

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

**Review report and condensed consolidated interim financial  
information for the three month period ended March 31, 2012**

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

### *Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank P.J.S.C. and its subsidiaries (together referred to as "the Bank") as of March 31, 2012 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting ("IAS 34")". Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not present fairly, in all material respects, the financial position of the Bank as at March 31, 2012, and of its financial performance and its cash flows for the three month period then ended in accordance with IAS 34.

PricewaterhouseCoopers

Jacques Fakhoury  
Registration Auditor Number 379  
April 24, 2012


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

**Condensed consolidated interim statement of financial position  
as at March 31, 2012**

		As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
	Notes		
<b>ASSETS</b>			
Cash and balances with Central Banks	3	7,555,710	6,629,945
Deposits and balances due from banks	4	17,664,214	20,839,932
Trading securities	5	86,864	15,755
Loans and advances, net	6	123,865,936	124,754,737
Derivative financial instruments	7	4,532,816	4,844,764
Investment securities	8	16,948,168	15,052,103
Investments in associates	9	93,914	81,817
Investment properties	10	435,404	396,912
Other assets	11	10,667,447	10,021,494
Property and equipment, net		947,389	964,518
Intangible assets		115,771	123,653
<b>Total assets</b>		<b>182,913,633</b>	<b>183,725,630</b>
<b>LIABILITIES</b>			
Due to Central Banks		7,220	48,100
Due to banks	12	3,580,779	3,090,386
Deposits from customers	13	114,461,916	109,887,477
Short and medium term borrowings	14	25,033,252	30,808,557
Derivative financial instruments	7	4,635,604	4,821,568
Long term borrowings	15	588,041	1,088,452
Other liabilities	16	11,548,449	11,903,567
<b>Total liabilities</b>		<b>159,855,261</b>	<b>161,648,107</b>
<b>EQUITY</b>			
Share capital	17	5,595,597	5,595,597
Share premium	17	3,848,286	3,848,286
Statutory and legal reserves		3,309,351	3,309,351
General and contingency reserves		2,150,000	2,150,000
Employees' incentive plan shares, net		(93,967)	(104,595)
Foreign currency translation reserve		(18,466)	(27,521)
Hedge reserve		7	(2,581)
Cumulative changes in fair values		(128,178)	(404,758)
Retained earnings		4,388,457	3,708,227
Capital notes	18	4,000,000	4,000,000
<b>Equity attributable to equity holders of the parent</b>		<b>23,051,087</b>	<b>22,072,006</b>
<b>Non-controlling interests</b>		<b>7,285</b>	<b>5,517</b>
<b>Total equity</b>		<b>23,058,372</b>	<b>22,077,523</b>
<b>Total liabilities and equity</b>		<b>182,913,633</b>	<b>183,725,630</b>

  
Eissa Al-Suwaidi  
Chairman

  
Ala'a Eraiqat  
Chief Executive Officer

  
Deepak Khullar  
Chief Financial Officer

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

**Condensed consolidated interim income statement (unaudited)**  
**for the three month period ended March 31, 2012**

		<b>3 months ended March 31</b>	
	<b>Notes</b>	<b>2012</b>	<b>2011</b>
		<b>AED'000</b>	<b>AED'000</b>
Interest income	<b>19</b>	<b>1,827,866</b>	1,816,196
Interest expense	<b>20</b>	<b>(640,532)</b>	(901,999)
<b>Net interest income</b>		<b>1,187,334</b>	914,197
Income from Islamic financing		<b>84,655</b>	77,424
Islamic profit distribution		<b>(76,837)</b>	(65,941)
<b>Net income from Islamic financing</b>		<b>7,818</b>	11,483
<b>Total net interest and Islamic financing income</b>		<b>1,195,152</b>	925,680
Net fees and commission income	<b>21</b>	<b>249,059</b>	262,556
Net trading income	<b>22</b>	<b>102,037</b>	101,769
Other operating income		<b>37,548</b>	35,990
<b>Operating income</b>		<b>1,583,796</b>	1,325,995
Staff costs		<b>(292,109)</b>	(199,539)
Depreciation		<b>(32,787)</b>	(36,101)
Amortisation of intangible assets		<b>(7,882)</b>	(7,020)
Other operating expenses		<b>(172,792)</b>	(184,418)
<b>Operating expenses</b>		<b>(505,570)</b>	(427,078)
<b>Operating profit before impairment allowances</b>		<b>1,078,226</b>	898,917
Impairment allowances on loans and advances, net	<b>6</b>	<b>(287,436)</b>	(325,499)
Other impairment release/(allowances)	<b>23</b>	<b>735</b>	(73,644)
Share of profit of associates	<b>9</b>	<b>12,097</b>	84,376
<b>Profit before taxation</b>		<b>803,622</b>	584,150
Overseas income tax expense		<b>(1,624)</b>	(1,590)
<b>Net profit for the period</b>		<b>801,998</b>	582,560
<b>Attributed to:</b>			
Equity holders of the parent		<b>800,230</b>	574,400
Non-controlling interests		<b>1,768</b>	8,160
<b>Net profit for the period</b>		<b>801,998</b>	582,560
<b>Basic earnings per share (AED)</b>	<b>24</b>	<b>0.12</b>	0.09
<b>Diluted earnings per share (AED)</b>	<b>24</b>	<b>0.12</b>	0.09

The accompanying notes form 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, 2012**

	<b>3 months ended March 31</b>	
	<b>2012</b>	2011
	<b>AED'000</b>	AED'000
<b>Net profit for the period</b>	<b>801,998</b>	582,560
Exchange difference arising on translation of foreign operations	<b>9,055</b>	102,786
Fair value changes on cash flow hedges on financial assets	<b>2,588</b>	-
Fair value changes on net investment in foreign operation hedges	-	(77,504)
Fair value changes on available for sale investments	<b>273,460</b>	(103,312)
Fair value changes reversed on disposal/impairment of available for sale investments	<b>3,120</b>	(94)
Share in other comprehensive income statement items of associate	-	(19,098)
<b>Total comprehensive income for the period</b>	<b>1,090,221</b>	485,338
<b>Attributed to:</b>		
Equity holders of the parent	<b>1,088,453</b>	477,178
Non-controlling interests	<b>1,768</b>	8,160
<b>Total comprehensive income for the period</b>	<b>1,090,221</b>	485,338

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

**Condensed consolidated interim statement of changes in equity (unaudited)  
for the three month period ended March 31, 2012**

	Share Capital AED'000	Share premium AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive plan shares, net AED'000	Foreign currency translation reserve AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the parent AED'000	Non - controlling interests AED'000	Total equity AED'000
<b>Balance at January 1, 2012</b>	5,595,597	3,848,286	1,677,069	1,632,282	2,000,000	150,000	(104,595)	(27,521)	(2,581)	(404,758)	3,708,227	4,000,000	22,072,006	5,517	22,077,523
Net profit for the period	-	-	-	-	-	-	-	-	-	-	800,230	-	800,230	1,768	801,998
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	9,055	-	-	-	-	9,055	-	9,055
Fair value changes on cash flow hedges on financial assets	-	-	-	-	-	-	-	-	2,588	-	-	-	2,588	-	2,588
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	-	273,460	-	-	273,460	-	273,460
Fair value changes reversed on disposal/impairment of available for sale investments	-	-	-	-	-	-	-	-	-	3,120	-	-	3,120	-	3,120
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	9,055	2,588	276,580	800,230	-	1,088,453	1,768	1,090,221
Capital notes coupon paid	-	-	-	-	-	-	-	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Shares – vested portion	-	-	-	-	-	-	10,628	-	-	-	-	-	10,628	-	10,628
<b>Balance at March 31, 2012</b>	5,595,597	3,848,286	1,677,069	1,632,282	2,000,000	150,000	(93,967)	(18,466)	7	(128,178)	4,388,457	4,000,000	23,051,087	7,285	23,058,372

For the year ended December 31, 2011, the Board of Directors have proposed to pay cash dividends representing 20% of the paid up capital (Note 17).

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

**Condensed consolidated interim statement of changes in equity (unaudited)**  
**for the three month period ended March 31, 2012 (continued)**

	Share capital AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive plan shares, net AED'000	Foreign currency translation reserve AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Other reserve AED'000	Retained earnings AED'000	Capital notes AED'000	Mandatory convertible securities - equity component AED'000	Equity Attributable to equity holders of the parent AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance at January 1, 2011	4,810,000	1,374,483	1,329,696	2,000,000	150,000	(36,677)	136,676	(537,904)	174,799	5,630	1,524,201	4,000,000	4,633,883	19,564,787	8,561	19,573,348
Net profit for the period	-	-	-	-	-	-	-	-	-	-	574,400	-	-	574,400	8,160	582,560
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	102,786	-	-	-	-	-	-	102,786	-	102,786
Fair value changes on net investment in foreign operation	-	-	-	-	-	-	-	(77,504)	-	-	-	-	-	(77,504)	-	(77,504)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	(103,312)	-	-	-	-	(103,312)	-	(103,312)
Fair value changes reversed on disposal/impairment of available for sale investments	-	-	-	-	-	-	-	-	(94)	-	-	-	-	(94)	-	(94)
Share in other comprehensive income statement items of associate	-	-	-	-	-	-	763	-	(20,072)	211	-	-	-	(19,098)	-	(19,098)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	103,549	(77,504)	(123,478)	211	574,400	-	-	477,178	8,160	485,338
Capital notes coupon paid	-	-	-	-	-	-	-	-	-	-	(116,667)	-	-	(116,667)	-	(116,667)
Shares granted	-	-	-	-	-	(60,800)	-	-	-	-	-	-	-	(60,800)	-	(60,800)
Shares – vested portion	-	-	-	-	-	9,245	-	-	-	-	-	-	-	9,245	-	9,245
Balance at March 31, 2011	4,810,000	1,374,483	1,329,696	2,000,000	150,000	(88,232)	240,225	(615,408)	51,321	5,841	1,981,934	4,000,000	4,633,883	19,873,743	16,721	19,890,464

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, 2012**

	<b>3 months ended March 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation and non-controlling interests	803,622	584,150
<b>Adjustments for:</b>		
Depreciation on property and equipment	32,787	36,101
Amortisation of intangible assets	7,882	7,020
Dividends income	(10)	(3)
Impairment allowance on loans and advances	348,582	359,148
Recovery of doubtful loans and advances	(61,146)	(33,649)
Other impairment (release)/allowances	(735)	73,644
Realised and unrealised net gain from available for sale and trading securities	(4,396)	(3,152)
Share of profit of associates, net	(12,097)	(84,376)
Discount unwind	(31,937)	-
Imputed interest on mandatory convertible securities	-	(22,813)
Ineffective portion of hedges	(35,603)	(1,269)
Employees' incentive plan benefit expense	10,628	9,245
<b>Operating profit before changes in operating assets and liabilities</b>	<b>1,057,577</b>	<b>924,046</b>
Decrease/(increase) in due from banks	1,836,229	(579,550)
Decrease/(increase) in net trading derivative financial instruments	55,528	(2,823)
Decrease in loans and advances	633,302	1,382,733
(Increase)/decrease in other assets	(148,744)	68,686
Increase/(decrease) in due to banks	320	(1,235,104)
Increase in deposits from customers	4,552,163	3,032,849
(Decrease)/increase in other liabilities	(844,896)	335,429
<b>Net cash from operations</b>	<b>7,141,479</b>	<b>3,926,266</b>
<b>INVESTING ACTIVITIES</b>		
Dividends received from associate	-	(328)
Dividends income	10	3
Purchase of available for sale investment securities	(1,747,907)	(2,365,569)
Net proceeds from disposal of available for sale investment securities	169,139	76,017
Purchase of trading securities	(285,076)	-
Net proceeds from disposal of trading securities	213,583	-
Additions to investment properties	(38,492)	(13,038)
Purchase of property and equipment, net	(15,658)	(23,655)
<b>Net cash used in investing activities</b>	<b>(1,704,401)</b>	<b>(2,326,570)</b>
<b>FINANCING ACTIVITIES</b>		
Net repayment of short, medium and long term borrowings	(6,183,416)	(1,116,091)
Capital notes coupon paid	(120,000)	(116,667)
Purchase of employees' incentive plan shares	-	(60,800)
<b>Net cash used in financing activities</b>	<b>(6,303,416)</b>	<b>(1,293,558)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(866,338)</b>	<b>306,138</b>
Cash and cash equivalents at the beginning of the period	19,261,633	16,676,284
<b>Cash and cash equivalents at the end of the period</b>	<b>18,395,295</b>	<b>16,982,422</b>

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, 2012 (continued)**

**Cash and cash equivalents**

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

	<b>As at March 31 2012 (unaudited) AED'000</b>	<b>As at December 31 2011 (audited) AED'000</b>
Cash and balances with Central Banks	<b>7,555,710</b>	6,629,945
Deposits and balances due from banks	<b>17,664,214</b>	20,839,932
Due to Central Banks	<b>(7,220)</b>	(48,100)
Due to banks	<b>(3,580,779)</b>	(3,090,386)
	<b>21,631,925</b>	24,331,391
Less: Deposits and balances due from banks and cash and balances with Central Banks – maturity more than 3 months	<b>(3,673,336)</b>	(5,509,565)
Add: Due to banks – maturity more than 3 months	<b>436,706</b>	439,807
	<b>18,395,295</b>	19,261,633

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

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**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012****1 General**

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

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

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

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

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

The same accounting policies, presentation and methods of computation have been followed in this condensed consolidated interim financial information as were applied in the preparation and presentation of the Bank's consolidated financial statements for the year ended December 31, 2011.

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

The results for the three month period ended March 31, 2012 are not necessary indicative of the results that may be expected for the financial year ending December 31, 2012.

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

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

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**2 Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

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

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

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

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

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

**2.2.2 Standards and Interpretations in issue not yet effective**

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

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
Amendments to IAS 1, Presentation of Financial Statements - revise the way other comprehensive income is presented, with grouping of items on the basis of whether they are potentially reclassifiable to profit and loss subsequently.	July 1, 2012
Amendments to IAS 19, Employee Benefits — Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects, requiring recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, with all actuarial gains and losses recognized immediately through other comprehensive income.	January 1, 2013
IAS 27, Separate Financial Statements (revised 2011) and IAS 28, Investments in Associates and Joint Ventures (revised 2011) – Revision as required by IFRS 10 and IFRS 11.	January 1, 2013
The amendments to IAS 32, Financial Instruments: Presentation – The amendments clarify the offsetting criteria in IAS 32 to address inconsistencies in their application. An entity will have a legally enforceable right to set off only if it is non-contingent in nature and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.	January 1, 2014

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**2 Summary of significant accounting policies (continued)**

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

IFRS 10, Consolidated Financial Statements - Replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. Under IFRS 10 there is only one basis of consolidation, that is control, for which a new definition has been included.	January 1, 2013
IFRS 11, Joint Arrangements - Replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. It deals with how a joint arrangement of which two or more parties have joint control should be classified and requires that joint ventures are accounted for using the equity method of accounting.	January 1, 2013
IFRS 12, Disclosure of Interests in Other Entities - Replaces the requirements previously included in IAS 27 – Consolidated and Separate Financial Statements, IAS 31 – Interests in Joint Ventures and IAS 28 - Investments in Associates. In general, the disclosure requirements are more extensive than the current standards.	January 1, 2013
IFRS 13, Fair Value measurement - represents the completion of the joint project to establish a single source for the requirements on how to measure fair value under IFRS. The Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and improving disclosure requirements for use across IFRSs.	January 1, 2013
IFRS 9, Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39)	January 1, 2015

Key requirements of IFRS 9 are described as follows:

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

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

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**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)****2 Summary of significant accounting policies (continued)****2.3 Basis of consolidation**

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

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

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

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

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

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

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

**2.4 Trading and Investment securities**

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

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

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

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**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)****2 Summary of significant accounting policies (continued)****2.4 Trading and Investment securities (continued)****Investments designated at fair value through profit or loss (FVTPL)**

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

An investment is classified as held for trading if:

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

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

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

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

**Held-to-maturity**

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

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

Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective interest rate method. Any gain or loss on such investments is recognised in the condensed consolidated interim income statement when the investment is derecognised or impaired.

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

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**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)****2 Summary of significant accounting policies (continued)****2.4 Trading and Investment securities (continued)****Held-to-maturity (continued)**

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

**Available for sale**

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

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

Gains and losses arising from changes in fair value are recognised in the condensed consolidated comprehensive income statement and recorded in cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the condensed consolidated interim income statement. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity in the cumulative changes in fair values is included in the condensed consolidated interim income statement for the period.

If an available for sale investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in the condensed consolidated interim income statement, is removed from equity and recognised in the condensed consolidated interim income statement. Once an impairment loss has been recognised on an available for sale financial asset, the subsequent accounting treatment for changes in the fair value of that asset differs depending on the nature of the available-for-sale financial asset concerned:

For an available for sale debt security, a subsequent decline in the fair value of the instrument is recognised in the condensed consolidated interim income statement when there is further objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset.

Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised directly in 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;



**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)****2 Summary of significant accounting policies (continued)****2.4 Trading and Investment securities (continued)****Available for sale (continued)**

- For an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in condensed consolidated other comprehensive income statement, accumulating in equity. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in the condensed consolidated interim income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security.

**Reclassifications**

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

**Derecognition of investment securities**

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

**2.5 Investment properties**

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

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

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**3 Cash and balances with Central Banks**

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Cash on hand	382,150	547,769
Balances with Central Banks (*)	5,273,560	5,082,176
Certificate of deposits with Central Bank	1,900,000	1,000,000
	<u>7,555,710</u>	<u>6,629,945</u>

(\*) Balances with Central Banks include reserve requirements of AED 5,084,733 thousand as at March 31, 2012 (December 31, 2011 – AED 5,053,934 thousand) with the Central Bank of the U.A.E.

The geographical concentration is as follows:

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Within the U.A.E.	7,532,713	6,601,201
Outside the U.A.E.	22,997	28,744
	<u>7,555,710</u>	<u>6,629,945</u>

**4 Deposits and balances due from banks**

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Current and demand deposits	190,472	257,728
Placements	15,053,742	17,592,265
Murabaha placements	2,360,000	2,249,000
Wakala placements	60,000	740,939
	<u>17,664,214</u>	<u>20,839,932</u>

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**4 Deposits and balances due from banks (continued)**

The geographical concentration is as follows:

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Within the U.A.E.	12,705,991	12,798,544
Outside the U.A.E.	4,958,223	8,041,388
	<u>17,664,214</u>	<u>20,839,932</u>

**5 Trading securities**

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Quoted within the U.A.E.	79,254	15,755
Quoted outside the U.A.E.	7,610	-
	<u>86,864</u>	<u>15,755</u>

Trading securities represent investments in public sector bonds. The fair value of these investments is based on quoted market prices. The bonds yield a fixed coupon rate in the range of 3.25% - 8% per annum.

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**6 Loans and advances, net**

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Overdrafts (Retail and Corporate)	9,764,851	9,949,513
Corporate loans	100,793,906	101,565,326
Retail loans	12,430,518	12,303,074
Credit cards	2,088,267	2,133,144
Islamic financing	3,914,522	3,749,732
Other facilities	793,989	765,824
	<hr/> 129,786,053	<hr/> 130,466,613
Less: Allowance for impairment	(5,920,117)	(5,711,876)
	<hr/> <hr/> 123,865,936	<hr/> <hr/> 124,754,737

Islamic financing include the following:

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Murabaha	596,810	565,975
Ijara financing	663,858	651,970
Mudaraba	214,208	154,578
Salam	2,386,016	2,324,991
Others	53,630	52,218
	<hr/> 3,914,522	<hr/> 3,749,732
Less: Allowance for impairment	(22,826)	(20,942)
	<hr/> <hr/> 3,891,696	<hr/> <hr/> 3,728,790

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**6 Loans and advances, net (continued)**

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

	As at March 31, 2012 (unaudited)			As at December 31, 2011 (audited)		
	Individual impairment	Collective impairment	Total	Individual Impairment	Collective impairment	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<b>At January 1</b>	3,652,804	2,059,072	5,711,876	4,653,146	1,643,291	6,296,437
Charge for the period/year	335,029	13,553	348,582	1,886,939	416,167	2,303,106
Recoveries during the period/year	(61,146)	-	(61,146)	(220,746)	-	(220,746)
<b>Net charge for the period/year</b>	<b>273,883</b>	<b>13,553</b>	<b>287,436</b>	<b>1,666,193</b>	<b>416,167</b>	<b>2,082,360</b>
Discount unwind	(31,937)	-	(31,937)	(177,216)	-	(177,216)
Net amounts written off	(47,568)	-	(47,568)	(2,487,492)	-	(2,487,492)
Currency translation	219	91	310	(1,827)	(386)	(2,213)
<b>Balance at</b>	<b>3,847,401</b>	<b>2,072,716</b>	<b>5,920,117</b>	<b>3,652,804</b>	<b>2,059,072</b>	<b>5,711,876</b>

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

	As at March 31, 2012 (unaudited)			As at December 31, 2011 (audited)		
	Within the U.A.E.	Outside the U.A.E.	Total	Within the U.A.E.	Outside the U.A.E.	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<b>Economic sector</b>						
Agriculture	8,766	-	8,766	9,084	-	9,084
Energy	10,099,810	357,492	10,457,302	10,840,212	362,316	11,202,528
Trading	907,976	27,164	935,140	794,618	15,080	809,698
Contractor finance	1,655,658	70,069	1,725,727	1,555,354	64,902	1,620,256
Development & construction	24,260,731	94,976	24,355,707	24,088,820	98,410	24,187,230
Real estate investment	12,321,168	149,732	12,470,900	12,364,945	191,045	12,555,990
Transport	2,109,177	498,896	2,608,073	2,136,234	512,684	2,648,918
Personal – retail	17,016,912	9,814	17,026,726	16,939,914	13,362	16,953,276
Personal – collateralised	14,856,209	327,042	15,183,251	15,360,649	370,741	15,731,390
Government	2,431,140	-	2,431,140	2,916,734	-	2,916,734
Financial institutions (*)	8,219,424	1,284,739	9,504,163	7,837,634	1,315,783	9,153,417
Manufacturing	1,860,368	206,983	2,067,351	1,917,252	123,940	2,041,192
Services	28,825,387	2,186,420	31,011,807	28,484,388	2,152,512	30,636,900
	<b>124,572,726</b>	<b>5,213,327</b>	<b>129,786,053</b>	<b>125,245,838</b>	<b>5,220,775</b>	<b>130,466,613</b>
Less: Allowance for impairment			(5,920,117)			(5,711,876)
<b>Total</b>			<b>123,865,936</b>			<b>124,754,737</b>

(\*) includes investment companies.

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**Notes to the condensed consolidated interim financial information**  
**for the three month period ended March 31, 2012 (continued)**
**6 Loans and advances, net (continued)**

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

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

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**7 Derivative financial instruments**

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

	Fair values	
	Assets AED'000	Liabilities AED'000
<b>As at March 31, 2012 (unaudited)</b>		
<b>Derivatives held for trading</b>		
Foreign exchange contracts	90,512	75,327
Interest rate and cross currency swaps	3,749,861	3,788,374
Options	160,902	169,173
Futures	3,917	-
Commodity and Energy swaps	123,639	123,159
Swaptions	6,383	6,383
	<b>4,135,214</b>	<b>4,162,416</b>
<b>Derivatives held as fair value hedges</b>		
Interest rate and cross currency swaps	394,382	473,188
<b>Derivatives held as cash flow hedges</b>		
Interest rate swaps	11	-
Forward foreign exchange contracts	3,209	-
	<b>4,532,816</b>	<b>4,635,604</b>
	Fair values	
	Assets AED'000	Liabilities AED'000
<b>As at December 31, 2011 (audited)</b>		
<b>Derivatives held for trading</b>		
Foreign exchange contracts	110,015	96,112
Interest rate and cross currency swaps	4,070,651	4,050,688
Options	166,578	173,714
Futures	354	227
Commodity and Energy swaps	23,067	21,835
Swaptions	5,903	5,666
	<b>4,376,568</b>	<b>4,348,242</b>
<b>Derivatives held as fair value hedges</b>		
Interest rate and cross currency swaps	468,196	444,350
<b>Derivatives held as cash flow hedges</b>		
Interest rate swaps	-	2,714
Forward foreign exchange contracts	-	26,262
	<b>4,844,764</b>	<b>4,821,568</b>

The net hedge ineffectiveness gains relating to the cash flow hedges amounting to AED 35,603 thousand (Three month period ended March 31, 2011 – gains of AED 1,269 thousand) have been recognised in the condensed consolidated interim income statement under “Net gains on dealing in derivatives” (Note 22).

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**8 Investment securities**

	As at March 31, 2012 (unaudited)			
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
<b>Available for sale investments</b>				
<b>Quoted:</b>				
Floating rate notes (FRNs)	275,475	-	-	275,475
Collateralised debt obligations (CDOs)	-	-	21,697	21,697
Equity instruments	479	-	-	479
Bonds	4,929,265	862,637	6,948,734	12,740,636
Mutual funds	40,099	-	-	40,099
Government securities	2,225,730	1,145,454	239,996	3,611,180
<b>Total Quoted</b>	<b>7,471,048</b>	<b>2,008,091</b>	<b>7,210,427</b>	<b>16,689,566</b>
<b>Unquoted:</b>				
Equity instruments	180,560	-	497	181,057
Mutual funds	77,545	-	-	77,545
<b>Total Unquoted</b>	<b>258,105</b>	<b>-</b>	<b>497</b>	<b>258,602</b>
<b>Total available for sale investments</b>	<b>7,729,153</b>	<b>2,008,091</b>	<b>7,210,924</b>	<b>16,948,168</b>
As at December 31, 2011 (audited)				
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
<b>Available for sale investments</b>				
<b>Quoted:</b>				
Floating rate notes (FRNs)	367,708	-	-	367,708
Collateralised debt obligations (CDOs)	-	-	44,194	44,194
Equity instruments	6,905	-	-	6,905
Bonds	4,641,033	857,742	5,605,453	11,104,228
Mutual funds	35,016	-	-	35,016
Government securities	1,847,763	1,141,628	241,639	3,231,030
<b>Total Quoted</b>	<b>6,898,425</b>	<b>1,999,370</b>	<b>5,891,286</b>	<b>14,789,081</b>
<b>Unquoted:</b>				
Equity instruments	180,423	-	483	180,906
Mutual funds	82,116	-	-	82,116
<b>Total Unquoted</b>	<b>262,539</b>	<b>-</b>	<b>483</b>	<b>263,022</b>
<b>Total available for sale investments</b>	<b>7,160,964</b>	<b>1,999,370</b>	<b>5,891,769</b>	<b>15,052,103</b>



**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**8 Investment securities (continued)**

At March 31, 2012 quoted bond investments include bonds with fair value AED 4,839,049 thousand (December 31, 2011: AED 4,687,545 thousand) in public sector companies.

The Bank hedges interest rate risk on certain fixed rate investments through interest rate swaps and designates these as fair value hedges. The negative fair value of these interest rate swaps at March 31, 2012 was AED 468,863 thousand (December 31, 2011 – negative fair value of interest rate swaps AED 447,064 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement under ‘Net gains on dealing in derivatives’ (Note 22).

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

	As at March 31, 2012 (unaudited)		As at December 31, 2011 (audited)	
	Fair value of pledged assets AED'000	Carrying value of associated liabilities AED'000	Fair value of pledged assets AED'000	Carrying value of associated liabilities AED'000
Repurchase agreements	<u>1,225,482</u>	<u>1,063,134</u>	<u>4,237,403</u>	<u>3,776,167</u>

Further, the Bank has also pledged investment securities with fair value amounting to AED 1,069,730 thousand (December 31, 2011 – AED 1,110,902 thousand) as collateral against margin calls. The risks and rewards relating to the investments pledged will remain with the Bank.

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**9 Investments in associates**

Name of associate	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Al Nokhitha Fund	64,220	56,298
ADCB MSCI U.A.E. Index Fund	29,694	25,519
	<hr/>	<hr/>
<b>Carrying value</b>	<b>93,914</b>	<b>81,817</b>
	<hr/> <hr/>	<hr/> <hr/>

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

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

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**Notes to the condensed consolidated interim financial information**  
**for the three month period ended March 31, 2012 (continued)**
**9 Investments in associates (continued)**

The latest available financial information in respect of the Bank's associates is as at and for the three month period ended March 31, 2012 for Al Nokhitha Fund and ADCB MSCI U.A.E. Index Fund as follows:

	AED'000
Total assets	414,210
Total liabilities	14,523
	<hr/>
Net assets	399,687
	<hr/>
Bank's share in net assets of associates	93,914
	<hr/>
Total interest and other operating income	54,289
	<hr/>
Total profit for the period	52,726
	<hr/>
Bank's share in profit of associates	12,097
	<hr/>

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**10 Investment properties**

	<b>Completed and in use AED'000</b>	<b>Under development AED'000</b>	<b>Total AED'000</b>
As at January 1, 2011	215,609	73,583	289,192
Additions during the year	-	119,620	119,620
Decrease in fair value during the year	(7,798)	(4,102)	(11,900)
<b>As at January 1, 2012 (audited)</b>	<b>207,811</b>	<b>189,101</b>	<b>396,912</b>
Additions during the period	-	38,492	38,492
<b>As at March 31, 2012 (unaudited)</b>	<b>207,811</b>	<b>227,593</b>	<b>435,404</b>

The fair value of the Bank's investment properties are estimated by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. Valuations are carried out by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Discounted cash flow techniques may be used to calculate fair value in certain situations where there have been no recent transactions using current external market inputs such as market rents and interest rates. The effective date of the last formal valuation is December 31, 2011.

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.
- Residual method: This method is used to assess the value of the property with a development potential where there is inadequate comparable evidence. This method is commonly used in the valuation of the site under development in the local market.

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

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**11 Other assets**

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Interest receivable	961,513	859,898
Withholding tax	32,581	87,311
Prepayments	106,006	71,336
Acceptances	9,269,032	8,771,823
Others	298,315	231,126
	<u>10,667,447</u>	<u>10,021,494</u>

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date, and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the bank and are therefore recognised as a financial liability (Note 16) in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset. The Bank generally receives cash collateral against these acceptances.

**12 Due to banks**

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Current and demand deposits	726,489	574,271
Deposits – banks	2,854,290	2,516,115
	<u>3,580,779</u>	<u>3,090,386</u>

The Bank hedges certain deposits from customers for interest rate and foreign currency exchange risk through cross currency swaps and designates these instruments as fair value hedges. The fair value of these cross currency swaps at March 31, 2012 was AED 19,158 thousand (December 31, 2011: the positive fair value of AED 22, 578 thousand).

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**13 Deposits from customers**

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Call and demand deposits	25,883,171	24,274,344
Savings deposits	2,343,620	2,237,783
Time deposits	64,344,066	64,146,038
Murabaha deposits	8,338,950	9,201,851
Long term government deposits	449,569	458,940
Islamic deposits	11,470,064	8,851,869
Euro commercial papers	1,632,476	716,652
	<u>114,461,916</u>	<u>109,887,477</u>

The Euro commercial papers are issued globally with the majority issued in the United Kingdom and other countries of Europe.

Islamic product related deposits include the following:

	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
<b>Product</b>		
Wadiah – demand deposits	344,444	437,980
Mudaraba savings and term deposits	3,976,950	3,653,439
Wakala deposits	7,148,670	4,760,450
	<u>11,470,064</u>	<u>8,851,869</u>

The Bank hedges certain deposits from customers for interest rate and foreign currency exchange risk through cross currency swaps and designates these instruments as fair value hedges. The fair value of these cross currency swaps at March 31, 2012 was AED Nil (December 31, 2011: the positive fair value of AED 7,198 thousand).

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**14 Short and medium term borrowings**

The details of short and medium term borrowings as at March 31, 2012 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Total AED'000
Unsecured notes	Hong Kong Dollar (HKD)	94,333	-	-	94,333
	Malaysian Ringitt (MYR)	-	-	871,027	871,027
	South African Rand (ZAR)	51,299	-	-	51,299
	Swiss Franc (CHF)	-	-	575,705	575,705
	Turkish Lira (TRY)	-	-	94,003	94,003
	U.A.E. Dirham (AED)	-	1,253,000	500,000	1,753,000
	US Dollar (US\$)	-	3,673,000	-	3,673,000
		145,632	4,926,000	2,040,735	7,112,367
Syndicated loans	US Dollar (US\$)	2,821,599	1,469,200	-	4,290,799
	Euro (EUR)	328,015	-	-	328,015
Sukuk financing notes	US Dollar (US\$)	-	-	1,836,500	1,836,500
Subordinated floating rate notes	US Dollar (US\$)	-	-	1,117,143	1,117,143
Tier 2 loan	U.A.E. Dirham (AED)	-	-	6,617,456	6,617,456
Borrowings through repurchase agreements	US Dollar (US\$)	1,315,096	756,271	-	2,071,367
	U.A.E. Dirham (AED)	1,250,995	99,000	-	1,349,995
		5,861,337	7,250,471	11,611,834	24,723,642
Fair value adjustment on short and medium term borrowings being hedged					309,610
					25,033,252

Included in short and medium term borrowings is AED 11,323,881 thousand which have been hedged using interest rate and cross currency swaps. These swaps are designated as fair value hedges. The positive fair value of these swaps at March 31, 2012 was AED 325,542 thousand.

**Notes to the condensed consolidated interim financial information**  
**for the three month period ended March 31, 2012** (continued)

**14 Short and medium term borrowings** (continued)

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

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

Included in short and medium term borrowings is AED 9,049,767 thousand which have been hedged using interest rate and cross currency swaps. These swaps are designated as fair value hedges. The positive fair value of these swaps at December 31, 2011 was AED 393,400 thousand.



**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**14 Short and medium term borrowings (continued)**

Interest on unsecured notes is payable quarterly and half yearly in arrears and the coupon rates as at March 31, 2012 (unaudited) are as follows:

<u>Currency</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>
HKD	3 months HIBOR offer rate plus 29 basis points	-	-
MYR	-	-	Fixed rate of 5.2% p.a.
ZAR	3 months JIBAR plus 41 basis points	-	-
CHF	-	-	Fixed rate of 3.01% p.a.
TRY	-	-	Fixed rate of 12.75% p.a.
AED	-	Fixed rate of 6% p.a.	Fixed rate of 6% p.a.
US\$	-	Fixed rate of 4.75% p.a.	-

**Syndicated loans**

Interest on the syndicated loans are payable as follows:

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

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

**Sukuk financing notes**

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

**Subordinated floating rate notes**

Interest on the subordinated floating rate notes is payable quarterly in arrears at a coupon rate of 110 basis points over 3 months LIBOR. The subordinated floating rate notes were obtained from financial institutions outside the U.A.E. and qualified as Tier 2 subordinated loan capital for the first 5 year period till 2011 and thereafter are amortised at the rate of 20% per annum until 2016 for capital adequacy calculation (Note 27). This has been approved by the Central Bank of the U.A.E.

**Tier 2 loan**

In March 2009, the Bank converted AED 6,617,456 thousand government deposits into Tier 2 qualifying loans. The Tier 2 qualifying loan will mature seven years from the date of the issue and interest is payable on a quarterly basis at a fixed rate of 4 percent per annum commencing March 31, 2009 for the first two years, 4.5 percent per annum for the third year, 5 percent per annum for the fourth year and 5.25 percent per annum for the remaining period. The terms also provide that the Bank will have a call option to repay the loans partially or fully at the end of five years from the date of issue. For regulatory purposes, the loan qualifies as Tier 2 capital (Note 27).

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**14 Short and medium term borrowings (continued)**

**Borrowings through repurchase agreements**

Interest on borrowings through repurchase agreements are payable in quarterly coupons in arrears with 115 to 300 basis points over 3 months LIBOR and EIBOR and half yearly coupons in arrears with 86 to 300 basis points over 6 months LIBOR.

**15 Long term borrowings**

Instrument	Currency	As at March 31 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Unsecured notes	U.A.E. Dirham (AED)	-	500,000
	Malaysian Ringitt (MYR)	473,706	473,706
	US Dollar (US\$)	73,460	73,460
		<u>547,166</u>	<u>1,047,166</u>
Fair value adjustment on long term borrowings being hedged		40,875	41,286
		<u>588,041</u>	<u>1,088,452</u>

Included in long term borrowings is AED 547,166 thousand (December 31, 2011 – AED 1,047,166 thousand) which have been hedged using interest rate and cross currency swaps. These swaps are designated as fair value hedges. The positive fair value of these swaps at March 31, 2012 was AED 45,368 thousand (December 31, 2011 was AED 44,421 thousand).

Interest on unsecured notes is payable half yearly in arrears and the coupon rates as at March 31, 2012 (unaudited) are as follows:

<u>Currency</u>	<u>Over 5 years</u>
MYR	Fixed rate of 5.35% p.a.
US\$	Fixed rate of 5.3875% p.a.

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**16 Other liabilities**

	<b>As at March 31 2012 (unaudited) AED'000</b>	<b>As at December 31 2011 (audited) AED'000</b>
Interest payable	898,757	931,026
Employees' end of service benefits	187,389	179,824
Accounts payable and other creditors	136,379	973,519
Clearing payables	425	238
Deferred income	195,364	171,805
Acceptances (Note 11)	9,269,032	8,771,823
Others	861,103	875,332
	<b>11,548,449</b>	<b>11,903,567</b>

**17 Share capital**

	<b>Authorised</b>	<b>Issued and fully paid</b>	
		<b>As at March 31 2012 (unaudited) AED'000</b>	<b>As at December 31 2011 (audited) AED'000</b>
Ordinary shares of AED 1 each	5,595,597	5,595,597	5,595,597

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

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

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**17 Share capital (continued)**

Reconciliation of share premium is as follows:

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

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

**Proposed dividend**

For the year ended December 31, 2011, the Board of Directors have proposed to pay cash dividends of AED 1,119,119 thousand representing 20% of the paid up capital (December 31, 2010 : AED Nil). This is subject to the approval of the shareholders in the Annual General Meeting.

**18 Capital notes**

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

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

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

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**19 Interest income (unaudited)**

	<b>3 months ended March 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>AED'000</b>	<b>AED'000</b>
Loans and advances to banks	75,367	64,766
Loans and advances to customers	1,647,862	1,698,491
Investment securities	104,637	52,939
	<u>1,827,866</u>	<u>1,816,196</u>

**20 Interest expense (unaudited)**

	<b>3 months ended March 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>AED'000</b>	<b>AED'000</b>
Deposits from banks	2,508	4,575
Deposits from customers	480,631	685,261
Debt securities issued and subordinated liabilities	117,224	110,882
Interest on mandatory convertible securities and long term notes	40,169	101,281
	<u>640,532</u>	<u>901,999</u>

**21 Net fees and commission income (unaudited)**

	<b>3 months ended March 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Fees and commission income</b>		
Retail banking fees	171,920	186,197
Corporate banking fees	81,196	82,392
Brokerage fees	1,327	1,232
Fees from trust and other fiduciary activities	15,639	12,706
Other fees	21,417	12,349
	<u>291,499</u>	<u>294,876</u>
<b>Total fees and commission income</b>	<b>291,499</b>	<b>294,876</b>
Fees and commission expenses	(42,440)	(32,320)
	<u>249,059</u>	<u>262,556</u>
<b>Net fees and commission income</b>	<b>249,059</b>	<b>262,556</b>

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**22 Net trading income (unaudited)**

	<b>3 months ended March 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>AED'000</b>	<b>AED'000</b>
Net gains on dealing in derivatives	<b>58,647</b>	62,177
Net gains from dealing in foreign currencies	<b>38,994</b>	36,440
Net gains/(losses) from trading and investment securities	<b>4,396</b>	3,152
	<b>102,037</b>	101,769

**23 Other impairment (release)/allowances (unaudited)**

	<b>3 months ended March 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>AED'000</b>	<b>AED'000</b>
Impairment (release)/allowance on investment securities	<b>(735)</b>	3,673
Impairment allowance on credit default swaps	<b>-</b>	69,971
	<b>(735)</b>	73,644

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**24 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.

	<b>3 months ended March 31</b>	
	<b>2012</b>	<b>2011</b>
Net profit for the period attributable to the equity holders of the Bank (AED'000)	<b>800,230</b>	574,400
Add: Interest on Mandatory Convertible Securities (MCS) for the period (AED'000)	-	20,738
Less: Capital notes coupon paid (AED'000)	<b>(120,000)</b>	(116,667)
Net adjusted profit for the period attributable to the equity holders of the Bank (AED'000) (a)	<b>680,230</b>	478,471
Weighted average number of shares in issue throughout the period (000's)	<b>5,595,597</b>	4,810,000
Add: Weighted average number of shares resulting from conversion of MCS (000's)	-	785,597
Less: Weighted average number of shares held on account of Employees' incentive plan (000's)	<b>(57,527)</b>	(35,080)
Weighted average number of equity shares used for calculating basic earnings per share (000's) (b)	<b>5,538,070</b>	5,560,517
Add: Weighted average number of shares held on account of Employees' incentive plan (000's)	<b>57,527</b>	35,080
Weighted average number of equity shares used for calculating diluted earnings per share (000's) (c)	<b>5,595,597</b>	5,595,597
Basic earnings per share (AED) (a)/(b)	<b>0.12</b>	0.09
Diluted earnings per share (AED) (a)/(c)	<b>0.12</b>	0.09

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**25 Commitments and contingent liabilities**

The Bank had the following commitments and contingent liabilities at:

	<b>March 31 2012 (unaudited) AED'000</b>	<b>December 31 2011 (audited) AED'000</b>
<b>Commitments on behalf of customers</b>		
Letters of credit	<b>2,906,349</b>	4,049,791
Guarantees	<b>9,542,226</b>	9,806,027
Commitments to extend credit – Revocable	<b>6,182,918</b>	6,313,900
Commitments to extend credit – Irrevocable	<b>5,394,322</b>	5,688,356
Others	<b>55,095</b>	55,095
	<b>24,080,910</b>	25,913,169
<b>Others</b>		
Commitments for future capital expenditure	<b>215,393</b>	274,887
Commitments to invest in investment securities	<b>230,009</b>	230,009
	<b>24,526,312</b>	26,418,065



**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**26 Operating segments**

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

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

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

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

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

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**26 Operating segments (continued)**

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended March 31, 2012 (unaudited):

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
Net interest and Islamic financing income	604,112	274,893	291,193	24,954	1,195,152
Non-interest income	159,690	112,819	83,462	32,673	388,644
Operating expenses	(323,147)	(130,379)	(35,855)	(16,189)	(505,570)
Operating profit before impairment allowances	440,655	257,333	338,800	41,438	1,078,226
Impairment allowances on loans and advances, net	(157,469)	(129,967)	-	-	(287,436)
Other impairment release	-	-	735	-	735
Share of profit of associates	12,097	-	-	-	12,097
Profit before taxation	295,283	127,366	339,535	41,438	803,622
Overseas income tax expense	-	(1,624)	-	-	(1,624)
Net profit for the period	295,283	125,742	339,535	41,438	801,998
Capital expenditure					54,150
<b>As at March 31, 2012 (unaudited)</b>					
Segment assets	64,073,407	71,498,635	46,896,317	445,274	182,913,633
Segment liabilities	31,294,646	55,060,849	72,608,018	891,748	159,855,261

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**
**26 Operating segments (continued)**

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended March 31, 2011 (unaudited):

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
Net interest and Islamic financing income	522,208	238,826	139,040	25,606	925,680
Non-interest income	184,532	106,584	75,252	33,947	400,315
Operating expenses	(292,610)	(86,608)	(31,016)	(16,844)	(427,078)
Operating profit before impairment allowances	414,130	258,802	183,276	42,709	898,917
Impairment allowances on loans and advances, net	(278,815)	(46,684)	-	-	(325,499)
Other impairment allowances	-	-	(73,644)	-	(73,644)
Share of (loss)/profit of associates	(8,889)	93,265	-	-	84,376
Profit before taxation	126,426	305,383	109,632	42,709	584,150
Overseas income tax expense	-	(1,590)	-	-	(1,590)
Net profit for the period	126,426	303,793	109,632	42,709	582,560
Capital expenditure					36,693
As at December 31, 2011 (audited)					
Segment assets	64,430,343	71,728,699	47,161,658	404,930	183,725,630
Segment liabilities	27,814,765	50,886,621	82,073,228	873,493	161,648,107

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**
**26 Operating segments (continued)**

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

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

**Other disclosures**

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

Three month period ended March 31, 2012 (unaudited)	Consumer banking	Wholesale banking	Investments and treasury	Property management	Total
	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000
<b>External</b>	<b>1,140,016</b>	<b>518,065</b>	<b>(106,958)</b>	<b>32,673</b>	<b>1,583,796</b>
<b>Inter-segment</b>	<b>(376,214)</b>	<b>(130,353)</b>	<b>481,613</b>	<b>24,954</b>	<b>-</b>
Three month period ended March 31, 2011 (unaudited)					
External	1,169,173	390,085	(266,717)	33,454	1,325,995
Inter-segment	(462,433)	(44,675)	481,009	26,099	-

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**26 Operating segments (continued)**

**Geographical information**

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

	<b>Domestic (unaudited)</b>		<b>International (unaudited)</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>March 31</b>	March 31	<b>March 31</b>	March 31
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>AED'000</b>	AED'000	<b>AED'000</b>	AED'000
<b>Income</b>				
Net interest and Islamic financing income	<b>1,186,896</b>	919,872	<b>8,256</b>	5,808
Non-interest income	<b>386,898</b>	400,298	<b>1,746</b>	17
Share of profit/(loss) of associates	<b>12,097</b>	(8,889)	-	93,265
<b>Non-current assets</b>				
	<b>Domestic</b>		<b>International</b>	
	<b>As at</b>	As at	<b>As at</b>	As at
	<b>March 31</b>	December 31	<b>March 31</b>	December 31
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>(unaudited)</b>	(audited)	<b>(unaudited)</b>	(audited)
	<b>AED'000</b>	AED'000	<b>AED'000</b>	AED'000
Investment properties	<b>435,404</b>	396,912	-	-
Property and equipment, net	<b>940,691</b>	958,491	<b>6,698</b>	6,027
Intangible assets	<b>115,771</b>	123,653	-	-

**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)**

**27 Capital adequacy**

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

	<b>Basel II</b>	
	<b>As at March 31, 2012 (unaudited) AED'000</b>	<b>As at December 31 2011 (audited) AED'000</b>
<b>Tier 1 capital</b>		
Share capital	5,595,597	5,595,597
Share premium	3,848,286	3,848,286
Statutory and legal reserves	3,309,351	3,309,351
General and contingency reserves	2,150,000	2,150,000
Employees' incentive plan shares, net	(93,967)	(104,595)
Foreign currency translation reserve	(18,466)	(27,521)
Retained earnings and other reserves	4,260,286	3,300,888
Non-controlling interests in equity of subsidiaries	7,285	5,517
Capital notes (Note 18)	4,000,000	4,000,000
Less: Investment in associates (50%)	(46,957)	(40,909)
Less: Intangible assets	(115,771)	(123,653)
Less: Securitization exposures (due to rating migration)	(38,396)	(38,350)
	<b>22,857,248</b>	<b>21,874,611</b>
<b>Tier 2 capital</b>		
Collective impairment allowance on loans and advances	1,608,564	1,621,328
Tier 2 loan (Note 14)	6,617,456	6,617,456
Subordinated floating rate notes (Note 14)	893,714	938,231
Less: Investment in associates (50%)	(46,957)	(40,908)
Less: Securitization exposures (due to rating migration)	(38,396)	(38,350)
	<b>9,034,381</b>	<b>9,097,757</b>
<b>Total regulatory capital</b>	<b>31,891,629</b>	<b>30,972,368</b>
<b>Risk-weighted assets:</b>		
Credit risk	128,685,135	129,706,214
Market risk	2,340,180	2,103,768
Operational risk	6,526,611	5,805,137
<b>Total risk-weighted assets</b>	<b>137,551,926</b>	<b>137,615,119</b>
<b>Total Capital adequacy ratio</b>	<b>23.19%</b>	<b>22.51%</b>
<b>Tier 1 ratio</b>	<b>16.62%</b>	<b>15.90%</b>
<b>Tier 2 ratio</b>	<b>6.57%</b>	<b>6.61%</b>

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

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**Notes to the condensed consolidated interim financial information  
for the three month period ended March 31, 2012 (continued)****27 Capital adequacy (continued)**

As mentioned in Note 17, the Board of Directors has proposed to pay cash dividends of AED 1,119,119 thousand for the year ended December 31, 2011. The capital adequacy ratios after taking into account the dividend appropriation will, however, be higher than the minimum capital adequacy ratio required by the UAE Central Bank.

**28 Legal proceeding**

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

**29 Approval of financial statements**

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on April 24, 2012.