

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

**Review report and condensed consolidated interim financial
information for the six month period ended June 30, 2013**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank P.J.S.C. and its subsidiaries (together referred to as “the Bank”) as of June 30, 2013 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting (“IAS 34”)”. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Jacques Fakhoury
Registration Auditor Number 379
July 30, 2013

**Condensed consolidated interim statement of financial position
as at June 30, 2013**

	Notes	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
ASSETS			
Cash and balances with Central Banks	3	10,683,195	9,337,874
Deposits and balances due from banks	4	11,076,703	16,517,118
Trading securities	5	613,503	641,877
Derivative financial instruments	6	4,042,679	4,993,226
Investment securities	7	19,246,686	18,712,916
Loans and advances, net	8	125,410,349	123,195,295
Investment properties	9	546,543	529,395
Other assets	10	2,945,741	5,925,962
Property and equipment, net		811,387	849,934
Intangible assets		76,362	92,126
Total assets		175,453,148	180,795,723
LIABILITIES			
Due to Central Bank		10,100	-
Due to banks	11	4,881,489	4,411,271
Derivative financial instruments	6	4,481,236	4,768,338
Deposits from customers	12	111,398,949	109,216,925
Euro commercial paper	13	4,993,184	4,557,108
Borrowings	14	21,942,219	26,139,647
Other liabilities	15	4,132,047	6,994,845
Total liabilities		151,839,224	156,088,134
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	4,938,145	6,288,591
Retained earnings		4,718,547	4,537,315
Capital notes	18	4,000,000	4,000,000
Equity attributable to equity holders of the Bank		23,100,575	24,269,789
Non-controlling interests		513,349	437,800
Total equity		23,613,924	24,707,589
Total liabilities and equity		175,453,148	180,795,723

This condensed consolidated interim financial information were approved by the Board of Directors and authorised for issue on July 30, 2013.

Eissa Al Suwaidi
Chairman

Ala'a Eraiqat
Chief Executive Officer

Deepak Khullar
Chief Financial Officer

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

Condensed consolidated interim income statement (unaudited)
for the six month period ended June 30, 2013

	Notes	3 month period ended June 30		6 month period ended June 30	
		2013 AED'000	2012(*) AED'000	2013 AED'000	2012(*) AED'000
Interest income	19	1,718,485	1,965,222	3,376,319	3,803,846
Interest expense	20	(372,332)	(595,775)	(863,677)	(1,211,520)
Net interest income		1,346,153	1,369,447	2,512,642	2,592,326
Income from Islamic financing		146,835	76,874	284,686	161,529
Islamic profit distribution		(32,344)	(72,288)	(77,632)	(149,125)
Net income from Islamic financing		114,491	4,586	207,054	12,404
Total net interest and Islamic financing income		1,460,644	1,374,033	2,719,696	2,604,730
Net fees and commission income	21	258,951	267,742	473,844	514,536
Net trading income	22	172,769	29,966	298,640	161,927
Other operating income	23	99,017	55,157	243,286	100,462
Operating income		1,991,381	1,726,898	3,735,466	3,381,655
Operating expenses	24	(565,492)	(537,190)	(1,082,884)	(1,042,864)
Operating profit before impairment allowances		1,425,889	1,189,708	2,652,582	2,338,791
Impairment allowances	25	(506,821)	(492,024)	(828,500)	(778,725)
Profit before taxation		919,068	697,684	1,824,082	1,560,066
Overseas income tax expense		(1,569)	(2,621)	(3,599)	(4,245)
Net profit for the period		917,499	695,063	1,820,483	1,555,821
Attributed to:					
Equity holders of the Bank		868,525	725,308	1,698,024	1,522,292
Non-controlling interests		48,974	(30,245)	122,459	33,529
Net profit for the period		917,499	695,063	1,820,483	1,555,821
Basic earnings per share (AED)	26	0.16	0.13	0.29	0.25
Diluted earnings per share (AED)	26	0.16	0.13	0.29	0.25

(*) Amounts have been restated as explained in Note 2.1

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

**Condensed consolidated interim statement of comprehensive income (unaudited)
for the six month period ended June 30, 2013**

	3 month period ended June 30		6 month period ended June 30	
	2013	2012(*)	2013	2012(*)
	AED'000	AED'000	AED'000	AED'000
Net profit for the period	917,499	695,063	1,820,483	1,555,821
Items that may be reclassified subsequently to income statement:				
Exchange difference arising on translation of foreign operations	(19,164)	(18,474)	(16,807)	(9,419)
Fair value changes on cash flow hedges on financial assets	(2,318)	3,550	(9,591)	6,138
Fair value changes on available for sale investments	(214,235)	101,419	(191,341)	374,879
Fair value changes reversed on disposal/impairment of available for sale investments	(5,432)	4,323	(5,542)	6,754
Other comprehensive (loss)/income for the period	(241,149)	90,818	(223,281)	378,352
Total comprehensive income for the period	676,350	785,881	1,597,202	1,934,173
Attributed to:				
Equity holders of the Bank	627,376	816,126	1,474,743	1,900,644
Non-controlling interests	48,974	(30,245)	122,459	33,529
Total comprehensive income for the period	676,350	785,881	1,597,202	1,934,173

(*) Amounts have been restated as explained in Note 2.1

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

**Condensed consolidated interim statement of changes in equity (unaudited)
for the six month period ended June 30, 2013**

	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 parent AED'000	Non- controlling interests AED'000	Total equity AED'000
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 loss for the period	-	-	(223,281)	-	-	(223,281)	-	(223,281)
Other movements (Note 17)	-	-	(1,127,165)	-	-	(1,127,165)	-	(1,127,165)
Net decrease in non-controlling interests	-	-	-	-	-	-	(46,910)	(46,910)
Dividend paid to shareholders, net	-	-	-	(1,397,983)	-	(1,397,983)	-	(1,397,983)
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

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

**Condensed consolidated interim statement of changes in equity (unaudited)
for the six month period ended June 30, 2013 (continued)**

	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 parent AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance at January 1, 2012	5,595,597	3,848,286	4,919,896	3,708,227	4,000,000	22,072,006	5,517	22,077,523
Net profit for the period	-	-	-	1,522,292	-	1,522,292	33,529	1,555,821
Other comprehensive income for the period	-	-	378,352	-	-	378,352	-	378,352
Arising on consolidation of Fund subsidiaries	-	-	-	-	-	-	397,565	397,565
Other movements (Note 17)	-	-	(54,855)	-	-	(54,855)	-	(54,855)
Realised gain on treasury shares	-	-	-	40	-	40	-	40
Dividend paid to shareholders, net	-	-	-	(1,118,308)	-	(1,118,308)	-	(1,118,308)
Net decrease in non-controlling interests	-	-	-	-	-	-	(18,022)	(18,022)
Capital notes coupon paid (Note 18)	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Balance at June 30, 2012 (*)	5,595,597	3,848,286	5,243,393	3,992,251	4,000,000	22,679,527	418,589	23,098,116

(*) Amounts have been restated as explained in Note 2.1

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, 2013**

	6 month period ended June 30	
	2013 AED'000	2012(*) AED'000
OPERATING ACTIVITIES		
Profit before taxation	1,824,082	1,560,066
Adjustments for:		
Depreciation	64,935	65,431
Amortisation of intangible assets	15,764	15,764
Impairment allowance on loans and advances, net (Note 8)	966,255	859,654
Discount unwind (Note 8)	(68,282)	(63,874)
Impairment (recoveries)/allowance on investment securities (Note 25)	(26,663)	8,020
Impairment allowance on property and equipment, net (Note 25)	-	21,337
Net gains from disposal of available for sale securities (Note 23)	(34,526)	(5,736)
Net gains from trading securities (Note 22)	(152,319)	(33,090)
Ineffective portion of hedges – losses/(gains) (Note 6)	3,807	(26,441)
Employees' incentive plan benefit expense (Note 17)	19,871	25,844
Operating profit before changes in operating assets and liabilities	2,612,924	2,426,975
Increase in due from banks	(6,834,591)	(3,276,183)
Decrease in net trading derivative financial instruments	92,314	90,450
Net proceeds from disposal of trading securities	180,693	6,143
(Increase)/ decrease in loans and advances	(3,113,027)	487,933
Increase in other assets	(83,892)	(130,354)
Increase/(decrease) in due to banks	49,173	(321,464)
Increase in deposits from customers	2,218,572	2,061,530
Increase/(decrease) in other liabilities	248,352	(1,170,696)
Cash (used in)/from operations	(4,629,482)	174,334
Directors' remuneration paid	(5,375)	-
Overseas tax paid	(4,611)	-
Net cash (used in)/ from operations	(4,639,468)	174,334
INVESTING ACTIVITIES		
Impairment recoveries on investment securities (Note 25)	26,663	1,923
Overseas tax paid, net	(57,457)	-
Net proceeds from disposal of available for sale investment securities	1,894,965	385,908
Net purchase of available for sale securities	(2,755,247)	(3,196,107)
Additions to investment properties	(17,148)	(74,404)
Purchase of property and equipment, net	(26,388)	(69,356)
Net cash used in investing activities	(934,612)	(2,952,036)
FINANCING ACTIVITIES		
Increase in Euro commercial paper	531,167	3,150,185
Proceeds from borrowings	7,084,076	556,971
Repayment of borrowings	(10,698,693)	(6,183,416)
Net proceeds from sale/ (purchase) of treasury shares by Funds subsidiaries (Note 2.1)	14,785	(1,558)
Dividends paid to shareholders, net	(1,397,983)	(1,118,308)
Shares buy back (Note 16)	(1,158,220)	-
Net movement in non-controlling interests	(49,320)	(18,093)
Purchase of employees' incentive plan shares	-	(40,000)
Capital notes coupon paid	(120,000)	(120,000)
Net cash used in financing activities	(5,794,188)	(3,774,219)
Net decrease in cash and cash equivalents	(11,368,268)	(6,551,921)
Cash and cash equivalents at the beginning of the period	19,180,314	19,261,633
Cash and cash equivalents at the end of the period	7,812,046	12,709,712

Operating activities includes dividends income and interest income on available for sale investment securities.

(*) Amounts have been restated as explained in Note 2.1

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, 2013 (continued)

Cash and cash equivalents

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

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Cash and balances with Central Banks	10,683,195	9,337,874
Deposits and balances due from banks	11,076,703	16,517,118
Due to Central Bank	(10,100)	-
Due to banks	(4,881,489)	(4,411,271)
	16,868,309	21,443,721
Less: Deposits and balances due from banks and cash and balances with Central Banks – original maturity more than 3 months	(9,413,182)	(2,571,339)
Add: Due to banks – original maturity more than 3 months	356,919	307,932
	7,812,046	19,180,314

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

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013****1 Activities and areas of operations**

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

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

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

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

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting". It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2012, 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, 2012.

For details of related party balances and transactions, refer to Note 36 in the consolidated financial statements for the year ended December 31, 2012. The related party balances and transactions for the quarter ended June 30, 2013 are similar in nature and magnitude. Note 8 provide the details of lending exposure to Government entities.

The results for the three and six month periods ended June 30, 2013 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2013.

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

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

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

The main areas of judgments, estimates and assumptions applied in the condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the Bank's consolidated financial statements for the year ended December 31, 2012.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)****2 Summary of significant accounting policies (continued)****Change in accounting policy**

As stated in note 3.1 to the consolidated financial statements for the year ended December 31, 2012, the Bank early adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, as well as the consequential amendments to IAS 28 Investments in Associates and to IAS 31 Joint Ventures (2011), with a date of initial application of January 1, 2012. Accordingly, the comparative information for the six and three month periods ended June 30, 2012 have been restated in this condensed interim financial information – see below.

Subsidiaries

As a result of the adoption of IFRS 10, the Bank changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Bank controls the investee on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10, the Bank re-assessed the control conclusion for its investees at 1 January 2012. As a consequence, the Bank has changed its control conclusion in respect of its investments in Al Nokhitha Fund, ADCB MSCI UAE Index Fund and Arabian Index Fund (the “Funds”).

Although the Bank owns less than half of the units of these Funds, the management has determined that the Bank has de facto control over the Funds because it is exposed to significant variable returns from its involvement with the Funds and has power and rights given by the prospectus of the Funds to affect the amount of its returns. Accordingly, the Bank applied acquisition accounting to the investment at January 1, 2012, as if the investee had been consolidated from that date. Previously, two of the investments in the Funds were accounted for as associates using the equity method and one of the investments was accounted for as an available for sale investment using fair value accounting.

The following table summarises the adjustments made to the relevant line items of the Bank’s condensed consolidated interim statement of financial position as at June 30, 2012 and its condensed consolidated interim statements of income and cash flows and earnings per share for the six month period ended June 30, 2012 as a result of the consolidation of the Funds.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Change in accounting policy (continued)

Condensed consolidated interim statement of financial position (extract)

	As at June 30, 2012 (unaudited)		
	As previously stated	Adjustments	As restated
	AED'000	AED'000	AED'000
Assets			
Trading securities	56,868	464,550	521,418
Investment securities	18,259,166	(36,205)	18,222,961
Other assets	9,212,519	3,314	9,215,833
Investment in associates	89,323	(89,323)	-
Overall impact on total assets		342,336	
Liabilities			
Deposits from customers	111,247,360	(20,438)	111,226,922
Other liabilities	9,812,272	(810)	9,811,462
Overall impact on total liabilities		(21,248)	
Equity			
Cumulative changes in fair value	(26,330)	3,205	(23,125)
Retained earnings	4,002,620	(10,369)	3,992,251
Treasury shares	-	(40,699)	(40,699)
Non-controlling interests	7,142	411,447	418,589
Overall impact on equity		363,584	

Condensed consolidated interim income statement (extract)

	Six month period ended June 30, 2012 (unaudited)		
	As previously stated (*)	Adjustments for Funds consolidation	As restated
	AED'000	AED'000	AED'000
Net interest and Islamic financing income	2,604,865	(135)	2,604,730
Net fees and commission income	518,981	(4,445)	514,536
Net trading income	144,664	17,263	161,927
Other operating income	84,583	15,879	100,462
Overall impact on operating income		28,562	
Operating expenses	(1,042,492)	(372)	(1,042,864)
Share of profit of associates	7,506	(7,506)	-
Overall impact on net profit	1,535,137	20,684	1,555,821
Overall impact on net profit attributable to non-controlling interests	1,625	31,904	33,529

(*)Hedge ineffectiveness and gains on sale of available for sale investments reclassified from net trading income to net interest and Islamic financing income and other operating income respectively to match current period presentation.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Change in accounting policy (continued)

Condensed consolidated interim statement of cash flows (extract)

	Six month period ended June 30, 2012 (unaudited)		
	As previously stated(*)	Adjustments for Funds consolidation	As restated
	AED'000	AED'000	AED'000
Net cash from operations	171,154	3,180	174,334
Net cash used in investing activity	(2,967,696)	15,660	(2,952,036)
Net cash used in financing activity	(3,755,379)	(18,840)	(3,774,219)
Overall impact on cash and cash equivalents		-	

(*)To match with current period presentation the following have been reclassified:

- Euro commercial paper (refer to note 18 to the consolidated financial statements for the year ended December 31, 2012) from operating activity to financing activity; and
- Net purchase of trading securities and dividend received from investment activities to operating activities.

Impact on Earnings per share (EPS)

The Funds consolidation had an immaterial impact on EPS for the six month period ended June 30 2013.

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, 2013

Other than the impact of early adoption of IFRS 10 set out in Note 2.1, there are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning January 1, 2013 that have had a material impact on Bank's condensed consolidated interim financial information.

2.2.2 Standards and Interpretations in issue not yet effective

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

New Standards and amendments to Standards:

Amendments to IAS 32 Financial Instruments 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
- the unit of account for applying the offsetting requirements

**Effective for
annual periods
beginning on or
after
January 1, 2014**

These amendments will not have a material impact on the Bank's condensed consolidated interim financial information.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

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 not yet effective (continued)

	Effective for annual periods beginning on or after
New Standards and amendments to Standards:	
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.	January 1, 2014
IFRS 9, Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39).	January 1, 2015

Key requirements of IFRS 9 are described as follows:

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

Management anticipates that these IFRSs and amendments will be adopted in the consolidated financial statements in the initial period when they become mandatorily effective. The Bank is yet to assess IFRS 9's full impact because the hedging and impairment aspects of IFRS 9 are still outstanding, and intends to adopt IFRS 9 in the initial period when it becomes mandatorily effective.

2.3 Basis of consolidation

This condensed consolidated interim financial information incorporates the financial statements of Abu Dhabi Commercial Bank P.J.S.C. and its subsidiaries (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.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)****2 Summary of significant accounting policies (continued)****2.3 Basis of consolidation (continued)****Special Purpose Entities (continued)**

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

Funds under management

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

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

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)****2 Summary of significant accounting policies (continued)****2.4 Investment securities (continued)****Financial assets and liabilities designated at fair value through profit or loss (FVTPL)**

Financial assets and liabilities are classified as at FVTPL when either held for trading or when designated as at FVTPL.

A financial asset or liability is classified as held for trading if:

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

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

Financial assets and liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in 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.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)****2 Summary of significant accounting policies (continued)****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.

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.

For an available-for-sale equity security, 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.

Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised in the condensed consolidated interim statement of comprehensive income.

- 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 condensed consolidated interim statement of comprehensive income, accumulating in equity.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

2 Summary of significant accounting policies (continued)

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 values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The fair value is determined on periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the condensed consolidated interim income statement in the period in which these gains or losses arise.

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

3 Cash and balances with Central Banks

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Cash on hand	398,310	552,773
Balances with Central Banks	1,243,882	666,128
Reserves maintained with Central Banks	6,519,370	5,618,973
Certificate of deposits with U.A.E. Central Bank	2,500,000	2,500,000
Reverse repo placements	21,633	-
	10,683,195	9,337,874

The geographical concentration is as follows:

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Within the U.A.E.	10,628,592	9,278,553
Outside the U.A.E.	54,603	59,321
	10,683,195	9,337,874

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

4 Deposits and balances due from banks

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Nostro balances	566,908	243,079
Margin deposits	172,555	480,291
Time deposits	9,487,240	12,757,803
Reverse repo placements	-	1,830,945
Murabaha placements	850,000	1,095,000
Wakala placements	-	110,000
	11,076,703	16,517,118

The geographical concentration is as follows:

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Within the U.A.E.	4,175,003	7,496,926
Outside the U.A.E.	6,901,700	9,020,192
	11,076,703	16,517,118

The Bank hedges its foreign currency reverse repo placements for foreign currency exchange rate risk using foreign exchange forward contracts and designates these instruments as cash flow hedges. The fair value of these swaps at June 30, 2013 was AED Nil (December 31, 2012 – positive fair value AED 7,252 thousand).

5 Trading securities

Quoted:

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Bonds	4,569	117,070
Equity instruments	608,934	524,807
	613,503	641,877

Bonds represent investments in Government and public sector bonds. Equity instruments are equities held by the funds accounted for as subsidiaries and are mainly invested in U.A.E. and G.C.C. securities.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

5 Trading securities (continued)

The fair value of trading investments is based on quoted market prices.

The geographical concentration is as follows:

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Within the U.A.E.	425,804	454,690
Outside the U.A.E.	187,699	187,187
	613,503	641,877
	613,503	641,877

6 Derivative financial instruments

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

	Fair values	
	Assets AED'000	Liabilities AED'000
As at June 30, 2013 (unaudited)		
Derivatives held for trading:		
Foreign exchange contracts	340,804	350,783
Interest rate and cross currency swaps	3,275,865	3,248,935
Options	31,002	153,696
Futures	1,237	4,056
Commodity and energy swaps	8,074	7,898
Swaptions	68,844	25,660
	3,725,826	3,791,028
Derivatives held as fair value hedges:		
Interest rate and cross currency swaps	280,258	651,698
Derivatives held as cash flow hedges:		
Interest rate swaps	20,928	2,483
Forward foreign exchange contracts	15,667	36,027
	4,042,679	4,481,236
	4,042,679	4,481,236

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

6 Derivative financial instruments (continued)

	Fair values	
	Assets AED'000	Liabilities AED'000
As at December 31, 2012 (audited)		
Derivatives held for trading:		
Foreign exchange contracts	182,709	178,041
Interest rate and cross currency swaps	3,990,096	4,000,297
Options	193,652	162,315
Futures	1,262	-
Commodity and energy swaps	191	147
Swaptions	8,964	8,964
	<hr/>	<hr/>
	4,376,874	4,349,764
Derivatives held as fair value hedges:		
Interest rate and cross currency swaps	458,069	406,575
Derivatives held as cash flow hedges:		
Interest rate swaps	27,752	-
Forward foreign exchange contracts	130,531	11,999
	<hr/>	<hr/>
	4,993,226	4,768,338
	<hr/> <hr/>	<hr/> <hr/>

The net hedge ineffectiveness losses relating to the fair value and cash flow hedges amounting to AED 3,807 thousand (June 30, 2012 – gains of AED 26,441 thousand) have been recognised in the condensed consolidated interim income statement.

7 Investment securities

	As at June 30, 2013 (unaudited)			
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Available for sale investments				
Quoted:				
Bonds – Government	2,571,306	1,403,419	233,073	4,207,798
Bonds – Public sector	5,272,556	447,718	908,977	6,629,251
Bonds – Banks and financial institutions	1,455,146	605,301	6,017,635	8,078,082
Bonds – Corporate	41,078	-	1,107	42,185
Equity instruments	712	-	-	712
	<hr/>	<hr/>	<hr/>	<hr/>
Total quoted	9,340,798	2,456,438	7,160,792	18,958,028
Unquoted:				
Bonds – Banks and financial institutions	-	-	32	32
Equity instruments	210,615	-	692	211,307
Mutual funds	77,319	-	-	77,319
	<hr/>	<hr/>	<hr/>	<hr/>
Total unquoted	287,934	-	724	288,658
	<hr/>	<hr/>	<hr/>	<hr/>
Total available for sale investments	9,628,732	2,456,438	7,161,516	19,246,686
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**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

7 Investment securities (continued)

	As at December 31, 2012 (audited)			
	U.A.E. AED'000	Other G.C.C. Countries AED'000	Rest of the world AED'000	Total AED'000
Available for sale investments				
Quoted:				
Bonds – Government	2,604,477	1,236,175	246,697	4,087,349
Bonds – Public sector	5,082,037	453,951	923,606	6,459,594
Bonds – Banks and financial institutions	798,663	481,091	6,606,270	7,886,024
Bonds – Corporate	-	-	1,089	1,089
Equity instruments	424	-	-	424
Total quoted	8,485,601	2,171,217	7,777,662	18,434,480
Unquoted:				
Bonds – Banks and financial institutions	-	2,057	-	2,057
Equity instruments	204,921	-	701	205,622
Mutual funds	70,757	-	-	70,757
Total unquoted	275,678	2,057	701	278,436
Total available for sale investments	8,761,279	2,173,274	7,778,363	18,712,916

The Bank hedges interest rate risk on certain fixed rate/ floating rate investments through interest rate swaps and designates these as fair value and cash flow hedges, respectively. The net negative fair value of these interest rate swaps at June 30, 2013 was AED 237,405 thousand (December 31, 2012 – net negative fair value AED 384,649 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, 2013 (unaudited)		As at December 31, 2012 (audited)	
	Fair value of pledged assets AED'000	Carrying value of associated liabilities AED'000	Fair value of pledged assets AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	839,665	721,745	1,220,647	1,063,133

Further, the Bank pledged investment securities with fair value amounting to AED 1,961,512 thousand (December 31, 2012 – AED 1,651,988 thousand) as collateral against margin calls. The risks and rewards relating to the investments pledged remain with the Bank.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

8 Loans and advances, net

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Overdrafts (Retail and Corporate)	5,113,452	5,775,020
Corporate loans	99,966,469	101,206,881
Retail loans	12,664,372	12,563,043
Credit cards	2,275,291	2,076,531
Islamic financing (see below)	9,843,682	6,600,046
Other facilities	2,278,472	1,437,494
	132,141,738	129,659,015
Less: Allowance for impairment	(6,731,389)	(6,463,720)
	125,410,349	123,195,295

Islamic financing assets

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Murabaha	834,301	720,544
Ijara financing	5,395,107	2,622,091
Mudaraba	488,045	471,696
Salam	3,037,765	2,720,103
Others	88,464	65,612
	9,843,682	6,600,046
Less: Allowance for impairment	(26,755)	(29,247)
	9,816,927	6,570,799

The Bank hedges certain variable rate loans and advances for interest rate risk using interest rate swaps and designates these instruments as cash flow hedges. The positive fair value of these swaps at June 30, 2013 was AED 20,928 thousand (December 31, 2012 - positive fair value of AED 13,499 thousand).

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

8 Loans and advances, net (continued)

Movement of the individual and collective impairment allowance on loans and advances

	June 30, 2013 (unaudited)			December 31, 2012 (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,	4,207,137	2,256,583	6,463,720	3,652,804	2,059,072	5,711,876
Charge for the period/year	701,471	264,784	966,255	1,676,510	197,613	1,874,123
Recoveries during the period/year	(111,092)	-	(111,092)	(183,015)	-	(183,015)
Net charge for the period/year	590,379	264,784	855,163	1,493,495	197,613	1,691,108
Discount unwind	(68,282)	-	(68,282)	(129,920)	-	(129,920)
Net amounts written-off, net	(519,022)	-	(519,022)	(809,111)	-	(809,111)
Currency translation	-	(190)	(190)	(131)	(102)	(233)
Balance as at	4,210,212	2,521,177	6,731,389	4,207,137	2,256,583	6,463,720

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

	As at June 30, 2013 (unaudited)			As at December 31, 2012 (audited)		
	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000
Economic sector						
Agriculture	8,727	-	8,727	10,803	-	10,803
Energy	9,712,979	336,828	10,049,807	9,863,141	423,428	10,286,569
Trading	1,194,667	149,351	1,344,018	983,414	39,633	1,023,047
Development & construction	19,615,900	310,329	19,926,229	20,005,790	267,207	20,272,997
Real estate investment	34,035,220	68,434	34,103,654	30,526,476	61,144	30,587,620
Transport	1,246,782	481,093	1,727,875	1,275,907	479,606	1,755,513
Personal – retail	19,210,581	13,860	19,224,441	17,622,127	10,245	17,632,372
Personal – collateralised	10,086,322	286,480	10,372,802	11,914,549	281,010	12,195,559
Government	2,269,649	-	2,269,649	3,149,773	-	3,149,773
Financial institutions (*)	8,118,010	2,180,868	10,298,878	8,113,300	1,583,274	9,696,574
Manufacturing	2,404,028	100,140	2,504,168	1,408,454	103,717	1,512,171
Services	18,442,070	1,869,420	20,311,490	19,834,167	1,701,850	21,536,017
	126,344,935	5,796,803	132,141,738	124,707,901	4,951,114	129,659,015
Less: Allowance for impairment			(6,731,389)			(6,463,720)
Total			125,410,349			123,195,295

(*) includes investment companies.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

8 Loans and advances, net (continued)

The Bank entered into repurchase agreements whereby loans are pledged and held by counter parties as collateral. The risks and rewards relating to the loans pledged will remain with the Bank.

The following table reflects the carrying value of these loans and the associated financial liabilities:

	<u>As at June 30, 2013 (unaudited)</u>		<u>As at December 31, 2012 (audited)</u>	
	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 agreements	4,756,807	2,358,230	4,756,807	2,358,230

9 Investment properties

	Completed and in use AED'000	Under development AED'000	Total AED'000
At January 1, 2012	207,811	189,101	396,912
Additions during the year	-	85,625	85,625
Transfer from property and equipment, net	182,530	-	182,530
Transfer to property and equipment, net	(106,836)	-	(106,836)
Decrease in fair value	(18,810)	(10,026)	(28,836)
At January 1, 2013 (audited)	264,695	264,700	529,395
Additions during the period	-	17,148	17,148
Transfer to completed property on completion of construction	281,848	(281,848)	-
At June 30, 2013 (unaudited)	546,543	-	546,543

The fair value of the Bank's investment properties is estimated by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. Valuations are carried out by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Discounted cash flow techniques may be used to calculate fair value in certain situations where there have been no recent transactions using current external market inputs such as market rents and interest rates. The date of the last valuation was December 31, 2012.

The valuation methodologies considered by external valuers include

- a) Direct Comparable method: This method seeks to determine the value of the property from transactions of comparable properties.
- b) Residual method: This method is used to assess the value of the property with a development potential where there is inadequate comparable evidence. This method is commonly used in the valuation of the site under development in the local market.

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

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

10 Other assets	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Interest receivable	903,184	845,442
Withholding tax	104,244	45,880
Prepayments	83,028	59,766
Clearing receivables	-	1,148
Acceptances	1,615,462	4,738,044
Others	239,823	235,682
	<u>2,945,741</u>	<u>5,925,962</u>

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

11 Due to banks

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Vostro balances	231,048	120,504
Margin deposits	183,961	351,054
Time deposits	4,466,480	3,939,713
	<u>4,881,489</u>	<u>4,411,271</u>

The Bank hedges certain time deposits for interest rate and foreign currency exchange risk using cross currency swaps and designate these as fair value hedges. The fair value of these swaps at June 30, 2013 was AED Nil (December 31, 2012 - positive fair value of AED 186 thousand).

12 Deposits from customers

By category	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Current account deposits	35,505,979	29,330,632
Margin deposits	354,881	345,079
Savings deposits	3,369,126	2,826,423
Time deposits	52,816,033	61,420,946
Murabaha deposits	9,465,701	6,578,970
Long term government deposits	436,008	449,569
Other Islamic deposits (see below)	9,451,221	8,265,306
	<u>111,398,949</u>	<u>109,216,925</u>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

12 Deposits from customers (continued)

Other Islamic deposits include the following:

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Current account deposits	1,544,115	1,184,523
Margin deposits	7,706	7,675
Mudaraba savings deposits	2,885,003	2,284,227
Mudaraba term deposits	2,055,377	1,806,767
Wakala deposits	2,959,020	2,982,114
	9,451,221	8,265,306

The Bank hedges certain foreign currency time deposits foreign currency exchange risk using foreign exchange forward contracts and designates these as cash flow hedges. The net negative fair value of these swaps at June 30, 2013 was AED 23,292 thousand (December 31, 2012 – net positive fair value of AED 13,257 thousand).

13 Euro commercial paper

The Bank established a USD 4 billion Euro commercial paper programme (the ECP Programme) for the issuance of Euro commercial paper under the agreement dated June 5, 2007 with Banc of America Securities Limited.

The Bank hedges ECP for foreign currency exchange risk through foreign exchange forward contracts and designates these instruments as cash flow hedges. The net positive fair value of these hedge contracts at June 30, 2013 was AED 2,932 thousand (December 31, 2012: net positive fair value of AED 98,024 thousand).

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
14 Borrowings

The details of borrowings as at June 30, 2013 (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
Unsecured notes	Chinese Renminbi (CNH)	-	-	173,580	-	173,580
	Malaysian Ringitt (MYR)	-	871,027	847,028	-	1,718,055
	Swiss Franc (CHF)	-	575,706	388,677	-	964,383
	Turkish Lira (TRY)	-	94,003	-	-	94,003
	U.A.E. Dirham (AED)	1,253,000	-	500,000	-	1,753,000
	US Dollar (US\$)	-	3,664,603	2,736,812	624,410	7,025,825
		<u>1,253,000</u>	<u>5,205,339</u>	<u>4,646,097</u>	<u>624,410</u>	<u>11,728,846</u>
Islamic sukuk notes	US Dollar (US\$)	-	-	1,830,623	-	1,830,623
Subordinated notes – floating rate – fixed rate	US Dollar (US\$)	-	1,057,817	-	-	1,057,817
	US Dollar (US\$)	-	-	-	3,813,940	3,813,940
	Swiss Franc (CHF)	-	-	-	570,194	570,194
Borrowings through repurchase agreements	US Dollar (US\$)	1,743,002	179,977	-	-	1,922,979
	U.A.E. Dirham (AED)	1,156,995	-	-	-	1,156,995
		<u>4,152,997</u>	<u>6,443,133</u>	<u>6,476,720</u>	<u>5,008,544</u>	<u>22,081,394</u>
Fair value adjustment on borrowings hedged						<u>(139,175)</u>
						<u>21,942,219</u>

Included in borrowings is AED 16,690,603 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 positive fair value of these swaps at June 30, 2013 was AED 136,518 thousand.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

14 Borrowings (continued)

The details of borrowings as at December 31, 2012 (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
Unsecured notes	Chinese Renminbi (CNH)	-	-	173,580	-	173,580
	Malaysian Ringitt (MYR)	-	871,027	847,028	-	1,718,055
	Swiss Franc (CHF)	-	575,705	388,677	-	964,382
	Turkish Lira (TRY)	-	-	94,003	-	94,003
	U.A.E. Dirham (AED)	1,253,000	-	500,000	-	1,753,000
	US Dollar (US\$)	-	3,673,000	-	587,680	4,260,680
		<u>1,253,000</u>	<u>5,119,732</u>	<u>2,003,288</u>	<u>587,680</u>	<u>8,963,700</u>
Syndicated loans	US Dollar (US\$)	3,739,849	-	-	-	3,739,849
Islamic sukuk notes	US Dollar (US\$)	-	-	1,836,500	-	1,836,500
Subordinated floating rate notes	US Dollar (US\$)	-	-	1,117,143	-	1,117,143
Tier 2 Loan	U.A.E. Dirham (AED)	-	-	6,617,456	-	6,617,456
Borrowings through repurchase agreements	US Dollar (US\$)	1,450,631	620,737	-	-	2,071,368
	U.A.E. Dirham (AED)	1,349,995	-	-	-	1,349,995
		<u>7,793,475</u>	<u>5,740,469</u>	<u>11,574,387</u>	<u>587,680</u>	<u>25,696,011</u>
Fair value adjustment on borrowings hedged						<u>443,636</u>
						<u>26,139,647</u>

Included in borrowings is AED 15,347,201 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 positive fair value of these swaps at December 31, 2012 was AED 450,212 thousand.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
14 Borrowings (continued)

Interest on unsecured notes is payable quarterly, semi annually and annually in arrears and the contractual coupon rates as at June 30, 2013 (unaudited) are as follows:

<u>Currency</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
CNH	-	-	Fixed rate of 3.7% p.a. & 4.125% p. a	-
MYR	-	Fixed rate of 5.2%p.a	Fixed rate 4.3% & 5.35% p.a.	-
CHF	-	Fixed rate of 3.01% p.a.	Quarterly coupons with 110 basis point over CHF LIBOR	-
TRY	-	Fixed rate of 12.75% p.a.	-	-
AED	Fixed rate of 6% p.a.	-	Fixed rate of 6% p.a.	-
US\$	-	Fixed rate of 4.75% p.a.	Fixed rate of 2.5% p.a.	Fixed rate from 4.7% to 5.1% p.a.

Sukuk financing notes

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

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 were obtained from financial institutions outside the U.A.E. and qualified as Tier 2 subordinated loan capital for the first 5 year period till 2011 and thereafter are amortised at the rate of 20% per annum until 2016 for capital adequacy calculation (Note 29). This has been approved by the Central Bank of the U.A.E.

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, 2013 (unaudited) are as follows:

<u>Currency</u>	<u>Over 5 years</u>
USD	Fixed rate 4.5% to 3.125%
CHF	Fixed rate 1.875% with 1 basis point over coupon

The subordinated fixed rate notes were obtained from financial institutions outside the U.A.E. and qualified as Tier 2 subordinated loan capital for the first 5 year period till 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 U.A.E. Subordinated notes of AED 1,666,713 thousand mature in 2023 but are callable after 5 years from the issuance date at the option of the Bank.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
14 Borrowings (continued)
Tier 2 loan

In March 2009, the Bank converted AED 6,617,456 thousand government deposits into Tier 2 qualifying loans. The Tier 2 qualifying loans were to mature seven years from the date of the issue and interest was payable on a quarterly basis at a fixed rate of 4 percent per annum commencing March 31, 2009 for the first two years, 4.5 percent per annum for the third year, 5 percent per annum for the fourth year and 5.25 percent per annum for the remaining period. The terms also provided that the Bank had a call option to repay the loans partially or fully at the end of five years from the date of issue. For regulatory purposes, the loans qualified as Tier 2 capital and were being amortised, starting 2012, at the rate of 20% per annum until maturity for capital adequacy calculation (Note 29).

The Bank repaid the entire amount of the Tier 2 loan in the first half of 2013.

Borrowings through repurchase agreements

US\$: Quarterly coupons in arrears with 300 basis points plus LIBOR.
Half yearly coupons in arrears with 86 to 300 basis points plus LIBOR.

AED: Quarterly coupons in arrears with 85 basis points plus EIBOR.

The Bank has undrawn borrowing floating rate facilities of AED 1,469,200 thousand (December 31, 2012 – AED Nil), expiring within one year.

15 Other liabilities

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Interest payable	433,726	752,030
Recognised liability for defined benefit obligations	227,817	213,631
Accounts payable and other creditors	186,944	247,759
Clearing payables	370	955
Deferred income	308,359	229,392
Acceptances (Note 10)	1,615,462	4,738,044
Others	1,359,369	813,034
	4,132,047	6,994,845

16 Share capital

	Authorised AED'000	Issued and fully paid	
		As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Ordinary shares of AED 1 each	5,595,597	5,595,597	5,595,597

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)****16 Share capital (continued)**

As at June 30, 2013, Abu Dhabi Investment Council held 58.083% (December 31, 2012: 58.083%) of the Bank's issued and fully paid up share capital.

Treasury shares

As at June 30, 2013, of the total issued shares of the Bank, its managed funds, now accounted for as subsidiaries, held 7,312 thousand shares (December 31, 2012 – 11,033 thousand shares).

During the period ended June 30, 2013, the Bank bought back 262,981,483 ordinary shares at a total consideration of AED 1,158,220 thousand – these shares are held as treasury shares at June 30, 2013. This buyback programme has been approved by the Securities & Commodities Authority and Central Bank of the U.A.E.

Subsequent to the reporting date, the Bank further bought back 77,620,129 ordinary shares at a total consideration of AED 377,753 thousand.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013** (continued)

17 Other reserves, net of treasury shares (unaudited)

Reserves movement for the six month period ended June 30, 2013:

	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, 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 on financial assets	-	-	-	-	-	-	-	(9,591)	-	(9,591)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	(191,341)	(191,341)
Fair value changes reversed on disposal/impairment of available for sale investments	-	-	-	-	-	-	-	-	(5,542)	(5,542)
Other 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 funds	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

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
17 Other reserves, net of treasury shares (unaudited) (continued)

Reserves movement for the six month period ended June 30, 2012:

	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, 2012	-	(104,595)	1,677,069	1,632,282	2,000,000	150,000	(27,521)	(2,581)	(404,758)	4,919,896
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(9,419)	-	-	(9,419)
Fair value changes on cash flow hedges on financial assets	-	-	-	-	-	-	-	6,138	-	6,138
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	374,879	374,879
Fair value changes reversed on disposal/impairment of available for sale investments	-	-	-	-	-	-	-	-	6,754	6,754
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(9,419)	6,138	381,633	378,352
Shares purchased	-	(40,000)	-	-	-	-	-	-	-	(40,000)
Shares – vested portion	-	25,844	-	-	-	-	-	-	-	25,844
Treasury shares arising on consolidation of Funds	(40,699)	-	-	-	-	-	-	-	-	(40,699)
Balance at June 30, 2012 (*)	(40,699)	(118,751)	1,677,069	1,632,282	2,000,000	150,000	(36,940)	3,557	(23,125)	5,243,393

(*) Amounts have been restated as explained in Note 2.1

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
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 billion (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 month period ended June 30		6 month period ended June 30	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Loans and advances to banks	44,744	58,524	95,709	133,834
Loans and advances to customers	1,569,202	1,787,730	3,047,536	3,435,592
Investment securities	104,539	118,968	233,074	234,420
	<u>1,718,485</u>	<u>1,965,222</u>	<u>3,376,319</u>	<u>3,803,846</u>

20 Interest expense (unaudited)

	3 month period ended June 30		6 month period ended June 30	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Deposits from banks	7,221	3,461	12,652	5,969
Deposits from customers and euro commercial paper	241,948	432,698	542,980	913,329
Borrowings	123,163	159,616	308,045	292,222
	<u>372,332</u>	<u>595,775</u>	<u>863,677</u>	<u>1,211,520</u>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
21 Net fees and commission income (unaudited)

	3 month period ended June 30		6 month period ended June 30	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Fees and commission income				
Retail banking fees	206,586	173,001	379,424	344,921
Corporate banking fees	79,105	117,635	151,656	198,831
Brokerage fees	4,357	851	6,404	2,178
Fees from trust and other fiduciary activities	30,870	19,341	54,511	32,715
Other fees	11,124	6,327	21,354	27,744
Total fees and commission income	332,042	317,155	613,349	606,389
Fees and commission expenses	(73,091)	(49,413)	(139,505)	(91,853)
Net fees and commission income	258,951	267,742	473,844	514,536

22 Net trading income (unaudited)

	3 month period ended June 30		6 month period ended June 30	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Net gains on dealing in derivatives	32,504	27,398	37,990	50,444
Net gains from dealing in foreign currencies	63,982	39,347	108,331	78,393
Net gains/(losses) from trading securities	76,283	(36,779)	152,319	33,090
	172,769	29,966	298,640	161,927

23 Other operating income (unaudited)

	3 month period ended June 30		6 month period ended June 30	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Gains/(losses) arising on retirement of hedges	5,808	-	103,088	-
Net gains from investment securities	34,526	5,736	34,526	5,736
Property management income	29,352	30,880	57,910	54,386
Rental income	6,994	3,650	11,489	8,315
Income from retirement of long term debt	-	-	1,973	6,399
Dividends received	17,783	8,121	29,741	15,888
Others	4,554	6,770	4,559	9,738
	99,017	55,157	243,286	100,462

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
24 Operating expenses (unaudited)

	3 month period ended June 30		6 month period ended June 30	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Staff expenses	317,711	308,319	618,962	600,428
Depreciation	32,976	32,644	64,935	65,431
Amortisation of intangible assets	7,882	7,882	15,764	15,764
Others	206,923	188,345	383,223	361,241
	<u>565,492</u>	<u>537,190</u>	<u>1,082,884</u>	<u>1,042,864</u>

25 Impairment allowances (unaudited)

	3 month period ended June 30		6 month period ended June 30	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Impairment allowance on loan advances, net (Note 8)	525,396	461,932	855,163	749,368
Impairment (recoveries)/allowance on investment securities	(18,575)	8,755	(26,663)	8,020
Impairment allowance on property and equipment, net	-	21,337	-	21,337
	<u>506,821</u>	<u>492,024</u>	<u>828,500</u>	<u>778,725</u>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
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 funds.

	3 month period ended June 30		6 month period ended June 30	
	2013	2012(*)	2013	2012(*)
Net profit for the period attributable to the equity holders of the Bank (AED'000)	868,525	725,308	1,698,024	1,522,292
Less: Capital notes coupon paid (AED'000)	-	-	(120,000)	(120,000)
Net adjusted profit for the period attributable to the equity holders of the Bank (AED'000) (a)	868,525	725,308	1,578,024	1,402,292
Weighted average number of shares in issue throughout the period (000's)	5,595,597	5,595,597	5,595,597	5,595,597
Less: Treasury shares arising on buy back (000's)	(173,774)	-	(87,814)	-
Less: Treasury shares arising on consolidation of funds (000's)	(7,674)	(14,451)	(8,500)	(14,384)
Less: Weighted average number of shares held on account of Employees' incentive plan (000's)	(30,201)	(59,575)	(34,125)	(58,551)
Weighted average number of equity shares used for calculating basic earnings per share (000's) (b)	5,383,948	5,521,571	5,465,158	5,552,662
Add: Treasury shares arising on consolidation of funds (000's)	7,674	14,451	8,500	14,384
Add: Weighted average number of shares held on account of Employees' incentive plan (000's)	30,201	59,575	34,125	58,551
Weighted average number of equity shares used for calculating diluted earnings per share (000's) (c)	5,421,823	5,595,597	5,507,783	5,595,597
Basic earnings per share (AED) (a)/(b)	0.16	0.13	0.29	0.25
Diluted earnings per share (AED) (a)/(c)	0.16	0.13	0.29	0.25

(*) Restated as explained in Note 2.1

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

27 Commitments and contingent liabilities

The Bank had the following commitments and contingent liabilities as at:

	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (audited) AED'000
Commitments on behalf of customers		
Letters of credit	8,068,023	6,251,347
Guarantees	12,694,436	12,250,409
Commitments to extend credit – Revocable	7,751,774	6,744,165
Commitments to extend credit – Irrevocable	4,471,553	3,210,238
Others	-	55,095
	32,985,786	28,511,254
Others		
Commitments for future capital expenditure	183,305	131,885
Commitments to invest in investment securities	68,289	212,764
	33,237,380	28,855,903

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 Management Executive Committee reviews internal management reports on at least a quarterly basis.

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

- 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, investment banking, Indian operations, Islamic financing, infrastructure and strategic client operations. 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, issues of debt securities, use of derivatives for risk management and investing in liquid assets such as short-term placements and corporate and government debt securities and trading and corporate finance activities.
- Property management - comprises of real estate management and engineering service operations of subsidiaries - Abu Dhabi Commercial Properties L.L.C. and Abu Dhabi Commercial Engineering Services L.L.C., and rental income of ADCB.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
28 Operating segments (continued)

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

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 income tax expense	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	<u>46,655</u>	<u>636,231</u>	<u>1,041,760</u>	<u>95,837</u>	<u>1,820,483</u>
Capital expenditure					<u>43,536</u>
As at June 30, 2013 (unaudited)					
Segment assets	<u>58,989,416</u>	<u>71,434,824</u>	<u>44,470,793</u>	<u>558,115</u>	<u>175,453,148</u>
Segment liabilities	<u>32,213,826</u>	<u>40,901,455</u>	<u>78,319,006</u>	<u>404,937</u>	<u>151,839,224</u>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
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, 2012 (unaudited):

	Consumer banking(*) AED' 000	Wholesale banking AED' 000	Investments and treasury(*) AED' 000	Property management AED' 000	Total AED' 000
Net interest and Islamic financing income	1,199,549	725,287	621,832	58,062	2,604,730
Non-interest income	345,415	250,434	101,715	79,361	776,925
Operating expenses	(664,352)	(265,095)	(78,587)	(34,830)	(1,042,864)
Operating profit before impairment allowances	880,612	710,626	644,960	102,593	2,338,791
Impairment allowances	(472,746)	(276,413)	(8,229)	(21,337)	(778,725)
Profit before income tax expense	407,866	434,213	636,731	81,256	1,560,066
Overseas income tax expense	-	(4,245)	-	-	(4,245)
Net profit for the period	407,866	429,968	636,731	81,256	1,555,821
Capital expenditure					143,760
As at December 31, 2012 (unaudited)					
Segment assets	60,847,483	70,449,477	48,958,232	540,531	180,795,723
Segment liabilities	29,946,977	51,180,230	74,946,671	14,256	156,088,134

(*) Amounts have been restated as explained in Note 2.1

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
28 Operating segments (continued)

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 income tax expense	(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

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended June 30, 2012 (unaudited):

	Consumer banking (*) AED' 000	Wholesale banking AED' 000	Investments and treasury (*) AED' 000	Property management AED' 000	Total AED' 000
Net interest and Islamic financing income	595,494	450,394	295,037	33,108	1,374,033
Non-interest income	114,707	137,615	53,855	46,688	352,865
Operating expenses	(341,101)	(134,716)	(42,732)	(18,641)	(537,190)
Operating profit before impairment allowances	369,100	453,293	306,160	61,155	1,189,708
Impairment allowances	(315,277)	(146,446)	(8,964)	(21,337)	(492,024)
Profit before income tax expense	53,823	306,847	297,196	39,818	697,684
Overseas income tax expense	-	(2,621)	-	-	(2,621)
Net profit for the period	53,823	304,226	297,196	39,818	695,063
Capital expenditure					89,610

(*) Amounts have been restated as explained in Note 2.1

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**
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 month period ended June 30		6 month period ended June 30	
	2013	2012(*)	2013	2012
	AED'000	AED'000	AED'000	AED'000
Consumer banking(*)	2,146,446	2,279,135	(640,827)	(734,171)
Wholesale banking	1,516,480	1,243,710	(535,539)	(267,989)
Investments and treasury	(6,218)	(220,551)	1,114,698	944,098
Property management	78,758	79,361	61,668	58,062
	3,735,466	3,381,655	-	-

	External (unaudited)		Inter-segment (unaudited)	
	3 month period ended June 30		3 month period ended June 30	
	2013	2012(*)	2013	2012
	AED'000	AED'000	AED'000	AED'000
Consumer banking(*)	1,084,062	1,068,158	(316,170)	(357,957)
Wholesale banking	837,267	725,645	(291,100)	(137,636)
Investments and treasury	29,758	(113,593)	576,900	462,485
Property management	40,294	46,688	30,370	33,108
	1,991,381	1,726,898	-	-

(*) Amounts have been restated as explained in Note 2.1

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

28 Operating segments (continued)

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 U.A.E. branches and subsidiaries; and International area which represents the operations of the Bank that originates from its branches in India, Jersey and through its subsidiaries outside U.A.E.. The Bank's operations and information about its segment assets (non-current assets) by geographical location are detailed as follows:

	Domestic (unaudited)		International (unaudited)	
	6 month period ended June 30		6 month period ended June 30	
	2013	2012(*)	2013	2012
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest and Islamic financing income	2,704,726	2,588,797	14,970	15,933
Non-interest income	1,011,010	775,454	4,760	1,471

	Domestic (unaudited)		International (unaudited)	
	3 month period ended June 30		3 month period ended June 30	
	2013	2012(*)	2013	2012
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest and Islamic financing income	1,453,619	1,366,356	7,025	7,677
Non-interest income	530,311	353,140	426	(275)

(*) Amounts have been restated as explained in Note 2.1

Non-current assets	Domestic		International	
	As at	As at	As at	As at
	June 30	December 31	June 30	December 31
	2013	2012	2013	2012
	(unaudited)	(audited)	(unaudited)	(audited)
	AED'000	AED'000	AED'000	AED'000
Investment properties	546,543	529,395	-	-
Property and equipment, net	807,250	844,256	4,137	5,678
Intangible assets	76,362	92,126	-	-

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)**

29 Capital adequacy and capital management

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

	Basel II	
	As at June 30 2013 (unaudited) AED'000	As at December 31 2012 (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)	4,718,180	5,871,743
Retained earnings	4,718,547	4,537,315
Non-controlling interests in equity of subsidiaries	513,349	437,800
Capital notes (Note 18)	4,000,000	4,000,000
Less: Intangible assets	(76,362)	(92,126)
Less: Securitisation exposures	-	(27,547)
	23,317,597	24,171,068
Tier 2 capital		
Collective impairment allowance on loans and advances, net	1,617,409	1,601,418
Cumulative changes in fair value (Note 17)	98,984	187,582
Tier 2 loan (Note 14)	-	5,293,965
Subordinated notes (Note 14)	4,863,700	670,286
Less: Securitisation exposures	-	(27,547)
	6,580,093	7,725,704
Total regulatory capital	29,897,690	31,896,772
Risk-weighted assets:		
Credit risk	129,392,723	128,113,458
Market risk	6,027,149	3,749,544
Operational risk	7,216,753	6,526,611
Total risk-weighted assets	142,636,625	138,389,613
Total Capital adequacy ratio	20.96%	23.05%
Tier 1 ratio	16.35%	17.47%
Tier 2 ratio	4.61%	5.58%

The capital adequacy ratio was above the minimum requirement of 12% for June 30, 2013 (December 31, 2012 – 12%) stipulated by the Central Bank of the U.A.E.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2013 (continued)****30 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 unfavorably.