

Abu Dhabi Commercial Bank PJSC
Review report and condensed consolidated interim financial
information for the six month period ended June 30, 2014

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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, UAE.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank PJSC (the "Bank") and its subsidiaries (together referred to as the "Group") as at June 30, 2014 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and accompanying notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting ("IAS 34)". Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "Jacques Fakhoury", is written over the printed name.

Jacques Fakhoury
Registration Auditor Number 379
July 22, 2014

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

Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim statement of financial position

As at June 30, 2014

	Notes	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Assets			
Cash and balances with central banks	3	12,740,601	9,961,206
Deposits and balances due from banks	4	18,255,953	11,344,700
Trading securities	5	210,918	884,640
Derivative financial instruments	6	3,613,045	3,616,203
Investment securities	7	22,635,314	20,854,772
Loans and advances, net	8	134,302,327	131,648,670
Investment properties	9	592,696	560,690
Other assets	10	4,604,841	3,404,638
Property and equipment, net		795,526	805,322
Intangible assets		48,125	61,695
Total assets		197,799,346	183,142,536
Liabilities			
Due to banks	11	7,118,501	4,291,011
Derivative financial instruments	6	3,884,659	3,965,587
Deposits from customers	12	119,040,896	115,427,708
Euro commercial paper	13	8,496,287	5,940,435
Borrowings	14	28,427,034	23,785,568
Other liabilities	15	6,124,224	4,910,917
Total liabilities		173,091,601	158,321,226
Equity			
Share capital	16	5,595,597	5,595,597
Share premium		3,848,286	3,848,286
Other reserves, net of treasury shares	17	5,224,663	5,135,440
Retained earnings		6,029,772	5,597,275
Capital notes	18	4,000,000	4,000,000
Equity attributable to equity holders of the Bank		24,698,318	24,176,598
Non-controlling interests		9,427	644,712
Total equity		24,707,745	24,821,310
Total liabilities and equity		197,799,346	183,142,536

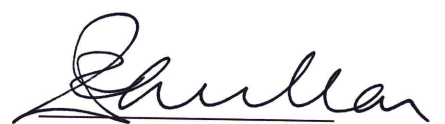
These condensed consolidated interim financial information were approved by the Board of Directors and authorised for issue on July 22, 2014 and signed on its behalf by:



Eissa Al Suwaidi
Chairman



Ala'a Eraiqat
Chief Executive Officer



Deepak Khullar
Chief Financial Officer

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

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

For the six month period ended June 30, 2014

	Notes	3 months ended June 30		6 months ended June 30	
		2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Interest income	19	1,610,823	1,718,485	3,199,967	3,376,319
Interest expense	20	(328,915)	(372,332)	(662,011)	(863,677)
Net interest income		1,281,908	1,346,153	2,537,956	2,512,642
Income from Islamic financing		159,811	146,835	311,188	284,686
Islamic profit distribution		(29,376)	(32,344)	(56,555)	(77,632)
Net income from Islamic financing		130,435	114,491	254,633	207,054
Total net interest and Islamic financing income		1,412,343	1,460,644	2,792,589	2,719,696
Net fees and commission income	21	304,400	258,951	589,150	473,844
Net trading income	22	77,805	172,769	252,374	298,640
Other operating income	23	79,810	99,017	140,893	243,286
Operating income		1,874,358	1,991,381	3,775,006	3,735,466
Operating expenses	24	(580,898)	(565,492)	(1,205,807)	(1,082,884)
Operating profit before impairment allowances		1,293,460	1,425,889	2,569,199	2,652,582
Impairment allowances	25	(233,464)	(506,821)	(407,030)	(828,500)
Profit before taxation		1,059,996	919,068	2,162,169	1,824,082
Overseas income expense		(2,304)	(1,569)	(1,198)	(3,599)
Net profit for the period		1,057,692	917,499	2,160,971	1,820,483
Attributed to:					
Equity holders of the Bank		1,057,116	868,525	2,010,288	1,698,024
Non-controlling interests		576	48,974	150,683	122,459
Net profit for the period		1,057,692	917,499	2,160,971	1,820,483
Basic and diluted earnings per share (AED)	26	0.20	0.16	0.36	0.29

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

Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim statement of comprehensive income (unaudited)

For the six month period ended June 30, 2014

	3 months ended June 30		6 months ended June 30	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Net profit for the period	1,057,692	917,499	2,160,971	1,820,483
Items that may be re-classified subsequently to the condensed consolidated interim income statement				
Exchange difference arising on translation of foreign operations	(541)	(19,164)	6,040	(16,807)
Fair value changes on cash flow hedges	(5,430)	(2,318)	(5,826)	(9,591)
Fair value changes on available-for-sale investments	(6,381)	(219,667)	54,222	(196,883)
Other comprehensive (loss)/income for the period	(12,352)	(241,149)	54,436	(223,281)
Total comprehensive income for the period	1,045,340	676,350	2,215,407	1,597,202
Attributed to:				
Equity holders of the Bank	1,044,764	627,376	2,064,724	1,474,743
Non-controlling interests	576	48,974	150,683	122,459
Total comprehensive income for the period	1,045,340	676,350	2,215,407	1,597,202

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

Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim statement of changes in equity (unaudited)

For the six month period ended June 30, 2014

	Share capital AED'000	Share premium AED'000	Other reserves, net of treasury shares AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the Bank AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance at January 1, 2014	5,595,597	3,848,286	5,135,440	5,597,275	4,000,000	24,176,598	644,712	24,821,310
Net profit for the period	-	-	-	2,010,288	-	2,010,288	150,683	2,160,971
Other comprehensive income for the period	-	-	54,436	-	-	54,436	-	54,436
Other movements (Note 17)	-	-	34,787	11,545	-	46,332	-	46,332
Dividends to equity holders of the parent	-	-	-	(1,560,857)	-	(1,560,857)	-	(1,560,857)
Net increase in non-controlling interests	-	-	-	-	-	-	50,527	50,527
Disposal of fund subsidiaries (Note 30)	-	-	-	-	-	-	(836,495)	(836,495)
Net gains on treasury shares arising on disposal of fund subsidiaries (Note 30)	-	-	-	91,521	-	91,521	-	91,521
Capital notes coupon paid (Note 18)	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Balance at June 30, 2014	5,595,597	3,848,286	5,224,663	6,029,772	4,000,000	24,698,318	9,427	24,707,745
Balance at January 1, 2013	5,595,597	3,848,286	6,288,591	4,537,315	4,000,000	24,269,789	437,800	24,707,589
Net profit for the period	-	-	-	1,698,024	-	1,698,024	122,459	1,820,483
Other comprehensive income for the period	-	-	(223,281)	-	-	(223,281)	-	(223,281)
Other movements (Note 17)	-	-	(1,127,165)	-	-	(1,127,165)	-	(1,127,165)
Dividends to equity holders of the parent, net	-	-	-	(1,397,983)	-	(1,397,983)	-	(1,397,983)
Net decrease in non-controlling interests	-	-	-	-	-	-	(46,910)	(46,910)
Net realised gain on treasury shares	-	-	-	1,191	-	1,191	-	1,191
Capital notes coupon paid (Note 18)	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Balance at June 30, 2013	5,595,597	3,848,286	4,938,145	4,718,547	4,000,000	23,100,575	513,349	23,613,924

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

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

Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim statement of cash flows (unaudited)

For the six month period ended June 30, 2014

	6 months ended June 30	
	2014 AED'000	2013 AED'000
OPERATING ACTIVITIES		
Profit before taxation	2,162,169	1,824,082
Adjustments for:		
Depreciation on property and equipment, net (Note 24)	64,601	64,935
Amortisation of intangible assets (Note 24)	13,570	15,764
Impairment allowance on loans and advances, net (Note 8)	563,709	966,255
Discount unwind (Note 8)	(78,415)	(68,282)
Net gains from disposal of available-for-sale investments (Note 23)	(7,602)	(34,526)
Impairment recoveries on available-for-sale investments (Note 25)	(14,969)	(26,663)
Net gains from trading securities (Note 22)	(98,800)	(152,319)
Ineffective portion of hedges – losses (Note 6)	523	3,807
Employees' incentive plan benefit expense (Note 17)	13,520	19,871
Cash flow from operating activities before changes in operating assets and liabilities	2,618,306	2,612,924
Increase in balances with central banks	(800,000)	-
Increase in due from banks	(2,231,595)	(6,834,591)
Decrease in net trading derivative financial instruments	62,232	92,314
Net proceeds from disposal of trading securities	10,347	180,693
Increase in loans and advances	(3,158,189)	(3,113,027)
Increase in other assets	(133,724)	(83,892)
Increase in due to banks	280,993	49,173
Increase in deposits from customers	3,525,220	2,218,572
Increase in other liabilities	51,774	242,977
Cash from/(used in) operating activities	225,364	(4,634,857)
Overseas tax paid	-	(4,611)
Net cash from/(used in) operating activities	225,364	(4,639,468)
INVESTING ACTIVITIES		
Impairment recoveries on available-for-sale investments (Note 25)	14,969	26,663
Overseas tax refund/(paid), net	2,721	(57,457)
Net proceeds from disposal of available-for-sale investments	3,572,001	1,894,965
Net purchase of available-for-sale investments	(5,134,489)	(2,755,247)
Additions to investment properties	(11,339)	(17,148)
Cash received on disposal of fund subsidiaries (Note 30)	95,112	-
Net purchase of property and equipment, net	(54,805)	(26,388)
Net cash used in investing activities	(1,515,830)	(934,612)
FINANCING ACTIVITIES		
Net increase in euro commercial paper	2,612,412	531,167
Net proceeds from borrowings	14,318,658	7,084,076
Repayment of borrowings	(9,907,761)	(10,698,693)
Net proceeds from sale of treasury shares by fund subsidiaries	1,751	14,785
Dividends paid to equity holders of the parent	(1,560,857)	(1,397,983)
Buy back of own shares (Note 16)	-	(1,158,220)
Net movement in non-controlling interests	50,527	(49,320)
Capital notes coupon paid (Note 18)	(120,000)	(120,000)
Net cash from/(used in) financing activities	5,394,730	(5,794,188)
Net increase/(decrease) in cash and cash equivalents	4,104,264	(11,368,268)
Cash and cash equivalents at the beginning of the period	9,797,941	19,180,314
Cash and cash equivalents at the end of the period	13,902,205	7,812,046

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

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

Condensed consolidated interim statement of cash flows (unaudited)

For the six month period ended June 30, 2014 (continued)

Cash and cash equivalents

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

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Cash and balances with central banks	12,740,601	9,961,206
Deposits and balances due from banks	18,255,953	11,344,700
Due to banks	(7,118,501)	(4,291,011)
	23,878,053	17,014,895
Less: Cash and balances with central banks and Deposits and balances due from banks – with original maturity of more than 3 months	(10,286,372)	(7,245,757)
Add: Due to banks – with original maturity of more than 3 months	310,524	28,803
Total cash and cash equivalents	13,902,205	9,797,941

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

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

1. Activities and areas of operations

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

For details of related party balances and transactions, refer to Note 35 in the consolidated financial statements for the year ended December 31, 2013. The related party balances and transactions for the six month period ended June 30, 2014 are similar in nature and magnitude. Note 8 of these condensed consolidated interim financial information provide details of lending exposure to government entities.

The results for the six month period ended June 30, 2014 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2014.

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

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

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

The main areas of judgments, estimates and assumptions applied in these condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the Bank's consolidated financial statements for the year ended December 31, 2013.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

2. Summary of significant accounting policies (continued)**2.2 Application of new and revised International Financial Reporting Standards (IFRSs)****2.2.1 New and revised IFRSs effective for accounting periods beginning January 1, 2014**

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

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

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

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

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

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

2.2.2 Standards and Interpretations in issue but not yet effective

The Bank has not early adopted 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:	
IAS 19 - Employee Benefits clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	July 1, 2014
IFRS 2 - Share-based Payment amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.	
IFRS 3 - Business Combinations (a) require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date (b) clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.	
IFRS 8 - Operating Segments requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.	
IFRS 13 - Fair Value Measurement (a) clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only) (b) clarify the scope of the portfolio exception in paragraph 52.	
IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.	

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

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

	Effective for annual periods beginning on or after
New Standards and amendments to Standards:	
Amendments (continued):	
IAS 24 - Related Party Disclosures clarify how payments to entities providing management services are to be disclosed.	
IFRS 1 - First Time Adoption of International Financial Reporting Standards clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).	
IAS 40 - Investment Property clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.	
IFRS 11 - Joint Arrangements requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: <ul style="list-style-type: none">- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.- disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).	January 1, 2016
IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets brings the following: <ul style="list-style-type: none">- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.	January 1, 2016
IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture include and clarify the following: <ul style="list-style-type: none">- include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.- clarify that produce growing on bearer plants remains within the scope of IAS 41.	January 1, 2016

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

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
New Standards:	
IFRS 14 - Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.	January 1, 2017
IFRS 9 - Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39).	January 1, 2018

Key requirements of IFRS 9 are described as follows:

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

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

2.3 Basis of consolidation

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

Subsidiaries

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

Special purpose entities

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

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

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Funds management

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

Loss of control

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

Transactions eliminated on consolidation

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

Joint arrangements

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

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

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

2.4 Investment securities

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

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

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

Investments at fair value through profit or loss (FVTPL)

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

Investment securities are classified as held for trading if:

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

2. Summary of significant accounting policies (continued)

2.4 Investment securities (continued)

Investments at fair value through profit or loss (FVTPL) (continued)

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

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

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

Held-to-maturity

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

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

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

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

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

Available-for-sale

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

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

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

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

2. Summary of significant accounting policies (continued)**2.4 Investment securities (continued)****Available-for-sale (continued)**

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.
- For an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in other comprehensive income, accumulating in equity. A subsequent decline in the fair value of the instrument is recognised in the condensed consolidated interim income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security. Impairment losses recognised on the equity security are not reversed through the condensed consolidated interim income statement.

2.5 Investment properties

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

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

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

3. Cash and balances with central banks

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Cash on hand	547,259	586,709
Balances with central banks	645,543	370,743
Reserves maintained with central banks	8,723,333	7,448,647
Certificate of deposits with UAE Central Bank	2,775,000	1,475,000
Reverse repo with Central Bank	49,466	80,107
Total cash and balances with central banks	12,740,601	9,961,206

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

3. Cash and balances with central banks (continued)

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
The geographical concentration is as follows:		
Within the UAE	12,665,382	9,857,886
Outside the UAE	75,219	103,320
	12,740,601	9,961,206

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

4. Deposits and balances due from banks

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Nostro balances	1,102,859	1,031,020
Margin deposits	146,631	232,021
Time deposits	13,370,274	8,061,659
Reverse repo placements	2,252,206	-
Murabaha placements	-	1,870,000
Wakala placements	1,200,000	150,000
Certificate of deposits	183,983	-
Total deposits and balances due from banks	18,255,953	11,344,700
The geographical concentration is as follows:		
Within the UAE	5,597,690	4,614,768
Outside the UAE	12,658,263	6,729,932
	18,255,953	11,344,700

The Bank entered into collateral swap agreements, under which bonds with fair value of AED 2,260,369 thousand, were received as collateral against reverse repo placements. The risk and rewards relating to these bonds received as collateral remain with the counterparty.

The Bank hedges its foreign currency time deposits placements for foreign currency exchange rate risk using foreign exchange swap contracts and designates these instruments as cash flow hedges. The net negative fair value of these swaps as at June 30, 2014 was AED 9,020 thousand (December 31, 2013 – AED Nil).

5. Trading securities

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Bonds	210,918	136,772
Equity instruments	-	747,868
Total trading securities	210,918	884,640
The geographical concentration is as follows:		
Within the UAE	184,972	659,568
Outside the UAE	25,946	225,072
	210,918	884,640

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

5. Trading securities (continued)

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

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

6. Derivative financial instruments

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

	Fair values	
	Assets AED'000	Liabilities AED'000
As at June 30, 2014 (unaudited)		
Derivatives held or issued for trading		
Forward foreign exchange contracts	185,280	164,500
Foreign exchange options	9,968	60,310
Interest rate and cross currency swaps	2,795,325	2,816,728
Options	101,976	183,877
Futures (exchange traded)	17,243	20,558
Commodity and energy swaps	60,022	59,586
Swaptions	82,893	25,225
Total derivatives held or issued for trading	3,252,707	3,330,784
Derivatives held as fair value hedges		
Interest and cross currency swaps	262,201	529,997
Derivatives held as cash flow hedges		
Interest and cross currency swaps	35,807	197
Forward foreign exchange contracts	62,330	23,681
Total derivatives held as cashflow hedges	98,137	23,878
Total derivative financial instruments	3,613,045	3,884,659
As at December 31, 2013 (audited)		
Derivatives held or issued for trading		
Forward foreign exchange contracts	96,863	55,816
Foreign exchange options	7,734	31,525
Interest rate and cross currency swaps	2,869,393	2,853,585
Options	58,591	156,821
Futures (exchange traded)	1,767	-
Commodity and energy swaps	36,767	36,385
Swaptions	70,685	23,513
Total derivatives held or issued for trading	3,141,800	3,157,645
Derivatives held as fair value hedges		
Interest and cross currency swaps	295,327	807,917
Derivatives held as cash flow hedges		
Interest and cross currency swaps	42,273	-
Forward foreign exchange contracts	136,803	25
Total derivatives held as cashflow hedges	179,076	25
Total derivative financial instruments	3,616,203	3,965,587

The net hedge ineffectiveness losses relating to the fair value and cash flow hedges amounting to AED 523 thousand (June 30, 2013 – losses of AED 3,807 thousand) have been recognised in the condensed consolidated interim income statement.

As at June 30, 2014, the Bank received cash collateral of AED 284,359 thousand (December 31, 2013 – AED 341,993 thousand) against positive fair value of derivative assets from certain counterparties.

As at June 30, 2014, the Bank placed cash collateral of AED 201,638 thousand (December 31, 2013 – AED 280,378 thousand) and investment securities of AED 1,460,571 thousand (December 31, 2013 – AED 1,502,425 thousand) against the negative fair value of derivative liabilities.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

7. Investment securities

	UAE AED'000	Other GCC countries AED'000	Rest of the world AED'000	Total AED'000
As at June 30, 2014 (unaudited)				
Available-for-sale investments				
Quoted:				
Government securities	2,394,276	2,086,145	1,257,829	5,738,250
Bonds – Public sector	5,480,396	45,322	1,243,646	6,769,364
Bonds – Banks and financial institutions	2,582,373	861,854	5,942,157	9,386,384
Bonds – Corporate	94,216	-	-	94,216
Equity instruments	1,087	-	-	1,087
Mutual funds	75,531	-	92,078	167,609
Total quoted	10,627,879	2,993,321	8,535,710	22,156,910
Unquoted:				
Government securities	66,330	-	-	66,330
Bonds – Public sector	59,752	-	-	59,752
Bonds – Banks and financial institutions	-	-	33	33
Bonds – Corporate	-	-	910	910
Equity instruments	248,180	-	13,234	261,414
Mutual funds	89,965	-	-	89,965
Total unquoted	464,227	-	14,177	478,404
Total available-for-sale investments	11,092,106	2,993,321	8,549,887	22,635,314

As at December 31, 2013 (audited)				
Available-for-sale investments				
Quoted:				
Government securities	2,675,550	1,294,248	487,908	4,457,706
Bonds – Public sector	5,428,547	491,255	972,824	6,892,626
Bonds – Banks and financial institutions	2,249,622	834,683	5,953,539	9,037,844
Bonds – Corporate	90,833	-	-	90,833
Equity instruments	1,028	-	-	1,028
Total quoted	10,445,580	2,620,186	7,414,271	20,480,037
Unquoted:				
Bonds – Public sector	58,147	-	-	58,147
Bonds – Banks and financial institutions	-	-	32	32
Bonds – Corporate	-	-	1,131	1,131
Equity instruments	230,476	-	13,240	243,716
Mutual funds	71,709	-	-	71,709
Total unquoted	360,332	-	14,403	374,735
Total available-for-sale investments	10,805,912	2,620,186	7,428,674	20,854,772

The Bank hedges interest rate/foreign currency risks on certain fixed rate and floating rate investments through interest rate and foreign currency swaps and designates these as fair value and cash flow hedges, respectively. The net negative fair value of these interest rate swaps as at June 30, 2014 was AED 187,680 thousand (December 31, 2013 – net negative fair value AED 210,427 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

The Bank entered into repurchase agreements and total return swap agreements whereby bonds were pledged and held by counterparties as collateral. The risks and rewards relating to the investments pledged remain with the Bank. The following table reflects the carrying value of these bonds and the associated financial liabilities:

	As at June 30, 2014 (unaudited)		As at December 31, 2013 (audited)	
	Carrying value of pledged assets AED'000	Carrying value of associated liabilities AED'000	Carrying value of pledged assets AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	3,190,459	3,094,847	2,390,637	2,274,631

Further, the Bank pledged investment securities with fair value amounting to AED 1,478,825 thousand (December 31, 2013 – AED 1,508,768 thousand) as collateral against margin calls. The risks and rewards relating to the investment securities pledged remain with the Bank.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

8. Loans and advances, net

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Overdrafts (retail and corporate)	3,889,233	4,396,183
Retail loans	16,235,760	14,957,734
Corporate loans	100,233,851	101,121,762
Credit cards	2,539,757	2,238,316
Islamic financing assets (see below)	11,170,393	10,666,627
Other facilities	6,956,875	5,157,995
Gross loans and advances	141,025,869	138,538,617
Less: Allowance for impairment	(6,723,542)	(6,889,947)
Total loans and advances, net	134,302,327	131,648,670

Islamic financing assets

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Murabaha	1,632,895	1,038,429
Ijara financing	5,089,688	5,594,710
Mudaraba	255,630	463,049
Salam	4,080,291	3,476,441
Others	111,889	93,998
Gross Islamic financing assets	11,170,393	10,666,627
Less: Allowance for impairment	(175,297)	(102,384)
Net Islamic financing assets	10,995,096	10,564,243

The Bank hedges certain fixed rate and floating rate loans and advances for interest rate risk using interest rate swaps and designates these instruments as fair value and cash flow hedges, respectively. The net positive fair value of these swaps as at June 30, 2014 was AED 3,322 thousand (December 31, 2013 - net positive fair value of AED 9,103 thousand).

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

	As at June 30, 2014 (unaudited)			As at December 31, 2013 (audited)		
	Individual impairment AED'000	Collective impairment AED'000	Total AED'000	Individual impairment AED'000	Collective impairment AED'000	Total AED'000
At January 1,	4,250,195	2,639,752	6,889,947	4,207,137	2,256,583	6,463,720
Charge for the period/year	240,082	323,627	563,709	1,170,603	383,517	1,554,120
Recoveries during the period/year	(141,710)	-	(141,710)	(187,964)	-	(187,964)
Net charge for the period/year	98,372	323,627	421,999	982,639	383,517	1,366,156
Discount unwind/others	(78,415)	(44,245)	(122,660)	(144,016)	-	(144,016)
Net amounts written-off	(466,020)	-	(466,020)	(795,407)	-	(795,407)
Currency translation	167	109	276	(158)	(348)	(506)
Balance at	3,804,299	2,919,243	6,723,542	4,250,195	2,639,752	6,889,947

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

8. Loans and advances, net (continued)

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

	As at June 30, 2014 (unaudited)			As at December 31, 2013 (audited)		
	Within the UAE	Outside the UAE	Total	Within the UAE	Outside the UAE	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Economic sector						
Agriculture	210,547	-	210,547	215,777	-	215,777
Energy	710,558	674,584	1,385,142	527,279	183,377	710,656
Trading	2,648,331	253,426	2,901,757	2,172,597	155,286	2,327,883
Real estate investment & hospitality	52,057,162	777,734	52,834,896	51,704,059	733,630	52,437,689
Transport	2,116,141	725,628	2,841,769	558,357	673,627	1,231,984
Personal	31,985,480	266,303	32,251,783	29,901,512	389,073	30,290,585
Government & public sector entities	26,185,861	-	26,185,861	31,690,007	560,690	32,250,697
Financial institutions (*)	10,170,519	7,552,102	17,722,621	9,844,961	4,987,911	14,832,872
Manufacturing	1,251,332	616,696	1,868,028	944,955	364,810	1,309,765
Services	1,466,622	211,420	1,678,042	1,586,456	352,906	1,939,362
Others	813,385	332,038	1,145,423	769,479	221,868	991,347
	129,615,938	11,409,931	141,025,869	129,915,439	8,623,178	138,538,617
Less: Allowance for impairment			(6,723,542)			(6,889,947)
Total loans and advances, net			134,302,327			131,648,670

(*) includes investment companies.

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

9. Investment properties

	Completed and in use	Under development	Total
	AED'000	AED'000	AED'000
As at January 1, 2013	264,695	264,700	529,395
Additions during the year	14,147	17,148	31,295
Transfer on completion of construction	281,848	(281,848)	-
As at January 1, 2014 (audited)	560,690	-	560,690
Additions during the period	32,006	-	32,006
As at June 30, 2014 (unaudited)	592,696	-	592,696

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

The valuation methodologies considered by external valuers include:

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

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

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

10. Other assets

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Interest receivable	985,977	911,968
Advance tax	22,495	79,603
Clearing receivables	1,573	404
Prepayments	90,517	38,985
Acceptances	3,272,422	2,140,725
Others	231,857	232,953
Total other assets	4,604,841	3,404,638

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date, and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Bank and is therefore recognised as a financial liability (Note 15) in the condensed consolidated interim statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

11. Due to banks

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Vostro balances	347,377	192,242
Margin deposits	220,861	255,097
Time deposits	6,550,263	3,843,672
Total due to banks	7,118,501	4,291,011

The Bank hedges certain time deposits for foreign currency exchange risk using foreign exchange swap contracts and designates these as cash flow hedges. The net positive fair value of these swaps as at June 30, 2014 was AED 729 thousand (December 31, 2013 – AED Nil).

12. Deposits from customers

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Category :		
Time deposits	50,949,623	65,550,746
Current account deposits	49,080,955	37,131,506
Savings deposits	8,202,129	6,951,691
Murabaha deposits	9,947,900	4,974,515
Long term government deposits (Note 8)	425,898	436,008
Margin deposits	434,391	383,242
Total deposits from customers	119,040,896	115,427,708

12. Deposits from customers (continued)

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

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Mudaraba savings deposits	3,976,740	3,270,613
Current account deposits	2,632,332	2,139,789
Wakala deposits	1,209,103	1,224,052
Mudaraba term deposits	1,415,344	1,528,311
Margin deposits	12,025	9,247
Total Islamic deposits	9,245,544	8,172,012

The Bank hedges certain foreign currency time deposits for foreign currency exchange risk using foreign exchange swap contracts and designates these as cash flow hedges. The net positive fair value of these swaps as at June 30, 2014 was AED 27,337 thousand (December 31, 2013 – net positive fair value of AED 59,578 thousand).

13. Euro commercial paper

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

Currency	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Swiss franc (CHF)	597,682	618,385
Euro (EUR)	1,795,668	1,568,178
GB pound (GBP)	1,125,547	1,329,692
US dollar (USD)	4,977,390	2,424,180
Total euro commercial paper	8,496,287	5,940,435

The Bank hedges certain ECP for foreign currency exchange risk through foreign exchange swap contracts and designates these instruments as cash flow hedges. The net positive fair value of these hedge contracts as at June 30, 2014 was AED 20,640 thousand (December 31, 2013 - net positive fair value of AED 77,202 thousand).

ECP are issued at a discount and the discount rate ranges between 0.16% to 0.74% (December 31, 2013 - 0.12% to 1.03%).

Abu Dhabi Commercial Bank PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

14. Borrowings

The details of borrowings as at June 30, 2014 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	-	-	837,946	-	837,946
	Chinese renminbi (CNH)	-	-	173,580	-	173,580
	Malaysian ringgit (MYR)	-	1,244,595	473,707	-	1,718,302
	Swiss franc (CHF)	-	575,705	388,677	-	964,382
	Turkish lira (TRY)	-	94,003	-	-	94,003
	UAE dirham (AED)	-	500,000	-	-	500,000
	Japanese yen (JPY)	-	146,392	-	-	146,392
	US dollar (USD)	4,221,950	1,889,115	5,480,163	624,410	12,215,638
		4,221,950	4,449,810	7,354,073	624,410	16,650,243
Islamic sukuk notes	US dollar (USD)	-	1,832,188	-	-	1,832,188
Bilateral loans - floating rate	US dollar (USD)	1,652,819	-	-	-	1,652,819
Subordinated notes - floating rate	US dollar (USD)	-	1,058,481	-	-	1,058,481
- fixed rate	US dollar (USD)	-	-	-	3,818,029	3,818,029
	Swiss franc (CHF)	-	-	-	380,130	380,130
Borrowings through repurchase agreements	US dollar (USD)	3,094,847	-	-	-	3,094,847
		8,969,616	7,340,479	7,354,073	4,822,569	28,486,737
Fair value adjustment on borrowings hedged						(59,703)
						28,427,034

Included in borrowings is AED 21,157,534 thousand which have been hedged using interest rate and cross currency swaps. These swaps are designated as either fair value or cash flow hedges. The net negative fair value of these swaps as at June 30, 2014 was AED 48,862 thousand.

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14. Borrowings (continued)

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

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

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

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14. Borrowings (continued)

Interest on global medium term notes is payable quarterly, semi-annually and annually in arrears and the contractual coupon rates as at June 30, 2014 (unaudited) are as follows:

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

Sukuk financing notes

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

Bilateral loans

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

Subordinated notes:

Subordinated floating rate notes

Interest on the subordinated floating rate notes is payable quarterly in arrears at a coupon rate of 110 basis points over 3 months LIBOR. The subordinated floating rate notes fully 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 29). This has been approved by the Central Bank of the UAE.

Subordinated fixed rate notes

Interest on the subordinated fixed rate notes is payable half yearly in arrears and the contractual coupon rates as at June 30, 2014 (unaudited) are as follows:

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

The subordinated fixed rate notes fully qualifies as Tier 2 subordinated loan capital for the first 5 year period till 2018 and thereafter are amortised at the rate of 20% per annum until 2023 for capital adequacy calculation (Note 29). This has been approved by the Central Bank of the UAE. Subordinated notes of AED 1,477,190 thousand mature in 2023 but are callable after 5 years from the issuance date at the option of the Bank.

14. Borrowings (continued)

Borrowings through repurchase agreements

USD: Quarterly coupons in arrears with 300 basis points plus LIBOR.
Fixed rate ranging from 0.34% p.a. to 0.65% p.a.

Further, the Bank has undrawn borrowing floating rate facilities of AED 1,469,200 thousand.

15. Other liabilities

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Interest payable	403,399	398,931
Recognised liability for defined benefit obligations	294,590	256,102
Accounts payable and other creditors	228,857	189,724
Clearing payables	291	131
Deferred income	455,435	445,561
Acceptances (Note 10)	3,272,422	2,140,725
Others	1,469,230	1,479,743
Total other liabilities	6,124,224	4,910,917

16. Share capital

	Authorised AED'000	Issued and fully paid	
		As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Ordinary shares of AED 1 each	5,595,597	5,595,597	5,595,597

As at June 30, 2014, Abu Dhabi Investment Council held 58.083% (December 31, 2013 - 58.083%) of the Bank's issued and fully paid up share capital.

Treasury shares

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

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For the six month period ended June 30, 2014

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

Reserves movement for the six month period ended June 30, 2014:

	Treasury shares AED'000	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Total AED'000
Balance at January 1, 2014	(1,818,969)	(57,438)	2,287,181	2,242,394	2,000,000	150,000	(59,686)	40,800	351,158	5,135,440
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	6,040	-	-	6,040
Fair value changes on cash flow hedges	-	-	-	-	-	-	-	(5,826)	-	(5,826)
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	54,222	54,222
Total comprehensive profit/(loss) for the period	-	-	-	-	-	-	6,040	(5,826)	54,222	54,436
Fair value and other adjustments	-	(745)	-	-	-	-	-	-	-	(745)
Shares – vested portion	-	13,520	-	-	-	-	-	-	-	13,520
Net movement in treasury shares on disposal of fund subsidiaries (Note 30)	22,012	-	-	-	-	-	-	-	-	22,012
Balance at June 30, 2014	(1,796,957)	(44,663)	2,287,181	2,242,394	2,000,000	150,000	(53,646)	34,974	405,380	5,224,663
Balance at January 1, 2013	(30,937)	(96,256)	1,950,650	1,905,863	2,000,000	150,000	(34,333)	26,756	416,848	6,288,591
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(16,807)	-	-	(16,807)
Fair value changes on cash flow hedges	-	-	-	-	-	-	-	(9,591)	-	(9,591)
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	(196,883)	(196,883)
Total comprehensive loss for the period	-	-	-	-	-	-	(16,807)	(9,591)	(196,883)	(223,281)
Shares – vested portion	-	19,871	-	-	-	-	-	-	-	19,871
Buy back of own shares (Note 16)	(1,158,220)	-	-	-	-	-	-	-	-	(1,158,220)
Net movement in treasury shares held by fund subsidiaries	11,184	-	-	-	-	-	-	-	-	11,184
Balance at June 30, 2013	(1,177,973)	(76,385)	1,950,650	1,905,863	2,000,000	150,000	(51,140)	17,165	219,965	4,938,145

18. Capital notes

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

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

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

19. Interest income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Loans and advances to banks	56,754	44,744	104,088	95,709
Loans and advances to customers	1,421,826	1,569,202	2,832,420	3,047,536
Investment securities	132,243	104,539	263,459	233,074
Total interest income	1,610,823	1,718,485	3,199,967	3,376,319

20. Interest expense (unaudited)

	3 months ended June 30		6 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Deposits from banks	2,084	7,221	4,156	12,652
Deposits from customers and euro commercial paper	201,093	241,948	411,338	542,980
Borrowings	125,738	123,163	246,517	308,045
Total interest expense	328,915	372,332	662,011	863,677

21. Net fees and commission income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Fees and commission income				
Retail banking fees	203,947	206,586	398,313	379,424
Corporate banking fees	114,986	79,105	222,221	151,656
Brokerage fees	14,238	4,357	26,352	6,404
Fees from trust and other fiduciary activities	37,687	30,870	63,576	54,511
Other fees	8,384	11,124	27,240	21,354
Total fees and commission income	379,242	332,042	737,702	613,349
Fees and commission expenses	(74,842)	(73,091)	(148,552)	(139,505)
Net fees and commission income	304,400	258,951	589,150	473,844

22. Net trading income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Net gains on dealing in derivatives	17,453	32,504	33,399	37,990
Net gains from dealing in foreign currencies	57,335	63,982	120,175	108,331
Net gains from trading securities	3,017	76,283	98,800	152,319
Net trading income	77,805	172,769	252,374	298,640

23. Other operating income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Gains arising from retirement of hedges	-	5,808	-	103,088
Net gains from available-for-sale investments	7,661	34,526	7,602	34,526
Property management income	35,239	29,352	66,670	57,910
Rental income	27,918	6,994	38,514	11,489
Income from retirement of long term debt	-	-	-	1,973
Dividends income	3,647	17,783	17,995	29,741
Others	5,345	4,554	10,112	4,559
Total other operating income	79,810	99,017	140,893	243,286

24. Operating expenses (unaudited)

	3 months ended June 30		6 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Staff expenses	317,258	317,711	683,020	618,962
Depreciation	34,107	32,976	64,601	64,935
Amortisation of intangible assets	6,785	7,882	13,570	15,764
Others	222,748	206,923	444,616	383,223
Total operating expenses	580,898	565,492	1,205,807	1,082,884

25. Impairment allowances (unaudited)

	3 months ended June 30		6 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Impairment allowance on loans and advances, net (Note 8)	234,307	525,396	421,999	855,163
Recoveries on written off available-for-sale investments	(843)	(18,575)	(14,969)	(26,663)
Total impairment allowances	233,464	506,821	407,030	828,500

26. Earnings per share (unaudited)
Basic and diluted earnings per share

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

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26. Earnings per share (unaudited) (continued)

	3 months ended June 30		6 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Net profit for the period attributable to the equity holders of the Bank	1,057,116	868,525	2,010,288	1,698,024
Less: Coupons paid on capital notes	-	-	(120,000)	(120,000)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	1,057,116	868,525	1,890,288	1,578,024
	Number of shares in thousand			
Weighted average number of shares in issue throughout the period	5,595,597	5,595,597	5,595,597	5,595,597
Less: Weighted average number of treasury shares arising on buy back	(392,742)	(173,774)	(392,742)	(87,814)
Less: Weighted average number of treasury shares arising on consolidation of funds	-	(7,674)	(7,312)	(8,500)
Less: Weighted average number of shares resulting from Employees' incentive plan shares	(15,445)	(30,201)	(15,445)	(34,125)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	5,187,410	5,383,948	5,180,098	5,465,158
Add: Weighted average number of treasury shares arising on consolidation of funds	-	7,674	7,312	8,500
Add: Weighted average number of shares resulting from Employees' incentive plan shares	15,445	30,201	15,445	34,125
Weighted average number of equity shares in issue during the period for diluted earnings per share (c)	5,202,855	5,421,823	5,202,855	5,507,783
Basic earnings per share (AED) (a)/(b)	0.20	0.16	0.36	0.29
Diluted earnings per share (AED) (a)/(c)	0.20	0.16	0.36	0.29

27. Commitments and contingent liabilities

The Bank had the following commitments and contingent liabilities:

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Letters of credit	7,959,912	8,677,520
Guarantees	15,791,005	14,249,313
Commitments to extend credit - Revocable	9,764,011	8,293,471
Commitments to extend credit - Irrevocable	10,429,651	3,262,963
Total commitments on behalf of customers	43,944,579	34,483,267
Commitments for future capital expenditure	168,550	189,007
Commitments to invest in investment securities	123,912	132,185
Total commitments and contingent liabilities	44,237,041	34,804,459

28. Operating segments

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

28. Operating segments (continued)

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

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

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

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

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

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

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

The following is an analysis of the Bank's revenue and results by operating segment for the six month period ended June 30, 2014 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest and Islamic financing income	1,135,045	676,595	926,237	54,712	2,792,589
Non-interest income	541,781	262,625	64,591	113,420	982,417
Operating expenses	(749,898)	(320,167)	(87,603)	(48,139)	(1,205,807)
Operating profit before impairment allowances	926,928	619,053	903,225	119,993	2,569,199
Impairment (allowances)/recoveries	(417,403)	(4,596)	14,969	-	(407,030)
Profit before taxation	509,525	614,457	918,194	119,993	2,162,169
Overseas income tax expense	-	(1,198)	-	-	(1,198)
Net profit for the period	509,525	613,259	918,194	119,993	2,160,971
Capital expenditure					66,144
As at June 30, 2014 (unaudited)					
Segment assets	61,947,707	78,819,737	56,431,228	600,674	197,799,346
Segment liabilities	36,031,903	47,769,734	89,281,783	8,181	173,091,601

28. Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the six month period ended June 30, 2013 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest and Islamic financing income	1,056,534	776,465	825,029	61,668	2,719,696
Non-interest income	449,085	204,476	283,451	78,758	1,015,770
Operating expenses	(657,062)	(287,850)	(93,383)	(44,589)	(1,082,884)
Operating profit before impairment allowances	848,557	693,091	1,015,097	95,837	2,652,582
Impairment (allowances)/recoveries	(801,902)	(53,261)	26,663	-	(828,500)
Profit before taxation	46,655	639,830	1,041,760	95,837	1,824,082
Overseas income tax expense	-	(3,599)	-	-	(3,599)
Net profit for the period	46,655	636,231	1,041,760	95,837	1,820,483
Capital expenditure					43,536
As at December 31, 2013 (audited)					
Segment assets	61,382,901	76,113,146	45,078,609	567,880	183,142,536
Segment liabilities	32,165,627	43,746,149	82,370,825	38,625	158,321,226

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended June 30, 2014 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest and Islamic financing income	557,987	362,452	464,749	27,155	1,412,343
Non-interest income	200,785	134,266	59,596	67,368	462,015
Operating expenses	(362,224)	(146,823)	(49,327)	(22,524)	(580,898)
Operating profit before impairment allowances	396,548	349,895	475,018	71,999	1,293,460
Impairment (allowances)/recoveries	(165,784)	(68,523)	843	-	(233,464)
Profit before taxation	230,764	281,372	475,861	71,999	1,059,996
Overseas income tax expense	-	(2,304)	-	-	(2,304)
Net profit for the period	230,764	279,068	475,861	71,999	1,057,692
Capital expenditure					32,306

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended June 30, 2013 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest and Islamic financing income	535,829	438,819	455,625	30,371	1,460,644
Non-interest income	232,063	107,348	151,033	40,293	530,737
Operating expenses	(350,239)	(146,241)	(43,328)	(25,684)	(565,492)
Operating profit before impairment allowances	417,653	399,926	563,330	44,980	1,425,889
Impairment (allowances)/recoveries	(472,478)	(52,918)	18,575	-	(506,821)
Profit before taxation	(54,825)	347,008	581,905	44,980	919,068
Overseas income tax expense	-	(1,569)	-	-	(1,569)
Net profit for the period	(54,825)	345,439	581,905	44,980	917,499
Capital expenditure					9,966

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28. 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)	
	6 months ended June 30		6 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Consumer banking	2,249,898	2,146,446	(573,072)	(640,827)
Wholesale banking	1,471,951	1,516,480	(532,731)	(535,539)
Investments and treasury	(60,263)	(6,218)	1,051,091	1,114,698
Property management	113,420	78,758	54,712	61,668
Total	3,775,006	3,735,466	-	-

	External (unaudited)		Inter-segment (unaudited)	
	3 months ended June 30		3 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Consumer banking	1,042,793	1,084,062	(284,021)	(316,170)
Wholesale banking	764,414	837,267	(267,696)	(291,100)
Investments and treasury	(217)	29,758	524,562	576,900
Property management	67,368	40,294	27,155	30,370
Total	1,874,358	1,991,381	-	-

Geographical information

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

	Domestic (unaudited)		International (unaudited)	
	6 months ended June 30		6 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest and Islamic financing income	2,773,619	2,704,726	18,970	14,970
Non-interest income	979,807	1,011,010	2,610	4,760

	Domestic (unaudited)		International (unaudited)	
	3 months ended June 30		3 months ended June 30	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest and Islamic financing income	1,402,772	1,453,619	9,571	7,025
Non-interest income	460,685	530,311	1,330	426

28. Operating segments (continued)

Geographical information (continued)

	Domestic		International	
	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000	As at June 30 2014 Unaudited AED'000	As at December 31 2013 audited AED'000
Non-current assets				
Investment properties	592,696	560,690	-	-
Property and equipment, net	791,394	801,295	4,132	4,027
Intangible assets	48,125	61,695	-	-

29. Capital adequacy ratio

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

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
Tier 1 capital		
Share capital (Note 16)	5,595,597	5,595,597
Share premium	3,848,286	3,848,286
Other reserves, net of treasury shares (Note 17)	4,819,283	4,784,282
Retained earnings	6,029,772	5,597,275
Non-controlling interests in equity of subsidiaries	9,427	644,712
Capital notes (Note 18)	4,000,000	4,000,000
Less: Intangible assets	(48,125)	(61,695)
Total tier 1 capital	24,254,240	24,408,457
Tier 2 capital		
Collective impairment allowance on loans and advances	1,706,002	1,684,495
Cumulative changes in fair value (Note 17)	182,421	158,021
Subordinated notes (Note 14)	4,693,088	4,904,727
Total tier 2 capital	6,581,511	6,747,243
Total regulatory capital	30,835,751	31,155,700
Risk-weighted assets		
Credit risk	136,480,171	134,759,561
Market risk	4,942,196	4,890,071
Operational risk	11,835,586	7,216,753
Total risk-weighted assets	153,257,953	146,866,385
Capital adequacy ratio	20.12%	21.21%
Tier 1 ratio	15.83%	16.62%
Tier 2 ratio	4.29%	4.59%

The capital adequacy ratio was above the minimum requirement of 12% for June 30, 2014 (December 31, 2013 – 12%) stipulated by the Central Bank of the UAE.

30. Disposal of fund subsidiaries (unaudited)

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

Analysis of net assets over which control was lost

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

Sales consideration

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

Net cash inflow on disposal of fund subsidiaries

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

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

Net gains amounting to AED 91,521 thousand on treasury shares held by the fund subsidiaries pertaining to previous periods were recognised in retained earnings in March 2014.

31. Fair value hierarchy

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

Quoted market prices – Level 1

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

Valuation techniques using observable inputs – Level 2

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

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

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

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

Valuation techniques using significant unobservable inputs – Level 3

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

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

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

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

Other assets and liabilities not measured at fair value

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

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2014

31. Fair value hierarchy (continued)

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

		Level 1	Level 2	Level 3	Total
		Quoted market prices	Observable inputs	Significant unobservable inputs	AED'000
As at June 30, 2014 (unaudited)	Notes	AED'000	AED'000	AED'000	AED'000
Assets at fair value					
Trading securities	5	210,918	-	-	210,918
Derivative financial instruments	6	17,243	3,595,802	-	3,613,045
Investment securities	7				
- Quoted		22,156,910	-	-	22,156,910
- Unquoted		-	126,082	352,322	478,404
Investment properties	9	-	592,696	-	592,696
Total assets at fair value		22,385,071	4,314,580	352,322	27,051,973
Liabilities at fair value					
Derivative financial instruments	6	20,558	3,864,101	-	3,884,659
Total liabilities at fair value		20,558	3,864,101	-	3,884,659
As at December 31, 2013 (audited)					
Assets at fair value					
Trading securities	5	884,640	-	-	884,640
Derivative financial instruments	6	1,767	3,614,436	-	3,616,203
Investment securities	7				
- Quoted		20,480,037	-	-	20,480,037
- Unquoted		-	58,147	316,588	374,735
Investment properties	9	-	560,690	-	560,690
Total assets at fair value		21,366,444	4,233,273	316,588	25,916,305
Liabilities at fair value					
Derivative financial instruments	6	-	3,965,587	-	3,965,587
Total liabilities at fair value		-	3,965,587	-	3,965,587

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

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

	As at June 30 2014 unaudited AED'000	As at December 31 2013 audited AED'000
At January 1,	316,588	278,436
Acquisitions during the period/ year	8,273	49,217
Matured/disposals during the period/ year	(1,339)	(9,726)
Fair value adjustments	28,800	(2,502)
Transfer from Level 1	-	1,163
Balance at	352,322	316,588

Net gain of AED 5,857 thousand for the period on Level 3 investments.

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

There is no change in valuation techniques during the period.

32. Legal proceedings

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