other commitments (Note 11)	**306,375**	349,752
Others (*)	**1,763,996**	1,630,410
Total other liabilities	**15,395,984**	15,296,568

(*) includes AED 74,863 thousand against trading securities short sold which are carried at FVTPL (December 31, 2018: AED Nil).

19. Share capital

	Authorised	**Issued and fully paid**	
		As at March 31 2019 unaudited	As at December 31 2018 audited
	AED'000	**AED'000**	AED'000
Ordinary shares of AED 1 each	**10,000,000**	**5,198,231**	5,198,231

As at March 31, 2019, Abu Dhabi Investment Council held 62.523% (December 31, 2018 – 62.523%) of the Bank's issued and fully paid up share capital.

20. Other reserves (unaudited)

Reserves movement for the three month period ended March 31, 2019:

	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Revaluation reserve of investments designated at FVTOCI AED'000	Total AED'000
As at January 1, 2019	**(41,758)**	**2,797,799**	**2,797,799**	**2,000,000**	**150,000**	**(86,249)**	**(148,778)**	**(609,542)**	**6,859,271**
Exchange difference arising on translation of foreign operations	-	-	-	-	-	**4,676**	-	-	**4,676**
Net fair value changes on cash flow hedges	-	-	-	-	-	-	**120,008**	-	**120,008**
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	**5,034**	-	**5,034**
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	**336,770**	**336,770**
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI (*)	-	-	-	-	-	-	-	**(11,240)**	**(11,240)**
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	**9,523**	**9,523**
Total other comprehensive income for the period	-	-	-	-	-	**4,676**	**125,042**	**335,053**	**464,771**
Shares – vested portion	**3,361**	-	-	-	-	-	-	-	**3,361**
As at March 31, 2019	**(38,397)**	**2,797,799**	**2,797,799**	**2,000,000**	**150,000**	**(81,573)**	**(23,736)**	**(274,489)**	**7,327,403**
As at January 1, 2018 (as previously reported)	(64,914)	2,797,799	2,797,799	2,000,000	150,000	(65,195)	(190,370)	59,808	7,484,927
Effect of change in accounting policy for IFRS 9	-	-	-	-	-	-	-	149,349	149,349
As at January 1, 2018 (restated)	(64,914)	2,797,799	2,797,799	2,000,000	150,000	(65,195)	(190,370)	209,157	7,634,276
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(4,553)	-	-	(4,553)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	(99,485)	-	(99,485)
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	(31,684)	-	(31,684)
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(180,300)	(180,300)
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI (*)	-	-	-	-	-	-	-	100	100
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(2,227)	(2,227)
Total other comprehensive loss for the period	-	-	-	-	-	(4,553)	(131,169)	(182,427)	(318,149)
Shares – vested portion	6,448	-	-	-	-	-	-	-	6,448
As at March 31, 2018	(58,466)	2,797,799	2,797,799	2,000,000	150,000	(69,748)	(321,539)	26,730	7,322,575

(*) includes allowance for impairment.

21. 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.

22. Interest income (unaudited)

	3 months ended March 31	
	2019	2018
	AED'000	AED'000
Loans and advances to banks	**231,957**	103,245
Loans and advances to customers	**2,086,779**	1,896,187
Investment securities	**482,609**	368,896
Total interest income	**2,801,345**	2,368,328

23. Interest expense (unaudited)

	3 months ended March 31	
	2019	2018
	AED'000	AED'000
Deposits from banks	**15,594**	17,958
Deposits from customers	**879,468**	528,624
Euro commercial paper	**31,970**	13,697
Borrowings (*)	**421,266**	250,450
Total interest expense	**1,348,298**	810,729

(*) includes AED 1,143 thousand (for the three month period ended March 31, 2018: AED Nil) for interest expense on lease liabilities.

24. Net fees and commission income (unaudited)

	3 months ended March 31	
	2019	2018
	AED'000	AED'000
Fees and commission income		
Card related fees	**218,881**	211,808
Loan processing fees	**118,427**	122,724
Accounts related fees	**26,032**	14,894
Trade finance commission	**68,307**	70,367
Insurance commission	**14,242**	15,108
Asset management and investment services	**20,355**	27,489
Brokerage fees	**1,130**	2,463
Other fees	**75,399**	42,204
Total fees and commission income	**542,773**	507,057
Fees and commission expense	**(164,131)**	(156,810)
Net fees and commission income	**378,642**	350,247

25. Net trading income (unaudited)

	3 months ended March 31	
	2019	2018
	AED'000	AED'000
Net gains from dealing in derivatives	**24,678**	14,030
Net gains from dealing in foreign currencies	**107,738**	121,416
Net gains/(losses) from trading securities	**679**	(3,998)
Net trading income	**133,095**	131,448

26. Other operating income (unaudited)

	3 months ended March 31	
	2019	2018
	AED'000	AED'000
Property management income	**32,958**	33,215
Rental income	**12,601**	12,912
Net gains/(losses) from disposal of investment securities	**504**	(100)
Gains/(losses) arising from retirement of hedges	**5,283**	(5,035)
Others	**3,300**	3,332
Total other operating income	**54,646**	44,324

27. Operating expenses (unaudited)

	3 months ended March 31	
	2019	2018
	AED'000	AED'000
Staff expenses	**455,575**	468,181
Depreciation	**57,023**	42,599
General administrative expenses	**280,628**	259,371
Total operating expenses	**793,226**	770,151

28. Impairment allowances (unaudited)

	3 months ended March 31	
	2019	2018
	AED'000	AED'000
Charge for the period	**371,315**	431,203
Recoveries during the period	**(41,392)**	(50,909)
Total impairment allowances (Note 11)	**329,923**	380,294

29. Earnings per share (unaudited)

Basic and diluted earnings per share

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

	3 months ended March 31	
	2019	2018
	AED'000	AED'000
Net profit for the period attributable to the equity holders of the Bank	**1,152,311**	1,207,046
Less: Coupons paid on capital notes (Note 21)	**(104,327)**	(83,931)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	**1,047,984**	1,123,115
	Number of shares in thousand	
Weighted average number of shares in issue throughout the period	**5,198,231**	5,198,231
Less: Weighted average number of shares resulting from employees' incentive plan shares	**(9,039)**	(12,702)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	**5,189,192**	5,185,529
Add: Weighted average number of shares resulting from employees' incentive plan shares	**9,039**	12,702
Weighted average number of equity shares in issue during the period for diluted earnings per share (c)	**5,198,231**	5,198,231
Basic earnings per share (AED) (a)/(b)	**0.20**	0.22
Diluted earnings per share (AED) (a)/(c)	**0.20**	0.22

30. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Letters of credit	**4,560,773**	5,322,188
Guarantees	**29,014,556**	28,673,986
Commitments to extend credit – revocable (*)	**11,645,802**	11,244,578
Commitments to extend credit – irrevocable	**14,089,658**	14,528,686
Total commitments on behalf of customers	**59,310,789**	59,769,438
Commitments for future capital expenditure	**491,376**	461,668
Commitments to invest in investment securities	**70,587**	51,995
Total commitments and contingent liabilities	**59,872,752**	60,283,101

(*) includes AED 6,796,338 thousand (December 31, 2018: AED 6,752,159 thousand) for undrawn credit card limits.

31. Operating segments

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

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

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

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

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

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

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

31. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segments for the three month period ended March 31, 2019 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	**632,670**	**424,293**	**384,684**	**11,400**	**1,453,047**
Net income from Islamic financing	**110,159**	**89,506**	**52,030**	**2,022**	**253,717**
Total net interest and Islamic financing income	**742,829**	**513,799**	**436,714**	**13,422**	**1,706,764**
Non-interest income	**240,330**	**167,668**	**106,916**	**51,469**	**566,383**
Operating expenses	**(480,829)**	**(221,418)**	**(62,531)**	**(28,448)**	**(793,226)**
Operating profit before impairment allowances	**502,330**	**460,049**	**481,099**	**36,443**	**1,479,921**
Impairment (allowances)/releases	**(167,274)**	**(174,263)**	**11,614**	**-**	**(329,923)**
Operating profit after impairment allowances	**335,056**	**285,786**	**492,713**	**36,443**	**1,149,998**
Share in profit of associate	**2,749**	**-**	**-**	**-**	**2,749**
Profit before taxation	**337,805**	**285,786**	**492,713**	**36,443**	**1,152,747**
Overseas tax expense	**-**	**(436)**	**-**	**-**	**(436)**
Net profit for the period	**337,805**	**285,350**	**492,713**	**36,443**	**1,152,311**
Capital expenditure					**52,082**
As at March 31, 2019 (unaudited)					
Segment assets	**72,068,966**	**120,167,595**	**99,298,597**	**577,700**	**292,112,858**
Segment liabilities	**58,784,010**	**94,634,887**	**106,667,876**	**95,612**	**260,182,385**

The following is an analysis of the Group's revenue and results by operating segments for the three month period ended March 31, 2018 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	679,153	490,363	370,271	17,812	1,557,599
Net income from Islamic financing	125,307	73,218	70,706	1,587	270,818
Total net interest and Islamic financing income	804,460	563,581	440,977	19,399	1,828,417
Non-interest income	197,135	182,692	94,007	52,185	526,019
Operating expenses	(477,475)	(207,824)	(55,616)	(29,236)	(770,151)
Operating profit before impairment allowances	524,120	538,449	479,368	42,348	1,584,285
Impairment (allowances)/releases	(336,791)	(58,546)	15,043	-	(380,294)
Operating profit after impairment allowances	187,329	479,903	494,411	42,348	1,203,991
Share in profit of associate	2,682	-	-	-	2,682
Profit before taxation	190,011	479,903	494,411	42,348	1,206,673
Overseas tax income	-	373	-	-	373
Net profit for the period	190,011	480,276	494,411	42,348	1,207,046
Capital expenditure					25,534
As at December 31, 2018 (audited)					
Segment assets	72,988,378	115,918,590	90,368,977	554,393	279,830,338
Segment liabilities	53,779,990	88,893,849	104,261,700	89,256	247,024,795

31. Operating segments (continued)

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**	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
Consumer banking	**1,302,493**	1,285,295	**(319,334)**	(283,700)
Wholesale banking	**992,933**	995,727	**(311,466)**	(249,454)
Investments and treasury	**(62,262)**	30,506	**605,892**	504,478
Property management	**39,983**	42,908	**24,908**	28,676
Total operating income	**2,273,147**	2,354,436	**-**	-

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:

	Domestic (unaudited)		**International** (unaudited)	
	3 months ended March 31		**3 months ended March 31**	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
Income				
Net interest and Islamic financing income	**1,714,067**	1,827,643	**(7,303)**	774
Non-interest income	**562,166**	524,726	**4,217**	1,293

	Domestic		**International**	
	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000	**As at March 31 2019 unaudited AED'000**	As at December 31 2018 audited AED'000
Non-current assets				
Investment in associate	**197,888**	205,158	**-**	-
Investment properties	**575,021**	576,671	**-**	-
Property and equipment, net	**1,132,103**	977,778	**5,646**	4,827
Intangible asset - Goodwill	**18,800**	18,800	**-**	-

32. Capital adequacy ratio

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

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Common equity tier 1 (CET1) capital		
Share capital (Note 19)	**5,198,231**	5,198,231
Share premium	**2,419,999**	2,419,999
Other reserves (Note 20)	**7,664,025**	7,659,349
Retained earnings	**12,637,317**	14,010,929
Regulatory deductions and adjustments		
Intangible asset (Note 13)	**(18,800)**	(18,800)
Cash flow hedge reserve (Note 20)	**(23,736)**	(148,778)
Employee's incentive plan shares, net (Note 20)	**(38,397)**	(41,758)
Revaluation reserve of investments designated at FVTOCI (Note 20)	**(274,489)**	(609,542)
Other regulatory deductions	**(935,453)**	-
Total CET1 capital	**26,628,697**	28,469,630
Additional tier 1 (AT1) capital		
Capital notes (Note 21)	**4,000,000**	4,000,000
Total AT1 capital	**4,000,000**	4,000,000
Total tier 1 capital	**30,628,697**	32,469,630
Tier 2 capital		
Eligible general provision	**2,448,505**	2,359,353
Subordinated notes (Note 17)	**1,678,950**	1,841,730
Total tier 2 capital	**4,127,455**	4,201,083
Total regulatory capital	**34,756,152**	36,670,713
Risk-weighted assets		
Credit risk	**195,880,413**	188,748,218
Market risk	**9,282,252**	8,396,389
Operational risk	**15,426,306**	15,262,739
Total risk-weighted assets	**220,588,971**	212,407,346
CET1 ratio	**12.07%**	13.40%
AT1 ratio	**1.81%**	1.88%
Tier 1 ratio	**13.88%**	15.28%
Tier 2 ratio	**1.88%**	1.98%
Capital adequacy ratio	**15.76%**	17.26%

The Bank is required to maintain minimum capital requirements related to risk-weighted assets as mentioned below:

Transitional arrangement	2019	2018
CET1 including buffers		
- CET1	7.00%	7.00%
- CCB	2.50%	1.88%
- D-SIB buffer	0.50%	0.38%
CET1 including buffers	10.00%	9.25%
Tier 1	11.50%	10.75%
Minimum capital requirement	13.50%	12.75%

33. Fair value hierarchy

Fair value measurements recognised in the condensed consolidated interim financial information

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

Quoted market prices – Level 1

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

Valuation techniques using observable inputs – Level 2

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

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

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

Valuation techniques using significant unobservable inputs – Level 3

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

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

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

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

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

Refer Note 12 in respect of valuation methodology used for investment properties.

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 does not materially differ from their fair values.

33. Fair value hierarchy (continued)

	Notes	Level 1 Quoted market prices AED'000	Level 2 Observable inputs AED'000	Level 3 Significant unobservable inputs AED'000	Total fair value AED'000	Carrying value AED'000
As at March 31, 2019 (unaudited)						
Assets at fair value						
Trading securities	7	78,946	-	-	78,946	78,946
Derivative financial instruments	8	-	4,892,837	-	4,892,837	4,892,837
Investment securities	9					
- Quoted		48,074,243	2,422,407	-	50,496,650	50,496,650
- Unquoted		-	6,420,114	268,403	6,688,517	6,688,517
Investment properties	12	-	-	575,021	575,021	575,021
Total		48,153,189	13,735,358	843,424	62,731,971	62,731,971
Liabilities at fair value						
Derivative financial instruments	8	411	5,253,169	-	5,253,580	5,253,580
Other liabilities	18	74,863	-	-	74,863	74,863
Liabilities at amortised cost						
Euro commercial paper	16	-	4,549,669	-	4,549,669	4,538,726
Borrowings	17	13,294,661	28,723,900	-	42,018,561	44,309,185
Total		13,369,935	38,526,738	-	51,896,673	54,176,354
As at December 31, 2018 (audited)						
Assets at fair value						
Trading securities	7	60,134	-	-	60,134	60,134
Derivative financial instruments	8	56	4,447,191	-	4,447,247	4,447,247
Investment securities	9					
- Quoted		43,339,649	1,427,018	-	44,766,667	44,766,667
- Unquoted		-	7,343,724	251,843	7,595,567	7,595,567
Investment properties	12	-	-	576,671	576,671	576,671
Total		43,399,839	13,217,933	828,514	57,446,286	57,446,286
Liabilities at fair value						
Derivative financial instruments	8	275	5,695,636	-	5,695,911	5,695,911
Liabilities at amortised cost						
Euro commercial paper	16	-	3,285,187	-	3,285,187	3,279,302
Borrowings	17	15,427,393	26,186,580	-	41,613,973	43,027,749
Total		15,427,668	35,167,403	-	50,595,071	52,002,962

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 investments carried at FVTOCI is as follows:

	As at March 31 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Opening balance	251,843	333,137
Purchases, net during the period/year	16,275	34,818
Disposals including capital refunds during the period/year	-	(36,973)
IFRS 9 transition adjustment	-	56,687
Adjustment through other comprehensive income during the period/year	285	(135,826)
Closing balance	268,403	251,843

No gain or loss was realised on disposal of Level 3 investments carried at FVTOCI during the current and previous periods.

34. 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.

35. Merger and acquisition

On January 29, 2019, the Boards of Directors of ADCB and Union National Bank ("UNB") approved and recommended to the shareholders a merger of the two banks and acquisition of 100% of the issued share capital of Al Hilal Bank ("AHB") by the combined bank.

On March 21, 2019, the shareholders of both banks approved the proposed merger pursuant to Article 283 (1) of UAE Federal Law No (2) of 2015 concerning Commercial Companies, through issuance of 0.5966 new shares in ADCB for every one share of UNB, subject to the terms and conditions of the merger. Following the merger, ADCB shareholders will own approximately 76% of the combined bank while UNB shareholders will own approximately 24%. On the effective date of the merger, UNB shares will be delisted from the Abu Dhabi Securities Exchange. The combined bank will retain ADCB's legal registrations.

The shareholders also approved issuance of mandatory convertible bonds ("bonds") by ADCB to the shareholder of AHB as the consideration to acquire the entire issued share capital of AHB. Such bonds shall be converted into up to 117,647,058 post-merger ADCB shares.

The effective date of above merger and acquisition was May 1, 2019.