

**Abu Dhabi Commercial Bank PJSC**  
**Review report and condensed consolidated interim financial**  
**information for the six month period ended June 30, 2016**

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## Report on review of condensed consolidated interim financial information

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

### *Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank PJSC as at June 30, 2016 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 IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of review*

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

### *Conclusion*

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

Deloitte & Touche (M.E.)



Mutasem M. Dajani  
Registration No. 726  
July 18, 2016




## Abu Dhabi Commercial Bank PJSC

### Condensed consolidated interim statement of financial position

As at June 30, 2016

	Notes	As at June 30 2016 unaudited AED'000	As at December 31 2015 audited AED'000
<b>Assets</b>			
Cash and balances with central banks	3	17,698,091	20,180,277
Deposits and balances due from banks, net	4	22,322,948	22,381,921
Reverse-repo placements	5	1,014,181	4,256,277
Trading securities	6	229,162	62,261
Derivative financial instruments	7	5,236,085	4,001,908
Investment securities	8	24,680,225	20,863,607
Loans and advances to customers, net	9	154,852,983	146,250,462
Investment in associate		200,848	197,156
Investment properties	10	645,437	647,647
Other assets	11	12,992,679	8,571,640
Property and equipment, net		860,976	835,145
Intangible assets		18,800	18,800
<b>Total assets</b>		<b>240,752,415</b>	<b>228,267,101</b>
<b>Liabilities</b>			
Due to banks	12	2,478,300	1,691,793
Derivative financial instruments	7	5,610,323	4,741,180
Deposits from customers	13	149,054,804	143,526,296
Euro commercial paper	14	7,673,085	5,700,064
Borrowings	15	32,690,157	33,471,731
Other liabilities	16	14,714,823	10,403,234
<b>Total liabilities</b>		<b>212,221,492</b>	<b>199,534,298</b>
<b>Equity</b>			
Share capital	17	5,595,597	5,595,597
Share premium		3,848,286	3,848,286
Other reserves, net of treasury shares	18	5,723,002	5,656,564
Retained earnings		9,362,281	9,627,315
Capital notes	19	4,000,000	4,000,000
<b>Equity attributable to equity holders of the Bank</b>		<b>28,529,166</b>	<b>28,727,762</b>
<b>Non-controlling interests</b>		<b>1,757</b>	<b>5,041</b>
<b>Total equity</b>		<b>28,530,923</b>	<b>28,732,803</b>
<b>Total liabilities and equity</b>		<b>240,752,415</b>	<b>228,267,101</b>

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on July 18, 2016 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, 2016

	Notes	3 months ended June 30		6 months ended June 30	
		2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Interest income	20	1,924,999	1,754,476	3,839,371	3,588,830
Interest expense	21	(569,381)	(350,640)	(1,061,282)	(674,849)
<b>Net interest income</b>		<b>1,355,618</b>	<b>1,403,836</b>	<b>2,778,089</b>	<b>2,913,981</b>
Income from Islamic financing		205,403	167,157	388,823	324,355
Islamic profit distribution		(34,588)	(27,937)	(67,544)	(54,504)
<b>Net income from Islamic financing</b>		<b>170,815</b>	<b>139,220</b>	<b>321,279</b>	<b>269,851</b>
<b>Total net interest and Islamic financing income</b>		<b>1,526,433</b>	<b>1,543,056</b>	<b>3,099,368</b>	<b>3,183,832</b>
Net fees and commission income	22	375,542	342,553	733,973	717,555
Net trading income	23	179,695	69,643	301,538	192,502
Other operating income	24	61,457	86,117	119,937	139,677
<b>Operating income</b>		<b>2,143,127</b>	<b>2,041,369</b>	<b>4,254,816</b>	<b>4,233,566</b>
Operating expenses	25	(666,058)	(671,542)	(1,404,061)	(1,371,673)
<b>Operating profit before impairment allowances</b>		<b>1,477,069</b>	<b>1,369,827</b>	<b>2,850,755</b>	<b>2,861,893</b>
Impairment allowances	26	(350,848)	(83,940)	(703,029)	(325,208)
Share in profit/(loss) of associate		1,975	(11)	3,692	(11)
<b>Profit before taxation</b>		<b>1,128,196</b>	<b>1,285,876</b>	<b>2,151,418</b>	<b>2,536,674</b>
Overseas income tax expense		(2,365)	(2,461)	(4,543)	(4,257)
<b>Net profit for the period</b>		<b>1,125,831</b>	<b>1,283,415</b>	<b>2,146,875</b>	<b>2,532,417</b>
<b>Attributed to:</b>					
Equity holders of the Bank		1,124,843	1,283,054	2,145,118	2,530,960
Non-controlling interests		988	361	1,757	1,457
<b>Net profit for the period</b>		<b>1,125,831</b>	<b>1,283,415</b>	<b>2,146,875</b>	<b>2,532,417</b>
<b>Basic earnings per share (AED)</b>	27	<b>0.22</b>	0.25	<b>0.40</b>	0.48
<b>Diluted earnings per share (AED)</b>	27	<b>0.22</b>	0.25	<b>0.40</b>	0.47

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, 2016

	3 months ended June 30		6 months ended June 30	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
<b>Net profit for the period</b>	<b>1,125,831</b>	1,283,415	<b>2,146,875</b>	2,532,417
<b>Items that may be re-classified subsequently to the condensed consolidated interim income statement</b>				
Exchange difference arising on translation of foreign operations (Note 18)	<b>(3,777)</b>	(3,863)	<b>(4,048)</b>	(2,125)
Net movement in cash flow hedge reserve (Note 18)	<b>(32,509)</b>	(3,077)	<b>(52,801)</b>	13,275
Net movement in fair value of available-for-sale investments (Note 18)	<b>115,194</b>	19,582	<b>133,362</b>	(27,804)
<b>Other comprehensive income/(loss) for the period</b>	<b>78,908</b>	12,642	<b>76,513</b>	(16,654)
<b>Total comprehensive income for the period</b>	<b>1,204,739</b>	1,296,057	<b>2,223,388</b>	2,515,763
<b>Attributed to:</b>				
Equity holders of the Bank	<b>1,203,751</b>	1,295,696	<b>2,221,631</b>	2,514,306
Non-controlling interests	<b>988</b>	361	<b>1,757</b>	1,457
<b>Total comprehensive income for the period</b>	<b>1,204,739</b>	1,296,057	<b>2,223,388</b>	2,515,763

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, 2016

	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
<b>Balance at January 1, 2016</b>	5,595,597	3,848,286	5,656,564	9,627,315	4,000,000	28,727,762	5,041	28,732,803
Net profit for the period	-	-	-	2,145,118	-	2,145,118	1,757	2,146,875
Other comprehensive income for the period	-	-	76,513	-	-	76,513	-	76,513
Other movements (Note 18)	-	-	(10,075)	(4,883)	-	(14,958)	-	(14,958)
Dividends paid to equity holders of the Bank	-	-	-	(2,339,204)	-	(2,339,204)	-	(2,339,204)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(5,041)	(5,041)
Capital notes coupon paid (Note 19)	-	-	-	(66,065)	-	(66,065)	-	(66,065)
<b>Balance at June 30, 2016</b>	<b>5,595,597</b>	<b>3,848,286</b>	<b>5,723,002</b>	<b>9,362,281</b>	<b>4,000,000</b>	<b>28,529,166</b>	<b>1,757</b>	<b>28,530,923</b>
<b>Balance at January 1, 2015</b>	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 18)	-	-	(12,130)	5,923	-	(6,207)	-	(6,207)
Dividends paid to equity holders of the Bank	-	-	-	(2,079,292)	-	(2,079,292)	-	(2,079,292)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(8,181)	(8,181)
Capital notes coupon paid (Note 19)	-	-	-	(65,510)	-	(65,510)	-	(65,510)
<b>Balance at June 30, 2015</b>	<b>5,595,597</b>	<b>3,848,286</b>	<b>5,763,014</b>	<b>7,564,836</b>	<b>4,000,000</b>	<b>26,771,733</b>	<b>3,673</b>	<b>26,775,406</b>

Following the Annual General Meeting held on March 1, 2016, the shareholders approved the distribution of proposed cash dividends of AED 2,339,204 thousand for the year 2015, being AED 0.45 dividend per share and representing 45% of the paid up share capital net of shares bought back (For the year 2014 - AED 2,079,292 thousand, being AED 0.40 dividend per share and representing 40% 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, 2016

	<b>6 months ended June 30</b>	
	<b>2016</b>	<b>2015</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	2,151,418	2,536,674
<b>Adjustments for:</b>		
Depreciation on property and equipment, net (Note 25)	70,446	65,422
Amortisation of intangible assets (Note 25)	-	11,270
Impairment allowance on loans and advances, net (Note 26)	792,366	446,705
Share in (profit)/loss of associate	(3,692)	11
Discount unwind (Note 9)	(33,898)	(93,117)
Net gains from disposal of available-for-sale investments (Note 24)	(1,748)	(1,209)
Recoveries on available-for-sale investments (Note 26)	(19,099)	(7,852)
Interest income on available-for-sale investments	(264,567)	(224,857)
Dividend income on available-for-sale investments (Note 24)	(5,442)	(6,030)
Interest expense on borrowings and euro commercial paper	318,610	254,929
Net losses from trading securities (Note 23)	2,172	1,890
Ineffective portion of hedges – (gains)/losses (Note 7)	(5,245)	8,528
Employees' incentive plan benefit expense (Note 18)	17,604	14,493
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>3,018,925</b>	<b>3,006,857</b>
Increase in balances with central banks	(2,244,445)	-
(Increase)/decrease in due from banks, net	(1,876,001)	479,749
Decrease in reverse-repo placements	1,885,932	93,376
Net movement in derivative financial instruments	(103,199)	(229,922)
Net purchases of trading securities	(169,073)	(72,058)
Increase in loans and advances to customers, net	(9,389,356)	(5,740,495)
(Increase)/decrease in other assets	(389,906)	182,655
Increase in due to banks	1,099,107	284,298
Increase in deposits from customers	5,528,508	5,632,384
Increase in other liabilities	285,021	441,758
<b>Net cash (used in)/from operations</b>	<b>(2,354,487)</b>	<b>4,078,602</b>
Overseas tax paid	(4,040)	(3,292)
<b>Net cash (used in)/from operating activities</b>	<b>(2,358,527)</b>	<b>4,075,310</b>
<b>INVESTING ACTIVITIES</b>		
Recoveries on available-for-sale investments (Note 26)	19,099	7,852
Proceeds from redemption/disposal of available-for-sale investments	4,938,040	5,306,266
Purchase of available-for-sale investments	(8,388,184)	(7,061,270)
Interest received on available-for-sale investments	377,957	318,810
Dividends received on available-for-sale investments	5,442	6,030
Additions to investment properties	(640)	-
Disposals of investment properties	2,850	-
Net purchase of property and equipment, net	(96,277)	(66,460)
<b>Net cash used in investing activities</b>	<b>(3,141,713)</b>	<b>(1,488,772)</b>
<b>FINANCING ACTIVITIES</b>		
Net increase in euro commercial paper	1,941,807	39,612
Net proceeds from borrowings	6,743,210	11,695,630
Repayment of borrowings	(8,207,263)	(8,960,934)
Interest paid on borrowings	(285,325)	(213,578)
Dividends paid to equity holders of the Bank	(2,339,204)	(2,079,292)
Share buyback (Note 18)	-	(17,005)
Purchase of employees' incentive plan shares (Note 18)	(32,562)	(4,325)
Dividends paid to non-controlling interests	(5,041)	(8,181)
Capital notes coupon paid (Note 19)	(66,065)	(65,510)
<b>Net cash (used in)/from financing activities</b>	<b>(2,250,443)</b>	<b>386,417</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,750,683)</b>	<b>2,972,955</b>
Cash and cash equivalents at the beginning of the period	30,773,569	15,020,506
<b>Cash and cash equivalents at the end of the period</b>	<b>23,022,886</b>	<b>17,993,461</b>

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, 2016 (continued)

**Cash and cash equivalents**

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

	<b>As at June 30 2016 unaudited AED'000</b>	<b>As at December 31 2015 audited AED'000</b>
Cash and balances with central banks	<b>17,698,091</b>	20,180,277
Deposits and balances due from banks, net (excluding loans and advances to banks, net)	<b>17,620,511</b>	14,954,997
Reverse-repo placements	<b>1,014,181</b>	4,256,277
Due to banks	<b>(2,478,300)</b>	(1,691,793)
	<b>33,854,483</b>	37,699,758
Less: Cash and balances with central banks, deposits and balances due from banks, net and reverse-repo placements - with original maturity of more than 3 months	<b>(12,368,641)</b>	(7,364,126)
Add: Due to banks - with original maturity of more than 3 months	<b>1,537,044</b>	437,937
<b>Total cash and cash equivalents</b>	<b>23,022,886</b>	30,773,569

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 eight branches and three pay offices in the UAE, two branches in India, one offshore branch in Jersey, its subsidiaries and two representative offices located in London and Singapore.

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

ADCB is registered as a public joint stock company in accordance with the UAE Federal Law No. (8) of 1984 (as amended) ("Companies Law"). The UAE Federal Law No. (2) of 2015 which came into effect on July 1, 2015 replaced the existing Companies Law. The Group expects to be fully compliant on or before the end of the grace period which expires on June 30, 2017 (as extended pursuant to Cabinet Resolution 35/F of 2016).

## **2. Summary of significant accounting policies**

### **2.1 Basis of preparation**

The condensed consolidated interim financial information has been prepared on a going concern basis and in accordance with IAS 34 - Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The same accounting policies, presentation and methods of computation have been followed in this condensed consolidated interim financial information as were applied in the preparation and presentation of the Group's consolidated financial statements for the year ended December 31, 2015. Certain disclosure notes have been reclassified and rearranged from the Group's prior period condensed consolidated interim financial information to conform to the current year's presentation.

For details of related party balances and transactions, refer to Note 37 in the consolidated financial statements for the year ended December 31, 2015. The related party balances and transactions for the six month period ended June 30, 2016 are similar in nature and magnitude. Note 9 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, 2016 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2016.

The condensed consolidated interim financial information is prepared and presented in United Arab Emirates Dirhams (AED) which is the Group's functional and presentation currency and 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 Group's consolidated financial statements for the year ended December 31, 2015.

**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, 2016**

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2016. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.
- Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.
- Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.
- 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.
- Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.
- Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.

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, 2016.

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

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

<b>New standards and significant amendments to standards applicable to the Group:</b>	<b>Effective for annual periods beginning on or after</b>
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.	

**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)**

<b>New standards and significant amendments to standards applicable to the Group:</b>	<b>Effective for annual periods beginning on or after</b>
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 February 1, 2015.	
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, 2018
IFRS 16 - Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	January 1, 2019
Amendments to IFRS 15 - Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
Amendments to IAS 12 – Income Taxes relating to recognition of deferred tax assets for unrealised losses.	January 1, 2017
Amendments to IAS 7 – Statement of Cash Flows provides disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group'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 Group's condensed consolidated interim financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group 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 the "Group").

**Subsidiaries**

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

## **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 under management**

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

#### **Loss of control**

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

#### **Transactions eliminated on consolidation**

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

#### **Investment in associate**

Associates are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

### **2.3 Basis of consolidation (continued)**

#### **Joint arrangements**

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

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

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

### **2.4 Financial instruments – Investment securities**

Investment securities are measured initially at their fair value, plus transaction costs directly attributable to the acquisition, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost are recognised immediately in profit or loss and subsequently accounted for depending on their classification.

The classification of investment securities at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired or incurred and their characteristics. Investment securities are classified into the following categories:

- 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 or purchased principally for the purpose of selling or purchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group 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 Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39-Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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



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

**2.4 Financial instruments – Investment securities (continued)**

**Held-to-maturity**

Investments which have fixed or determinable payments with fixed maturities which the Group 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 Group'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 Group establishes fair value by using valuation techniques (e.g. recent arm's 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.

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:

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

**2.4 Financial instruments – Investment securities** (continued)

**Available-for-sale** (continued)

- 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 property under development is measured at fair value.

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

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**3. Cash and balances with central banks**

	As at June 30 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Cash on hand	966,228	917,855
Balances with central banks	1,740,057	2,869,993
Reserves maintained with central banks	9,840,482	9,745,626
Certificate of deposits with UAE Central Bank	5,013,645	6,641,250
Reverse-repo with Central Bank	137,679	5,553
<b>Total cash and balances with central banks</b>	<b>17,698,091</b>	<b>20,180,277</b>
The geographical concentration is as follows:		
Within the UAE	17,532,436	20,145,189
Outside the UAE	165,655	35,088
	<b>17,698,091</b>	<b>20,180,277</b>

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, net**

	As at June 30 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Nostro balances	196,367	398,773
Margin deposits	107,869	524,324
Time deposits	16,022,496	13,843,958
Wakala placements	1,293,779	187,942
Loans and advances to banks	4,826,545	7,596,546
<b>Gross deposits and balances due from banks</b>	<b>22,447,056</b>	<b>22,551,543</b>
Less: Allowance for impairment (Note 9)	<b>(124,108)</b>	<b>(169,622)</b>
<b>Total deposits and balances due from banks, net</b>	<b>22,322,948</b>	<b>22,381,921</b>
The geographical concentration is as follows:		
Within the UAE	8,791,801	6,206,241
Outside the UAE	13,655,255	16,345,302
	<b>22,447,056</b>	<b>22,551,543</b>
Less: Allowance for impairment (Note 9)	<b>(124,108)</b>	<b>(169,622)</b>
	<b>22,322,948</b>	<b>22,381,921</b>

During the period, loans and advances to banks have been reclassified to “Deposits and balances due from banks, net” to better reflect the underlying nature of the business of the borrowers. Accordingly, comparative amounts pertaining to previous years were reclassified to conform to current period’s presentation.

The Group hedges its foreign currency time deposits for foreign currency exchange rate risk using foreign exchange swap contracts and designates these instruments as cash flow hedges. The fair value of these swaps was AED Nil as at June 30, 2016 (December 31, 2015 – net positive fair value of AED 479 thousand).

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**4. Deposits and balances due from banks, net (continued)**

The Group entered into structured financing repurchase agreements whereby loans and advances to banks were pledged and held by counterparties as collateral. The risks and rewards relating to the loans pledged remain with the Group. The loans placed as collateral are governed under collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements. The following table reflects the carrying value of these loans and the associated financial liabilities:

	As at June 30, 2016 (unaudited)		As at December 31, 2015 (audited)	
	Carrying value of pledged loans	Carrying value of associated liabilities	Carrying value of pledged loans	Carrying value of associated liabilities
	AED'000	AED'000	AED'000	AED'000
Repurchase financing	1,573,880	1,086,258	1,720,801	1,181,421

**5. Reverse-repo placements**

	As at June 30 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Banks and financial institutions	1,014,181	2,419,776
Customers	-	1,836,501
<b>Total reverse-repo placements</b>	<b>1,014,181</b>	<b>4,256,277</b>
The geographical concentration is as follows:		
Within the UAE	71,590	2,762,095
Outside the UAE	942,591	1,494,182
	<b>1,014,181</b>	<b>4,256,277</b>

The Group entered into reverse repurchase and collateral swap agreements under which bonds with fair value of AED 1,021,230 thousand (December 31, 2015 – cash of AED 12,158 thousand and bonds with fair value of AED 4,386,217 thousand) were received as collateral against reverse-repo placements. The risks and rewards relating to these bonds remain with the counterparties. The terms and conditions of these collaterals are governed by Global Master Repurchase Agreements (GMRA).

**6. Trading securities**

	As at June 30 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Bonds	229,162	62,261
The geographical concentration is as follows:		
Within the UAE	128,339	48,416
Outside the UAE	100,823	13,845
	<b>229,162</b>	<b>62,261</b>

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

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**7. Derivative financial instruments**

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

As at June 30, 2016 (unaudited)	Fair values		
	Assets AED'000	Liabilities AED'000	Notional AED'000
<b>Derivatives held or issued for trading</b>			
Foreign exchange derivatives	761,453	728,687	114,857,498
Interest rate and cross currency swaps	3,230,970	3,244,575	142,662,264
Interest rate and commodity options	113,841	117,008	15,991,504
Futures (exchange traded)	1,694	1,071	45,864,768
Commodity and energy swaps	336,751	317,926	2,832,564
Swaptions	62,580	42,640	7,055,101
<b>Total derivatives held or issued for trading</b>	<b>4,507,289</b>	<b>4,451,907</b>	<b>329,263,699</b>
<b>Derivatives held as fair value hedges</b>			
Interest rate and cross currency swaps	632,616	955,182	50,168,817
<b>Derivatives held as cash flow hedges</b>			
Interest rate and cross currency swaps	22,483	82,697	4,509,978
Forward foreign exchange contracts	73,697	120,537	13,074,863
<b>Total derivatives held as cashflow hedges</b>	<b>96,180</b>	<b>203,234</b>	<b>17,584,841</b>
<b>Total derivative financial instruments</b>	<b>5,236,085</b>	<b>5,610,323</b>	<b>397,017,357</b>
<b>As at December 31, 2015 (audited)</b>			
<b>Derivatives held or issued for trading</b>			
Foreign exchange derivatives	603,776	547,656	83,468,566
Interest rate and cross currency swaps	2,451,771	2,510,906	126,344,389
Interest rate and commodity options	188,336	178,628	16,178,025
Forward rate agreements	796	397	1,234,013
Futures (exchange traded)	1,335	1,045	38,970,027
Commodity and energy swaps	297,824	297,369	1,322,557
Swaptions	36,062	19,578	6,733,713
<b>Total derivatives held or issued for trading</b>	<b>3,579,900</b>	<b>3,555,579</b>	<b>274,251,290</b>
<b>Derivatives held as fair value hedges</b>			
Interest rate and cross currency swaps	365,361	1,001,934	48,936,487
<b>Derivatives held as cash flow hedges</b>			
Interest rate and cross currency swaps	49,271	35,463	3,700,749
Forward foreign exchange contracts	7,376	148,204	15,233,654
<b>Total derivatives held as cash flow hedges</b>	<b>56,647</b>	<b>183,667</b>	<b>18,934,403</b>
<b>Total derivative financial instruments</b>	<b>4,001,908</b>	<b>4,741,180</b>	<b>342,122,180</b>

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

The net hedge ineffectiveness gains relating to the fair value and cash flow hedges amounting to AED 5,245 thousand (for the six month period ended June 30, 2015 - losses of AED 8,528 thousand) has been recognised in the condensed consolidated interim income statement.

As at June 30, 2016, the Group held cash collateral of AED 441,903 thousand (December 31, 2015 - AED 76,674 thousand) against derivative assets from certain counterparties.

As at June 30, 2016, the Group placed cash collateral of AED 283,401 thousand (December 31, 2015 - AED 600,980 thousand) and investment securities of AED 1,980,319 thousand (December 31, 2015 - AED 1,367,440 thousand) against the negative fair value of derivative liabilities. The Bank received bonds with fair value of AED 39,902 thousand as collateral against the positive fair value of derivatives (December 31, 2015 - AED Nil). These collaterals are governed by collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements.

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**8. Investment securities**

<b>As at June 30, 2016 (unaudited)</b>	<b>UAE AED'000</b>	<b>Other GCC(*) Countries AED'000</b>	<b>Rest of the world AED'000</b>	<b>Total AED'000</b>
<b>Available-for-sale investments</b>				
<b>Quoted:</b>				
Government securities	3,468,222	1,738,923	3,536,636	8,743,781
Bonds – Public sector	5,412,486	497,630	1,341,248	7,251,364
Bonds – Banks and financial institutions	2,614,529	602,743	3,760,136	6,977,408
Bonds – Corporate	530,080	-	260,789	790,869
Equity instruments	552	-	-	552
Mutual funds	70,453	-	78,953	149,406
<b>Total quoted</b>	<b>12,096,322</b>	<b>2,839,296</b>	<b>8,977,762</b>	<b>23,913,380</b>
<b>Unquoted:</b>				
Government securities	-	322,521	-	322,521
Bonds – Banks and financial institutions	-	-	54,946	54,946
Equity instruments	323,075	-	13,446	336,521
Mutual funds	52,857	-	-	52,857
<b>Total unquoted</b>	<b>375,932</b>	<b>322,521</b>	<b>68,392</b>	<b>766,845</b>
<b>Total available-for-sale investments</b>	<b>12,472,254</b>	<b>3,161,817</b>	<b>9,046,154</b>	<b>24,680,225</b>
<b>As at December 31, 2015 (audited)</b>				
<b>Available-for-sale investments</b>				
<b>Quoted:</b>				
Government securities	1,032,722	736,295	3,153,778	4,922,795
Bonds – Public sector	4,654,165	102,898	1,250,173	6,007,236
Bonds – Banks and financial institutions	2,612,778	348,164	5,342,028	8,302,970
Bonds – Corporate	528,172	-	146,130	674,302
Equity instruments	540	-	448	988
Mutual funds	66,719	-	76,867	143,586
<b>Total quoted</b>	<b>8,895,096</b>	<b>1,187,357</b>	<b>9,969,424</b>	<b>20,051,877</b>
<b>Unquoted:</b>				
Government securities	-	398,109	-	398,109
Equity instruments	349,484	-	13,248	362,732
Mutual funds	50,889	-	-	50,889
<b>Total unquoted</b>	<b>400,373</b>	<b>398,109</b>	<b>13,248</b>	<b>811,730</b>
<b>Total available-for-sale investments</b>	<b>9,295,469</b>	<b>1,585,466</b>	<b>9,982,672</b>	<b>20,863,607</b>

(\*) Gulf Cooperation Council

The Group hedges interest rate and foreign currency risks on certain fixed rate and floating rate investments through interest rate and currency swaps and designates these instruments as fair value and cash flow hedges, respectively. The net negative fair value of these swaps as at June 30, 2016 was AED 236,235 thousand (December 31, 2015 – net positive fair value of AED 224,564 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

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

	<b>As at June 30, 2016 (unaudited)</b>		<b>As at December 31, 2015 (audited)</b>	
	<b>Carrying value of pledged securities AED'000</b>	<b>Carrying value of associated liabilities AED'000</b>	<b>Carrying value of pledged securities AED'000</b>	<b>Carrying value of associated liabilities AED'000</b>
Repurchase financing	902,895	855,005	3,304,381	3,152,676



**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**8. Investment securities (continued)**

Further, the Group pledged investment securities with fair value amounting to AED 2,053,523 thousand (December 31, 2015 – AED 1,382,197 thousand) as collateral against margin calls. The risks and rewards on these pledged investments remain with the Group.

**9. Loans and advances to customers, net**

	As at June 30 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Overdrafts (retail and corporate)	4,572,918	4,487,083
Retail loans	30,062,932	28,400,112
Corporate loans	118,063,789	111,442,577
Credit cards	3,724,417	3,517,946
Other facilities	4,347,043	4,578,009
<b>Gross loans and advances to customers</b>	<b>160,771,099</b>	<b>152,425,727</b>
Less: Allowance for impairment	(5,918,116)	(6,175,265)
<b>Total loans and advances to customers, net</b>	<b>154,852,983</b>	<b>146,250,462</b>

For reclassification of loans and advances to banks to “Deposits and balances due from banks, net”, refer to Note 4.

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

	As at June 30 2016 unaudited AED'000	As at December 31 2015 audited AED'000
Murabaha	2,612,468	2,180,790
Ijara financing	7,475,366	6,749,806
Mudaraba	28,536	32,390
Salam	6,082,489	5,303,398
Others	194,489	197,983
<b>Gross Islamic financing assets</b>	<b>16,393,348</b>	<b>14,464,367</b>
Less: Allowance for impairment	(339,442)	(191,169)
<b>Net Islamic financing assets</b>	<b>16,053,906</b>	<b>14,273,198</b>

The Group hedges certain fixed rate and floating rate loans and advances to customers for interest rate risk using interest rate swaps and designates these instruments as fair value and cash flow hedges, respectively. The net negative fair value of these swaps as at June 30, 2016 was AED 22,647 thousand (December 31, 2015 - net negative fair value of AED 481 thousand).

The Group entered into structured financing repurchase agreements whereby loans and advances to customers were pledged and held by counterparties as collateral. The risks and rewards relating to the loans pledged remain with the Group. The loans placed as collateral are governed under collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements. The following table reflects the carrying value of these loans and the associated financial liabilities:

	As at June 30, 2016 (unaudited)		As at December 31, 2015 (audited)	
	Carrying value of pledged loans AED'000	Carrying value of associated liabilities AED'000	Carrying value of pledged loans AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	294,543	219,226	302,444	225,120

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**9. Loans and advances to customers, net (continued)**

The Group entered into a security lending and borrowing arrangement, under which loans and advances to customers with nominal value of AED 795,475 thousand were lent against high quality bonds with nominal value of AED 498,288 thousand. The fair value of bonds borrowed was AED 653,436 thousand as at June 30, 2016. The risks and rewards relating to loans lent and bonds borrowed remain with respective counterparties. The arrangement is governed under the terms and conditions of Global Master Securities Lending Agreement (GMSLA).

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

	As at June 30, 2016 (unaudited)			As at December 31, 2015 (audited)		
	Individual impairment AED'000	Collective impairment AED'000	Total AED'000	Individual impairment AED'000	Collective impairment AED'000	Total AED'000
<b>Opening balance</b>	3,375,998	2,968,889	6,344,887	3,856,796	2,920,947	6,777,743
Charge for the period/year	480,153	312,213	792,366	704,616	48,230	752,846
Recoveries during the period/year	(70,238)	-	(70,238)	(252,566)	-	(252,566)
Net charge for the period/year	409,915	312,213	722,128	452,050	48,230	500,280
Discount unwind	(33,898)	-	(33,898)	(126,033)	-	(126,033)
Net amounts written-off	(990,796)	-	(990,796)	(806,219)	-	(806,219)
Currency translation	31	(128)	(97)	(596)	(288)	(884)
<b>Closing balance</b>	<b>2,761,250</b>	<b>3,280,974</b>	<b>6,042,224</b>	<b>3,375,998</b>	<b>2,968,889</b>	<b>6,344,887</b>

Allocation of impairment allowance on loans and advances to customers and banks is as follows:

	As at June 30, 2016 (unaudited)			As at December 31, 2015 (audited)		
	Individual impairment AED'000	Collective impairment AED'000	Total AED'000	Individual impairment AED'000	Collective impairment AED'000	Total AED'000
Loans and advances to customers	2,761,250	3,156,866	5,918,116	3,375,998	2,799,267	6,175,265
Loans and advances to banks (Note 4)	-	124,108	124,108	-	169,622	169,622
<b>Total impairment allowance on loans and advances</b>	<b>2,761,250</b>	<b>3,280,974</b>	<b>6,042,224</b>	<b>3,375,998</b>	<b>2,968,889</b>	<b>6,344,887</b>

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

	As at June 30, 2016 (unaudited)			As at December 31, 2015 (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
<b>Economic activity sector</b>						
Agriculture	210,649	-	210,649	216,646	-	216,646
Energy	70,998	395,143	466,141	78,005	215,698	293,703
Trading	3,859,378	1,133,934	4,993,312	3,854,238	1,071,780	4,926,018
Real estate investment & hospitality	54,667,670	1,400,514	56,068,184	53,293,920	1,088,985	54,382,905
Transport	2,140,491	1,010,754	3,151,245	1,417,433	962,756	2,380,189
Personal	40,183,565	234,595	40,418,160	39,077,248	235,132	39,312,380
Government & public sector entities	34,897,908	1,001,900	35,899,808	32,822,161	258,258	33,080,419
Financial institutions (*)	10,546,314	2,425,204	12,971,518	9,864,452	2,456,281	12,320,733
Manufacturing	2,007,129	1,775,836	3,782,965	1,774,395	1,508,795	3,283,190
Services	1,882,447	235,828	2,118,275	1,591,190	187,590	1,778,780
Others	614,597	76,245	690,842	203,714	247,050	450,764
	151,081,146	9,689,953	160,771,099	144,193,402	8,232,325	152,425,727
Less: Allowance for impairment			(5,918,116)			(6,175,265)
<b>Total loans and advances to customers, net</b>			<b>154,852,983</b>			<b>146,250,462</b>

(\*) includes investment companies

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**10. Investment properties**

	<b>AED'000</b>
<b>As at January 1, 2015</b>	615,778
Additions during the year	31,677
Revaluation of investment properties	192
<b>As at December 31, 2015 (audited)</b>	<b>647,647</b>
Additions during the period	<b>640</b>
Disposals during the period	<b>(2,850)</b>
<b>As at June 30, 2016 (unaudited)</b>	<b>645,437</b>

**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 2015.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

The valuation methodologies considered by external valuers include:

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

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

**11. Other assets**

	<b>As at June 30 2016 unaudited AED'000</b>	<b>As at December 31 2015 audited AED'000</b>
Interest receivable	1,326,571	1,079,214
Advance tax	6,908	7,241
Prepayments	91,351	55,083
Acceptances (Note 16)	11,190,994	7,168,716
Others	376,855	261,386
<b>Total other assets</b>	<b>12,992,679</b>	<b>8,571,640</b>

**12. Due to banks**

	<b>As at June 30 2016 unaudited AED'000</b>	<b>As at December 31 2015 audited AED'000</b>
Vostro balances	348,394	282,666
Margin deposits	276,893	88,289
Time deposits	1,853,013	1,320,838
<b>Total due to banks</b>	<b>2,478,300</b>	<b>1,691,793</b>

The Bank hedges certain foreign currency time deposits for foreign currency risk using foreign exchange swap contracts and designates these instruments as cash flow hedges. The net fair value of these swaps as at June 30, 2016 was AED Nil (December 31, 2015 – net negative fair value of AED 1,562 thousand).

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**13. Deposits from customers**

	<b>As at June 30 2016 unaudited AED'000</b>	As at December 31 2015 audited AED'000
Time deposits	71,223,591	62,189,594
Current account deposits	53,308,165	51,713,778
Savings deposits	12,142,688	10,932,983
Murabaha deposits	11,116,048	17,628,523
Long term government deposits	411,313	418,907
Margin deposits	852,999	642,511
<b>Total deposits from customers</b>	<b>149,054,804</b>	<b>143,526,296</b>

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

	<b>As at June 30 2016 unaudited AED'000</b>	As at December 31 2015 audited AED'000
Mudaraba term deposits	1,084,950	1,280,738
Wakala deposits	1,803,259	1,363,893
Current account deposits	3,366,923	2,646,781
Mudaraba savings deposits	5,625,042	4,919,033
Margin deposits	23,642	11,122
<b>Total Islamic deposits</b>	<b>11,903,816</b>	<b>10,221,567</b>

The Group hedges certain foreign currency time deposits for foreign currency and floating interest rate risks using foreign exchange and interest rate swaps and designates these instruments as either cash flow or fair value hedges. The net positive fair value of these swaps as at June 30, 2016 was AED 31,975 thousand (December 31, 2015 – net negative fair value of AED 32,953 thousand).

**14. Euro commercial paper**

The details of euro commercial paper (“ECP”) issuances under the Bank’s ECP programme are as follows:

<b>Currency</b>	<b>As at June 30 2016 unaudited AED'000</b>	As at December 31 2015 audited AED'000
US dollar (USD)	4,647,922	2,294,750
Euro (EUR)	1,584,176	2,341,393
GB pound (GBP)	1,063,310	543,636
Swiss franc (CHF)	377,677	453,223
Australian dollar (AUD)	-	67,062
<b>Total euro commercial paper</b>	<b>7,673,085</b>	<b>5,700,064</b>

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 negative fair value of these swaps as at June 30, 2016 was AED 80,207 thousand (December 31, 2015 - net negative fair value of AED 82,811 thousand).

ECP are issued at a discount and the discount rate ranges between 0.006% p.a. to 1.48% p.a. and negative discount rate ranges between 0.07% p.a. to 0.68% p.a. (December 31, 2015 - 0.04% p.a. to 2.17% p.a. and negative discount rate ranges between 0.68% p.a. to 0.85% p.a.).

## Abu Dhabi Commercial Bank PJSC

### Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2016

#### 15. Borrowings

The details of borrowings as at June 30, 2016 (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)	-	702,546	81,940	-	784,486
	Chinese renminbi (CNH)	-	164,822	-	-	164,822
	Euro (EUR)	-	-	49,658	-	49,658
	Malaysian ringgit (MYR)	282,703	365,531	-	-	648,234
	Swiss franc (CHF)	-	388,677	-	-	388,677
	UAE dirham (AED)	504,024	-	-	-	504,024
	Japanese yen (JPY)	89,380	53,910	54,779	-	198,069
	Hong Kong dollar (HKD)	-	-	305,883	-	305,883
	US dollar (USD)	3,193,948	5,517,371	5,385,574	2,575,020	16,671,913
		<b>4,070,055</b>	<b>7,192,857</b>	<b>5,877,834</b>	<b>2,575,020</b>	<b>19,715,766</b>
Islamic sukuk notes	US dollar (USD)	1,843,702	-	-	-	1,843,702
Bilateral loans – floating rate	US dollar (USD)	1,285,550	2,017,823	-	-	3,303,373
Syndicated loan – floating rate	US dollar (USD)	734,600	731,302	-	-	1,465,902
Subordinated notes – fixed rate	US dollar (USD)	-	-	-	3,818,955	3,818,955
	Swiss franc (CHF)	-	-	-	381,970	381,970
Borrowings through repurchase agreements	US dollar (USD)	1,095,750	964,830	-	99,909	2,160,489
		<b>9,029,657</b>	<b>10,906,812</b>	<b>5,877,834</b>	<b>6,875,854</b>	<b>32,690,157</b>

The Group hedges certain borrowings for foreign currency exchange risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at June 30, 2016 was AED 122,505 thousand.

## Abu Dhabi Commercial Bank PJSC

### Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2016

#### 15. Borrowings (continued)

The details of borrowings as at December 31, 2015 (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)	-	-	679,758	-	679,758
	Chinese renminbi (CNH)	-	167,032	-	-	167,032
	Euro (EUR)	-	-	48,314	-	48,314
	Malaysian ringgit (MYR)	-	598,227	-	-	598,227
	Swiss franc (CHF)	-	388,677	-	-	388,677
	Turkish lira (TRY)	46,821	-	-	-	46,821
	UAE dirham (AED)	-	504,164	-	-	504,164
	Japanese yen (JPY)	130,562	45,896	46,192	-	222,650
	Hong Kong dollar (HKD)	-	-	151,181	-	151,181
	US dollar (USD)	-	4,586,299	7,988,737	2,014,940	14,589,976
		177,383	6,290,295	8,914,182	2,014,940	17,396,800
Islamic sukuk notes	US dollar (USD)	1,841,406	-	-	-	1,841,406
Bilateral loans – floating rate	US dollar (USD)	550,950	2,751,371	-	-	3,302,321
Syndicated loan – floating rate	US dollar (USD)	-	1,465,125	-	-	1,465,125
Certificate of deposits issued	Great Britain pound (GBP)	636,355	-	-	-	636,355
	Hong Kong dollar (HKD)	236,708	-	-	-	236,708
Subordinated notes – fixed rate	US dollar (USD)	-	-	-	3,662,417	3,662,417
	Swiss franc (CHF)	-	-	-	371,382	371,382
Borrowings through repurchase agreements	US dollar (USD)	3,284,750	1,274,467	-	-	4,559,217
		6,727,552	11,781,258	8,914,182	6,048,739	33,471,731

The Group hedges certain borrowings for foreign currency exchange risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2015 was AED 870,826 thousand.



**15. Borrowings (continued)**

**Global medium term notes**

Interest on Global medium term notes is payable in arrears and the contractual coupon rates as at June 30, 2016 (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.	Fixed rate of 3.73% p.a.	-
CNH	-	Fixed rate between 3.70% p.a. to 4.125% p.a.	-	-
EUR	-	-	Quarterly coupons with 59 basis points over EURIBOR	-
MYR	Fixed rate of 4.30% p.a.	Fixed rate of 5.35% p.a.	-	-
CHF	-	Quarterly coupons with 110 basis points over CHF LIBOR	-	-
AED	Fixed rate of 6.00% p.a.	-	-	-
JPY	Fixed rate of 0.81% p.a.	Fixed rate of 0.48% p.a.	Fixed rate of 0.68% p.a.	-
HKD	-	-	Fixed rate between 2.30% p.a. to 2.86% p.a.	-
USD(*)	Fixed rate of 1.45% p.a. and quarterly coupons between 108 to 130 basis points over LIBOR	Fixed rate between 2.50% p.a. to 3.00% p.a.	Fixed rate between 2.63% p.a. to 2.75% p.a. and quarterly coupons with 73 basis points over LIBOR	Fixed rate between 4.52% p.a. to 5.12% p.a.

(\*) include AED 1,851,818 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 5<sup>th</sup> year from issue date.

**Islamic Sukuk notes**

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

**Bilateral floating rate loans**

Monthly coupons with 60 to 80 basis points over LIBOR.  
Quarterly coupons with 70 basis points over LIBOR.

**Syndicated floating rate loans**

Monthly coupons with 68 basis points over LIBOR.  
Quarterly coupons with 60 basis points over LIBOR.

**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, 2016 (unaudited) are as follows:

Currency	Over 5 years
USD	Fixed rate between 3.125% p.a. to 4.50% p.a.
CHF	Fixed rate 1.885% p.a.

**15. Borrowings (continued)**

**Subordinated fixed rate notes (continued)**

The subordinated fixed rate notes qualify 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 30). This has been approved by the Central Bank of the UAE. Subordinated notes of AED 1,479,534 thousand mature in 2023 but are callable after 5 years from the issuance date at the option of the Bank.

**Borrowings through repurchase agreements**

Fixed rate ranging from 0.78% p.a. to 1.10% p.a.  
Quarterly coupons between 130 to 145 basis points over LIBOR.

**16. Other liabilities**

	<b>As at June 30 2016 unaudited AED'000</b>	<b>As at December 31 2015 audited AED'000</b>
Interest payable	717,400	506,502
Recognised liability for defined benefit obligations	401,233	384,677
Accounts payable and other creditors	275,343	291,506
Deferred income	625,864	626,360
Acceptances (Note 11)	11,190,994	7,168,716
Others	1,503,989	1,425,473
<b>Total other liabilities</b>	<b>14,714,823</b>	<b>10,403,234</b>

**17. Share capital**

	<b>Authorised</b>	<b>Issued and fully paid</b>	
		<b>As at June 30 2016 unaudited AED'000</b>	<b>As at December 31 2015 audited AED'000</b>
Ordinary shares of AED 1 each	5,595,597	5,595,597	5,595,597

As at June 30, 2016, Abu Dhabi Investment Council held 58.083% (December 31, 2015 - 58.083%) of the Bank's issued and fully paid up share capital.

**Treasury shares**

The total number of shares bought back by the Bank as at June 30, 2016 was 397,366,172 (December 31, 2015 - 397,366,172). 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.

## Abu Dhabi Commercial Bank PJSC

### Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2016

#### 18. Other reserves, net of treasury shares (unaudited)

Reserves movement for the six month period ended June 30, 2016:

	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	Cash flow hedge reserve AED'000	Cumulative changes in fair values AED'000	Total AED'000
<b>Balance at January 1, 2016</b>	(1,825,653)	(92,959)	2,797,799	2,797,799	2,000,000	150,000	(73,260)	3,057	(100,219)	5,656,564
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(4,048)	-	-	(4,048)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	-	19,966	-	19,966
Net fair value changes reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	-	(72,767)	-	(72,767)
Net fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	135,110	135,110
Net fair value changes released to condensed consolidated interim income statement on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(1,748)	(1,748)
<b>Total other comprehensive (loss)/income for the period</b>	-	-	-	-	-	-	(4,048)	(52,801)	133,362	76,513
Fair value adjustments	-	4,883	-	-	-	-	-	-	-	4,883
Shares – vested portion	-	17,604	-	-	-	-	-	-	-	17,604
Shares purchased	-	(32,562)	-	-	-	-	-	-	-	(32,562)
<b>Balance at June 30, 2016</b>	(1,825,653)	(103,034)	2,797,799	2,797,799	2,000,000	150,000	(77,308)	(49,744)	33,143	5,723,002
<b>Balance at January 1, 2015</b>	(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)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	-	307,883	-	307,883
Net fair value changes reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	-	(294,608)	-	(294,608)
Net fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	(26,595)	(26,595)
Net fair value changes released to condensed consolidated interim income statement on disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(1,209)	(1,209)
<b>Total other comprehensive (loss)/income for the period</b>	-	-	-	-	-	-	(2,125)	13,275	(27,804)	(16,654)
Fair value and other adjustments	-	(5,293)	-	-	-	-	-	-	-	(5,293)
Shares – vested portion	-	14,493	-	-	-	-	-	-	-	14,493
Share buyback	(17,005)	-	-	-	-	-	-	-	-	(17,005)
Shares purchased	-	(4,325)	-	-	-	-	-	-	-	(4,325)
<b>Balance at June 30, 2015</b>	(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

**19. 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.

**20. Interest income (unaudited)**

	3 months ended June 30		6 months ended June 30	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Loans and advances to banks	111,906	83,413	216,951	159,650
Loans and advances to customers	1,675,027	1,541,870	3,380,145	3,192,982
Available-for-sale investments	136,661	126,380	239,950	230,552
Trading securities	1,405	2,813	2,325	5,646
<b>Total interest income</b>	<b>1,924,999</b>	<b>1,754,476</b>	<b>3,839,371</b>	<b>3,588,830</b>

**21. Interest expense (unaudited)**

	3 months ended June 30		6 months ended June 30	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Deposits from banks	5,613	1,368	9,073	3,143
Deposits from customers	401,993	201,685	765,806	407,044
Euro commercial paper	19,217	7,906	31,214	14,987
Borrowings	142,558	139,681	255,189	249,675
<b>Total interest expense</b>	<b>569,381</b>	<b>350,640</b>	<b>1,061,282</b>	<b>674,849</b>

**22. Net fees and commission income (unaudited)**

	3 months ended June 30		6 months ended June 30	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
<b>Fees and commission income</b>				
Retail banking fees	283,630	252,731	558,337	472,856
Corporate banking fees	141,918	130,894	273,269	287,598
Brokerage fees	2,917	4,995	7,505	7,994
Fees from trust and other fiduciary activities	53,405	45,488	90,356	113,456
Other fees	15,311	9,419	24,553	19,720
<b>Total fees and commission income</b>	<b>497,181</b>	<b>443,527</b>	<b>954,020</b>	<b>901,624</b>
Fees and commission expenses	(121,639)	(100,974)	(220,047)	(184,069)
<b>Net fees and commission income</b>	<b>375,542</b>	<b>342,553</b>	<b>733,973</b>	<b>717,555</b>

**23. Net trading income (unaudited)**

	3 months ended June 30		6 months ended June 30	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Net gains on dealing in derivatives	64,823	5,952	66,490	23,637
Net gains from dealing in foreign currencies	116,340	65,089	237,220	170,755
Net losses from trading securities	(1,468)	(1,398)	(2,172)	(1,890)
<b>Net trading income</b>	<b>179,695</b>	<b>69,643</b>	<b>301,538</b>	<b>192,502</b>

**24. Other operating income (unaudited)**

	3 months ended June 30		6 months ended June 30	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Property management income	36,630	34,191	72,830	70,384
Rental income	15,517	14,183	32,128	27,700
Dividend income	5,421	6,030	5,442	6,030
Net gains from disposal of available-for-sale investments	1,743	1,209	1,748	1,209
Loss arising from retirement of hedges	(545)	-	(545)	-
Others	2,691	30,504	8,334	34,354
<b>Total other operating income</b>	<b>61,457</b>	<b>86,117</b>	<b>119,937</b>	<b>139,677</b>

**25. Operating expenses (unaudited)**

	3 months ended June 30		6 months ended June 30	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Staff expenses	374,327	371,490	842,729	814,503
Depreciation	36,250	32,927	70,446	65,422
Amortisation of intangible assets	-	5,635	-	11,270
Others	255,481	261,490	490,886	480,478
<b>Total operating expenses</b>	<b>666,058</b>	<b>671,542</b>	<b>1,404,061</b>	<b>1,371,673</b>

**26. Impairment allowances (unaudited)**

	3 months ended June 30		6 months ended June 30	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Charge for the period	393,405	141,673	792,366	446,705
Recoveries during the period	(36,313)	(49,916)	(70,238)	(113,645)
Impairment allowance on loans and advances, net (Note 9)	357,092	91,757	722,128	333,060
Recoveries on available-for-sale investments	(6,244)	(7,817)	(19,099)	(7,852)
<b>Total impairment allowances</b>	<b>350,848</b>	<b>83,940</b>	<b>703,029</b>	<b>325,208</b>

**27. 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.

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**27. Earnings per share (unaudited) (continued)**

	<b>3 months ended June 30</b>		<b>6 months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
Net profit for the period attributable to the equity holders of the Bank	<b>1,124,843</b>	1,283,054	<b>2,145,118</b>	2,530,960
Less: Coupons paid on capital notes	-	-	<b>(66,065)</b>	(65,510)
<b>Net adjusted profit for the period attributable to the equity holders of the Bank (a)</b>	<b>1,124,843</b>	1,283,054	<b>2,079,053</b>	2,465,450
	<b>Number of shares in thousand</b>			
Weighted average number of shares in issue throughout the period	<b>5,595,597</b>	5,595,597	<b>5,595,597</b>	5,595,597
Less: Weighted average number of treasury shares arising on buy back	<b>(397,366)</b>	(397,366)	<b>(397,366)</b>	(397,294)
Less: Weighted average number of shares resulting from Employees' incentive plan shares	<b>(17,070)</b>	(14,358)	<b>(15,744)</b>	(13,285)
<b>Weighted average number of equity shares in issue during the period for basic earnings per share (b)</b>	<b>5,181,161</b>	5,183,873	<b>5,182,487</b>	5,185,018
Add: Weighted average number of shares resulting from Employees' incentive plan shares	<b>17,070</b>	14,358	<b>15,744</b>	13,285
<b>Weighted average number of equity shares in issue during the period for diluted earnings per share (c)</b>	<b>5,198,231</b>	5,198,231	<b>5,198,231</b>	5,198,303
<b>Basic earnings per share (AED) (a)/(b)</b>	<b>0.22</b>	0.25	<b>0.40</b>	0.48
<b>Diluted earnings per share (AED) (a)/(c)</b>	<b>0.22</b>	0.25	<b>0.40</b>	0.47

**28. Commitments and contingent liabilities**

The Group has the following commitments and contingent liabilities:

	<b>As at June 30 2016 unaudited AED'000</b>	<b>As at December 31 2015 audited AED'000</b>
Letters of credit	<b>7,026,897</b>	7,397,227
Guarantees	<b>21,831,266</b>	20,688,203
Commitments to extend credit – revocable (*)	<b>11,156,417</b>	10,140,076
Commitments to extend credit – irrevocable	<b>10,453,584</b>	13,436,760
<b>Total commitments on behalf of customers</b>	<b>50,468,164</b>	51,662,266
Commitments for future capital expenditure	<b>344,591</b>	364,985
Commitments to invest in investment securities	<b>210,746</b>	89,182
<b>Total commitments and contingent liabilities</b>	<b>51,023,501</b>	52,116,433

(\*) includes AED 7,039,258 thousand (December 31, 2015: AED 6,860,860 thousand) for undrawn credit card limits.

**29. Operating segments**

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



**29. Operating segments (continued)**

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

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

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

The following is an analysis of the Group's revenue and results by operating segment for the six month period ended June 30, 2016 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	1,292,564	897,198	531,918	56,409	2,778,089
Net income from Islamic financing	206,760	80,387	32,471	1,661	321,279
Total net interest and Islamic financing income	1,499,324	977,585	564,389	58,070	3,099,368
Non-interest income	485,540	315,486	238,583	115,839	1,155,448
Operating expenses	(891,208)	(357,218)	(98,117)	(57,518)	(1,404,061)
<b>Operating profit before impairment allowances</b>	<b>1,093,656</b>	<b>935,853</b>	<b>704,855</b>	<b>116,391</b>	<b>2,850,755</b>
Impairment (allowances)/recoveries	(415,152)	(306,976)	19,099	-	(703,029)
Share in profit of associate	3,692	-	-	-	3,692
<b>Profit before taxation</b>	<b>682,196</b>	<b>628,877</b>	<b>723,954</b>	<b>116,391</b>	<b>2,151,418</b>
Overseas income tax expense	-	(4,543)	-	-	(4,543)
<b>Net profit for the period</b>	<b>682,196</b>	<b>624,334</b>	<b>723,954</b>	<b>116,391</b>	<b>2,146,875</b>
Capital expenditure					<u>96,917</u>
<b>June 30, 2016 (unaudited)</b>					
Segment assets	<u>72,018,829</u>	<u>102,667,297</u>	<u>65,410,897</u>	<u>655,392</u>	<u>240,752,415</u>
Segment liabilities	<u>49,294,780</u>	<u>75,479,621</u>	<u>87,399,747</u>	<u>47,344</u>	<u>212,221,492</u>

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**29. Operating segments (continued)**

The following is an analysis of the Group'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 income	1,202,770	918,803	740,168	52,240	2,913,981
Net income from Islamic financing	175,897	76,574	16,231	1,149	269,851
Total net interest and Islamic financing income	1,378,667	995,377	756,399	53,389	3,183,832
Non-interest income	436,536	361,505	144,274	107,419	1,049,734
Operating expenses	(848,000)	(371,590)	(97,498)	(54,585)	(1,371,673)
<b>Operating profit before impairment allowances</b>	967,203	985,292	803,175	106,223	2,861,893
Impairment (allowances)/recoveries	(437,545)	104,485	7,852	-	(325,208)
Share in loss of associate	(11)	-	-	-	(11)
<b>Profit before taxation</b>	529,647	1,089,777	811,027	106,223	2,536,674
Overseas income tax expense	-	(4,257)	-	-	(4,257)
<b>Net profit for the period</b>	529,647	1,085,520	811,027	106,223	2,532,417
Capital expenditure					66,460
<b>December 31, 2015 (audited)</b>					
Segment assets	69,845,328	94,301,998	63,465,784	653,991	228,267,101
Segment liabilities	43,486,000	67,541,312	88,484,442	22,544	199,534,298

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended June 30, 2016 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	643,737	426,254	256,548	29,079	1,355,618
Net income from Islamic financing	106,078	47,300	16,563	874	170,815
Total net interest and Islamic financing income	749,815	473,554	273,111	29,953	1,526,433
Non-interest income	248,329	162,517	148,646	57,202	616,694
Operating expenses	(436,869)	(158,004)	(42,901)	(28,284)	(666,058)
<b>Operating profit before impairment allowances</b>	561,275	478,067	378,856	58,871	1,477,069
Impairment (allowances)/recoveries	(282,384)	(74,708)	6,244	-	(350,848)
Share in profit of associate	1,975	-	-	-	1,975
<b>Profit before taxation</b>	280,866	403,359	385,100	58,871	1,128,196
Overseas income tax expense	-	(2,365)	-	-	(2,365)
<b>Net profit for the period</b>	280,866	400,994	385,100	58,871	1,125,831
Capital expenditure					40,243

**29. 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, 2015 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	655,974	364,070	357,502	26,290	1,403,836
Net income from Islamic financing	89,957	40,819	7,864	580	139,220
Total net interest and Islamic financing income	745,931	404,889	365,366	26,870	1,543,056
Non-interest income	216,053	183,078	45,966	53,216	498,313
Operating expenses	(424,852)	(177,824)	(42,157)	(26,709)	(671,542)
<b>Operating profit before impairment allowances</b>	537,132	410,143	369,175	53,377	1,369,827
Impairment (allowances)/recoveries	(160,202)	68,445	7,817	-	(83,940)
Share in loss of associate	(11)	-	-	-	(11)
<b>Profit before taxation</b>	376,919	478,588	376,992	53,377	1,285,876
Overseas income tax expense	-	(2,461)	-	-	(2,461)
<b>Net profit for the period</b>	376,919	476,127	376,992	53,377	1,283,415
Capital expenditure					39,670

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	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Consumer banking	2,496,030	2,336,105	(511,166)	(520,902)
Wholesale banking	1,637,943	1,798,864	(344,872)	(441,982)
Investments and treasury	12,054	(8,525)	790,918	909,198
Property management	108,789	107,122	65,120	53,686
<b>Total operating income</b>	<b>4,254,816</b>	<b>4,233,566</b>	<b>-</b>	<b>-</b>

	External (unaudited)		Inter-segment (unaudited)	
	3 months ended June 30		3 months ended June 30	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Consumer banking	1,246,126	1,222,998	(247,982)	(261,014)
Wholesale banking	801,948	799,966	(165,877)	(211,999)
Investments and treasury	41,388	(34,651)	380,369	445,983
Property management	53,665	53,056	33,490	27,030
<b>Total operating income</b>	<b>2,143,127</b>	<b>2,041,369</b>	<b>-</b>	<b>-</b>

**Geographical information**

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

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**29. Operating segments (continued)**

**Geographical information (continued)**

	<b>Domestic (unaudited)</b>		<b>International (unaudited)</b>	
	<b>6 months ended June 30</b>		<b>6 months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
<b>Income</b>				
Net interest and Islamic financing income	<b>3,094,882</b>	3,172,225	<b>4,486</b>	11,607
Non-interest income	<b>1,133,377</b>	1,039,577	<b>22,071</b>	10,157
	<b>Domestic (unaudited)</b>		<b>International (unaudited)</b>	
	<b>3 months ended June 30</b>		<b>3 months ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
<b>Income</b>				
Net interest and Islamic financing income	<b>1,524,800</b>	1,537,379	<b>1,633</b>	5,677
Non-interest income	<b>594,186</b>	506,869	<b>22,508</b>	(8,556)
	<b>Domestic</b>		<b>International</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>June 30</b>	<b>December 31</b>	<b>June 30</b>	<b>December 31</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>unaudited</b>	<b>audited</b>	<b>unaudited</b>	<b>audited</b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
<b>Non-current assets</b>				
Investment in associate	<b>200,848</b>	197,156	-	-
Investment properties	<b>645,437</b>	647,647	-	-
Property and equipment, net	<b>856,140</b>	830,136	<b>4,836</b>	5,009
Intangible assets	<b>18,800</b>	18,800	-	-

### 30. Capital adequacy ratio

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

	As at June 30 2016 unaudited AED'000	As at December 31 2015 audited AED'000
<b>Tier 1 capital</b>		
Share capital (Note 17)	5,595,597	5,595,597
Share premium	3,848,286	3,848,286
Other reserves, net of treasury shares (Note 18)	5,689,859	5,656,564
Retained earnings	9,219,553	9,627,315
Non-controlling interests	1,757	5,041
Capital notes (Note 19)	4,000,000	4,000,000
Less: Intangible assets	(18,800)	(18,800)
Less: Investment in associate	(100,424)	(98,578)
<b>Total tier 1 capital</b>	<b>28,235,828</b>	<b>28,615,425</b>
<b>Tier 2 capital</b>		
Collective impairment allowance on loans and advances	2,088,336	1,966,431
Cumulative changes in fair value (Note 18)	14,914	-
Subordinated notes (Note 15)	4,233,098	4,226,037
Less: Investment in associate	(100,424)	(98,578)
<b>Total tier 2 capital</b>	<b>6,235,924</b>	<b>6,093,890</b>
<b>Total regulatory capital</b>	<b>34,471,752</b>	<b>34,709,315</b>
<b>Risk-weighted assets</b>		
Credit risk	167,066,887	157,314,517
Market risk	6,549,189	5,652,368
Operational risk	13,741,466	12,689,402
<b>Total risk-weighted assets</b>	<b>187,357,542</b>	<b>175,656,287</b>
<b>Capital adequacy ratio</b>	<b>18.40%</b>	<b>19.76%</b>
<b>Tier 1 ratio</b>	<b>15.07%</b>	<b>16.29%</b>
<b>Tier 2 ratio</b>	<b>3.33%</b>	<b>3.47%</b>

The capital adequacy ratio was above the minimum requirement of 12% for June 30, 2016 (December 31, 2015 – 12%) stipulated by the Central Bank of the UAE.

### 31. Fair value hierarchy

#### Fair value measurements recognised in the condensed consolidated interim financial information

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

#### Quoted market prices – Level 1

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

**31. Fair value hierarchy (continued)**

**Fair value measurements recognised in the condensed consolidated interim financial information (continued)**

**Valuation techniques using observable inputs – Level 2**

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

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

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.

**Valuation techniques using significant unobservable inputs – Level 3**

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

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

Financial instruments under this category mainly includes private equity instruments and 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.

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

Refer Note 10 in respect of valuation methodology used for investment properties.

**Notes to the condensed consolidated interim financial information**

For the six month period ended June 30, 2016

**31. Fair value hierarchy (continued)**

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and liabilities recognised in the condensed consolidated interim financial information approximate their fair values.

		Level 1	Level 2	Level 3		
		Quoted market prices AED'000	Observable inputs AED'000	Significant unobservable inputs AED'000	Total fair value AED'000	Carrying value AED'000
<b>As at June 30, 2016</b> (unaudited)	<b>Notes</b>					
<b>Assets at fair value</b>						
Trading securities	6	229,162	-	-	229,162	229,162
Derivative financial instruments	7	1,694	5,234,391	-	5,236,085	5,236,085
Investment securities	8					
- Quoted		23,398,332	515,048	-	23,913,380	23,913,380
- Unquoted		-	377,467	389,378	766,845	766,845
Investment properties	10	-	-	645,437	645,437	645,437
<b>Total</b>		<b>23,629,188</b>	<b>6,126,906</b>	<b>1,034,815</b>	<b>30,790,909</b>	<b>30,790,909</b>
<b>Liabilities at fair value</b>						
Derivative financial instruments	7	1,071	5,609,252	-	5,610,323	5,610,323
<b>Liabilities at amortised cost</b>						
Borrowings	15	19,252,973	13,456,991	-	32,709,964	32,690,157
<b>Total</b>		<b>19,254,044</b>	<b>19,066,243</b>	<b>-</b>	<b>38,320,287</b>	<b>38,300,480</b>
<b>As at December 31, 2015</b> (audited)						
<b>Assets at fair value</b>						
Trading securities	6	62,261	-	-	62,261	62,261
Derivative financial instruments	7	1,335	4,000,573	-	4,001,908	4,001,908
Investment securities	8					
- Quoted		19,298,541	753,336	-	20,051,877	20,051,877
- Unquoted		-	398,109	413,621	811,730	811,730
Investment properties	10	-	-	647,647	647,647	647,647
<b>Total</b>		<b>19,362,137</b>	<b>5,152,018</b>	<b>1,061,268</b>	<b>25,575,423</b>	<b>25,575,423</b>
<b>Liabilities at fair value</b>						
Derivative financial instruments	7	1,045	4,740,135	-	4,741,180	4,741,180
<b>Liabilities at amortised cost</b>						
Borrowings	15	18,965,637	14,585,679	-	33,551,316	33,471,731
<b>Total</b>		<b>18,966,682</b>	<b>19,325,814</b>	<b>-</b>	<b>38,292,496</b>	<b>38,212,911</b>

The Group's OTC derivatives in the trading book are classified as Level 2 as they are valued using inputs that can be observed in the market.

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

	As at June 30 2016 unaudited AED'000	As at December 31 2015 audited AED'000
<b>Opening balance</b>	<b>413,621</b>	<b>378,216</b>
Purchases, net during the period/year	3,482	14,520
Disposals including capital refunds during the period/year	(4,033)	(5,304)
Adjustment through other comprehensive income during the period/year	(23,692)	26,189
<b>Closing balance</b>	<b>389,378</b>	<b>413,621</b>

No gains/losses were realised on disposal of Level 3 investments during the period (for the six month period ended June 30, 2015: AED Nil).

There were no transfers between Level 1 and Level 2 available-for-sale investments and there is no change in valuation techniques used during the period.



**32. Legal proceedings**

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