Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements

30 June 2015

Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements
For the six-month period ended 30 June 2015

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Building a better working world

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF DUBAI PSC

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Commercial Bank of Dubai PSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated interim statement of financial position as at 30 June 2015 and the related consolidated interim statements of income and comprehensive income for the three month and six month periods then ended and consolidated interim statements of cash flows and changes in equity for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst & Young

Ernst & Young

Signed by:
Joseph Murphy
Partner
Registration No. 492

22 July 2015
Dubai, United Arab Emirates

Commercial Bank of Dubai PSC

Consolidated interim statement of financial position
As at 30 June 2015

	Notes	30 June 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited	30 June 2014 AED'000 (Unaudited)
ASSETS				
Cash and balances with Central Bank	*5*	**4,828,169**	5,450,145	6,977,425
Due from banks	*6*	**1,178,903**	1,565,312	619,933
Loans and advances and Islamic financing	*7*	**37,990,414**	32,128,517	31,278,588
Investment securities	*8*	**5,378,934**	5,587,998	5,233,055
Investment in an associate		**80,509**	84,590	84,096
Investment properties		**337,682**	249,991	254,838
Property and equipment		**332,716**	323,852	323,001
Other assets		**1,455,471**	1,488,150	1,537,096
Total assets		**51,582,798**	46,878,555	46,308,032
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		**2,202,322**	1,097,926	1,071,474
Customers' deposits and Islamic customers' deposits	*9*	**35,640,188**	32,161,339	32,288,000
Notes and medium term borrowings	*10*	**4,025,567**	4,021,998	4,018,403
Other liabilities		**1,866,693**	1,786,879	1,694,958
Total liabilities		**43,734,770**	39,068,142	39,072,835
EQUITY				
Share capital	*11*	**2,802,734**	2,242,187	2,242,187
Legal reserve		**1,380,495**	1,380,495	1,379,813
Capital reserve		**38,638**	38,638	38,638
General reserve		**1,121,095**	1,121,095	1,100,000
Cumulative changes in fair values of AFS investments and cash flow hedge instruments		**69,345**	69,808	115,760
Reserve for proposed bonus issue		-	560,547	-
Proposed cash dividend		-	560,547	-
Proposed directors' remuneration		-	10,540	-
Retained earnings		**2,435,721**	1,826,556	2,358,799
Total equity		**7,848,028**	7,810,413	7,235,197
Total liabilities and equity		**51,582,798**	46,878,555	46,308,032

The condensed consolidated interim financial statements were approved by the Board of Directors on 22nd July 2015.

Mr. Saeed Ahmed Ghobash
Chairman

Mr. Peter Baltussen
Chief Executive Officer

The attached notes on pages 7 to 22 form part of these condensed consolidated interim financial statements.
The review report of the Auditors is set out on page 1.

Commercial Bank of Dubai PSC

Consolidated interim income statement
For the six month period ended 30 June 2015

	Notes	Six month period ended 30 June 2015 AED'000 (Unaudited)	Six month period ended 30 June 2014 AED'000 (Unaudited)	Three month period ended 30 June 2015 AED'000 (Unaudited)	Three month period ended 30 June 2014 AED'000 (Unaudited)
Interest income and income from Islamic financing		**931,661**	868,085	**463,566**	426,687
Interest expense and distributions to Islamic depositors		**(129,243)**	(126,921)	**(68,744)**	(58,805)
Net interest income and net income from Islamic financing		**802,418**	741,164	**394,822**	367,882
Net fees and commission income		**243,998**	181,736	**129,525**	97,808
Net gains from foreign exchange and derivatives		**66,160**	55,783	**32,152**	28,287
Net gains from investments at fair value through profit or loss - held for trading		**621**	1,704	**42**	900
Net gains from sale of available-for-sale investments		**44,830**	35,016	**35,839**	13,616
Dividend and other investment income		**5,430**	4,163	**823**	1,059
Share of profit of associate		**3,221**	17,024	**-**	4,570
Other income		**15,981**	15,779	**8,312**	8,501
Total operating income before provisions		**1,182,659**	1,052,369	**601,515**	522,623
Impairment allowances on loans and advances and Islamic financing	*7*	**(208,528)**	(159,073)	**(77,962)**	(68,049)
Recoveries		**54,080**	22,351	**17,674**	12,561
Net operating income		**1,028,211**	915,647	**541,227**	467,135
General and administrative expenses		**(393,721)**	(312,307)	**(213,802)**	(159,676)
Depreciation and amortization		**(24,676)**	(22,253)	**(12,690)**	(11,183)
Total operating expenses		**(418,397)**	(334,560)	**(226,492)**	(170,859)
Net profit for the period		**609,814**	581,087	**314,735**	296,276
Basic and diluted earnings per share	*12*	**AED 0.22**	AED 0.21	**AED 0.11**	AED 0.11

The attached notes on pages 7 to 22 form part of these condensed consolidated interim financial statements.

The review report of the Auditors is set out on page 1.

Commercial Bank of Dubai PSC

Consolidated interim statement of comprehensive income

For the six month period ended 30 June 2015

	Six month period ended		Three month period ended	
	30 June 2015	30 June 2014	**30 June 2015**	30 June 2014
	AED'000	AED'000	**AED'000**	AED'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Net profit for the period	**609,814**	581,087	**314,735**	296,276
Other comprehensive income*:				
Changes in fair value of effective portion of cash flow hedge	**(1,485)**	(428)	**(1,342)**	(428)
Changes in available-for-sale investments:				
Realised gains on sale of available-for-sale investments	**(44,830)**	(35,016)	**(35,839)**	(13,616)
Share of other comprehensive income of associate	**-**	352	**-**	352
Revaluation of available-for-sale investments	**45,852**	96,140	**25,472**	21,608
Net change in available-for-sale investments	**1,022**	61,476	**(10,367)**	8,344
Other comprehensive income for the period	**(463)**	61,048	**(11,709)**	7,916
Total comprehensive income for the period	**609,351**	642,135	**303,026**	304,192

* Items included in other comprehensive income (as above) could be reclassified to consolidated income statement in subsequent periods.

The attached notes on pages 7 to 22 form part of these condensed consolidated interim financial statements.

The review report of the Auditors is set out on page 1.

Commercial Bank of Dubai PSC

Consolidated interim statement of changes in equity (Unaudited)

For the six month period ended 30 June 2015

	Share capital AED'000	Legal reserve AED'000	Capital reserve AED'000	General reserve AED'000	Cumulative changes in fair values of AFS investments and cash flow hedge instruments AED'000	Retained earnings AED'000	Proposed distributions AED'000	Total AED'000
At 1 January 2014	2,038,352	1,379,813	38,638	1,100,000	54,712	1,778,533	826,341	7,216,389
Transactions with owners, recorded directly in equity								
Cash dividend paid for 2013 (30%)	-	-	-	-	-	-	(611,506)	(611,506)
Bonus shares issued for 2013 (10%)	203,835	-	-	-	-	-	(203,835)	-
Directors' remuneration paid for 2013	-	-	-	-	-	-	(11,000)	(11,000)
Share of Directors' remuneration of associate	-	-	-	-	-	(821)	-	(821)
Comprehensive income								
Net profit for the period	-	-	-	-	-	581,087	-	581,087
Other comprehensive income for the period	-	-	-	-	61,048	-	-	61,048
Total comprehensive income	-	-	-	-	61,048	581,087	-	642,135
At 30 June 2014 (Unaudited)	2,242,187	1,379,813	38,638	1,100,000	115,760	2,358,799	-	7,235,197
At 1 January 2015	**2,242,187**	**1,380,495**	**38,638**	**1,121,095**	**69,808**	**1,826,556**	**1,131,634**	**7,810,413**
Transactions with owners, recorded directly in equity								
Cash dividend paid for 2014 (25%)	-	-	-	-	-	-	**(560,547)**	**(560,547)**
Bonus shares issued for 2014 (25%)	**560,547**	-	-	-	-	-	**(560,547)**	-
Directors' remuneration paid for 2014	-	-	-	-	-	-	**(10,540)**	**(10,540)**
Share of Directors' remuneration of associate	-	-	-	-	-	**(649)**	-	**(649)**
Comprehensive income								
Net profit for the period	-	-	-	-	-	**609,814**	-	**609,814**
Other comprehensive income for the period	-	-	-	-	**(463)**	-	-	**(463)**
Total comprehensive income	-	-	-	-	**(463)**	**609,814**	-	**609,351**
At 30 June 2015 (Unaudited)	**2,802,734**	**1,380,495**	**38,638**	**1,121,095**	**69,345**	**2,435,721**	-	**7,848,028**

The attached notes on pages 7 to 22 form part of these condensed consolidated interim financial statements.
The review report of the Auditors is set out on page 1.

Commercial Bank of Dubai PSC

Consolidated interim statement of cash flows

For the six month period ended 30 June 2015

	Note	30 June 2015 AED'000 (Unaudited)	30 June 2014 AED'000 (Unaudited)
OPERATING ACTIVITIES			
Profit for the period		**609,814**	581,087
Adjustments for:			
Depreciation and amortization		**24,676**	22,253
Loss /(gain) on disposal of property and equipment		**3**	(22)
Dividend income		**(5,430)**	(4,163)
Amortization of premium / discount on investments		**26,506**	29,995
Decrease / (increase) in investment in associate		**4,081**	(10,881)
Net unrealized loss / (gains) on investments at fair value through profit or loss - held for trading net of forex translation		**2,771**	(397)
Realized gains on sale of investments		**(45,776)**	(36,346)
Net unrealized income on derivatives		**(8,461)**	(830)
Amortization of medium term borrowings		**3,569**	3,597
		611,753	584,293
Increase in statutory reserve with the Central Bank		**(175,797)**	(311,486)
Decrease in negotiable Central Bank certificate of deposits with original maturity of more than three months		**100,000**	-
Increase in loans and advances and Islamic financing		**(5,861,897)**	(1,030,743)
Increase in other assets		**(57,000)**	(77,239)
Increase in customers' deposits and Islamic customers' deposits		**3,478,849**	1,345,320
Increase / (decrease) in other liabilities		**85,548**	(16,082)
Increase in due to banks with original maturity of more than three months		**324,313**	-
Directors' remuneration paid		**(10,540)**	(11,000)
Share of Directors' remuneration of associate		**(649)**	(821)
Net cash flows (used in) / from operating activities		**(1,505,420)**	482,242
INVESTING ACTIVITIES			
Purchase of investments		**(1,405,326)**	(1,946,073)
Purchase of property and equipment		**(30,073)**	(29,858)
Increase in investment properties		**(1,214)**	(82)
Dividend income		**5,430**	4,163
Proceeds from sale of investments		**1,631,911**	1,009,540
Proceeds from sale of property and equipment		**974**	10,996
Net cash flows from /(used in) investing activities		**201,702**	(951,314)
FINANCING ACTIVITY			
Dividends paid		**(560,547)**	(611,506)
Cash flows used in financing activity		**(560,547)**	(611,506)
Net decrease in cash and cash equivalents		**(1,864,265)**	(1,080,578)
Cash and cash equivalents at 1 January		**3,462,213**	5,169,019
Cash and cash equivalents at the end of the period	*13*	**1,597,948**	4,088,441

During the current period, property with a carrying value of AED 91million was transferred from other assets to investment properties. This non-cash transaction is not reflected above.

The attached notes on pages 7 to 22 form part of these condensed consolidated interim financial statements
The review report of the Auditors is set out on page 1.

1. LEGAL STATUS AND ACTIVITIES

Commercial Bank of Dubai PSC ("the Bank") was incorporated in Dubai, United Arab Emirates (U.A.E.) in 1969 and is registered as a Public Shareholding Company (PSC) in accordance with Federal Law No. 8 of 1984 (as amended). The Bank is listed on the Dubai Financial Market. The Bank's principal activity is commercial banking.

The consolidated financial statements of the Group for the six-month period ended 30 June 2015 comprise the results of the Bank and its subsidiaries (together referred to as "the Group").

Details about subsidiaries and associates

a) CBD Financial Services LLC, is registered as a limited liability company in accordance with Federal Law No. 8 of 1984 (as amended) in Dubai, United Arab Emirates. The Bank holds a 100% interest. Its principal activity is broking for local shares and bonds.

b) Attijari Properties LLC, is registered as a limited liability company in accordance with Federal Law No. 8 of 1984 (as amended) in Dubai, United Arab Emirates. The Bank holds a 100% interest. Its principal activity is buying & selling of real estate and self-owned property management services.

c) During the period ended 30 June 2015, the Bank has incorporated a wholly owned subsidiary, CBD (Cayman) Limited, which is a special purpose entity (SPE) registered in British Virgin Island. The SPE has been established for any future issuance of debts.

d) National General Insurance Co. (PSC) is an associate of the Bank and is listed in Dubai Financial Market. It underwrites life and general insurance business as well as certain reinsurance business. The Bank holds 17.8% interest in "National General Insurance Co. (PSC)". The management believes that it has significant influence on the associate by virtue of it having representation on the board of directors of the Associate.

The registered address of the Bank is Al Ittihad Street, P.O. Box 2668, Dubai, United Arab Emirates.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). These condensed consolidated interim financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2014. In addition, results for the six months ended 30 June 2015 are not necessarily indication of the results that may be expected for the financial year ending 31 December 2015.

(b) Use of estimates and judgment

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, are consistent with the annual audited consolidated financial statements of the Group for the year ended 31 December 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies and methods of computation used for the preparation of the last published annual audited consolidated financial statements for the year ended 31 December 2014.

4. RISK GOVERNANCE AND FINANCIAL RISK MANAGEMENT

The Group's Risk Governance and Financial Risk Management objectives, policies and procedures are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2014.

5. CASH AND BALANCES WITH CENTRAL BANK

	30 June 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Cash in hand	**445,598**	445,682
Balances with Central Bank		
-Clearing account balances	**301,456**	99,145
-Statutory reserves	**2,581,115**	2,405,318
-Negotiable certificates of deposit	**1,500,000**	2,500,000
	4,828,169	5,450,145

All the above balances are held in accounts within U.A.E.

6. DUE FROM BANKS

	30 June 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Current and demand deposits	**175,652**	187,897
Placements	**1,003,251**	1,377,415
	1,178,903	1,565,312

The geographical concentration is as follows:

Within U.A.E.	**842,458**	766,353
Outside U.A.E.	**336,445**	798,959
	1,178,903	1,565,312

7. LOANS AND ADVANCES AND ISLAMIC FINANCING

The composition of the loans and advances and Islamic financing portfolio is as follows:

	30 June 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Loans and advances		
Overdrafts	**5,120,350**	5,241,049
Loans	**30,418,141**	25,795,578
Advances against letters of credit and trust receipts	**1,316,019**	885,449
Bills discounted	**803,049**	881,213
Gross loans and advances	**37,657,559**	32,803,289
Islamic financing		
Murabaha	**1,266,035**	828,832
Ijara	**1,509,984**	1,434,813
Musharaka	**20,789**	-
Others	**171,468**	98,524
Gross Islamic financing	**2,968,276**	2,362,169
Gross loans and advances and Islamic financing	**40,625,835**	35,165,458
Less: provision for impairment losses	**(2,635,421)**	(3,036,941)
Net loans and advances and Islamic financing	**37,990,414**	32,128,517

During the period ended 30 June 2015, the Group acquired a corporate loan portfolio (the "loan portfolio") of AED 3 billion (inclusive of unutilized commitments to extend credit) from Royal Bank of Scotland plc (RBS) in the United Arab Emirates (UAE). The legal and administrative formalities in relation to the loan portfolio were completed during the three month period ended 30 June 2015.

7. LOANS AND ADVANCES AND ISLAMIC FINANCING (CONTINUED)

Analysis by sector	**30 June 2015 AED'000 (Unaudited)**	31 December 2014 AED'000 Audited
Commercial and business:-		
Manufacturing	**1,486,427**	1,155,848
Construction	**1,493,053**	1,537,185
Real estate	**2,917,012**	3,102,825
Trade	**7,305,354**	7,537,430
Services	**5,580,542**	4,815,229
Business and investment	**9,534,890**	8,227,527
Total commercial and business	**28,317,278**	26,376,044
Banks and financial institutions	**1,283,296**	643,802
Government and public sector entities	**5,363,908**	3,614,228
Personal - mortgage	**2,395,739**	1,664,463
Personal - schematic	**2,381,227**	2,233,956
Others	**884,387**	632,965
Gross loans and advances and Islamic financing	**40,625,835**	35,165,458
Less: Provisions for impairment losses	**(2,635,421)**	(3,036,941)
Net loans and advances and Islamic financing	**37,990,414**	32,128,517

The movement in provisions for impairment losses is as follows:

	Interest suspended AED'000	**Specific provisions AED'000**	**Collective provisions AED'000**	**Total AED'000**
Balance at 1 January 2015	497,642	2,014,080	525,219	3,036,941
Interest not recognized / new provisions raised	91,231	137,158	71,370	299,759
Less:				
Written-off	(166,888)	(436,870)	-	(603,758)
Recoveries /reversal to income	(49,056)	(48,465)	-	(97,521)
Balance at 30 June 2015 (Unaudited)	372,929	1,665,903	596,589	2,635,421

7. LOANS AND ADVANCES AND ISLAMIC FINANCING (CONTINUED)

	Interest suspended	Specific provisions	Collective provisions	Total
	AED'000	**AED'000**	**AED'000**	**AED'000**
Balance at 1 January 2014	478,482	1,877,746	473,995	2,830,223
Interest not recognized / new provisions raised	101,927	154,073	5,000	261,000
Less:				
Written-off	(7,795)	(25,816)	-	(33,611)
Recoveries / reversal to income	(34,373)	(21,087)	-	(55,460)
Balance at 30 June 2014 (Unaudited)	538,241	1,984,916	478,995	3,002,152

8. INVESTMENT SECURITIES

30 June 2015 (Unaudited)	Domestic AED'000	GCC AED'000	International AED'000	Total AED'000
Held for trading				
Equities	827	-	1,821	2,648
Fixed rate securities				
- Government	10,566	9,589	-	20,155
- Others	18,531	870	-	19,401
Available-for-sale				
Equities	169,334	-	-	169,334
Fund of funds	15,458	24,454	233,806	273,718
Fixed rate securities				
- Government	1,593,827	239,639	-	1,833,466
- Others	1,463,686	581,546	532,569	2,577,801
Floating rate non-government securities	333,894	84,289	64,228	482,411
Total investment securities	3,606,123	940,387	832,424	5,378,934

31 December 2014 Audited	Domestic AED'000	GCC AED'000	International AED'000	Total AED'000
Held for trading				
Equities	771	-	993	1,764
Fixed rate securities				
- Government	23,675	3,932	-	27,607
- Others	-	-	-	-
Available-for-sale				
Equities	157,247	-	-	157,247
Fund of funds	15,328	36,815	220,542	272,685
Fixed rate securities				
- Government	1,750,825	312,076	-	2,062,901
- Others	1,317,490	729,809	537,186	2,584,485
Floating rate non-government securities	320,925	96,705	63,679	481,309
Total investment securities	3,586,261	1,179,337	822,400	5,587,998

9. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

Customers' deposits	**30 June 2015 AED'000 (Unaudited)**	31 December 2014 AED'000 Audited
Current and demand accounts	**14,571,279**	13,085,481
Savings accounts	**1,481,288**	1,411,014
Time deposits	**13,326,865**	10,880,955
	29,379,432	25,377,450
Islamic customers' deposits		
Current and demand accounts	**1,118,633**	955,337
Mudaraba saving	**531,769**	467,467
Investment deposits and Wakala	**4,610,354**	5,361,085
	6,260,756	6,783,889
Total customers' deposits and Islamic customers' deposits	**35,640,188**	32,161,339

10. NOTES AND MEDIUM TERM BORROWINGS

Syndicated loan

In December 2013, the Group entered into a club deal of USD 450 million (AED 1,653 million) for a term of 3 years with an option to roll over on a quarterly or semi-annual basis. This replaced the syndicated loan arrangement of USD 450 million maturing in August 2014, which was prepaid in October 2013 and carried interest at the rate of 3 month LIBOR plus 175 basis points payable on a quarterly basis. The current arrangement carries interest at the rate of 3 month LIBOR plus 125 basis points payable on a quarterly basis.

Repurchase agreements

In July 2012, the Group entered into Repo transactions to obtain financing against the sale of certain debt securities, amounting to USD 150.1 million (AED 551 million) with arrangements to repurchase them at a fixed future date in July 2017.

These securities are carried at fair value amounting to USD 184.7 million (AED 678.4 million) as at 30 June 2015.

Euro medium term notes

In 2013 CBD activated its Euro Medium Term Note (EMTN) program, which was launched in 2008. The maximum issuance under the program is USD 2 billion (AED 7.3 billion). These notes can be distributed by way of private or public placements and in each case on a syndicated or non-syndicated basis. These notes can be priced at fixed rate, floating rate or can be index linked.

In May 2013, CBD issued USD 500 million (AED 1,836.5 million) of conventional bonds. These notes were priced at 3.375 per cent fixed rate and mature on 21 May 2018.

11. EQUITY

Share capital

The issued and fully paid up ordinary share capital as at 30 June 2015 comprised 2,802,733,968 ordinary shares of AED 1 each *(31 December 2014: 2,242,187,174 shares of AED 1 each).* The movement in the number of shares during the period / year is as follows:

	For the six month period ended 30 June 2015 (Unaudited)	For the year ended 31 December 2014 Audited	For the six month period ended 30 June 2014 (Unaudited)
As at the beginning of the period / year	**2,242,187,174**	2,038,351,976	2,038,351,976
Bonus shares issued during the period / year	**560,546,794**	203,835,198	203,835,198
At the end of the period / year	**2,802,733,968**	2,242,187,174	2,242,187,174

12. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share is based on the Group's net profit for the six and three month period ended 30 June 2015 attributable to the shareholders of the parent amounting to AED 609.8 million (unaudited) and AED 314.7 million (unaudited) respectively *(six and three month period ended 30 June 2014: AED 581.1 million* (unaudited) *and AED 296.3 million* (unaudited) *respectively)*, and on the weighted average number of shares in issue totaling 2,802,733,968 for all periods presented (after adjusting for bonus shares).

13. CASH AND CASH EQUIVALENTS

	30 June 2015 AED'000 (Unaudited)	30 June 2014 AED'000 (Unaudited)
Cash in hand	**445,598**	366,725
Balances with the Central Bank	**301,456**	173,257
Negotiable certificates of deposit with the Central Bank with original maturity less than three months	**1,500,000**	4,000,000
Due from banks with original maturities less than three months	**1,178,903**	619,933
	3,425,957	5,159,915
Due to banks with original maturities less than three months	**(1,828,009)**	(1,071,474)
	1,597,948	4,088,441

14. CONTINGENT LIABILITIES AND COMMITMENTS

The Group in the ordinary course of business enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn loan commitments.

	30 June 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Contingent liabilities:		
Letters of credit	**1,180,576**	1,091,458
Guarantees	**7,516,381**	6,656,419
	8,696,957	7,747,877
Credit commitments:		
Undrawn commitments to extend credit	**14,782,310**	11,900,926
Total contingent liabilities and credit commitments	**23,479,267**	19,648,803

15. SEGMENTAL REPORTING

The primary format, business segments, is based on the Group's management and internal reporting structure that are regularly reviewed by the Business Committee in order to allocate resources to the segment and to assess its performance.

Business segments pay to and receive interest from the Treasury on a mutually agreed basis to reflect the allocation of capital and funding costs.

Business segments

Corporate banking	Includes loan and other credit facilities, deposits, trade finance products and e-commerce solutions to large corporate clients (including Government related entities).
Commercial banking	Includes loans, working capital financing, trade finance and deposits products to commercial (mid-sized) clients.
Personal banking	Includes current accounts, easy access saving accounts, fixed rate deposit accounts, personal loans, overdraft facilities, vehicle finance, mortgage products, loans and other credit facilities to business (small) clients, high net-worth (Al Dana), mid-tier clients (personal) and modest income group (direct).
Treasury and investments	Undertakes balance sheet management deals in derivatives for trading and for risk management purposes and manages the Group's proprietary investment portfolio.

15. SEGMENTAL REPORTING (CONTINUED)

Interest is charged or credited to business segments and branches to match funding transfer pricing rates which approximate the replacement cost of funds. From June 2014, the transfer pricing rates were amended to appropriately allocate funding and liquidity cost among various business segments. The change was made as it results in a better analysis of the underlying performance of each segment. Comparative figures have not been adjusted retrospectively.

Geographical

The Group operates in one geographic area, the United Arab Emirates.

Segmental analysis as at 30 June and for the six month period then ended was as follows:

30 June 2015 (Unaudited)	**Corporate banking**	**Commercial banking**	**Personal banking**	**Treasury & investments**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Assets	**24,143,765**	**9,621,119**	**6,274,871**	**11,543,043**	**51,582,798**
Liabilities	**17,669,433**	**6,785,941**	**13,021,014**	**6,258,382**	**43,734,770**
31 December 2014 (Audited)					
Assets	21,046,632	8,203,749	4,861,396	12,766,778	46,878,555
Liabilities	15,474,946	6,028,734	12,417,019	5,147,443	39,068,142

15. SEGMENTAL REPORTING (CONTINUED)

	Corporate banking	Commercial banking	Personal banking	Treasury & investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
30 June 2015 (Unaudited)					
Net interest income and net income from Islamic financing	254,250	200,339	193,988	153,841	802,418
Non-interest & other income	113,214	86,667	114,174	66,186	380,241
Total operating income	367,464	287,006	308,162	220,027	1,182,659
Direct and allocated cost					393,721
Provisions for impairment losses net of recoveries					154,448
Depreciation and amortisation					24,676
Total expenses					572,845
Net profit for the period					609,814
30 June 2014 (Unaudited)					
Net interest income and net income from Islamic financing	312,626	208,914	140,208	79,416	741,164
Non-interest & other income	79,648	67,543	97,522	66,492	311,205
Total operating income	392,274	276,457	237,730	145,908	1,052,369
Direct and allocated cost					312,307
Provisions for impairment losses net of recoveries					136,722
Depreciation and amortisation					22,253
Total expenses					471,282
Net profit for the period					581,087

As explained earlier, had the change in intersegment pricing been done at 1 January 2014, the net interest income and net income from Islamic financing for the period ended 30 June 2014 would have been as follows:

	Corporate banking	Commercial banking	Personal banking	Treasury & investments	Total
30 June 2014 (Unaudited)					
Net interest income and net income from Islamic financing	242,867	179,356	154,804	164,137	741,164
Non-Interest & Other Income	79,648	67,543	97,522	66,492	311,205
Total operating income	322,515	246,899	252,326	230,629	1,052,369

16. FINANCIAL ASSETS AND LIABILITIES

16.1 Financial assets and liabilities classification

The table below sets out the Group's assets and liabilities classification in accordance with the categories of financial instruments as per IAS 39:

		Amortized Cost				
	Fair value through Profit or loss AED'000	**Held-to-maturity AED'000**	**Loans and receivables AED'000**	**Available-for-sale at fair value AED'000**	**Other amortized cost AED'000**	**Total carrying amount AED'000**
30 June 2015 (Unaudited)						
Cash and balances with Central Bank	-	-	-	-	4,828,169	4,828,169
Due from banks	-	-	-	-	1,178,903	1,178,903
Loans and advances and Islamic financing	-	-	37,990,414	-	-	37,990,414
Investment securities	42,204	-	-	5,336,730	-	5,378,934
Other assets	25,586	-	-	-	1,366,226	1,391,812
Total financial assets	67,790	-	37,990,414	5,336,730	7,373,298	50,768,232
Due to banks	-	-	-	-	2,202,322	2,202,322
Customers' deposits and Islamic customers' deposits	-	-	-	-	35,640,188	35,640,188
Notes and medium term borrowing	-	-	-	-	4,025,567	4,025,567
Other liabilities	17,134	-	-	-	1,739,239	1,756,373
Total financial liabilities	17,134	-	-	-	43,607,316	43,624,450
31 December 2014 (Audited)						
Cash and balances with Central Bank	-	-	-	-	5,450,145	5,450,145
Due from banks	-	-	-	-	1,565,312	1,565,312
Loans and advances and Islamic financing	-	-	32,128,517	-	-	32,128,517
Investment securities	29,371	-	-	5,558,627	-	5,587,998
Other assets	23,159	-	-	-	1,337,435	1,360,594
Total financial assets	52,530	-	32,128,517	5,558,627	8,352,892	46,092,566
Due to banks	-	-	-	-	1,097,926	1,097,926
Customers' deposits and Islamic customers' deposits	-	-	-	-	32,161,339	32,161,339
Notes and medium term borrowing	-	-	-	-	4,021,998	4,021,998
Other liabilities	21,683	-	-	-	1,650,649	1,672,332
Total financial liabilities	21,683	-	-	-	38,931,912	38,953,595

The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different to their fair values.

16. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

16.2 Fair value measurement – Fair value hierarchy:

The below table, shows the hierarchy used by the Group to determine the fair value of the financial assets and financial liabilities carried at fair value:

30 June 2015 (Unaudited)	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**
Investments			
Equity	**171,982**	-	-
Fund of funds	-	**273,718**	-
Fixed and floating rate securities	**4,933,234**	-	-
Forward foreign exchange contracts and other derivatives (net)	-	**8,452**	-
	5,105,216	**282,170**	-

31 December 2014 (Audited)	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**
Investments			
Equity	159,011	-	-
Fund of funds	-	272,685	-
Fixed and floating rate securities	5,156,302	-	-
Forward foreign exchange contracts and other derivatives (net)	-	1,476	-
	5,315,313	274,161	-

During the period there were no transfers between Level 1 and Level 2 of the fair value hierarchy above and no transfer into and out of level 3 fair value measurements. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the period.

17. RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, directors, key management personnel and their related entities. The terms of these transactions are approved by the Group's Board:

	Directors and key management personnel		Other related parties	
	30 June 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited	**30 June 2015 AED'000 (Unaudited)**	31 December 2014 AED'000 Audited
Loans and advances	**158,990**	156,813	**2,688,839**	2,448,902
Due from Banks	**-**	-	**200,000**	211,910
Investment securities	**-**	-	**828,190**	803,397
Acceptances	**-**	-	**11,169**	16,556
Letters of credit	**-**	-	**22,927**	12,069
Letters of Guarantees	**-**	-	**512,507**	605,480
Undrawn commitments to extend credit	**41,761**	21,909	**1,212,872**	854,349
Deposits	**27,615**	38,813	**5,465,383**	5,851,923

	30 June 2015 AED'000 (Unaudited)	30 June 2014 AED'000 (Unaudited)	**30 June 2015 AED'000 (Unaudited)**	30 June 2014 AED'000 (Unaudited)
Interest income and commission income	**3,736**	4,088	**38,904**	41,358
Interest expense	**3**	60	**20,876**	14,796

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Other related parties represent major shareholders and parties related to Directors, key management personnel.

No provisions for impairment have been recognised in respect of loans given to related parties *(30 June 2014: NIL).*

The loans issued to directors are unsecured and repayable monthly over a maximum period of 5 years *(31 December 2014: 5 years)* and carry interest at the rates comparable to the third party loans.

Sitting fees paid to certain directors for attending sub-committee meetings during the six months period ended 30 June 2015 was AED 1,649 thousand *(30 June 2014: AED 680 thousand).*

17. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management compensation

	30 June 2015 AED'000 (Unaudited)	30 June 2014 AED'000 (Unaudited)
Salaries	**4,909**	5,624
Post-employment benefits	**215**	406
Other benefits	**5,231**	3,669

18. CAPITAL ADEQUACY

The Group's regulatory capital adequacy ratio is set by the Central Bank of UAE ('the Central Bank'). The Group has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period. The capital adequacy ratio should be a minimum of 12% analysed into two Tiers, of which Tier 1 capital adequacy must not be less than 8% as mandated by the Central Bank.

The Group's objectives when managing capital are as follows:

- Safeguard the Group's ability to continue as a going concern and increase returns for shareholders; and
- Comply with regulatory capital requirements set by the Central Bank of the UAE.

The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, translation reserve and retained earnings; and
- Tier 2 capital, which includes fair value reserves relating to unrealized gains / losses on investments classified as available-for-sale and derivatives held as cash flow hedges, general collective provision and subordinated term loans.

  The following limits have been applied for Tier 2 capital:

  - Total tier 2 capital shall not exceed 67% of tier 1 capital;
  - Subordinated liabilities shall not exceed 50% of total tier 1 capital; and
  - General / Collective provision shall not exceed 1.25% of credit risk weighted assets (2014: 1.25% of total risk weighted assets).

18. CAPITAL ADEQUACY (CONTINUED)

The table below summarizes the composition of regulatory capital and capital adequacy ratio calculation as per Basel II, of the Group:

	30 June 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Core tier 1 capital		
Share capital	**2,802,734**	2,242,187
Legal reserve	**1,380,495**	1,380,495
General reserve	**1,121,095**	1,121,095
Retained earnings	**2,435,721**	2,387,103
Tier 1 capital	**7,740,045**	7,130,880
Upper tier 2 capital		
Fair value reserve	**31,205**	31,414
Collective provisions (up to allowable limit)	**531,250**	525,219
Tier 2 capital	**562,455**	556,633
Total capital base	**8,302,500**	7,687,513
Risk weighted assets (RWA) Pillar 1		
Credit risk	**42,500,029**	38,614,847
Market risk	**100,732**	78,145
Operational risk	**3,832,044**	3,832,044
Risk weighted assets	**46,432,805**	42,525,036
Tier 1 ratio	**16.67%**	16.77%
Capital adequacy ratio (Pillar) 1	**17.88%**	18.08%

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in these condensed consolidated interim financial statements.