MASHREQBANK PSC GROUP

Review report and interim financial information for the period from 1 January 2015 to 30 June 2015

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Contents

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
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 2015 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
15 July 2015

Condensed consolidated statement of financial position as at 30 June 2015

	Note	30 June 2015 (un-audited) AED '000	31 December 2014 (audited) AED '000
ASSETS			
Cash and balances with central banks		18,030,959	15,159,258
Deposits and balances due from banks		15,365,893	14,211,256
Other financial assets measured at fair value	5	3,472,023	3,209,334
Loans and advances measured at amortised cost	6	52,776,986	52,246,614
Islamic financing and investment products measured at amortised cost	7	5,672,808	5,799,094
Other financial assets measured at amortised cost	5	7,700,571	7,579,700
Other assets		7,608,463	6,011,997
Goodwill		17,573	26,588
Investment properties	8	525,524	490,317
Property and equipment	9	1,109,007	1,106,120
Total assets		112,279,807	105,840,278
LIABILITIES AND EQUITY			
Liabilities			
Deposits and balances due to banks	10	5,697,763	8,224,533
Repurchase agreements with banks		576,659	623,036
Customers' deposits	11	67,307,261	63,305,377
Islamic customers' deposits	12	8,021,835	5,182,766
Insurance and life assurance funds		1,710,733	1,655,139
Other liabilities		7,490,331	5,922,634
Medium-term loans	13	3,983,714	4,008,243
Total liabilities		94,788,296	88,921,728
Equity			
Issued and paid up capital	14	1,775,308	1,690,770
Statutory and legal reserves		852,582	852,582
General reserve		312,000	312,000
Cumulative translation adjustment		(63,760)	(53,315)
Investments revaluation reserve		(176,677)	(152,150)
Cash flow hedging reserve		1,697	-
Retained earnings		14,036,223	13,512,995
Equity attributable to owners of the Parent		16,737,373	16,162,882
Non-controlling interests	15	754,138	755,668
Total equity		17,491,511	16,918,550
Total liabilities and equity		112,279,807	105,840,278

Abdulla Ahmad Al Ghurair
Chairman

Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

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

Condensed consolidated income statement (un-audited)
for the period from 1 January 2015 to 30 June 2015

	Note	3 months ended 30 June		6 months ended 30 June	
		2015	2014	**2015**	2014
		(un-audited) AED '000	(un-audited) AED '000	**(un-audited) AED '000**	(un-audited) AED '000
Interest income		**1,028,814**	938,509	**2,025,893**	1,803,402
Income from Islamic financing and investment products		**54,948**	62,402	**107,927**	125,917
Total interest income and income from Islamic financing and investment products		**1,083,762**	1,000,911	**2,133,820**	1,929,319
Interest expense		**(250,179)**	(232,291)	**(485,310)**	(463,344)
Distribution to depositors – Islamic Products		**(13,933)**	(14,315)	**(25,217)**	(25,971)
Net interest income and net income from Islamic product		**819,650**	754,305	**1,623,293**	1,440,004
Fee and commission income		**764,815**	747,889	**1,524,753**	1,568,681
Fee and commission expense		**(302,648)**	(327,218)	**(635,662)**	(710,898)
Net fee and commission income		**462,167**	420,671	**889,091**	857,783
Net investment income		**53,079**	44,980	**98,822**	111,583
Other income, net		**188,747**	251,690	**404,120**	443,818
Operating income		**1,523,643**	1,471,646	**3,015,326**	2,853,188
General and administrative expenses	16	**(615,067)**	(537,750)	**(1,219,677)**	(1,061,993)
Allowances for impairment, net		**(227,791)**	(304,303)	**(423,870)**	(555,770)
Profit before taxes		**680,785**	629,593	**1,371,779**	1,235,425
Overseas income tax expense		**(21,514)**	(13,514)	**(44,439)**	(26,361)
Profit for the period		**659,271**	616,079	**1,327,340**	1,209,064
Attributed to:					
Owners of the parent		**643,282**	584,930	**1,294,416**	1,160,102
Non-controlling interests		**15,989**	31,149	**32,924**	48,962
		659,271	616,079	**1,327,340**	1,209,064
Earnings per share (AED)	17	**3.62**	3.29	**7.29**	6.53

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 2015 to 30 June 2015

	3 months ended 30 June		6 months ended 30 June	
	2015	2014	**2015**	2014
	(un-audited) AED '000	(un-audited) AED '000	**(un-audited) AED '000**	(un-audited) AED '000
Profit for the period	**659,271**	616,079	**1,327,340**	1,209,064
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	**(6,676)**	1,934	**(52,534)**	16,527
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment	**1,885**	2,602	**(10,445)**	5,010
Cash flow hedges - Fair value gain arising during the period	**1,697**	-	**1,697**	-
Total other comprehensive (loss)/income for the period	**(3,094)**	4,536	**(61,282)**	21,537
Total comprehensive income for the period	**656,177**	620,615	**1,266,058**	1,230,601
Attributed to:				
Owners of the parent	**642,930**	591,313	**1,250,799**	1,176,991
Non-controlling interests	**13,247**	29,302	**15,259**	53,610
	656,177	620,615	**1,266,058**	1,230,601

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 2015 to 30 June 2015

	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	Cash flow hedging reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Parent AED'000	Non-controlling interests AED'000	Total AED'000
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 14)	-	-	-	-	-	-	(676,308)	(676,308)	(16,789)	(693,097)
Additional contribution attributable to the non-controlling interest shareholders (Note 15)	-	-	-	-	-	-	-	-	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
Balance at 1 January 2015 (audited)	**1,690,770**	**852,582**	**312,000**	**(53,315)**	**(152,150)**	**-**	**13,512,995**	**16,162,882**	**755,668**	**16,918,550**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**1,294,416**	**1,294,416**	**32,924**	**1,327,340**
Other comprehensive income/(loss)	**-**	**-**	**-**	**(10,445)**	**(34,869)**	**1,697**	**-**	**(43,617)**	**(17,665)**	**(61,282)**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(10,445)**	**(34,869)**	**1,697**	**1,294,416**	**1,250,799**	**15,259**	**1,266,058**
Issue of bonus shares (Note 14)	**84,538**	**-**	**-**	**-**	**-**	**-**	**(84,538)**	**-**	**-**	**-**
Payment of dividends (Note 14)	**-**	**-**	**-**	**-**	**-**	**-**	**(676,308)**	**(676,308)**	**(16,789)**	**(693,097)**
Transfer from investments revaluation reserve to retained earnings	**-**	**-**	**-**	**-**	**10,342**	**-**	**(10,342)**	**-**	**-**	**-**
Balance at 30 June 2015 (un-audited)	**1,775,308**	**852,582**	**312,000**	**(63,760)**	**(176,677)**	**1,697**	**14,036,223**	**16,737,373**	**754,138**	**17,491,511**

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 2015 to 30 June 2015

	6 months ended 30 June 2015 (un-audited) AED '000	6 months ended 30 June 2014 (un-audited) AED '000
Cash flows from operating activities		
Profit for the period	**1,327,340**	1,209,064
Adjustments for:		
Depreciation of property and equipment	**71,710**	72,560
Allowance for impairment, net	**423,870**	555,770
Loss on sale of property and equipment	**2,524**	378
Fair value adjustment of other financial assets measured at FVTPL	**(3,005)**	(25,317)
Fair value adjustment of derivatives	**1,432**	(7,115)
Dividend income from financial assets measured at FVTOCI	**(20,491)**	(23,812)
Fair value adjustment of investment properties	**(32,195)**	(73,918)
Changes in operating assets and liabilities		
Increase in deposits with central banks for regulatory purposes and certificate of deposits with the central banks	**(3,439,200)**	(3,467,090)
(Increase)/decrease in deposits and balances due from banks maturing after three months	**(784,193)**	277,136
Increase in other financial assets measured at FVTPL	**(241,366)**	(705,673)
Increase in loans and advances measured at amortized cost	**(948,695)**	(5,906,921)
Decrease/(increase) in Islamic financing and investment products measured at amortized cost	**123,861**	(158,018)
Increase in other assets	**(1,592,005)**	(673,314)
(Decrease)/increase in deposits and balances due to banks	**(2,526,770)**	233,535
Increase in customers' deposits	**4,001,884**	10,895,542
Increase in Islamic customers' deposits	**2,839,069**	1,258,175
Increase in insurance and life assurance funds	**55,594**	220,493
Increase in other liabilities	**1,569,394**	973,985
(Decrease)/increase in medium-term loans	**(24,529)**	145,211
Decrease in repurchase agreements with banks	**(46,377)**	(15,795)
Net cash generated from operating activities	**757,852**	4,784,876
Cash flows from investing activities		
Purchase of property and equipment	**(104,183)**	(68,667)
Proceeds from sale of property and equipment	**27,062**	1,117
Net increase in non-trading investments	**(191,723)**	(502,163)
Purchase of investment properties	**(3,012)**	(2,405)
Dividend income received from other financial assets measured at FVTOCI	**20,491**	23,812
Net cash used in investing activities	**(251,365)**	(548,306)
Cash flows from financing activities		
Dividend paid	**(693,097)**	(693,097)
Additional contribution by non-controlling interest	**-**	10,822
Net cash used in financing activities	**(693,097)**	(682,275)
Net (decrease)/increase in cash and cash equivalents	**(186,610)**	3,554,295
Net foreign exchange difference	**(10,445)**	5,010
Cash and cash equivalents at beginning of the period (Note 18)	**16,492,532**	14,579,255
Cash and cash equivalents at end of the period (Note 18)	**16,295,477**	18,138,560

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 2015 to 30 June 2015

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 2015, 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 2015 to 30 June 2015 (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 IFRS, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these condensed consolidated financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current period and prior year but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 19 *Employee Benefits* clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
• IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balance' 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
• IFRS 15 *Revenue from Contracts with Customers*: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2017

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

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

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

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

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

Notes to the condensed consolidated financial statements for the period from 1 January 2015 to 30 June 2015 (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 2014.

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 2014. In addition, results for the period from 1 January 2015 to 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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.

3.2 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 assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3. Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Debt instruments, including loans and advances and Islamic financing and investments products, are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest/profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments (other than those financial assets designated as FVTPL) and are measured subsequently at amortised cost. Interest income is recognised in the consolidated income statement.

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in condensed consolidated statement of comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to condensed consolidated income statement, but is reclassified to retained earnings.

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

3. Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Financial assets at fair value through other comprehensive income (FVTOCI) (continued)

Dividends on these investments in equity instruments are recognised in the condensed consolidated income statement when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (as described above).

Debt instruments that do not meet the amortised cost criteria (as described above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement is included in the 'net investment income' line item in the consolidated income statement. Fair value is determined in the manner described in Note 24 to the consolidated financial statements.

Interest income on debt instruments as at FVTPL is included in the net gain or loss described above and is included in the 'net investment income' line item.

Dividend income on investments in equity instruments at FVTPL is recognised in the condensed consolidated income statement when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the net gain or loss described above.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in the condensed consolidated income statement; and
- for financial assets that are designated as at FVTOCI, any foreign exchange component is recognised in condensed consolidated statement of comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the condensed consolidated income statement.

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

3. Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances and due from banks, where the carrying amount is reduced through the use of an allowance account. When a loan is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the condensed consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of loans and advances measured at amortised costs are assessed by the Group as follows:

(i) Individually assessed loans

These represent mainly corporate loans which are assessed individually by the Group's Credit Risk Unit in order to determine whether there exists any objective evidence that a loan is impaired.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or at the loan's observable market price, if available, or at the fair value of the collateral if the recovery is entirely collateral dependent.

Impairment loss is calculated as the difference between the loans carrying value and its present value calculated as above.

3. Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Impairment of financial assets (continued)

(ii) Collectively assessed loans

Impairment losses of collectively assessed loans include the allowances on:

(a) Performing commercial and other loans

Where individually assessed loans are evaluated and no evidence of loss is present or has been identified, there may be losses based upon risk rating and expected migrations, product or industry characteristics.

Impairment covers losses which may arise from individual performing loans that are impaired at the reporting date but were not specifically identified as such until sometime in the future.

The estimated impairment is calculated by the Group's management for each identified portfolio and based on historical experience, credit rating and expected migrations in addition to the assessed inherent losses which are reflected by the economic and credit conditions and taking into account the requirements of the Central Bank of the U.A.E.

(b) Retail loans with common features which are rated on a portfolio basis and where individual loan amounts are not significant

Impairment of retail loans is calculated by applying a formulaic approach whereby a provision of 25% of loan balance is made when it is past due by more than 90 days and a provision of 50% of loan balance is made when it is past due by more than 120 days. All loans that are past due by more than 180 days are written off or are fully provided for net of collateral held.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the condensed consolidated income statement.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the condensed consolidated income statement, but is reclassified to retained earnings.

Notes to the condensed consolidated financial statements for the period from 1 January 2015 to 30 June 2015 (continued)

3. Summary of significant accounting policies (continued)

3.4 Islamic financing and investment products

In addition to conventional banking products, the Group offers its customers certain non-interest based banking products, which are approved by its Sharia'a Supervisory Board.

All Islamic banking products are accounted for in conformity with the accounting policies described below:

(i) Definitions

The following terms are used in Islamic financing:

Murabaha

An agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

Ijara

An agreement whereby the Group acting as a lesser, purchases or constructs an asset for lease according to the customer's request (lessee), based on his promise to lease the asset for an agreed rent and a specific period that could end by transferring the ownership of the leased asset to the lessee.

Musharaka

An agreement between the Group and a customer to contribute to a certain investment enterprise or the ownership of a certain property concluding with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

Mudaraba

An agreement between the Group and a customer whereby the Group provides a certain amount of funds, which the customer then invests in a specific enterprise or activity against a specific share in the profit. The customer bears the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba.

Wakala

An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

3. Summary of significant accounting policies (continued)

3.4 Islamic financing and investment products (continued)

(ii) Accounting policy

Islamic financing and investing products are measured at amortised cost, using the effective profit method, less any amounts written off, allowance for doubtful accounts and unearned income.

The effective profit rate is the rate that exactly discounts estimated future cash flow through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Allowance for impairment is made against Islamic financing and investing products when their recovery is in doubt taking into consideration IFRS requirements. Islamic financing and investing products are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

(iii) Revenue recognition policy

Income from Islamic financing and investing assets are recognised in the consolidated income statement using the effective profit method.

The calculation of the effective profit rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective profit rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Murabaha

Murabaha income is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding.

Ijara

Ijarah income is recognised on effective profit rate basis over the lease term.

Musharaka

Income is accounted for on the basis of the reducing balance on a time proportion basis that reflects the effective yield on the asset.

Mudaraba

Income or losses on Mudaraba financing are recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Wakala

Estimated income from Wakala is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

Notes to the condensed consolidated financial statements for the period from 1 January 2015 to 30 June 2015 (continued)

3. Summary of significant accounting policies (continued)

3.4 Islamic financing and investment products (continued)

(iv) Islamic customers' deposits and distributions to depositors

Islamic customers' deposits are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their amortised cost using the effective profit method.

Distributions to depositors (Islamic products) are calculated according to the Group's standard procedures and are approved by the Group's Sharia'a Supervisory Board.

3.5 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the condensed consolidated income statement in the period in which the property is derecognised.

3.6 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 2014.

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 2014.

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

5. Other financial assets

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

	30 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Other financial assets measured at fair value		
(i) **Financial assets measured at fair value through profit or loss (FVTPL)**		
Debt securities	**1,945,820**	1,671,331
Equities	**523**	8,029
Mutual and other funds	**717,577**	740,189
	2,663,920	2,419,549
(ii) **Financial assets measured at fair value through other comprehensive income (FVTOCI)**		
Equities	**770,079**	752,713
Mutual and other funds	**38,024**	37,072
	808,103	789,785
Total other financial assets measured at fair value	**3,472,023**	3,209,334
(iii) **Financial assets measured at amortised cost**		
Debt securities	**7,700,571**	7,579,700
Total other financial assets	**11,172,594**	10,789,034

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

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

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

	30 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Balances within the U.A.E.	3,408,445	2,835,784
Balances outside the U.A.E.	7,764,149	7,953,250
	11,172,594	10,789,034

(c) During the period from 1 January 2015 to 30 June 2015, dividends received from financial assets measured at FVTOCI amounting to AED 20 million (period ended 30 June 2014: AED 24 million) were recognized as net investment income in the condensed consolidated income statement.

(d) Other financial assets measured at FVTOCI include AED 38 million (31 December 2014: AED 37 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 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Loans	47,839,929	47,483,184
Overdrafts	5,099,210	4,764,148
Credit cards	3,107,813	2,827,635
Other	381,326	308,240
	56,428,278	55,383,207
Less: Allowance for impairment	(3,651,292)	(3,136,593)
	52,776,986	52,246,614

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (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 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Manufacturing	**3,974,310**	4,161,144
Construction	**3,864,950**	3,122,124
Trade	**13,971,784**	13,659,164
Services	**5,872,949**	6,396,746
Financial institutions	**862,046**	1,521,381
Government and related enterprises	**8,346,828**	7,948,931
Personal	**15,911,418**	15,462,884
Transport and communication	**3,481,710**	2,999,489
Other	**142,283**	111,344
	56,428,278	55,383,207
Less: Allowance for impairment	**(3,651,292)**	(3,136,593)
	52,776,986	52,246,614

(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 2015 (un-audited) AED '000	Year ended 31 December 2014 (audited) AED '000
Balance at the beginning of the period/year	**3,136,593**	3,057,721
Impairment allowance for the period/year	**468,674**	842,635
Interest in suspense	**53,628**	92,223
Recoveries during the period/year	**(2,502)**	(63,491)
Written off during the period/year	**(5,101)**	(792,495)
Balance at the end of the period/year	**3,651,292**	3,136,593

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

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 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Financing		
Murabaha	**3,479,084**	3,599,799
Ijara	**1,460,378**	1,432,430
	4,939,462	5,032,229
Investment		
Mudaraba	**126,885**	217,100
Wakala	**808,033**	831,539
	934,918	1,048,639
Total	**5,874,380**	6,080,868
Less: Unearned income	**(162,558)**	(233,760)
Allowance for impairment	**(39,014)**	(48,014)
	5,672,808	5,799,094

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (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 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Manufacturing	**726,190**	644,672
Construction	**726,685**	470,577
Trade	**1,145,614**	1,663,879
Services	**1,157,883**	1,322,078
Financial institutions	**16,516**	13,308
Government and related enterprises	**501,444**	566,302
Personal	**1,394,678**	1,295,420
Transport and communication	**205,370**	104,632
Total	**5,874,380**	6,080,868
Less: Unearned income	**(162,558)**	(233,760)
Allowance for impairment	**(39,014)**	(48,014)
	5,672,808	5,799,094

(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 2015 (un-audited) AED '000	Year ended 31 December 2014 (audited) AED '000
Balance at the beginning of the period/year	**48,014**	39,192
(Reversal of)/impairment allowance for the period/year	**(8,729)**	7,188
(Reversal of)/ profit in suspense	**(271)**	1,634
Balance at the end of the period/year	**39,014**	48,014

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

8. Investment properties

	30 June 2015 (un-audited) AED '000	31 December 2014 (audited) AED '000
At fair value		
Balance at beginning of the period/year	**490,317**	472,959
Purchases	**3,012**	6,415
Change in fair value during the period/year	**32,195**	82,406
Disposals during the period/year	**-**	(71,463)
	525,524	490,317

All of the Group's investment properties are freehold properties located in the U.A.E.

The fair value of investment properties as at 30 June 2015 and 31 December 2014 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 market experience in the valuation of properties in the United Arab Emirates.

There has been no change to the valuation methods used during the period/year.

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 2015 to 30 June 2015, the Group purchased approximately AED 104 million (period ended 30 June 2014: AED 69 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 29 million (period ended 30 June 2014: AED 2 million) for proceeds of AED 27 million (period ended 30 June 2014: AED 1 million).

10. Deposits and balances due to banks

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

	30 June 2015 (un-audited) AED '000	31 December 2014 (audited) AED '000
Time	**2,184,633**	5,439,530
Demand	**2,362,193**	1,356,613
Overnight	**1,150,937**	1,428,390
	5,697,763	8,224,533

Notes to the condensed consolidated financial statements for the period from 1 January 2015 to 30 June 2015 (continued)

11. Customers' deposits

The analysis of customers' deposits is as follows:

	30 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Current and other accounts	**39,345,920**	36,388,965
Saving accounts	**3,483,070**	3,440,844
Time deposits	**24,478,271**	23,475,568
	67,307,261	63,305,377

12. Islamic customers' deposits

The analysis of Islamic customers' deposits is as follows:

	30 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Current and other accounts	**2,587,513**	2,470,438
Saving accounts	**141,079**	217,218
Time deposits	**5,293,243**	2,495,110
	8,021,835	5,182,766

13. Medium-term loans

	30 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Medium term notes	**2,147,214**	2,171,743
Syndicated loan	**1,836,500**	1,836,500
	3,983,714	4,008,243

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 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
20 February 2015	1.450%	-	183,650
12 June 2015	1.300%	-	183,650
19 June 2015	3 month Libor + 0.900%	-	36,730
27 November 2015	1.330 %	**91,825**	91,825
24 February 2016	3 month Libor + 1.450%	**110,190**	110,190
10 April 2016	1.300%	**110,190**	-
16 May 2016	3 month Euribor + 1.250%	**43,175**	46,000
23 June 2016	1.370%	**183,650**	-
25 June 2016	2.060%	**36,730**	36,730
7 July 2016	3 month Libor + 1.300%	**93,294**	93,294
5 August 2016	3 month Libor + 0.850%	**102,083**	95,651
19 December 2016	0.380%	**30,890**	-
18 January 2017	3 month Libor + 1.000%	**91,825**	91,825
24 January 2017	3 months Libor +1.125%	**1,020,727**	1,020,726
6 February 2017	2.750%	**122,445**	126,376
6 June 2017	3 month Libor + 1.750%	**55,095**	55,096
23 April 2018	3 months Libor + 1.05%	**55,095**	-
		2,147,214	2,171,743

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 30 June 2015, new medium-term notes of AED 380 million were issued and AED 404 million of medium-term notes were redeemed.

(b) During the year ended 31 December 2014, 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.

14. Issued and paid up capital and dividends

As at 30 June 2015, 177,530,823 ordinary shares of AED 10 each (31 December 2014: 169,076,975 ordinary shares of AED 10 each) were fully issued and paid up.

At the Annual General Meeting of the shareholders held on 22 February 2015, the shareholders approved a stock dividend in respect of the year ended 31 December 2014 at 5% of the issued and paid up capital amounting to AED 84.53 million (2013: AED Nil) and a cash dividend at 40% (2013: 40%) of issued and paid up capital amounting to AED 676 million (2013: AED 676 million). Accordingly, the authorized and issued share capital was increased by the amount of stock dividends.

15. Non-controlling interests

	6 months ended 30 June 2015 (un-audited) AED'000	Year ended 31 December 2014 (audited) AED'000
Balance at the beginning of the period/year	**755,668**	673,547
Profit for the period/year	**32,924**	85,011
Other comprehensive (loss)/ income for the period/year	**(17,665)**	3,810
Dividends paid	**(16,789)**	(16,789)
Additional contribution attributable to the non-controlling interest shareholders*	**-**	10,089
Balance at the end of the period/year	**754,138**	755,668

* Additional contribution was made in 2014 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 77 million for the period from 1 January 2015 to 30 June 2015 (period ended 30 June 2014: AED 72 million).

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

17. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period. In accordance with IAS 33 *Earnings Per Share*, the impact of bonus shares issued has been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented as follows:

	6 months ended 30 June 2015 (un-audited)	6 months ended 30 June 2014 (un-audited)
Profit for the period (AED'000) (Attributed to owners of the parent)	**1,294,416**	1,160,102
Number of ordinary shares outstanding	**177,530,823**	177,530,823
Basic and diluted earnings per share (AED)	**7.29**	6.53

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 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000	30 June 2014 (un-audited) AED'000
Cash on hand	**732,981**	1,077,927	646,145
Current accounts and other balances with central banks	**5,158,818**	5,381,371	6,908,106
Deposits and balances due from banks maturing within 3 months	**10,403,678**	10,033,234	10,584,309
	16,295,477	16,492,532	18,138,560

19. Contra accounts

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

	30 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Contra accounts (memoranda)		
Guarantees	**40,044,891**	41,555,387
Letters of credit	**5,942,266**	6,425,015
	45,987,157	47,980,402

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

20. Derivative financial instruments

	30 June 2015 (un-audited)		
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional Amount AED'000**
Held for Trading:			
Forward foreign exchange contract	**344,826**	**304,881**	**54,375,454**
Foreign exchange options (bought)	-	**49,950**	**6,987,926**
Foreign exchange options (sold)	**50,153**	-	**6,998,627**
Interest rate swaps	**603,731**	**601,707**	**27,695,992**
Credit default swap	-	**418**	-
Futures contracts purchased (Customer)	-	**3,433**	**78,000**
Futures contracts sold (Customer)	**2,393**	-	**96,443**
Futures contracts sold (Bank)	**3,433**	-	**78,000**
Futures contracts purchased (Bank)	-	**2,393**	**96,443**
	1,004,536	**962,782**	**96,406,885**
Held as cash flow hedging:			
Cross currency swap	**1,697**	-	**125,550**
	1,006,233	**962,782**	**96,532,435**

	31 December 2014 (audited)		
	Positive fair value AED'000	Negative fair value AED'000	Notional Amount AED'000
Held for Trading:			
Forward foreign exchange contract	300,772	306,367	40,529,804
Foreign exchange options (bought)	-	48,329	5,834,270
Foreign exchange options (sold)	48,366	-	5,833,191
Interest rate swaps	718,306	716,915	27,577,008
Credit default swaps	632	-	10,000
Equity options	1,040	-	10,117
Futures contracts purchased (Customer)	-	2,921	87,526
Futures contracts sold (Customer)	1,400	-	142,308
Futures contracts sold (Bank)	2,921	-	87,526
Futures contracts purchased (Bank)	-	1,400	142,308
	1,073,437	1,075,932	80,254,058

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

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

21. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated financial statements for the six month periods ended 30 June 2015 and 2014.

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 87.73% (31 December 2014: 87.31%) 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 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Loans and advances measured at amortised cost	**1,982,455**	1,413,188
Customers' deposits	**1,262,341**	1,373,672
Letters of credit and guarantees	**1,512,963**	1,901,508

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

	Period ended 30 June 2015 (un-audited) AED '000	Period ended 30 June 2014 (un-audited) AED '000
Interest income	**32,456**	44,814
Interest expense	**5,844**	7,123
Other income, net	**39,264**	72,726

Notes to the condensed consolidated financial statements for the period from 1 January 2015 to 30 June 2015 (continued)

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 and cash management 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, SME, private 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 2015 to 30 June 2015 (continued)

23. Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2015 to 30 June 2015 (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	441,150	587,491	(2,005)	359,216	82,710	19,728	135,003	1,623,293
Other income, net	249,911	296,157	313,761	279,181	32,208	210,326	10,489	1,392,033
Total operating income	691,061	883,648	311,756	638,397	114,918	230,054	145,492	3,015,326
General and administrative expenses								(1,219,677)
Allowances for impairment								(423,870)
Profit before taxes								1,371,779
Overseas income tax expense								(44,439)
Profit for the period								1,327,340
Attributed to:								
Owners of the parent								1,294,416
Non-controlling interests								32,924
								1,327,340
	30 June 2015 (un-audited)							
Segment Assets	28,006,474	14,154,886	18,890,207	28,889,281	6,574,452	4,390,978	11,373,529	112,279,807
Segment Liabilities	29,560,076	22,374,000	5,974,000	19,690,000	8,069,660	2,457,521	6,663,039	94,788,296

Notes to the condensed consolidated financial statements for the period from 1 January 2015 to 30 June 2015 (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 June 2014 (un-audited)							
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:								
Owners of the parent								1,160,102
Non-controlling interests								48,962
								1,209,064
	31 December 2014 (audited)							
Segment Assets	29,617,480	14,060,662	13,697,901	28,548,004	6,573,707	4,138,444	9,204,080	105,840,278
Segment Liabilities	31,276,115	19,010,000	8,174,000	19,364,000	5,219,124	2,231,266	3,647,223	88,921,728

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

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 ****	
	6 month ended 30 June 2015 (un-audited) AED'000	6 month ended 30 June 2014 (un-audited) AED'000	**30 June 2015 (un-audited) AED'000**	31 December 2014 (audited) AED'000
U.A.E.	**2,521,846**	2,465,891	**1,602,134**	1,562,794
Other Middle East countries	**385,817**	282,294	**28,956**	29,226
O.E.C.D.	**80,719**	76,626	**2,690**	2,722
Other countries	**26,944**	28,377	**19,022**	28,283
	3,015,326	2,853,188	**1,652,802**	1,623,025

* 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 2015 to 30 June 2015 (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 June 2015 (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	235,657	1,640,929	69,234	1,945,820
- Equities	-	-	523	523
- Mutual and other funds	342,770	-	374,807	717,577
Other financial assets measured at FVTOCI				
- Equities	511,180	35,540	223,359	770,079
- Mutual and other funds	38,024	-	-	38,024
Total	1,127,631	1,676,469	667,923	3,472,023
Other assets				
Positive fair value of derivatives	344,826	661,677	-	1,006,503
Other liabilities				
Negative fair value of derivatives	304,881	657,901	-	962,782

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (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 2014 (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	342,969	1,305,177	23,185	1,671,331
- Equities	7,478	-	551	8,029
- Mutual and other funds	369,949	-	370,240	740,189
Other financial assets measured at FVTOCI				
- Equities	511,475	26,591	214,647	752,713
- Mutual and other funds	37,072	-	-	37,072
Total	1,268,943	1,331,768	608,623	3,209,334
Other assets				
Positive fair value of derivatives	300,772	772,665	-	1,073,437
Other liabilities				
Negative fair value of derivatives	306,367	769,565	-	1,075,932

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 2015 to 30 June 2015 (continued)

24. Fair value of financial instruments (continued)

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

	30 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Balance at the beginning of the period/year	**214,647**	358,448
Purchases	**37,349**	1,006
Cost of sales	**(20,973)**	(14,182)
Transfer in from Level 1	**-**	(83,656)
Change in fair value	**(7,664)**	(46,969)
Balance at the end of the period/year	**223,359**	214,647

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'.

<u>Fair value of financial instruments measured at amortised cost</u>

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	**Fair value**			
30 June 2015	**AED'000**	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets:					
Other financial assets measured at amortised cost	**7,700,571**	**6,172,139**	**-**	**1,581,956**	**7,754,095**
31 December 2014					
Financial assets:					
Other financial assets measured at amortised cost	7,579,700	5,667,770	54,255	1,894,466	7,616,491

Notes to the condensed consolidated financial statements
for the period from 1 January 2015 to 30 June 2015 (continued)

24. Fair value of financial instruments (continued)

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

30 June 2015	Carrying amount AED'000	Fair value Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial liabilities					
Medium-term notes	**2,147,214**	**1,677,550**	**-**	**453,289**	**2,130,839**
31 December 2014					
Financial liabilities					
Medium-term notes	2,171,743	1,707,766	-	434,861	2,142,627

Fair value sensitivity analysis

The following table shows the sensitivity of fair values to 10% increase or decrease as at 30 June 2015 and 2014:

	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 2015				
Other financial assets measured at fair value	**266,392**	**(266,392)**	**80,810**	**(80,810)**
30 June 2014				
Other financial assets measured at fair value	257,782	(257,782)	77,141	(77,141)

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 2015 to 30 June 2015 (continued)

25. Capital adequacy ratio

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

		30 June 2015 (un-audited) AED'000	31 December 2014 (audited) AED'000
Capital base			
Tier 1 capital		**16,878,675**	16,276,609
Tier 2 capital		**1,350,109**	1,449,620
Total capital base	**(A)**	**18,228,784**	17,726,229
Risk-weighted assets			
Credit risk		**97,991,727**	95,599,856
Market risk		**3,409,214**	2,982,151
Operational risk		**9,404,309**	8,046,174
Total risk-weighted assets	**(B)**	**110,805,250**	106,628,181
Risk asset ratio (%) [(A)/(B) x 100]		**16.45%**	16.62%

26. Approval of condensed consolidated financnial statements

The condensed consolidated financial statements on pages 2 to 3 9 were approved by the Board of Directors on 15 July 2015.