MASHREQBANK PSC GROUP

Review report and interim financial information for the period from 1 January 2014 to 30 September 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 September 2014 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flows for the nine-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
27 October 2014

Condensed consolidated statement of financial position as at 30 September 2014

	Note	30 September 2014 (un-audited) AED '000	31 December 2013 (audited) AED '000
ASSETS			
Cash and balances with central banks		13,500,988	10,830,218
Deposits and balances due from banks		13,281,042	12,946,841
Other financial assets measured at fair value	5	3,104,687	2,589.310
Loans and advances measured at amortised cost	6	51,846,394	44,280,339
Islamic financing and investment products measured at amortised cost	7	5,455,860	6,150.796
Other financial assets measured at amortised cost	5	7,158,100	5,385,140
Interest receivable and other assets		6,275,790	5,871,436
Goodwill		26,588	26.588
Investment properties	8	549,282	472,959
Property and equipment	9	1,098,056	1,101,287
Total assets		102,296,787	89,654,914
LIABILITIES AND EQUITY			
Liabilities			
Deposits and balances due to banks	10	5,551,279	5,081,049
Repurchase agreements with banks		627,900	1,045,096
Customers' deposits	11	61,218,404	54,158,148
Islamic customers' deposits	12	5,610,424	4,445,531
Insurance and life assurance funds		1,658,702	1,426,999
Interest payable and other liabilities		7,129,037	5,839,640
Medium-term loans	13	4,199,721	2,537,923
Total liabilities		85,995,467	74,534,386
Equity			
Issued and paid up capital	14	1,690,770	1,690,770
Statutory and legal reserves		852,653	850,172
General reserve		312,000	312,000
Cumulative translation adjustment		(45,331)	(42,113)
Investments revaluation reserve		(117,053)	(157.309)
Retained earnings		12,872,153	11,793,461
Attributable to owners of the Parent		15,565,192	14,446,981
Non-controlling interests	15	736,128	673,547
Total equity		16,301,320	15,120,528
Total liabilities and equity		102,296,787	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 September 2014

	Note	3 months ended 30 September		9 months ended 30 September	
		2014	2013	**2014**	2013
		(un-audited) AED '000	(un-audited) AED '000	**(un-audited) AED '000**	(un-audited) AED '000
Interest income		**976,520**	787,007	**2,779,922**	2,159,089
Income from Islamic financing and investment products		**59,466**	60,993	**185,383**	186,707
Total interest income and income from Islamic financing and investment products		**1,035,986**	848,000	**2,965,305**	2,345,796
Interest expense		**(236,488)**	(212,263)	**(699,832)**	(637,266)
Distribution to depositors – Islamic products		**(13,921)**	(10,276)	**(39,892)**	(40,448)
Net interest income and net income from Islamic products		**785,577**	625,461	**2,225,581**	1,668,082
Fee and commission income		**705,565**	706,591	**2,274,246**	2,051,598
Fee and commission expense		**(280,177)**	(304,530)	**(991,075)**	(967,069)
Net fee and commission income		**425,388**	402,061	**1,283,171**	1,084,529
Net investment income		**69,170**	45,077	**180,753**	130,663
Other income, net		**193,678**	170,035	**637,496**	617,127
Operating income		**1,473,813**	1,242,634	**4,327,001**	3,500,401
General and administrative expenses	16	**(550,495)**	(499,480)	**(1,612,488)**	(1,506,872)
Allowances for impairment		**(304,214)**	(242,314)	**(859,984)**	(626,657)
Profit before taxes		**619,104**	500,840	**1,854,529**	1,366,872
Overseas income tax expense		**(13,529)**	(15,137)	**(39,890)**	(38,881)
Profit for the period		**605,575**	485,703	**1,814,639**	1,327,991
Attributed to:					
Owners of the Parent		**596,824**	473,161	**1,756,926**	1,301,075
Non-controlling interests		**8,751**	12,542	**57,713**	26,916
		605,575	485,703	**1,814,639**	1,327,991
Basic and diluted earnings per share (AED)	17	**3.53**	2.80	**10.39**	7.70

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 September 2014

	3 months ended 30 September		9 months ended 30 September	
	2014	2013	**2014**	2013
	(un-audited) AED '000	(un-audited) AED '000	**(un-audited) AED '000**	(un-audited) AED '000
Profit for the period	**605,575**	485,703	**1,814,639**	1,327,991
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets measured at FVTOCI, net	**35,866**	35,914	**52,393**	44,235
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment	**(8,228)**	186	**(3,218)**	(11,979)
Total other comprehensive income for the period	**27,638**	36,100	**49,175**	32,256
Total comprehensive income for the period	**633,213**	521,803	**1,863,814**	1,360,247
Attributed to:				
Owners of the Parent	**617,528**	499,602	**1,794,519**	1,327,949
Non-controlling interests	**15,685**	22,201	**69,295**	32,298
	633,213	521,803	**1,863,814**	1,360,247

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

Condensed consolidated statement of changes in equity for the period from 1 January 2014 to 30 September 2014

	Issued and paid up capital AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Cumulative translation adjustments AED'000	Investments revaluation reserve AED'000	Retained earnings AED'000	Attributable to owners 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	-	-	-	-	-	1,301,075	1,301,075	26,916	1,327,991
Other comprehensive income	-	-	-	(11,979)	38,853	-	26,874	5,382	32,256
Total comprehensive income for the period	-	-	-	(11,979)	38,853	1,301,075	1,327,949	32,298	1,360,247
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	(57,796)	57,796	-	-	-
Transfer to statutory and legal reserves	-	1,737	-	-	-	(1,737)	-	-	-
Payment of dividends (Note 14)	-	-	-	-	-	(642,493)	(642,493)	(8,395)	(650,888)
Additional contribution attributable to the non-controlling interests	-	-	-	-	-	-	-	7,885	7,885
Balance at 30 September 2013 (un-audited)	1,690,770	850,122	312,000	(44,055)	(182,737)	11,294,168	13,920,268	617,231	14,537,499
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	-	-	-	-	-	**1,756,926**	**1,756,926**	**57,713**	**1,814,639**
Other comprehensive income	-	-	-	**(3,218)**	**40,811**	-	**37,593**	**11,582**	**49,175**
Total comprehensive income for the period	-	-	-	**(3,218)**	**40,811**	**1,756,926**	**1,794,519**	**69,295**	**1,863,814**
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	**(555)**	**555**	-	-	-
Transfer to statutory and legal reserves	-	**2,481**	-	-	-	**(2,481)**	-	-	-
Payment of dividends (Note 14)	-	-	-	-	-	**(676,308)**	**(676,308)**	**(16,789)**	**(693,097)**
Additional contribution attributable to the non-controlling interests (Note 15)	-	-	-	-	-	-	-	**10,075**	**10,075**
Balance at 30 September 2014 (un-audited)	**1,690,770**	**852,653**	**312,000**	**(45,331)**	**(117,053)**	**12,872,153**	**15,565,192**	**736,128**	**16,301,320**

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 September 2014

	9 months ended 30 September 2014 (un-audited) AED '000	9 months ended 30 September 2013 (un-audited) AED '000
Cash flows from operating activities		
Profit for the period	**1,814,639**	1,327,991
Adjustments for:		
Depreciation of property and equipment	**111,128**	107,250
Impairment charges for the period	**859,984**	626,657
(Gain)/loss on sale of property and equipment	**(24,224)**	2,459
Fair value adjustment of other financial assets measured at FVTPL	**(61,853)**	(12,218)
Fair value adjustment of derivatives	**10,925**	(4,677)
Dividend income from financial assets measured at FVTOCI	**(30,876)**	(30,914)
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	**(3,100,412)**	698,081
Decrease/(increase) in deposits and balances due from banks maturing after three months	**111,420**	(162,934)
Increase in loans and advances measured at amortised cost	**(8,407,135)**	(6,788,465)
Decrease/(increase) in Islamic financing and investment products measured at amortised cost	**693,630**	(1,122,237)
Increase in interest receivable and other assets	**(415,279)**	(476,862)
Increase/(decrease) in deposits and balances due to banks	**470,230**	(1,479,080)
Increase in customers' deposits	**7,060,256**	7,182,702
Increase/(decrease) in Islamic customers' deposits	**1,164,893**	(1,637,317)
Increase in insurance and life assurance funds	**231,703**	299,596
Increase in interest payable and other liabilities	**1,289,397**	782,625
Increase in medium-term loans - net	**1,661,798**	870,040
Decrease in repurchase agreements with banks	**(417,196)**	(109,248)
Net cash from operating activities	**2,949,110**	10,769
Cash flows from investing activities		
Purchase of property and equipment	**(117,409)**	(92,765)
Proceeds from sale of property and equipment	**33,736**	4,340
Net increase in non-trading investments	**(1,808,772)**	(312,915)
Purchase of investment properties	**(2,405)**	(4,121)
Net movement in other financial assets carried at FVTPL	**(382,917)**	(237,003)
Dividend income received from other financial assets measured at FVTOCI	**30,876**	30,914
Net cash used in investing activities	**(2,246,891)**	(611,550)
Cash flows from financing activities		
Dividend paid	**(693,097)**	(650,888)
Additional contribution by non-controlling interests	**10,075**	7,885
Net cash used in financing activities	**(683,022)**	(643,003)
Net increase/(decrease) in cash and cash equivalents	**19,197**	(1,243,784)
Net foreign exchange difference	**(3,218)**	(11,979)
Cash and cash equivalents at beginning of the period (Note 18)	**14,579,255**	12,509,079
Cash and cash equivalents at end of the period (Note 18)	**14,595,234**	11,253,316

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

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

Name of subsidiaries	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.

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

In the current period, the Group has adopted the following new and revised or amended IFRSs or interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014. The application of these revised new and 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 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.

  The application of the above amendments do not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

2.2 New and revised standards and interpretation are in issue but not yet effective

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

New and revised IFRSs	*Effective for annual periods beginning on or after*
• Amendments to IFRS 2 *Share based Payment* relating to definition of 'vesting condition'. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IFRS 3 *Business Combination* relating to contingent consideration and scope exception for joint ventures. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: changes in methods of disposal	1 January 2016
• IFRS 7 *Financial Instruments*: Amended by Improvements to IFRSs 2014 (servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements)	1 January 2016
• Amendments to IFRS 8 *Operating Segments* relating to aggregation of segments, reconciliation of segment assets. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• IFRS 10 *Consolidated Financial Statements*: Amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
• Amendments to IFRS 13 *Fair Value Measurement* relating to scope of the portfolio exception in paragraph 52. The amendment was part of Annual Improvements Cycle 2011-2013.	1 July 2014
• IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.	1 January 2016

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

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

2.2 New and revised standards and interpretation are in issue but not yet effective (continued)

<u>*New and revised IFRSs*</u>	*Effective for annual periods <u>beginning on or after</u>*
• IFRS 15 - *Revenue from Contracts with Customers*	1 January 2017
• Amendments to IAS 16 *Property, Plant and Equipment* relating to proportionate restatement of accumulated depreciation on revaluation. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IAS 19 *Employee Benefits* - to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014
• Amendments to IAS 24 *Related Party Disclosures* relating to management entities. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• IAS 28 *Investments in Associates and Joint Ventures (2011):* Amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
• IAS 34 *Interim Financial Reporting*: Amended by Improvements to IFRSs 2014 (disclosure of information 'elsewhere in the interim financial report')	1 January 2016
• Amendments to IAS 38 *Intangible Assets* relating to proportionate restatement of accumulated depreciation on revaluation. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IAS 40 *Investment Property* relating to interrelationship between IFRS 3 and IAS 40. The amendment was part of Annual Improvements Cycle 2011-2013.	1 July 2014

Management is reviewing the impact of these new standards, interpretations and amendments that will be adopted in the groups condensed consolidated financial statements for the period of initial application.

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 September 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 set of 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 September 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.

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to financial assets, cash and cash equivalents, Islamic financing and investing assets and investment properties have been disclosed in the condensed consolidated financial statements.

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.

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.

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

5. Other financial assets

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

	30 September 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	**1,463,610**	1,207,414
Equities	**43,065**	16,856
Mutual and other funds	**784,921**	622,556
	2,291,596	1,846,826
(ii) **Financial assets measured at fair value through other comprehensive income (FVTOCI)**		
Equities	**775,538**	716,607
Mutual and other funds	**37,553**	25,877
	813,091	742,484
Total other financial assets measured at fair value	**3,104,687**	2,589,310
(iii) **Financial assets measured at amortised cost**		
Debt securities	**7,158,100**	5,385,140
Total other financial assets	**10,262,787**	7,974,450

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

5. Other financial assets (continued)

(b) The geographical analysis of other financial assets is as follows:

	30 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Balances within the U.A.E.	**3,454,555**	2,946,610
Balances outside the U.A.E.	**6,808,232**	5,027,840
	10,262,787	7,974,450

(c) During the period, dividends received from financial assets measured at FVTOCI amounting to AED 31 million (period ended 30 September 2013: AED 31 million) were recognised 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 the 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 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Loans	**46,683,275**	40,165,235
Overdrafts	**5,918,138**	4,697,629
Credit cards	**2,674,205**	2,204,967
Other	**372,604**	270,229
	55,648,222	47,338,060
Less: Allowance for impairment	**(3,801,828)**	(3,057,721)
	51,846,394	44,280,339

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 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Manufacturing	**3,879,823**	4,529,730
Construction	**3,771,817**	2,846,496
Trade	**13,546,225**	9,457,470
Services	**5,985,360**	5,991,166
Financial institutions	**3,188,278**	1,993,936
Government and related enterprises	**6,590,473**	6,092,974
Personal	**15,276,362**	13,736,058
Transport and communication	**3,246,358**	2,567,391
Other	**163,526**	122,839
	55,648,222	47,338,060
Less: Allowance for impairment	**(3,801,828)**	(3,057,721)
	51,846,394	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 period and prior year were as follows:

	9 months ended 30 September 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	**678,509**	669,925
Interest in suspense	**102,068**	171,034
Recoveries during the period/year	**(28,549)**	(32,580)
Written off during the period/year	**(7,921)**	(22,573)
Balance at the end of the period/year	**3,801,828**	3,057,721

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 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Financing		
Murabaha	**3,725,781**	4,200,910
Ijara	**1,226,474**	1,364,266
	4,952,255	5,565,176
Investment		
Musharakah	-	228,331
Mudaraba	**171,157**	21,472
Wakala	**333,496**	398,584
Other	**264,943**	228,609
	769,596	876,996
Total	**5,721,851**	6,442,172
Less: Unearned income	**(228,394)**	(252,184)
Allowance for impairment	**(37,597)**	(39,192)
	5,455,860	6,150,796

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 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Manufacturing	**515,963**	695,853
Construction	**481,405**	272,326
Trade	**1,524,908**	1,261,317
Services	**1,040,490**	1,507,773
Financial institutions	**242,842**	383,311
Government and related enterprises	**522,545**	1,037,339
Personal	**1,283,359**	1,282,809
Transport and communication	**110,339**	1,444
Total	**5,721,851**	6,442,172
Less: Unearned income	**(228,394)**	(252,184)
Allowance for impairment	**(37,597)**	(39,192)
	5,455,860	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:

	9 months ended 30 September 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	**(2,861)**	(10,250)
Profit in suspense/(reversal of profit in suspense)	**1,266**	(4,268)
Recoveries during the period/year	**-**	(569)
Written off during the period/year	**-**	(9,159)
Balance at the end of the period/year	**37,597**	39,192

8. Investment properties

	30 September 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 the Group's investment properties has been arrived at on the basis of a valuation carried out by independent professionally qualified valuers who are not related to the Group and have appropriate qualifications and recent maket experience in the valuation of properties in the United Arab Emirates.

All of the Group's investment properties are held under freehold 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, the Group purchased approximately AED 118 million (period ended 30 September 2013: AED 93 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 10 million (period ended 30 September 2013: AED 7 million) for proceeds of AED 34 million (period ended 30 September 2013: AED 4 million).

10. Deposits and balances due to banks

The analysis of deposits and balances due to banks is as follows:

	30 September 2014 (un-audited) AED '000	31 December 2013 (audited) AED '000
Time	**2,820,105**	2,819,735
Demand	**1,713,756**	1,102,792
Overnight	**1,017,418**	1,158,522
	5,551,279	5,081,049

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

11. Customers' deposits

The analysis of customers' deposits is as follows:

	30 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Current and other accounts	**33,772,051**	29,170,203
Saving accounts	**3,423,931**	3,179,733
Time deposits	**24,022,422**	21,808,212
	61,218,404	54,158,148

12. Islamic customers' deposits

The analysis of Islamic customers' deposits is as follows:

	30 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Current and other accounts	**881,434**	539,661
Saving accounts	**232,660**	218,106
Time deposits	**4,496,330**	3,687,764
	5,610,424	4,445,531

13. Medium-term loans

	30 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Medium-term notes	**2,363,221**	2,537,923
Syndicated loan	**1,836,500**	-
	4,199,721	2,537,923

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

13. Medium-term loans (continued)

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

Due date	Interest rate	**30 September 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%	-	213,282
25 September 2014	1.510%	-	275,475
29 September 2014	1.350%	-	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**	-
27 November 2015	1.330%	**91,825**	-
24 February 2016	3 Months Libor +1.450%	**110,190**	-
16 May 2016	3 Months Euribor +1.250%	**47,990**	-
25 June 2016	2.060%	**36,730**	-
7 July 2016	3 Months Libor +1.300%	**93,294**	-
5 August 2016	3 Months Libor+0.850%	**99,401**	-
24 January 2017	3 months Libor + 1.125%	**1,020,726**	1,020,726
6 February 2017	2.750%	**128,465**	-
6 June 2017	3 Months Libor +1.750%	**55,095**	-
		2,363,221	2,537,923

The Group 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, new medium-term notes of AED 1.07 billion were issued and AED 1.24 billion of medium-term notes were redeemed.

(b) During the period, the Group signed a USD 500 million (AED 1.8 billion) syndicated term loan facility. The purpose of the facility is to finance general corporate activites. The facility has a tenor of 3 years and is payable at maturity. The facility carries an interest rate of LIBOR plus a margin of 125 basis points which is payable on a quarterly basis.

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

14. Issued and paid up capital and dividends

As at 30 September 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.

15. Non-controlling interests

	9 months ended 30 September 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	**57,713**	76,198
Other comprehensive income for the period/year	**11,582**	5,320
Dividends paid	**(16,789)**	(8,395)
Additional contribution attributable to the non-controlling interests*	**10,075**	14,981
Balance at the end of the period/year	**736,128**	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).

16. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 109 million for the period from 30 September 2014 (period ended 30 September 2013: AED 86 million).

17. 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:

	9 months ended 30 September 2014 (un-audited)	9 months ended 30 September 2013 (un-audited)
Profit for the period (AED'000) (Attributed to owners of the Parent)	**1,756,926**	1,301,075
Number of ordinary shares outstanding	**169,076,975**	169,076,975
Basic and diluted earnings per share (AED)	**10.39**	7.70

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

18. 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:

	30 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000	30 September 2013 (un-audited) AED'000
Cash on hand	**742,967**	861,066	598,275
Current accounts and other balances with central banks	**3,264,558**	3,576,101	443,311
Deposits and balances due from banks maturing within 3 months	**10,587,709**	10,142,088	10,211,730
	14,595,234	14,579,255	11,253,316

19. Contra accounts

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

	30 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Contra accounts (memoranda)		
Guarantees	**39,921,432**	38,925,764
Letters of credit	**6,243,924**	7,225,200
	46,165,356	46,150,964

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

20. Derivative financial instruments

	30 September 2014 (un-audited)		
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional Amount AED'000**
Held for Trading:			
Forward foreign exchange contract	**315,840**	**304,844**	**39,037,530**
Foreign exchange options (bought)	**-**	**54,929**	**7,771,938**
Foreign exchange options (sold)	**54,929**	**-**	**7,771,938**
Interest rate swaps	**543,056**	**542,532**	**29,072,269**
Equity options	**62**	**12,216**	**52,000**
Futures contracts purchased (Customer)	**-**	**1,987**	**165,330**
Futures contracts sold (Customer)	**820**	**-**	**332,797**
Futures contracts sold (Bank)	**1,987**	**-**	**165,330**
Futures contracts purchased (Bank)	**-**	**820**	**332,797**
	916,694	**917,328**	**84,701,929**

	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.

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

21. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated financial statements for the nine month period ended 30 September 2014 and 2013.

22. 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.

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

	30 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Loans and advances measured at amortised cost	**2,151,101**	1,802,812
Customers' deposits	**806,201**	697,270
Letters of credit and guarantee	**2,891,523**	2,774,129

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

	Period ended 30 September 2014 (un-audited) AED '000	Period ended 30 September 2013 (un-audited) AED '000
Interest income	**70,291**	84,137
Interest expense	**18,040**	10,303
Other income, net	**79,031**	78,617

23. 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.

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 September 2014 (continued)

23. Segmental information (continued)

Reportable segments (continued)

	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
	Period from 1 January 2014 to 30 September 2014 (un-audited)							
Net interest income and earnings from Islamic products	648,501	805,725	17,500	408,323	145,491	26,464	173,577	2,225,581
Other income, net	412,815	386,721	447,615	383,904	93,331	319,626	57,408	2,101,420
Total operating income	1,061,316	1,192,446	465,115	792,227	238,822	346,090	230,985	4,327,001
General and administrative expenses								(1,612,488)
Allowances for impairment								(859,984)
Profit before taxes								1,854,529
Overseas income tax expense								(39,890)
Profit for the period								1,814,639
Attributed to:								
Owners of the Parent								1,756,926
Non-controlling interests								57,713
								1,814,639
	30 September 2014 (un-audited)							
Segment Assets	30,537,109	14,220,426	14,206,345	23,695,706	6,413,357	3,991,225	9,232,619	102,296,787
Segment Liabilities	31,847,450	18,039,000	6,040,000	16,350,000	5,639,412	2,296,747	5,782,858	85,995,467

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

23. Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2013 to 30 September 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	518,084	641,324	(60,269)	289,927	146,260	18,475	114,281	1,668,082
Other income, net	441,033	317,816	375,415	314,898	46,862	308,953	27,342	1,832,319
Total operating income	959,117	959,140	315,146	604,825	193,122	327,428	141,623	3,500,401
General and administrative expenses								(1,506,872)
Allowances for impairment								(626,657)
Profit before taxes								1,366,872
Overseas income tax expense								(38,881)
Profit for the period								1,327,991
Attributed to:								
Owners of the Parent								1,301,075
Non-controlling interests								26,916
								1,327,991
	31 December 2013							
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

23. 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 ****	
	9 months ended 30 September 2014 (un-audited) AED'000	9 months ended 30 September 2013 (un-audited) AED'000	**30 September 2014 (un-audited) AED'000**	31 December 2013 (audited) AED'000
U.A.E.	**3,720,017**	3,025,796	**1,615,717**	1,536,849
Other Middle East countries	**446,212**	330,569	**28,673**	33,757
O.E.C.D.	**119,366**	110,266	**2,607**	3,114
Other countries	**41,406**	33,770	**26,929**	27,114
	4,327,001	3,500,401	**1,673,926**	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.

24. 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.

Valuation techniques and assumptions applied for the purposes of measuring fair value

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.

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

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 September 2014 (continued)

24. 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 September 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	310,005	1,130,512	23,093	1,463,610
- Equities	42,514	-	551	43,065
- Mutual and other funds	766,467	-	18,454	784,921
Other financial assets measured at FVTOCI				
- Equities	423,626	-	351,912	775,538
- Mutual and other funds	37,553	-	-	37,553
Total	1,580,165	1,130,512	394,010	3,104,687
Other assets				
Positive fair value of derivatives	315,840	600,854	-	916,694
Other liabilities				
Negative fair value of derivatives	304,844	612,484	-	917,328

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

24. 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 September 2014 (continued)

24. Fair value of financial instruments (continued)

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

	9 months ended 30 September 2014 (unaudited) AED'000	Year ended 31 December 2013 (audited) AED'000
Balance at the beginning of the period/year	**358,448**	316,712
Purchases	**1,007**	34,400
Cost of sales	**(8,552)**	(959)
Transfer in from Level 1	**-**	16,324
Change in fair value	**1,009**	(8,029)
Balance at the end of the period/year	**351,912**	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	**Fair value**			
	amount	**Level 1**	**Level 2**	**Level 3**	**Total**
30 September 2014	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Financial assets:					
Other financial assets measured at amortised cost	**7,158,100**	**5,121,735**	**-**	**2,101,679**	**7,223,414**
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 30 September 2014 (continued)

24. Fair value of financial instruments (continued)

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

	Carrying amount AED'000	**Fair value Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
30 September 2014					
Financial liabilities					
Medium-term notes	**2,363,221**	**1,583,851**	**-**	**747,239**	**2,331,090**
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 September 2014 and 2013:

	Reflected in condensed consolidated income statement		**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 September 2014				
Other financial assets measured at fair value	**229,160**	**(229,160)**	**81,309**	**(81,309)**
30 September 2013				
Other financial assets measured at fair value	204,330	(204,330)	78,000	(78,000)

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.

25. Capital adequacy ratio

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

		30 September 2014 (un-audited) AED'000	31 December 2013 (audited) AED'000
Capital base			
Tier 1 capital		**15,643,724**	14,577,706
Tier 2 capital		**1,507,829**	1,568,409
Total capital base	**(A)**	**17,151,553**	16,146,115
Risk-weighted assets			
Credit risk		**93,365,832**	84,028,151
Market risk		**3,309,836**	530,716
Operational risk		**8,010,623**	4,415,785
Total risk-weighted assets	**(B)**	**104,686,291**	88,974,652
Risk asset ratio (%) [(A)/(B) x 100]		**16.38%**	18.15%

26. Approval of condensed consolidated financial statements

The condensed consolidated financial statements on pages 2 to 33 were approved by the Board of Directors on 27 October 2014.