MASHREQBANK PSC GROUP

Review report and interim financial information for the period from 1 January 2014 to 30 June 2014

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Mashreqbank psc
Dubai
United Arab Emirates

We have reviewed the accompanying condensed consolidated statement of financial position of **Mashreqbank psc and its Subsidiaries** (the "Group") as at 30 June 2014 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flows for the six-month period then ended. Management of the Group is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 - *'Interim Financial Reporting'* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)

Anis F. Sadek
Partner
Registration No. 521
23 July 2014

Condensed consolidated statement of financial position as at 30 June 2014

	Note	30 June 2014 (un-audited) AED '000	31 December 2013 (audited) AED '000
ASSETS			
Cash and balances with central banks		**17,414,392**	10,830,218
Deposits and balances due from banks		**13,111,926**	12,946,841
Other financial assets measured at fair value	5	**3,349,221**	2,589,310
Loans and advances measured at amortised cost	6	**49,646,065**	44,280,339
Islamic financing and investment products measured at amortised cost	7	**6,311,837**	6,150,796
Other financial assets measured at amortised cost	5	**5,857,311**	5,385,140
Interest receivable and other assets		**6,551,865**	5,871,436
Goodwill		**26,588**	26,588
Investment properties	8	**549,282**	472,959
Property and equipment	9	**1,095,899**	1,101,287
Total assets		**103,914,386**	89,654,914
LIABILITIES AND EQUITY			
Liabilities			
Deposits and balances due to banks		**5,314,584**	5,081,049
Repurchase agreements with banks		**1,029,301**	1,045,096
Customers' deposits	10	**65,053,690**	54,158,148
Islamic customers' deposits	11	**5,703,706**	4,445,531
Insurance and life assurance funds		**1,647,492**	1,426,999
Interest payable and other liabilities		**6,813,625**	5,839,640
Medium-term loans	12	**2,683,134**	2,537,923
Total liabilities		**88,245,532**	74,534,386
Equity			
Issued and paid up capital	13	**1,690,770**	1,690,770
Statutory and legal reserves		**852,714**	850,172
General reserve		**312,000**	312,000
Cumulative translation adjustment		**(37,103)**	(42,113)
Investments revaluation reserve		**(143,492)**	(157,309)
Retained earnings		**12,272,775**	11,793,461
Equity attributable to shareholders of the Parent		**14,947,664**	14,446,981
Non-controlling interests	14	**721,190**	673,547
Total equity		**15,668,854**	15,120,528
Total liabilities and equity		**103,914,386**	89,654,914

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

Abdulla Ahmad Al Ghurair
Chairman

Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

Condensed consolidated income statement (un-audited)
for the period from 1 January 2014 to 30 June 2014

	Note	3 months ended 30 June		6 months ended 30 June	
		2014	2013	**2014**	2013
		(un-audited) AED '000	(un-audited) AED '000	**(un-audited) AED '000**	(un-audited) AED '000
Interest income		**938,509**	711,277	**1,803,402**	1,372,082
Income from Islamic financing and investment products		**62,402**	65,330	**125,917**	125,714
Total interest income and income from Islamic financing and investment products		**1,000,911**	776,607	**1,929,319**	1,497,796
Interest expense		**(232,291)**	(208,796)	**(463,344)**	(425,003)
Distribution to depositors – Islamic products		**(14,315)**	(11,405)	**(25,971)**	(30,172)
Net interest income and net income from Islamic produc		**754,305**	556,406	**1,440,004**	1,042,621
Fee and commission income		**747,889**	692,921	**1,568,681**	1,345,007
Fee and commission expense		**(327,218)**	(338,354)	**(710,898)**	(662,539)
Net fee and commission income		**420,671**	354,567	**857,783**	682,468
Net investment income		**44,980**	33,665	**111,583**	85,586
Other income, net		**251,690**	195,509	**443,818**	447,092
Operating income		**1,471,646**	1,140,147	**2,853,188**	2,257,767
General and administrative expenses	15	**(537,750)**	(520,712)	**(1,061,993)**	(1,007,398)
Allowances for impairment		**(304,303)**	(213,609)	**(555,770)**	(384,337)
Profit before taxes		**629,593**	405,826	**1,235,425**	866,032
Overseas income tax expense		**(13,514)**	(11,754)	**(26,361)**	(23,744)
Profit for the period		**616,079**	394,072	**1,209,064**	842,288
Attributed to:					
Shareholders of the parent		**584,930**	402,593	**1,160,102**	827,914
Non-controlling interests		**31,149**	(8,521)	**48,962**	14,374
		616,079	394,072	**1,209,064**	842,288
Basic and diluted earnings per share (AED)	16	**3.46**	2.38	**6.86**	4.90

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

Condensed consolidated statement of comprehensive income (un-audited) for the period from 1 January 2014 to 30 June 2014

	3 months ended 30 June		6 months ended 30 June	
	2014	2013	**2014**	2013
	(un-audited)	(un-audited)	**(un-audited)**	(un-audited)
	AED '000	AED '000	**AED '000**	AED '000
Profit for the period	**616,079**	394,072	**1,209,064**	842,288
Other comprehensive income items				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets measured at FVTOCI, net	**1,934**	16,045	**16,527**	8,321
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment	**2,602**	(7,366)	**5,010**	(12,165)
Total other comprehensive income/(loss) for the period	**4,536**	8,679	**21,537**	(3,844)
Total comprehensive income for the period	**620,615**	402,751	**1,230,601**	838,444
Attributed to:				
Shareholders of the parent	**591,313**	409,425	**1,176,991**	828,347
Non-controlling interests	**29,302**	(6,674)	**53,610**	10,097
	620,615	402,751	**1,230,601**	838,444

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

Condensed consolidated statement of changes in equity (un-audited) for the period from 1 January 2014 to 30 June 2014

	Issued and paid up capital AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Cumulative translation adjustment AED'000	Investments revaluation reserve AED'000	Retained earnings AED'000	Equity attributable to shareholders of the Parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2013 (audited)	1,690,770	848,385	312,000	(32,076)	(163,794)	10,579,527	13,234,812	585,443	13,820,255
Profit for the period	-	-	-	-	-	827,914	827,914	14,374	842,288
Other comprehensive income/(loss)	-	-	-	(12,165)	12,598	-	433	(4,277)	(3,844)
Total comprehensive income/(loss) for the period	-	-	-	(12,165)	12,598	827,914	828,347	10,097	838,444
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	(60,700)	60,700	-	-	-
Transfer to statutory and legal reserves	-	1,826	-	-	-	(1,826)	-	-	-
Payment of dividends (Note 13)	-	-	-	-	-	(642,493)	(642,493)	(8,395)	(650,888)
Balance at 30 June 2013 (un-audited)	1,690,770	850,211	312,000	(44,241)	(211,896)	10,823,822	13,420,666	587,145	14,007,811
Balance at 1 January 2014 (audited)	**1,690,770**	**850,172**	**312,000**	**(42,113)**	**(157,309)**	**11,793,461**	**14,446,981**	**673,547**	**15,120,528**
Profit for the period	-	-	-	-	-	**1,160,102**	**1,160,102**	**48,962**	**1,209,064**
Other comprehensive income	-	-	-	**5,010**	**11,879**	-	**16,889**	**4,648**	**21,537**
Total comprehensive income for the period	-	-	-	**5,010**	**11,879**	**1,160,102**	**1,176,991**	**53,610**	**1,230,601**
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	**1,938**	**(1,938)**	-	-	-
Transfer to statutory and legal reserves	-	**2,542**	-	-	-	**(2,542)**	-	-	-
Payment of dividends (Note 13)	-	-	-	-	-	**(676,308)**	**(676,308)**	**(16,789)**	**(693,097)**
Additional contribution attributable to the non-controlling interest shareholders (Note 14)	-	-	-	-	-	-	-	**10,822**	**10,822**
Balance at 30 June 2014 (un-audited)	**1,690,770**	**852,714**	**312,000**	**(37,103)**	**(143,492)**	**12,272,775**	**14,947,664**	**721,190**	**15,668,854**

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

Condensed consolidated statement of cash flows (un-audited) for the period from 1 January 2014 to 30 June 2014

	6 months ended 30 June 2014 (un-audited) AED '000	6 months ended 30 June 2013 (un-audited) AED '000
Cash flows from operating activities		
Profit for the period	**1,209,064**	842,288
Adjustments for:		
Depreciation of property and equipment	**72,560**	71,199
Impairment charges for the period	**555,770**	384,337
Loss on sale of property and equipment	**378**	1,751
Fair value adjustment of other financial assets measured at FVTPL	**(25,317)**	1,134
Fair value adjustment of derivatives	**(7,115)**	(3,598)
Dividend income from financial assets measured at FVTOCI	**(23,812)**	(28,774)
Fair value adjustment of investment properties	**(73,918)**	(62,680)
Changes in operating assets and liabilities		
(Increase)/decrease in deposits with central banks for regulatory purposes and certificate of deposits with the central banks	**(3,467,090)**	968,992
Decrease/(increase) in deposits and balances due from banks maturing after three months	**277,136**	(581,341)
Increase in other financial assets carried at FVTPL	**(705,673)**	(439,850)
Increase in loans and advances measured at amortized cost	**(5,906,921)**	(5,669,912)
Increase in Islamic financing and investment products measured at amortized cost	**(158,018)**	(713,479)
Increase in interest receivable and other assets	**(673,314)**	(24,296)
Increase in deposits and balances due to banks	**233,535**	80,415
Increase in customers' deposits	**10,895,542**	5,762,472
Increase/(decrease) in Islamic customers' deposits	**1,258,175**	(2,233,684)
Increase in insurance and life assurance funds	**220,493**	200,466
Increase in interest payable and other liabilities	**973,985**	621,672
Increase in medium-term loans	**145,211**	275,475
Decrease in repurchase agreements with banks	**(15,795)**	(50,981)
Net cash generated from/(used in) operating activities	**4,784,876**	(598,394)
Cash flows from investing activities		
Purchase of property and equipment	**(68,667)**	(62,392)
Proceeds from sale of property and equipment	**1,117**	3,411
Net increase in non-trading investments	**(502,163)**	(1,158,100)
Purchase of investment properties	**(2,405)**	-
Dividend income from other financial assets measured at FVTOCI	**23,812**	28,774
Net cash used in investing activities	**(548,306)**	(1,188,307)
Cash flows from financing activities		
Dividend paid	**(693,097)**	(650,888)
Additional contribution by non-controlling interest	**10,822**	-
Net cash used in financing activities	**(682,275)**	(650,888)
Net increase/(decrease) in cash and cash equivalents	**3,554,295**	(2,437,589)
Net foreign exchange difference	**5,010**	(12,165)
Cash and cash equivalents at beginning of the period (Note 17)	**14,579,255**	12,509,079
Cash and cash equivalents at end of the period (Note 17)	**18,138,560**	10,059,325

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

Notes to the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014

1. General information

Mashreqbank psc (the "Bank") was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The Bank operates through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Qatar, the United Kingdom and the United States of America.

The address of the Bank's registered office is P.O. Box 1250, Dubai, United Arab Emirates.

At 30 June 2014, Mashreqbank psc Group (the "Group") comprises of the Bank and the following direct subsidiaries:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Osool – A Finance Company (PJSC)	United Arab Emirates	98.00	98.00	Finance
Oman Insurance Company (PSC) Group	United Arab Emirates	63.65	63.65	Insurance
Mindscape Information Technology L.L.C.	United Arab Emirates	99.00	99.00	Software/Application provider
Mashreq Securities LLC	United Arab Emirates	99.98	99.98	Brokerage
Injaz Services FZ LLC	United Arab Emirates	100.00	100.00	Service provider
Mashreq Al Islami Finance Company (PJSC)	United Arab Emirates	99.80	99.80	Islamic finance company
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00	100.00	Brokerage and asset & fund management
Makaseb Funds Company BSC	Kingdom of Bahrain	99.90	99.90	Fund manager
Makaseb Funds Company BSC II	Kingdom of Bahrain	99.90	99.90	Fund manager
Invictus Limited	Cayman Islands	100.00	100.00	Special purpose vehicle
Bracebridge Limited	British Virgin Islands	*	100.00	Special purpose vehicle
Orriston Limited	British Virgin Islands	*	100.00	Special purpose vehicle

* Bank participation in capital is nominal, however the entities are considered to be subsidiaries by virtue of effective control.

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

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

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- IFRIC 21 *Levies.* The Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs

- Amendments to IAS 32 *Financial Instruments : Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.

- Amendments to IAS 36 - *Recoverable amount disclosures.* The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting.* The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* - Guidance on Investment Entities

  On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The objective of this project is to develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments.

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

2.2 New and revised IFRSs is in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	**Effective for annual periods beginning on or after**
• Amendments to IAS 19 *Employee Benefits*	1 July 2014
• Annual Improvements to *IFRSs 2010 - 2012 Cycle*	1 July 2014
▪ *IFRS 2 Share Based Payments* - definition of 'vesting condition'.	
▪ *IFRS 3 Business Combinations* - accounting for contingent consideration.	
▪ *IFRS 8 Operating Segments* - aggregation of segments, reconciliation of segment assets.	
▪ *IAS 16 Property. Plant and Equipment* - proportionate restatement of accumulated depreciation on revaluation.	
▪ *IAS 24 Related Party Disclosures* - management entities.	
▪ *IAS 38 Intangible Assets* - proportionate restatement of accumulated depreciation on revaluation.	
• Annual Improvements to *IFRSs 2011 - 2013 Cycle*	1 July 2014
▪ *IFRS 3 Business Combinations* - scope exception for joint ventures.	
▪ *IFRS 13 Fair Value Measurement* - scope of the portfolio exception.	
▪ *IAS 40 Investment Property* - interrelationship between IFRS 3 and IAS 40.	
• IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
• IFRS 15 *Revenue from Contracts with Customers*	1 January 2017

Management anticipates that the adoption of the above standards in future years will have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

3. Summary of significant accounting policies

3.1 Basis of preparation

The condensed consolidated financial statements of the Group are prepared under the historical cost basis except for certain financial instruments and investment properties which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34"), issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2013.

These condensed consolidated financial statements do not include all the information and disclosure required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013. In addition, results for the period from 1 January 2014 to 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

3.2 Basis of consolidation

These condensed consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The condensed consolidated financial statements comprise the financial statements of the Bank and of the subsidiaries as disclosed in Note 1 to these condensed consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

3.3 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2013.

Notes to the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014 (continued)

4. Critical accounting judgements and key sources of estimation of uncertainty

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5. Other financial assets

(a) The analysis of the Group's other financial assets is as follows:

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Other financial assets measured at fair value		
(i) **Financial assets measured at fair value through profit or loss (FVTPL)**		
Debt securities	**1,775,434**	1,207,414
Equities	**50,708**	16,856
Mutual and other funds	**751,674**	622,556
	2,577,816	1,846,826
(ii) **Financial assets measured at fair value through other comprehensive income (FVTOCI)**		
Equities	**734,249**	716,607
Mutual and other funds	**37,156**	25,877
	771,405	742,484
Total other financial assets measured at fair value	**3,349,221**	2,589,310
(iii) **Financial assets measured at amortised cost**		
Debt securities	**5,857,311**	5,385,140
Total other financial assets	**9,206,532**	7,974,450

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

5. **Other financial assets** (continued)

(b) The geographic analysis of investments is as follows:

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Balances within the U.A.E.	**3,162,483**	2,946,610
Balances outside the U.A.E.	**6,044,049**	5,027,840
	9,206,532	7,974,450

(c) During the period from 1 January 2014 to 30 June 2014, dividends received from financial assets measured at FVTOCI amounting to AED 24 million (period ended 30 June 2013: AED 29 million) were recognized as net investment income in the condensed consolidated income statement.

(d) Other financial assets measured at FVTOCI include AED 37 million (31 December 2013: AED 26 million) which represents investments in Makaseb Income Fund. The fund is managed by the Group and have no fixed maturity or coupon rate. The fair value of these investments is based on quoted market prices.

6. **Loans and advances measured at amortised cost**

(a) The analysis of the Group's loans and advances measured at amortised cost is as follows:

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Loans	**44,621,102**	40,165,235
Overdrafts	**5,760,302**	4,697,629
Credit cards	**2,485,665**	2,204,967
Other	**327,009**	270,229
	53,194,078	47,338,060
Less: Allowance for impairment	**(3,548,013)**	(3,057,721)
	49,646,065	44,280,339

Notes to the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014 (continued)

6. Loans and advances measured at amortised cost (continued)

(b) The analysis of loans and advances measured at amortised cost by industry sector is as follows:

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Manufacturing	**4,006,452**	4,099,984
Construction	**4,831,852**	2,617,516
Trade	**12,028,810**	9,457,469
Services	**5,813,654**	6,393,480
Financial institutions	**2,781,547**	2,299,785
Government and related enterprises	**6,057,299**	6,321,416
Personal	**14,516,507**	13,736,058
Transport and communication	**3,077,683**	2,289,513
Other	**80,274**	122,839
	53,194,078	47,338,060
Less: Allowance for impairment	**(3,548,013)**	(3,057,721)
	49,646,065	44,280,339

(c) The movements in the allowance for impairment and interest in suspense of loans and advances measured at amortised cost during the current period and prior year were as follows:

	6 months ended 30 June 2014 (un-audited) AED '000	Year ended 31 December 2013 (audited) AED '000
Balance at the beginning of the period/year	**3,057,721**	2,271,915
Impairment allowance for the period/year	**449,596**	669,925
Interest in suspense	**68,786**	171,034
Recoveries during the period/year	**(20,200)**	(32,580)
Written off during the period/year	**(7,890)**	(22,573)
Balance at the end of the period/year	**3,548,013**	3,057,721

(d) Allowance for impairment is made against loans and advances when their full recovery as per contracted terms is in doubt taking into consideration IFRS requirements for fair value measurement and Central Bank of the U.A.E. guidelines.

7. Islamic financing and investment products measured at amortised cost

(a) The analysis of the Group's Islamic financing and investment products measured at amortised cost is as follows:

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Financing		
Murabaha	**3,991,669**	4,200,910
Ijara	**1,855,733**	1,364,266
	5,847,402	5,565,176
Investment		
Musharakah	**-**	228,331
Mudaraba	**132,963**	21,472
Wakala	**355,261**	398,584
Other	**250,357**	228,609
	738,581	876,996
Total	**6,585,983**	6,442,172
Less: Unearned income	**(237,869)**	(252,184)
Allowance for impairment	**(36,277)**	(39,192)
	6,311,837	6,150,796

Notes to the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014 (continued)

7. Islamic financing and investment products measured at amortised cost (continued)

(b) The analysis of Islamic financing and investment products measured at amortised cost by industry sector is as follows:

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Manufacturing	**528,273**	695,853
Construction	**615,464**	272,326
Trade	**1,227,465**	1,261,317
Services	**1,399,617**	1,507,773
Financial institutions	**13,479**	99,261
Government and related enterprises	**1,345,347**	1,321,389
Personal	**1,330,017**	1,282,809
Transport and communication	**126,321**	1,444
Total	**6,585,983**	6,442,172
Less: Unearned income	**(237,869)**	(252,184)
Allowance for impairment	**(36,277)**	(39,192)
	6,311,837	6,150,796

(c) The movement in the allowance for impairment of Islamic financing and investment products measured at amortised cost during the current period and prior year were as follows:

	6 months ended 30 June 2014 (un-audited) AED '000	Year ended 31 December 2013 (audited) AED '000
Balance at the beginning of the period/year	**39,192**	63,438
Reversal of allowance for the period/year	**(3,787)**	(10,250)
Profit in suspense/(reversal of profit in suspense)	**872**	(4,268)
Recoveries during the period/year	**-**	(569)
Written off during the period/year	**-**	(9,159)
Balance at the end of the period/year	**36,277**	39,192

(d) Allowance for impairment is made against Islamic financing and investment products when their full recovery as per contracted terms is in doubt taking into consideration IFRS requirements for fair value measurement and Central Bank of the U.A.E. guidelines.

8. Investment properties

	30 June 2014 (un-audited) AED '000	31 December 2013 (audited) AED '000
At fair value		
Balance at beginning of the period/year	**472,959**	364,245
Purchases	**2,405**	4,121
Change in fair value during the period/year	**73,918**	104,593
	549,282	472,959

The fair value of investment properties as of 31 December 2013 has been arrived on the basis of a valuation carried out in December 2013 by independent professionally qualified valuers. The valuations, which conforms to Royal Instuitute of Chartered Surveyors (RICS) Valuation Standards, were arrived at by reference to market comparable evidence of transaction prices for similar properties.

During the period ended 30 June 2014, the management performed an internal valuation of investment properties in order to arrive at the fair value.

All of the Group's investment properties are held under free hold interest and located in the U.A.E.

The fair value of the Group's investment properties is based on observable market inputs i.e. Level 2.

9. Property and equipment

During the period from 1 January 2014 to 30 June 2014, the Group purchased approximately AED 69 million (period ended 30 June 2013: AED 62 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 2 million (period ended 30 June 2013: AED 5 million) for proceeds of AED 1 million (period ended 30 June 2013: AED 3 million).

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

10. Customers' deposits

The analysis of customers' deposits is as follows:

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Current and other accounts	**34,162,087**	29,170,203
Saving accounts	**3,346,470**	3,179,733
Time deposits	**27,545,133**	21,808,212
	65,053,690	54,158,148

11. Islamic customers' deposits

The analysis of Islamic customers' deposits is as follows:

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Current and other accounts	**677,809**	539,661
Saving accounts	**215,972**	218,106
Time deposits	**4,809,925**	3,687,764
	5,703,706	4,445,531

12. Medium-term loans

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Medium term notes	**2,683,134**	2,537,923

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

12. Medium-term loans (continued)

The maturities of the medium term notes(MTNs) issued under the programme are as follows:

Due date	Interest rate	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
12 March 2014	3 Months Libor +2.800%	-	183,650
22 April 2014	1.300%	-	91,825
2 May 2014	3 Months Libor +2.300%	-	183,650
23 May 2014	1.300%	-	91,825
3 June 2014	1.300%	-	91,825
7 August 2014	0.710%	**212,348**	213,282
25 September 2014	1.510%	**275,475**	275,475
29 September 2014	1.350%	**110,190**	110,190
24 October 2014	3 Months Libor +1.900%	**91,825**	91,825
29 October 2014	1.400%	**183,650**	183,650
20 February 2015	1.450%	**183,650**	-
12 June 2015	1.300%	**183,650**	-
19 June 2015	3 Months Libor +0.900%	**36,730**	-
24 February 2016	3 Months Libor +1.450%	**110,190**	-
16 May 2016	3 Months Euribor +1.25%	**51,626**	-
25 June 2016	2.060%	**36,730**	-
24 January 2017	3 months Libor + 1.125%	**1,020,726**	1,020,726
6 February 2017	2.750%	**131,249**	-
6 June 2017	3 Months Libor +1.750%	**55,095**	-
		2,683,134	2,537,923

The Bank established a Euro Medium Term Note (EMTN) programme for USD 750 million (AED 2.75 billion) under an agreement dated 4 February 2004. On 15 March 2010, the EMTN programme limit was increased to USD 5 billion (AED 18.37 billion).

AED 1.02 billion is a subordinated floating rate note ("FRN") and qualified and approved by U.A.E. Central Bank as Tier 2 subordinated loan capital until 2012 and is subsequently being amortised at the rate of 20% per annum for next five years until 2017 for capital adequacy calculation purposes.

During the period ended 30 June 2014, new medium-term notes of AED 789 million were issued and AED 643 million of medium-term notes were redeemed.

13. Issued and paid up capital and dividends

As at 30 June 2014, 169,076,975 ordinary shares of AED 10 each (31 December 2013: 169,076,975 ordinary shares of AED 10 each) were fully issued and paid up.

For the year ended 31 December 2013, a 40 % (2012: 38%) cash dividend amounting to AED 676 million (2012: AED 642 million) was approved by the Board of Directors and ratified by the shareholders at the Annual General Meeting conducted on 5 March 2014.

Notes to the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014 (continued)

14. Non-controlling interests

	6 months ended 30 June 2014 (un-audited) AED'000	Year ended 31 December 2013 (audited) AED'000
Balance at the beginning of the period/year	**673,547**	585,443
Profit for the period/year	**48,962**	76,198
Other comprehensive income for the period/year	**4,648**	5,320
Dividends paid	**(16,789)**	(8,395)
Additional contribution attributable to the non-controlling interest shareholders*	**10,822**	14,981
Balance at the end of the period/year	**721,190**	673,547

* Additional contribution was made during the period/year by the non-controlling interest shareholders of Dubai Group Sigorta A.Ş. (A subsidiary of Oman Insurance Company (PSC) Group).

15. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 72 million for the period from 1 January 2014 to 30 June 2014 (period ended 30 June 2013: AED 57 million).

16. Earnings per share

Earnings per share are calculated by dividing the profit for the period by the number of shares outstanding during the period as follows:

	6 months ended 30 June 2014 (un-audited)	6 months ended 30 June 2013 (un-audited)
Profit for the period (AED'000) (Attributed to shareholders of the parent)	**1,160,102**	827,914
Number of ordinary shares outstanding	**169,076,975**	169,076,975
Basic and diluted earnings per share (AED)	**6.86**	4.90

17. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and other balances with central banks, balances with banks and money market placements which are maturing within three months from the date of the deposit or placement, as follows:

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

17. Cash and cash equivalents (continued)

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000	30 June 2013 (un-audited) AED'000
Cash on hand	**646,145**	861,066	602,761
Current accounts and other balances with central banks	**6,908,106**	3,576,101	1,995,756
Deposits and balances due from banks maturing within 3 months	**10,584,309**	10,142,088	7,460,808
	18,138,560	14,579,255	10,059,325

18. Contra accounts

The analysis of the Group's contra accounts is as follows:

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Contra accounts (memoranda)		
Guarantees	**41,406,223**	38,925,764
Letters of credit	**6,253,267**	7,225,200
	47,659,490	46,150,964

19. Derivative financial instruments

	30 June 2014 (un-audited)		
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional Amount AED'000**
Held for Trading:			
Forward foreign exchange contract	**117,449**	**73,823**	**42,352,094**
Foreign exchange options (bought)	**-**	**49,859**	**9,620,987**
Foreign exchange options (sold)	**49,859**	**-**	**9,620,987**
Interest rate swaps	**671,875**	**567,742**	**29,908,371**
Equity options	**11,402**	**5,616**	**97,489**
Futures contracts purchased (Customer)	**1,313**	**-**	**27,030**
Futures contracts sold (Customer)	**-**	**2,426**	**715,055**
Futures contracts sold (Bank)	**-**	**1,313**	**27,030**
Futures contracts purchased (Bank)	**2,426**	**-**	**715,055**
	854,324	**700,779**	**93,084,098**

Notes to the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014 (continued)

19. Derivative financial instruments (continued)

	31 December 2013 (audited)		
	Positive fair value AED'000	Negative fair value AED'000	Notional Amount AED'000
Held for Trading:			
Forward foreign exchange contract	162,187	113,019	26,488,975
Foreign exchange options (bought)	-	52,173	4,046,344
Foreign exchange options (sold)	52,180	-	4,025,629
Interest rate swaps	627,271	523,960	21,712,043
Equity options	146	668	38,499
Futures contracts purchased (Customer)	4,106	-	33,394
Futures contracts sold (Customer)	-	3,208	310,363
Futures contracts sold (Bank)	-	4,106	33,394
Futures contracts purchased (Bank)	3,208	-	310,363
	849,098	697,134	56,999,004

Derivatives with positive fair value and negative fair value are included in "interest receivable and other assets" balance and "interest payable and other liabilities" balance respectively.

20. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated financial statements for the six months period ended 30 June 2014 and 2013.

21. Related party transactions

(a) Certain "related parties" (such as, directors, key management personnel and major shareholders of the Group and companies of which they are principal owners) are customers of the Group in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. Such related party transactions are disclosed below.

(b) The Group is controlled by Al Ghurair Family members who own 87.26% (2013: 87.27%) of the issued and paid up capital. The remaining shares are widely held by other parties.

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

21. Related party transactions (continued)

(c) Related party balances included in the condensed consolidated statement of financial position are as follows:

	30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Loans and advances measured at amortised cost	**2,150,739**	1,802,812
Customers' deposits	**1,075,132**	697,270
Letters of credit and guarantees	**2,707,672**	2,774,129

(d) Profit for the period includes related party transactions as follows:

	Period ended 30 June 2014 (un-audited) AED '000	Period ended 30 June 2013 (un-audited) AED '000
Interest income	**44,814**	50,979
Interest expense	**7,123**	6,256
Other income, net	**72,726**	59,613

22. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Notes to the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014 (continued)

22. Segmental information (continued)

Reportable segments

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO (the Group's chief operating decision maker) in order to allocate resources to the segment and to assess its performance. Information reported to the Group's CEO for the purpose of resource allocation and assessment of performance is based on following strategic business units offering products and services to different markets.

The Group's reportable segments under IFRS 8 are therefore as follows:

1. The **Domestic Corporate** segment comprises of corporate and commercial banking customers in the U.A.E. Trade finance, contracting finance, project finance, investment banking, corporate advisory, cash management and SME & private banking are the major products and / or business lines making up this segment.

2. The **Domestic Retail** segment includes products and services offered to individuals or small businesses within U.A.E. The product offerings to customers include, current accounts, savings accounts, fixed deposits, investment products, "Mashreq Millionaire" deposits, personal loans, auto loans, mortgage loans, business loans, credit cards with unique loyalty programs, bank assurance, overdraft, priority banking and wealth management services.

3. The **Treasury & Capital Markets** segment consists of customer flow business and proprietary business. Customer flow business includes transactions for Foreign Exchange, Derivatives, Margin FX, Futures, Hedging, Investment Products, Domestic Equities (brokerage) and Asset Management undertaken on behalf of customers. The proprietary business includes trading and investing activity undertaken on behalf of the Group.

4. The **International Banking** segment consists of Retail and Corporate business for the Group's overseas banking branches in Qatar, Egypt, Bahrain & Kuwait and the Group's correspondent banking business in other overseas branches which includes trade services, reimbursements, reimbursement undertaking, reimbursement financing, export bills collection, risk participations.

5. All Islamic banking products offered to customers are included under the **Islamic Banking** segment. These products are Ijara Home Finance, Mudarabah Deposit, Mudarabah savings account, Musharaka finance, Murabaha commodity finance, Ijara Equipment Finance, Sukuk Underwriting, Musharaka LC, Murabaha LC, TR Murabaha, Kafala, Wakala Deposit, Reverse Murabaha Deposit & Sukuk Advisory.

6. The Insurance subsidiary, Oman Insurance Company (PSC) – comprises the **Insurance** segment. The product offerings to customers include life, health, motor, marine cargo and hull, aviation, fire and general accident, engineering, liability and personal lines insurance.

7. The **Head office** consists of certain investments and assets held centrally due to their strategic significance to the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, allowances for impairment and overseas income tax expenses.

Notes to the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014 (continued)

22. Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2014 to 30 June 2014 (un-audited)							
	Domestic corporate AED'000	Domestic retail AED'000	Treasury & capital markets AED'000	International banking AED'000	Islamic banking AED'000	Insurance AED'000	Head office AED'000	Total AED'000
Net interest income and earnings from Islamic products	410,956	522,932	21,900	254,983	99,945	16,664	112,624	1,440,004
Other income, net	251,681	258,234	310,428	237,810	72,997	247,960	34,074	1,413,184
Total operating income	662,637	781,166	332,328	492,793	172,942	264,624	146,698	2,853,188
General and administrative expenses								(1,061,993)
Allowances for impairment								(555,770)
Profit before taxes								1,235,425
Overseas income tax expense								(26,361)
Profit for the period								1,209,064
Attributed to:								
Shareholders of the parent								1,160,102
Non-controlling interests								48,962
								1,209,064
	30 June 2014 (un-audited)							
Segment Assets	29,120,399	13,588,668	17,002,269	23,741,937	7,096,718	3,821,915	9,542,480	103,914,386
Segment Liabilities	37,203,885	16,693,000	5,542,000	15,801,000	5,746,727	2,301,769	4,957,151	88,245,532

Notes to the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014 (continued)

22. Segmental information (continued)

	Period from 1 January 2013 to 30 June 2013 (un-audited)							
	Domestic corporate AED'000	Domestic retail AED'000	Treasury & capital markets AED'000	International banking AED'000	Islamic banking AED'000	Insurance AED'000	Head office AED'000	Total AED'000
Net interest income and earnings from Islamic products	312,471	400,606	(56,184)	183,749	95,542	7,689	98,748	1,042,621
Other income, net	275,962	203,610	248,274	194,236	34,678	218,750	39,636	1,215,146
Total operating income	588,433	604,216	192,090	377,985	130,220	226,439	138,384	2,257,767
General and administrative expenses								(1,007,398)
Allowances for impairment								(384,337)
Profit before taxes								866,032
Overseas income tax expense								(23,744)
Profit for the period								842,288
Attributed to:								
Shareholders of the parent								827,914
Non-controlling interests								14,374
								842,288
	31 December 2013 (audited)							
Segment Assets	26,025,694	11,899,349	13,320,385	15,759,163	6,684,116	3,572,229	12,393,978	89,654,914
Segment Liabilities	30,188,237	14,768,000	6,959,713	13,528,895	4,479,605	2,001,278	2,608,658	74,534,386

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014(continued)

22. Segmental information (continued)

Geographical information

The Group operates in four principal geographical areas – U.A.E. (country of domicile), other Middle East Countries (Kuwait, Bahrain, Egypt and Qatar), O.E.C.D. (USA and UK) and other countries (India and Hong Kong).

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Operating income external customers *		**Non-current assets ****	
	6 month ended 30 June 2014 (un-audited) AED'000	6 month ended 30 June 2013 (un-audited) AED'000	**30 June 2014 (un-audited) AED'000**	31 December 2013 (audited) AED'000
U.A.E.	**2,465,891**	1,957,024	**1,611,316**	1,536,849
Other Middle East countries	**282,294**	206,070	**30,533**	33,757
O.E.C.D.	**76,626**	74,286	**2,951**	3,114
Other countries	**28,377**	20,387	**26,969**	27,114
	2,853,188	2,257,767	**1,671,769**	1,600,834

* Operating income from external customers is based on the Group's operational centres.

** Non-current assets excluding financial instruments, deferred tax assets (if any), and assets arising from insurance contracts.

23. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

<u>Valuation techniques and assumptions applied for the purposes of measuring fair value</u>

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

<u>Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis</u>

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

23. Fair value of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

30 June 2014 (un-audited)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets measured at fair value				
Other financial assets measured at FVTPL				
- Debt securities	245,159	1,530,275	-	1,775,434
- Equities	50,157	-	551	50,708
- Mutual and other funds	751,674	-	-	751,674
Other financial assets measured at FVTOCI				
- Equities	383,103	-	351,146	734,249
- Mutual and other funds	37,156	-	-	37,156
Total	1,467,249	1,530,275	351,697	3,349,221
Other assets				
Positive fair value of derivatives	117,403	736,921	-	854,324
Other liabilities				
Negative fair value of derivatives	73,803	626,976	-	700,779

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

23. Fair value of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

31 December 2013

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets measured at fair value				
Other financial assets measured at FVTPL				
- Debt securities	120,033	1,087,381	-	1,207,414
- Equities	16,289	-	567	16,856
- Mutual and other funds	622,556	-	-	622,556
Other financial assets measured at FVTOCI				
- Equities	358,159	-	358,448	716,607
- Mutual and other funds	25,877	-	-	25,877
Total	1,142,914	1,087,381	359,015	2,589,310
Other assets				
Positive fair value of derivatives	162,187	686,911	-	849,098
Other liabilities				
Negative fair value of derivatives	113,019	584,115	-	697,134

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

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

23. Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurement of other financial assets measured at FVTOCI

	30 June 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Balance at the beginning of the period/year	**358,448**	316,712
Purchases	**345**	34,400
Cost of sales	**(7,749)**	(959)
Transfer in from Level 1	**-**	16,324
Change in fair value	**102**	(8,029)
Balance at the end of the period/year	**351,146**	358,448

The investments classified under Level 3 category have been fair-valued based on information available for each investment. Based on the information available the valuation has been carried on net asset value or valuation provided by the portfolio managers.

All gain and losses included in condensed consolidated statement of comprehensive income relate to unquoted investments in equity instruments held at the end of the reporting period and are reported as changes of 'investments revaluation reserve'.

Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial statements approximate their fair values.

	Carrying amount AED'000	**Fair value**			
30 June 2014		**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets:					
Other financial assets measured at amortised cost	**5,857,311**	**4,111,881**	**-**	**1,745,693**	**5,857,574**
31 December 2013					
Financial assets:					
Other financial assets measured at amortised cost	5,385,140	3,558,299	-	1,694,449	5,252,748

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 31 March 2014 (continued)

23. Fair value of financial instruments (continued)

Fair value of financial instruments measured at amortised cost (continued)

	Carrying amount	Fair value			
30 June 2014	**AED'000**	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial liabilities					
Medium-term notes	**2,683,134**	**1,775,704**	**-**	**873,707**	**2,649,411**
31 December 2013					
Financial liabilities					
Medium-term notes	2,537,923	1,810,668	-	642,775	2,453,443

Fair value sensitivity analysis

The following table shows the sensitivity of fair values to 10% increase or decrease as at 30 June 2014 and 2013:

	Reflected in condensed consolidated statement of income		Reflected in condensed consolidated statement of comprehensive income	
	Favourable change AED'000	**Unfavourable change AED'000**	**Favourable change AED'000**	**Unfavourable change AED'000**
30 June 2014				
Other financial assets measured at fair value	**257,782**	**(257,782)**	**77,141**	**(77,141)**
30 June 2013				
Other financial assets measured at fair value	223,279	(223,279)	72,280	(72,280)

Majority of the derivatives financial instruments are back to back; therefore, any change to the fair value of the derivatives resulting from price inputs changes will have insignificant impact on the condensed consolidated income statement or condensed consolidated statement of comprehensive income.

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 31 March 2014 (continued)

24. Capital adequacy ratio

The capital adequacy ratio is computed based on circulars issued by the U.A.E. Central Bank.

		30 June 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Capital base			
Tier 1 capital		**15,080,744**	14,593,618
Tier 2 capital		**1,498,254**	1,584,322
Deduction from capital		**(31,825)**	(31,825)
Total capital base	**(A)**	**16,547,173**	16,146,115
Risk-weighted assets			
Credit risk		**91,695,562**	84,028,151
Market risk		**3,373,898**	530,716
Operational risk		**7,715,056**	4,415,785
Total risk-weighted assets	**(B)**	**102,784,516**	88,974,652
Risk asset ratio (%) [(A)/(B) x 100]		**16.10%**	18.15%

25. Approval of condensed consolidated financnial statements

The condensed consolidated financial statements on pages 2 to 32 were approved by the Board of Directors on 23 July 2014.