

Abu Dhabi Commercial Bank PJSC
Review report and condensed consolidated interim financial
information for the six month period ended June 30, 2015

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Report on review of condensed consolidated interim financial information

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank PJSC (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2015 and the related condensed consolidated interim income statement and statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34, “*Interim Financial Reporting*”. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Other matter

The comparative amounts in the condensed consolidated interim statement of financial position at December 31, 2014 and related explanatory information were audited by another auditor whose report dated January 25, 2015 expressed an unmodified opinion thereon. The prior period comparative amounts in the condensed consolidated interim income statement and statements of comprehensive income, changes in equity and cash flows and related explanatory information for the six month period ended June 30, 2014, were reviewed by another auditor who issued an unmodified conclusion dated July 22, 2014.

Deloitte & Touche (M.E.)



Mutasem M. Dajani
Registration No. 726
July 21, 2015

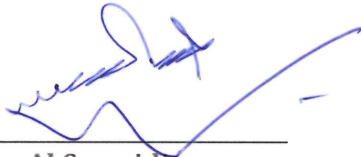
Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim statement of financial position

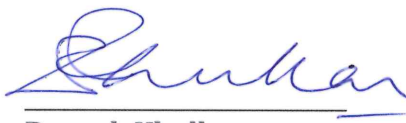
As at June 30, 2015

	Notes	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Assets			
Cash and balances with central banks	3	14,910,540	15,092,192
Deposits and balances due from banks	4	16,630,716	16,019,461
Trading securities	5	269,767	199,599
Derivative financial instruments	6	4,257,320	4,288,506
Investment securities	7	23,154,559	21,651,838
Loans and advances, net	8	145,781,961	140,562,498
Investment in associate		195,843	195,854
Investment properties	9	623,328	615,778
Other assets	10	5,525,442	4,551,844
Property and equipment, net		807,226	806,188
Intangible assets		24,435	35,705
Total assets		212,181,137	204,019,463
Liabilities			
Due to banks	11	2,248,255	4,089,019
Derivative financial instruments	6	4,752,630	5,000,067
Deposits from customers	12	131,642,981	126,011,227
Euro commercial paper	13	6,429,883	6,375,284
Borrowings	14	32,896,791	30,320,121
Other liabilities	15	7,435,191	5,804,912
Total liabilities		185,405,731	177,600,630
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	5,763,014	5,791,798
Retained earnings		7,564,836	7,172,755
Capital notes	18	4,000,000	4,000,000
Equity attributable to equity holders of the Bank		26,771,733	26,408,436
Non-controlling interests		3,673	10,397
Total equity		26,775,406	26,418,833
Total liabilities and equity		212,181,137	204,019,463

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on July 21, 2015 and signed on its behalf by:


Eissa Al Suwaidi
 Chairman


Ala'a Eraiqat
 Chief Executive Officer


Deepak Khullar
 Chief Financial Officer

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

Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim income statement (unaudited)

For the six month period ended June 30, 2015

	Notes	3 months ended June 30		6 months ended June 30	
		2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Interest income	19	1,754,476	1,610,823	3,588,830	3,199,967
Interest expense	20	(350,640)	(328,915)	(674,849)	(662,011)
Net interest income		1,403,836	1,281,908	2,913,981	2,537,956
Income from Islamic financing		167,157	159,811	324,355	311,188
Islamic profit distribution		(27,937)	(29,376)	(54,504)	(56,555)
Net income from Islamic financing		139,220	130,435	269,851	254,633
Total net interest and Islamic financing income		1,543,056	1,412,343	3,183,832	2,792,589
Net fees and commission income	21	342,553	304,400	717,555	589,150
Net trading income	22	69,643	77,805	192,502	252,374
Other operating income	23	86,106	79,810	139,666	140,893
Operating income		2,041,358	1,874,358	4,233,555	3,775,006
Operating expenses	24	(671,542)	(580,898)	(1,371,673)	(1,205,807)
Operating profit before impairment allowances		1,369,816	1,293,460	2,861,882	2,569,199
Impairment allowances	25	(83,940)	(233,464)	(325,208)	(407,030)
Profit before taxation		1,285,876	1,059,996	2,536,674	2,162,169
Overseas income tax expense		(2,461)	(2,304)	(4,257)	(1,198)
Net profit for the period		1,283,415	1,057,692	2,532,417	2,160,971
Attributed to:					
Equity holders of the Bank		1,283,054	1,057,116	2,530,960	2,010,288
Non-controlling interests		361	576	1,457	150,683
Net profit for the period		1,283,415	1,057,692	2,532,417	2,160,971
Basic earnings per share (AED)	26	0.25	0.20	0.48	0.36
Diluted earnings per share (AED)	26	0.25	0.20	0.47	0.36

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

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

For the six month period ended June 30, 2015

	3 months ended June 30		6 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Net profit for the period	1,283,415	1,057,692	2,532,417	2,160,971
Items that may be re-classified subsequently to the condensed consolidated interim income statement				
Exchange difference arising on translation of foreign operations	(3,863)	(541)	(2,125)	6,040
Fair value changes on cash flow hedges	(3,077)	(5,430)	13,275	(5,826)
Fair value changes on available-for-sale investments	20,474	(2,963)	(26,912)	57,646
Fair value changes reversed on disposal of available-for-sale-investments	(892)	(3,418)	(892)	(3,424)
Other comprehensive income/(loss) for the period	12,642	(12,352)	(16,654)	54,436
Total comprehensive income for the period	1,296,057	1,045,340	2,515,763	2,215,407
Attributed to:				
Equity holders of the Bank	1,295,696	1,044,764	2,514,306	2,064,724
Non-controlling interests	361	576	1,457	150,683
Total comprehensive income for the period	1,296,057	1,045,340	2,515,763	2,215,407

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

Abu Dhabi Commercial Bank PJSC

Condensed consolidated interim statement of changes in equity (unaudited)

For the six month period ended June 30, 2015

	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, 2015	5,595,597	3,848,286	5,791,798	7,172,755	4,000,000	26,408,436	10,397	26,418,833
Net profit for the period	-	-	-	2,530,960	-	2,530,960	1,457	2,532,417
Other comprehensive loss for the period	-	-	(16,654)	-	-	(16,654)	-	(16,654)
Other movements (Note 17)	-	-	(12,130)	5,923	-	(6,207)	-	(6,207)
Dividends to equity holders of the parent	-	-	-	(2,079,292)	-	(2,079,292)	-	(2,079,292)
Net decrease in non-controlling interests	-	-	-	-	-	-	(8,181)	(8,181)
Capital notes coupon paid (Note 18)	-	-	-	(65,510)	-	(65,510)	-	(65,510)
Balance at June 30, 2015	5,595,597	3,848,286	5,763,014	7,564,836	4,000,000	26,771,733	3,673	26,775,406
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	-	-	-	-	-	-	(836,495)	(836,495)
Net gains on treasury shares arising on disposal of fund subsidiaries	-	-	-	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

Following the Annual General Meeting held on March 3, 2015, the shareholders approved the distribution of proposed cash dividends of AED 2,079,292 thousand, being AED 0.40 dividends per share and representing 40% of the paid up share capital net of shares bought back (For the year 2013 - 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).

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

Condensed consolidated interim statement of cash flows (unaudited)

For the six month period ended June 30, 2015

	6 months ended June 30	
	2015	2014
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxation	2,536,674	2,162,169
Adjustments for:		
Depreciation on property and equipment, net (Note 24)	65,422	64,601
Amortisation of intangible assets (Note 24)	11,270	13,570
Impairment allowance on loans and advances, net (Note 8)	446,705	563,709
Share in loss of associate	11	-
Discount unwind (Note 8)	(93,117)	(78,415)
Net gains from disposal of available-for-sale investments (Note 23)	(1,209)	(7,602)
Recoveries on written off available-for-sale investments (Note 25)	(7,852)	(14,969)
Interest income on available-for-sale investments	(224,857)	(255,371)
Dividend income on available-for-sale investments	(6,030)	(5,797)
Interest expense on borrowings and euro commercial paper	254,929	254,890
Net losses/(gains) from trading securities (Note 22)	1,890	(98,800)
Ineffective portion of hedges – losses (Note 6)	8,528	523
Employees' incentive plan benefit expense (Note 17)	14,493	13,520
Cash flow from operating activities before changes in operating assets and liabilities	3,006,857	2,612,028
Increase in balances with central banks	-	(800,000)
Decrease/(increase) in due from banks	416,270	(2,231,595)
Decrease in net trading derivative financial instruments	65,847	62,232
Net (purchases)/proceeds from disposal of trading securities	(72,058)	10,347
Increase in loans and advances, net	(5,585,660)	(3,158,189)
Decrease/(increase) in other assets	182,655	(124,096)
Increase in due to banks	284,298	280,993
Increase in deposits from customers	5,585,449	3,525,220
Increase in other liabilities	441,758	10,234
Cash from operating activities	4,325,416	187,174
Overseas tax paid	(3,292)	-
Net cash from operating activities	4,322,124	187,174
INVESTING ACTIVITIES		
Recoveries on written off available-for-sale investments (Note 25)	7,852	14,969
Overseas tax paid, net	-	2,721
Proceeds from redemption/disposal of available-for-sale investments	5,306,266	3,572,001
Purchase of available-for-sale investments	(7,061,270)	(5,240,466)
Interest received on available-for-sale investments	318,810	351,720
Dividends received on available-for-sale investments	6,030	6,306
Additions to investment properties	-	(11,339)
Cash received on disposal of fund subsidiaries	-	95,112
Net purchase of property and equipment, net	(66,460)	(54,805)
Net cash used in investing activities	(1,488,772)	(1,263,781)
FINANCING ACTIVITIES		
Net (decrease)/increase in euro commercial paper	(207,202)	2,597,478
Net proceeds from borrowings	11,695,630	14,311,752
Repayment of borrowings	(8,960,934)	(9,907,761)
Interest paid on borrowings	(213,578)	(192,019)
Net proceeds from sale of treasury shares by fund subsidiaries	-	1,751
Dividends paid to equity holders of the parent	(2,079,292)	(1,560,857)
Share buyback (Note 16)	(17,005)	-
Purchase of employees' incentive plan shares (Note 17)	(4,325)	-
Net movement in non-controlling interests	(8,181)	50,527
Capital notes coupon paid (Note 18)	(65,510)	(120,000)
Net cash from financing activities	139,603	5,180,871
Net increase in cash and cash equivalents	2,972,955	4,104,264
Cash and cash equivalents at the beginning of the period	15,020,506	9,797,941
Cash and cash equivalents at the end of the period	17,993,461	13,902,205

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

Condensed consolidated interim statement of cash flows (unaudited)

For the six month period ended June 30, 2015 (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 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Cash and balances with central banks	14,910,540	15,092,192
Deposits and balances due from banks	16,630,716	16,019,461
Due to banks	(2,248,255)	(4,089,019)
	29,293,001	27,022,634
Less: Cash and balances with central banks and deposits and balances due from banks – with original maturity of more than 3 months	(11,677,665)	(12,095,955)
Add: Due to banks – with original maturity of more than 3 months	378,125	93,827
Total cash and cash equivalents	17,993,461	15,020,506

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

1. Activities and areas of operations

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

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

ADCB is registered as a public joint stock company in accordance with the UAE Federal 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, 2014, 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, 2014 except for Note 8 and Note 20 which has been reclassified to conform to current period presentation.

For details of related party balances and transactions, refer to Note 35 in the consolidated financial statements for the year ended December 31, 2014. The related party balances and transactions for the six month period ended June 30, 2015 are similar in nature and magnitude. Note 8 of this condensed consolidated interim financial information provide details of lending exposure to government entities.

The results for the six month period ended June 30, 2015 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2015.

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 this condensed consolidated interim financial information.

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

The main areas of judgments, estimates and assumptions applied in this condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the Bank’s consolidated financial statements for the year ended December 31, 2014.

2. Summary of significant accounting policies (continued)

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

2.2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 2015

In the current period, the Bank has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Bank’s future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2015.

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 significant amendments to standards applicable to the Bank:	Effective for annual periods beginning on or after
Amendments to IFRS 7 - Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 - Financial Instruments: Disclosures additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 9 - Financial Instruments (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.	January 1, 2018
IFRS 9 - Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.	
Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	
IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets (2) the classification and measurement requirements for both financial assets and financial liabilities (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.	

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2015

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

New standards and significant amendments to standards applicable to the Bank:	Effective for annual periods beginning on or after
IFRS 15 Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers.	January 1, 2017
Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	January 1, 2016
Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	January 1, 2016
Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	January 1, 2016
Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	January 1, 2016
Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	January 1, 2016
Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	January 1, 2016
Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	January 1, 2016

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

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

2.3 Basis of consolidation

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

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Special purpose entities

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

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

Funds 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

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

Investment in associate

Associates are those entities in which the Bank has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Bank holds directly or indirectly 20% or more of the voting power of the investee, unless it can be clearly demonstrated that this is not the case.

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

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

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

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Joint arrangements

Joint arrangements are arrangements of which the 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.

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.

2. Summary of significant accounting policies (continued)

2.4 Investment securities (continued)

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 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.

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.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2015

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

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 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Cash on hand	645,036	786,474
Balances with central banks	1,615,087	1,359,247
Reserves maintained with central banks	9,112,151	9,401,659
Certificate of deposits with UAE Central Bank	3,525,000	3,525,000
Reverse repo with Central Bank	13,266	19,812
Total cash and balances with central banks	14,910,540	15,092,192

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2015

3. Cash and balances with central banks (continued)

	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
The geographical concentration is as follows:		
Within the UAE	14,883,876	15,048,413
Outside the UAE	26,664	43,779
	14,910,540	15,092,192

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 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Nostro balances	607,393	769,268
Margin deposits	259,020	179,426
Time deposits	13,249,490	10,681,616
Reverse-repo placements	2,424,813	2,830,049
Wakala placements	90,000	1,375,546
Certificate of deposits	-	183,556
Total deposits and balances due from banks	16,630,716	16,019,461
The geographical concentration is as follows:		
Within the UAE	7,079,830	7,179,030
Outside the UAE	9,550,886	8,840,431
	16,630,716	16,019,461

The Bank entered into collateral swap agreements under which bonds with fair value of AED 2,368,696 thousand (December 31, 2014 – AED 2,814,042 thousand) were received as collateral against reverse-repo placements. The risk and rewards relating to these bonds remain with the counterparties.

The Bank hedges its foreign currency time deposit 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 was AED 930 thousand as at June 30, 2015 (December 31, 2014 – negative fair value of AED 1,153 thousand).

5. Trading securities

	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Bonds	269,767	199,599
The geographical concentration is as follows:		
Within the UAE	262,345	176,540
Outside the UAE	7,422	23,059
	269,767	199,599

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2015

5. Trading securities (continued)

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

6. Derivative financial instruments

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

As at June 30, 2015 (unaudited)	Fair values	
	Assets AED'000	Liabilities AED'000
Derivatives held or issued for trading		
Foreign exchange derivatives	722,068	790,587
Interest rate and cross-currency swaps	2,599,317	2,652,971
Options	91,588	113,713
Futures (exchange-traded)	606	902
Commodity and energy swaps	215,916	215,551
Swaptions	105,899	24,133
Total derivatives held or issued for trading	3,735,394	3,797,857
Derivatives held as fair value hedges		
Interest rate and cross-currency swaps	374,098	887,746
Derivatives held as cash flow hedges		
Interest rate and cross-currency swaps	16,998	14,919
Forward foreign exchange contracts	130,830	52,108
Total derivatives held as cashflow hedges	147,828	67,027
Total derivative financial instruments	4,257,320	4,752,630
As at December 31, 2014 (audited)		
Derivatives held or issued for trading		
Foreign exchange derivatives	824,724	846,365
Interest rate and cross-currency swaps	2,713,510	2,713,377
Options	117,054	170,155
Futures (exchange-traded)	2,536	146
Commodity and energy swaps	295,998	295,557
Swaptions	91,383	16,221
Total derivatives held or issued for trading	4,045,205	4,041,821
Derivatives held as fair value hedges		
Interest rate and cross-currency swaps	220,978	708,262
Derivatives held as cash flow hedges		
Interest rate and cross-currency swaps	19,109	29,722
Forward foreign exchange contracts	3,214	220,262
Total derivatives held as cashflow hedges	22,323	249,984
Total derivative financial instruments	4,288,506	5,000,067

The net hedge ineffectiveness losses relating to the fair value and cash flow hedges amounting to AED 8,528 thousand (June 30, 2014 – losses of AED 523 thousand) has been recognised in the condensed consolidated interim income statement.

As at June 30, 2015, the Bank received cash collateral of AED 247,170 thousand (December 31, 2014 – AED 262,370 thousand) against derivative assets from certain counterparties.

As at June 30, 2015, the Bank placed cash collateral of AED 262,252 thousand (December 31, 2014 – AED 552,202 thousand) and investment securities of AED 1,548,677 thousand (December 31, 2014 – AED 1,787,944 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, 2015

7. Investment securities

As at June 30, 2015 (unaudited)	UAE AED'000	Other GCC(*) Countries AED'000	Rest of the world AED'000	Total AED'000
Available-for-sale investments				
Quoted				
Government securities	1,615,608	1,096,240	2,708,295	5,420,143
Bonds – Public sector	5,040,843	113,300	859,425	6,013,568
Bonds – Banks and financial institutions	3,040,244	743,624	6,493,361	10,277,229
Bonds – Corporate	195,974	-	81,755	277,729
Equity instruments	824	-	329	1,153
Mutual funds	178,652	-	-	178,652
Total quoted	10,072,145	1,953,164	10,143,165	22,168,474
Unquoted				
Government securities	-	595,803	-	595,803
Equity instruments	325,885	-	13,293	339,178
Mutual funds	51,104	-	-	51,104
Total unquoted	376,989	595,803	13,293	986,085
Total available-for-sale investments	10,449,134	2,548,967	10,156,458	23,154,559
As at December 31, 2014 (audited)				
Available-for-sale investments				
Quoted				
Government securities	1,528,323	1,678,831	1,523,242	4,730,396
Bonds – Public sector	4,407,000	45,090	286,869	4,738,959
Bonds – Banks and financial institutions	2,740,513	757,993	7,026,279	10,524,785
Bonds – Corporate	116,358	-	42,292	158,650
Equity instruments	824	-	-	824
Mutual funds	165,835	-	-	165,835
Total quoted	8,958,853	2,481,914	8,878,682	20,319,449
Unquoted				
Government securities	-	895,713	-	895,713
Bonds – Public sector	57,699	-	-	57,699
Bonds – Corporate	-	-	761	761
Equity instruments	314,855	-	13,281	328,136
Mutual funds	50,080	-	-	50,080
Total unquoted	422,634	895,713	14,042	1,332,389
Total available-for-sale investments	9,381,487	3,377,627	8,892,724	21,651,838

(*) Gulf Cooperation Council

The Bank hedges interest rate and foreign currency risks on certain fixed rate and floating rate investments through interest rate and cross-currency swaps and designates these as fair value and cash flow hedges, respectively. The net positive fair value of these interest rate swaps as at June 30, 2015 was AED 119,863 thousand (December 31, 2014 – net negative fair value AED 18,271 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2015

7. Investment securities (continued)

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

	As at June 30, 2015 (unaudited)		As at December 31, 2014 (audited)	
	Carrying value of pledged assets	Carrying value of associated liabilities	Carrying value of pledged assets	Carrying value of associated liabilities
	AED'000	AED'000	AED'000	AED'000
Repurchase financing	4,626,209	4,439,544	4,765,545	4,589,111

Further, the Bank pledged investment securities with fair value amounting to AED 1,548,691 thousand (December 31, 2014 – AED 1,802,584 thousand) as collateral against margin calls. The risks and rewards on these pledged investments remained with the Bank.

8. Loans and advances, net

	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Overdrafts (retail and corporate)	3,951,079	3,691,843
Retail loans	26,845,489	23,638,657
Corporate loans	109,106,773	107,223,733
Credit cards	3,279,458	2,865,852
Other facilities	9,134,662	9,920,156
Gross loans and advances	152,317,461	147,340,241
Less: Allowance for impairment	(6,535,500)	(6,777,743)
Total loans and advances, net	145,781,961	140,562,498

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

	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Murabaha	2,308,821	2,299,930
Ijara financing	5,621,610	4,170,654
Mudaraba	119,235	138,534
Salam	4,807,813	4,420,019
Others	143,843	126,776
Gross Islamic financing assets	13,001,322	11,155,913
Less: Allowance for impairment	(162,944)	(143,219)
Net Islamic financing assets	12,838,378	11,012,694

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, 2015 was AED 2,388 thousand (December 31, 2014 - net positive fair value of AED 4,152 thousand).

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2015

8. Loans and advances, net (continued)

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

	As at June 30, 2015 (unaudited)			As at December 31, 2014 (audited)		
	Individual impairment AED'000	Collective impairment AED'000	Total AED'000	Individual impairment AED'000	Collective impairment AED'000	Total AED'000
Opening balance	3,856,796	2,920,947	6,777,743	4,250,195	2,639,752	6,889,947
Charge for the period/year	333,358	113,347	446,705	714,991	325,560	1,040,551
Recoveries during the period/year	(113,645)	-	(113,645)	(229,352)	-	(229,352)
Net charge for the period/year	219,713	113,347	333,060	485,639	325,560	811,199
Discount unwind/others	(93,117)	-	(93,117)	(160,011)	(44,245)	(204,256)
Net amounts written-off	(481,989)	-	(481,989)	(718,638)	-	(718,638)
Currency translation	(128)	(69)	(197)	(389)	(120)	(509)
Closing balance	3,501,275	3,034,225	6,535,500	3,856,796	2,920,947	6,777,743

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

	As at June 30, 2015 (unaudited)			As at December 31, 2014 (audited)		
	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000
Economic activity sector						
Agriculture	212,995	-	212,995	208,394	-	208,394
Energy	1,327,583	397,855	1,725,438	1,470,512	1,910,712	3,381,224
Trading	4,008,312	654,943	4,663,255	3,142,931	332,680	3,475,611
Real estate investment & hospitality	48,896,140	650,806	49,546,946	48,234,134	594,872	48,829,006
Transport	1,506,007	808,032	2,314,039	1,373,193	815,998	2,189,191
Personal	36,903,908	320,757	37,224,665	33,951,440	269,626	34,221,066
Government & public sector entities	30,704,553	243,910	30,948,463	30,468,754	241,041	30,709,795
Financial institutions (*)	10,384,232	10,037,701	20,421,933	10,212,055	9,873,561	20,085,616
Manufacturing	1,139,553	1,623,958	2,763,511	1,466,266	1,007,843	2,474,109
Services	1,575,489	196,106	1,771,595	1,090,550	130,530	1,221,080
Others	491,238	233,383	724,621	323,302	221,847	545,149
	137,150,010	15,167,451	152,317,461	131,941,531	15,398,710	147,340,241
Less: Allowance for impairment			(6,535,500)			(6,777,743)
Total loans and advances, net			145,781,961			140,562,498

(*) includes investment companies

9. Investment properties

	AED'000
January 1, 2014	560,690
Additions during the year	32,758
Revaluation of investment properties	22,330
January 1, 2015 (audited)	615,778
Additions during the period	7,550
June 30, 2015 (unaudited)	623,328

Fair valuations

Valuations are carried out by registered independent valuers having an appropriate recognised professional qualification and experience in the location and category of the property being valued. The properties were valued during the last quarter of the year 2014.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2015

9. Investment properties (continued)**Fair valuations** (continued)

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.

10. Other assets

	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Interest receivable	1,104,311	1,017,819
Advance tax	18,098	21,959
Clearing receivables	383	368
Prepayments	73,596	65,830
Acceptances	4,068,344	2,906,420
Others	260,710	539,448
Total other assets	5,525,442	4,551,844

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, 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 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Vostro balances	320,237	578,213
Margin deposits	187,250	96,200
Time deposits	1,740,768	3,414,606
Total due to banks	2,248,255	4,089,019

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, 2015 was AED 1,796 thousand (December 31, 2014 – AED Nil).

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2015

12. Deposits from customers

	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Time deposits	50,350,646	57,075,373
Current account deposits	53,989,233	46,823,595
Savings deposits	10,301,264	8,895,672
Murabaha deposits	15,996,414	12,114,262
Long term government deposits	418,907	425,898
Margin deposits	586,517	676,427
Total deposits from customers	131,642,981	126,011,227

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

	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Mudaraba term deposits	1,295,776	1,374,575
Wakala deposits	1,246,353	1,249,479
Current account deposits	2,767,145	2,543,875
Mudaraba savings deposits	4,687,909	4,198,219
Margin deposits	12,155	13,281
Total Islamic deposits	10,009,338	9,379,429

The Bank hedges certain foreign currency time deposits for foreign currency and floating interest rate risks using foreign exchange and interest rate swaps and designates these as cash flow hedges. The net negative fair value of these swaps as at June 30, 2015 was AED 1,258 thousand (December 31, 2014 – net negative fair value of AED 47,920 thousand).

13. Euro commercial paper

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

Currency	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Swiss franc (CHF)	344,083	619,295
Euro (EUR)	1,595,923	1,082,659
GB pound (GBP)	2,595,503	1,441,410
US dollar (USD)	1,808,373	3,231,920
Australian dollar (AUD)	86,001	-
Total euro commercial paper	6,429,883	6,375,284

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, 2015 was AED 79,931 thousand (December 31, 2014 - net negative fair value of AED 166,883 thousand).

ECP are issued at a discount and the discount rate ranges between 0.06% to 2.17% and negative discount rate ranges between -0.02 % to -0.99 % (December 31, 2014 - 0.08% to 0.77%).

Abu Dhabi Commercial Bank PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2015

14. Borrowings

The details of borrowings as at June 30, 2015 (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)	-	-	841,013	-	841,013
	Chinese renminbi (CNH)	-	173,580	-	-	173,580
	Euro (EUR)	-	-	55,463	-	55,463
	Malaysian ringgit (MYR)	870,993	847,028	-	-	1,718,021
	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)	54,373	146,247	54,254	-	254,874
	Hongkong dollar (HKD)	-	-	75,751	-	75,751
	US dollar (USD)	-	4,634,258	8,007,270	1,682,329	14,323,857
		1,595,074	6,689,790	9,033,751	1,682,329	19,000,944
Islamic sukuk notes	US dollar (USD)	-	1,833,421	-	-	1,833,421
Bilateral loans – floating rate	US dollar (USD)	-	4,035,857	-	-	4,035,857
Subordinated notes – fixed rate	US dollar (USD)	-	-	-	3,820,524	3,820,524
	Swiss franc (CHF)	-	-	-	380,130	380,130
Borrowings through repurchase agreements	US dollar (USD)	4,439,544	-	-	-	4,439,544
		6,034,618	12,559,068	9,033,751	5,882,983	33,510,420
Fair value adjustment on borrowings hedged						(613,629)
						32,896,791

Included in borrowings is AED 22,633,962 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, 2015 was AED 634,637 thousand.

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14. Borrowings (continued)

The details of borrowings as at December 31, 2014 (audited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium-term notes	Australian dollar (AUD)	-	-	839,792	-	839,792
	Chinese renminbi (CNH)	-	173,580	-	-	173,580
	Euro (EUR)	-	-	-	55,463	55,463
	Malaysian ringgit (MYR)	871,058	847,028	-	-	1,718,086
	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)	-	200,609	54,254	-	254,863
	US dollar (USD)	-	1,889,547	7,681,016	1,622,610	11,193,173
		1,446,763	4,093,444	8,575,062	1,678,073	15,793,342
Islamic sukuk notes	US dollar (USD)	-	1,832,850	-	-	1,832,850
Bilateral loans – floating rate	US dollar (USD)	1,469,200	1,831,011	-	-	3,300,211
Subordinated notes – floating rate	US dollar (USD)	1,058,855	-	-	-	1,058,855
	– fixed rate	US dollar (USD)	-	-	3,819,331	3,819,331
Borrowings through repurchase agreements	Swiss franc (CHF)	-	-	-	380,130	380,130
	US dollar (USD)	4,589,111	-	-	-	4,589,111
		8,563,929	7,757,305	8,575,062	5,877,534	30,773,830
Fair value adjustment on borrowings hedged						(453,709)
						<u>30,320,121</u>

Included in borrowings is AED 19,425,136 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 December 31, 2014 was AED 484,870 thousand.

14. Borrowings (continued)

Global medium-term notes

Interest on global medium-term notes is payable quarterly, semi-annually and annually in arrears and the contractual coupon rates as at June 30, 2015 (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 3.70% p.a. to 4.125% p.a.	-	-
EUR	-	-	Quarterly coupons with 59 basis points over EURIBOR	-
MYR	Fixed rate of 5.2% p.a.	Fixed rate of 4.30% p.a. to 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.	Fixed rate of 0.48% p.a. and 0.81% p.a.	Fixed rate of 0.68% p.a.	-
HKD	-	-	Fixed rate of 2.46% p.a.	-
USD	-	Fixed rate of 2.50% p.a. and quarterly coupons with 108 to 130 basis points over LIBOR	Fixed rate between 2.63% p.a. to 3.00% p.a. and quarterly coupons with 73 basis points over LIBOR	Fixed rate of 4.52% p.a. to 5.12% p.a. (*)

(*) include AED 1,058,235 thousand 30 year accreting notes with yield ranging from 4.52% p.a. to 5.12% p.a. and are callable at the end of every 5th year from issue date.

Islamic sukuk notes

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

Bilateral floating rate loans

Monthly coupons with 60 to 80 basis points over LIBOR.

Subordinated fixed rate notes

Interest on the subordinated fixed rate notes is payable semi-annually and annually in arrears and the contractual coupon rates as at June 30, 2015 (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 1,477,545 thousand mature in 2023 but are callable after 5 years from the issuance date at the option of the Bank.

Borrowings through repurchase agreements

USD: Fixed rate ranging from 0.45% p.a. to 0.70% p.a., and include repos with open maturity of AED 89,745 thousand having negative interest rate ranging from -0.075% p.a. to -0.55% p.a.

15. Other liabilities

	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Interest payable	456,474	368,254
Recognised liability for defined benefit obligations	349,407	334,872
Accounts payable and other creditors	264,008	248,441
Clearing payables	12,690	2,288
Deferred income	561,779	566,150
Acceptances (Note 10)	4,068,344	2,906,420
Others	1,722,489	1,378,487
Total other liabilities	7,435,191	5,804,912

16. Share capital

	Authorised	Issued and fully paid	
		As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Ordinary shares of AED 1 each	5,595,597	5,595,597	5,595,597

As at June 30, 2015, Abu Dhabi Investment Council held 58.083% (December 31, 2014 - 58.083%) of the Bank's issued and fully paid up share capital.

Treasury shares

During the period, the Bank bought back from certain shareholders 2,613,353 (June 30, 2014 - Nil) ordinary shares at a total cash consideration of AED 17,005 thousand - these shares are held as treasury shares (Note 17) and are expected to be cancelled eventually. This buyback programme of up to 10% of the Bank's shares was approved by the Securities & Commodities Authority, Central Bank of the UAE and the Bank's shareholders.

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

Reserves movement for the six month period ended June 30, 2015:

	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, 2015	(1,808,648)	(66,099)	2,692,154	2,647,367	2,000,000	150,000	(63,385)	(11,283)	251,692	5,791,798
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(2,125)	-	-	(2,125)
Fair value changes on cash flow hedges	-	-	-	-	-	-	-	13,275	-	13,275
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	(26,912)	(26,912)
Fair value changes reversed on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(892)	(892)
Total other comprehensive (loss)/income for the period	-	-	-	-	-	-	(2,125)	13,275	(27,804)	(16,654)
Fair value and other adjustments	-	(5,293)	-	-	-	-	-	-	-	(5,293)
Share buyback (Note 16)	(17,005)	-	-	-	-	-	-	-	-	(17,005)
Shares – vested portion	-	14,493	-	-	-	-	-	-	-	14,493
Shares purchased	-	(4,325)	-	-	-	-	-	-	-	(4,325)
Balance at June 30, 2015	(1,825,653)	(61,224)	2,692,154	2,647,367	2,000,000	150,000	(65,510)	1,992	223,888	5,763,014
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	-	-	-	-	-	-	-	-	57,646	57,646
Fair value changes reversed on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(3,424)	(3,424)
Total other comprehensive income/(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	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

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 bore interest at the rate of 6% per annum payable semi-annually until February 2014, and bear a floating interest rate of 6 month EIBOR plus 2.3% per annum thereafter. However, the Bank may at its sole discretion elect not to make a coupon payment. The Note holders do not have a right to claim the coupon and an election by the Bank not to service the coupon is not considered an event of default. In addition, there are certain circumstances ("non-payment event") under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date.

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

19. Interest income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Loans and advances to banks	52,854	56,754	101,642	104,088
Loans and advances to customers	1,572,429	1,421,826	3,250,990	2,832,420
Investment securities	129,193	132,243	236,198	263,459
Total interest income	1,754,476	1,610,823	3,588,830	3,199,967

20. Interest expense (unaudited)

	3 months ended June 30		6 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Deposits from banks	1,368	2,084	3,143	4,156
Deposits from customers	201,685	192,803	407,044	396,404
Euro commercial paper	7,906	8,290	14,987	14,934
Borrowings	139,681	125,738	249,675	246,517
Total interest expense	350,640	328,915	674,849	662,011

21. Net fees and commission income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Fees and commission income				
Retail banking fees	252,731	203,947	472,856	398,313
Corporate banking fees	130,894	114,986	287,598	222,221
Brokerage fees	4,995	14,238	7,994	26,352
Fees from trust and other fiduciary activities	45,488	37,687	113,456	63,576
Other fees	9,419	8,384	19,720	27,240
Total fees and commission income	443,527	379,242	901,624	737,702
Fees and commission expenses	(100,974)	(74,842)	(184,069)	(148,552)
Net fees and commission income	342,553	304,400	717,555	589,150

22. Net trading income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Net gains on dealing in derivatives	5,952	17,453	23,637	33,399
Net gains from dealing in foreign currencies	65,089	57,335	170,755	120,175
Net (losses)/gains from trading securities	(1,398)	3,017	(1,890)	98,800
Net trading income	69,643	77,805	192,502	252,374

23. Other operating income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Net gains from disposal of available-for-sale investments	1,209	7,661	1,209	7,602
Property management income	34,191	35,239	70,384	66,670
Rental income	14,183	27,918	27,700	38,514
Dividend income	6,030	3,647	6,030	17,995
Others	30,493	5,345	34,343	10,112
Total other operating income	86,106	79,810	139,666	140,893

24. Operating expenses (unaudited)

	3 months ended June 30		6 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Staff expenses	371,490	317,258	814,503	683,020
Depreciation	32,927	34,107	65,422	64,601
Amortisation of intangible assets	5,635	6,785	11,270	13,570
Others	261,490	222,748	480,478	444,616
Total operating expenses	671,542	580,898	1,371,673	1,205,807

25. Impairment allowances (unaudited)

	3 months ended June 30		6 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Charge for the period	141,673	275,076	446,705	563,709
Recoveries during the period	(49,916)	(40,769)	(113,645)	(141,710)
Impairment allowance on loans and advances, net (Note 8)	91,757	234,307	333,060	421,999
Recoveries on written off available-for-sale investments	(7,817)	(843)	(7,852)	(14,969)
Total impairment allowances	83,940	233,464	325,208	407,030

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	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Net profit for the period attributable to the equity holders of the Bank	1,283,054	1,057,116	2,530,960	2,010,288
Less: Coupons paid on capital notes	-	-	(65,510)	(120,000)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	1,283,054	1,057,116	2,465,450	1,890,288
	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	(397,366)	(392,742)	(397,294)	(392,742)
Less: Weighted average number of treasury shares arising on consolidation of funds	-	-	-	(7,312)
Less: Weighted average number of shares resulting from Employees' incentive plan shares	(14,358)	(15,445)	(13,285)	(15,445)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	5,183,873	5,187,410	5,185,018	5,180,098
Add: Weighted average number of treasury shares arising on consolidation of funds	-	-	-	7,312
Add: Weighted average number of shares resulting from Employees' incentive plan shares	14,358	15,445	13,285	15,445
Weighted average number of equity shares in issue during the period for diluted earnings per share (c)	5,198,231	5,202,855	5,198,303	5,202,855
Basic earnings per share (AED) (a)/(b)	0.25	0.20	0.48	0.36
Diluted earnings per share (AED) (a)/(c)	0.25	0.20	0.47	0.36

27. Commitments and contingent liabilities

The Bank has the following commitments and contingent liabilities:

	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Letters of credit	6,267,224	6,411,361
Guarantees	18,795,541	17,418,872
Commitments to extend credit – revocable (*)	9,811,755	10,809,547
Commitments to extend credit – irrevocable	14,109,812	12,687,831
Total commitments on behalf of customers	48,984,332	47,327,611
Commitments for future capital expenditure	314,228	137,736
Commitments to invest in investment securities	202,315	71,750
Total commitments and contingent liabilities	49,500,875	47,537,097

(*) includes AED 6,615,929 thousand (December 31, 2014: AED 6,276,388 thousand) for undrawn credit card limits.

28. Operating segments

The Bank has four reportable segments as described below. These segments offer different products and services and are managed separately based on the Bank's management and internal reporting structure. For each of the reportable segments, the Bank's Performance Management Committee (a sub-committee of Management Executive Committee) reviews internal management reports on a regular 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 centralised risk management activities through borrowings, issue of debt securities and use of derivatives for risk management. It also undertakes trading and corporate finance activities and investing in liquid assets such as short-term placements, corporate and government debt securities.

Property management - comprises of real estate management and engineering service operations of subsidiaries - Abu Dhabi Commercial Properties LLC, 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, 2015 (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	1,378,667	995,377	756,399	53,389	3,183,832
Non-interest income	436,525	361,505	144,274	107,419	1,049,723
Operating expenses	(848,000)	(371,590)	(97,498)	(54,585)	(1,371,673)
Operating profit before impairment allowances	967,192	985,292	803,175	106,223	2,861,882
Impairment (allowances)/recoveries	(437,545)	104,485	7,852	-	(325,208)
Profit before taxation	529,647	1,089,777	811,027	106,223	2,536,674
Overseas income tax expense	-	(4,257)	-	-	(4,257)
Net profit for the period	529,647	1,085,520	811,027	106,223	2,532,417
Capital expenditure					66,460
As at June 30, 2015 (unaudited)					
Segment assets	66,693,906	86,557,405	58,299,839	629,987	212,181,137
Segment liabilities	41,806,441	54,542,538	89,037,943	18,809	185,405,731

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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, 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 December 31, 2014 (audited)					
Segment assets	63,216,688	83,717,761	56,460,659	624,355	204,019,463
Segment liabilities	37,316,795	51,210,978	89,055,962	16,895	177,600,630

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended June 30, 2015 (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	745,931	404,889	365,366	26,870	1,543,056
Non-interest income	216,042	183,078	45,966	53,216	498,302
Operating expenses	(424,852)	(177,824)	(42,157)	(26,709)	(671,542)
Operating profit before impairment allowances	537,121	410,143	369,175	53,377	1,369,816
Impairment (allowances)/recoveries	(160,202)	68,445	7,817	-	(83,940)
Profit before taxation	376,919	478,588	376,992	53,377	1,285,876
Overseas income tax expense	-	(2,461)	-	-	(2,461)
Net profit for the period	376,919	476,127	376,992	53,377	1,283,415
Capital expenditure					39,670

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

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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	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Consumer banking	2,336,094	2,249,898	(520,902)	(573,072)
Wholesale banking	1,798,864	1,471,951	(441,982)	(532,731)
Investments and treasury	(8,525)	(60,263)	909,198	1,051,091
Property management	107,122	113,420	53,686	54,712
Total	4,233,555	3,775,006	-	-

	External (unaudited)		Inter-segment (unaudited)	
	3 months ended June 30		3 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Consumer banking	1,222,987	1,042,793	(261,014)	(284,021)
Wholesale banking	799,966	764,414	(211,999)	(267,696)
Investments and treasury	(34,651)	(217)	445,983	524,562
Property management	53,056	67,368	27,030	27,155
Total	2,041,358	1,874,358	-	-

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 information regarding the Bank's revenue and non-current assets by geographical location are detailed as follows:

	Domestic (unaudited)		International (unaudited)	
	6 months ended June 30		6 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Income				
Net interest and Islamic financing income	3,147,132	2,764,968	36,700	27,621
Non-interest income	1,039,217	979,812	10,506	2,605

	Domestic (unaudited)		International (unaudited)	
	3 months ended June 30		3 months ended June 30	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Income				
Net interest and Islamic financing income	1,525,358	1,395,481	17,698	16,862
Non-interest income	506,462	460,836	(8,160)	1,179

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

	Domestic		International	
	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000	As at June 30 2015 unaudited AED'000	As at December 31 2014 audited AED'000
Non-current assets				
Investment in associate	195,843	195,854	-	-
Investment properties	623,328	615,778	-	-
Property and equipment, net	802,468	801,746	4,758	4,442
Intangible assets	24,435	35,705	-	-

29. Capital adequacy ratio

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

	As at June 30 2015 unaudited AED'000	As at December 31 2014 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)	5,539,126	5,540,106
Retained earnings	7,564,836	7,172,755
Non-controlling interests in equity of subsidiaries	3,673	10,397
Capital notes (Note 18)	4,000,000	4,000,000
Less: Intangible assets	(24,435)	(35,705)
Less: Investment in associate	(97,922)	(97,927)
Total tier 1 capital	26,429,161	26,033,509
Tier 2 capital		
Collective impairment allowance on loans and advances	1,817,772	1,709,253
Cumulative changes in fair value (Note 17)	100,750	113,261
Subordinated notes (Note 14)	4,251,809	4,439,637
Less: Investment in associate	(97,921)	(97,927)
Total tier 2 capital	6,072,410	6,164,224
Total regulatory capital	32,501,571	32,197,733
Risk-weighted assets		
Credit risk	145,421,776	136,740,240
Market risk	6,007,172	4,497,079
Operational risk	12,689,402	11,835,586
Total risk-weighted assets	164,118,350	153,072,905
Capital adequacy ratio	19.80%	21.03%
Tier 1 ratio	16.10%	17.01%
Tier 2 ratio	3.70%	4.02%

The capital adequacy ratio was above the minimum requirement of 12% for June 30, 2015 (December 31, 2014 - 12%) stipulated by the Central Bank of the UAE.

30. 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 such as certain OTC derivatives, commodity derivatives, foreign exchange spot and forward contracts, certain investment securities 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.

The investment securities reported under Level 2 are valued using discounted cash flow model.

Level 2 investment properties are buildings given on rent. 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.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2015

30. 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	
	Notes	AED'000	AED'000	AED'000	AED'000
As at June 30, 2015 (unaudited)					
Assets at fair value					
Trading securities	5	269,767	-	-	269,767
Derivative financial instruments	6	606	4,256,714	-	4,257,320
Investment securities	7				
- Quoted		21,012,321	1,156,153	-	22,168,474
- Unquoted		-	595,803	390,282	986,085
Investment properties	9	-	623,328	-	623,328
Total assets at fair value		21,282,694	6,631,998	390,282	28,304,974
Liabilities at fair value					
Derivative financial instruments	6	902	4,751,728	-	4,752,630
Total liabilities at fair value		902	4,751,728	-	4,752,630
As at December 31, 2014 (audited)					
Assets at fair value					
Trading securities	5	199,599	-	-	199,599
Derivative financial instruments	6	2,536	4,285,970	-	4,288,506
Investment securities	7				
- Quoted		19,384,244	935,205	-	20,319,449
- Unquoted		-	954,173	378,216	1,332,389
Investment properties	9	-	615,778	-	615,778
Total assets at fair value		19,586,379	6,791,126	378,216	26,755,721
Liabilities at fair value					
Derivative financial instruments	6	146	4,999,921	-	5,000,067
Total liabilities at fair value		146	4,999,921	-	5,000,067

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 2015 unaudited AED'000	As at December 31 2014 audited AED'000
At January 1,	378,216	316,588
Purchases, net during the period/year	1,090	60,494
Disposals including capital refunds during the period/year	(3,594)	(24,950)
Adjustment through other comprehensive income	14,570	26,845
Transfer out	-	(761)
Balance at	390,282	378,216

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

There is no change in valuation techniques used during the period.

30. Fair value hierarchy (continued)**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, deposits from customers and certain borrowings) 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.

The fair value of the Bank's borrowings (Note 14) carried at amortised cost is as follows:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at June 30, 2015 (unaudited)	19,914,167	4,840,959	8,475,401	33,230,527
As at December 31, 2014 (audited)	19,335,562	3,350,179	7,889,321	30,575,062

31. Legal proceedings

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