

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2015 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF EMIRATES INVESTMENT BANK P.J.S.C.

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Emirates Investment Bank P.J.S.C. (the "Bank") as at 31 March 2015 and the related interim condensed statements of income, comprehensive income, cash flows and changes in equity for the three months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

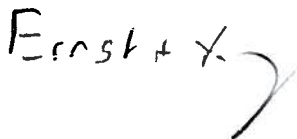
Scope of Review

We conducted our review in accordance with the 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, it 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 condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by:

Anthony O'Sullivan
Partner
Registration No. 687

27 April 2015

Dubai, United Arab Emirates

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
ASSETS			
Cash and balances with UAE Central Bank		233,734	236,787
Due from banks	3	1,339,047	1,042,798
Loans and advances, net	4	532,670	573,251
Investments	5	1,743,943	1,628,693
Investment in an associate		72	72
Property & equipment		6,166	4,834
Other assets		30,094	18,343
TOTAL ASSETS		3,885,726	3,504,778
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	6	99,038	130,883
Customer deposits		3,381,924	2,985,063
Other liabilities		53,393	49,093
TOTAL LIABILITIES		3,534,355	3,165,039
EQUITY			
Share capital		70,000	65,000
Legal reserve		32,500	32,500
Special reserve		28,984	28,984
Cumulative changes in fair values		42,647	52,248
Retained earnings		177,240	161,007
TOTAL EQUITY		351,371	339,739
TOTAL LIABILITIES & EQUITY		3,885,726	3,504,778

The interim condensed financial statements were approved by the Board of Directors on 27 April 2015 and signed on its behalf by:


Marwan Shehadeh
(Director)


Khaled Sifri
(Chief Executive Officer)

The attached notes 1 to 15 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED INCOME STATEMENT

For the period ended 31 March 2015 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Interest income	7	9,194	4,013
Net income from investments	8	34,420	39,671
Interest expense		43,614 (8,866)	43,684 (10,802)
NET INTEREST INCOME AND NET INCOME FROM INVESTMENTS		34,748	32,882
Other income		5,646	2,492
Exchange gain- net		679	(145)
OPERATING INCOME		41,073	35,229
General and administrative expenses		(16,121)	(11,851)
Impairment loss on available-for-sale investments		(3,719)	-
Impairment loss on loans and advances		-	(3,860)
OPERATING EXPENSES		(19,840)	(15,711)
PROFIT FOR THE PERIOD		21,233	19,518
BASIC AND DILUTED EARNINGS PER SHARE	9	30.33	27.88

The attached notes 1 to 15 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2015 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2015</i>	<i>2014</i>
	<i>AED'000</i>	<i>AED'000</i>
Profit for the period	21,233	19,518
<i>Other comprehensive income/ (loss) to be reclassified to income statement in subsequent periods</i>		
Net unrealised gain on available-for-sale investments	7,614	34,277
Net realised gain transferred to income statement on disposal of available-for-sale investments	(20,934)	(18,452)
Impairment of available-for-sale investments recognised in income statement	3,719	-
Other comprehensive (loss) / income for the period	(9,601)	15,825
Total comprehensive income for the period	11,632	35,343

The attached notes 1 to 15 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period ended 31 March 2015 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2015</i>	<i>2014</i>
	<i>AED'000</i>	<i>AED'000</i>
OPERATING ACTIVITIES		
Profit for the period	21,233	19,518
Adjustments for:		
Depreciation	467	336
Gain on sale of property and equipment	-	(1)
Impairment loss on available-for-sale investments	3,719	-
Impairment loss on loans and advances	-	3,860
Change in due to bank with original maturity of over three months	-	(9,840)
Change in loans and advances	40,581	(439,849)
Change in investments (net)	(128,570)	173,581
Change in other assets	(11,751)	243
Change in customers' deposits	396,861	374,784
Change in other liabilities	4,300	1,725
Net cash from operating activities	326,840	124,357
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,799)	(98)
Proceeds from sale of property and equipment	-	1
Net cash used in investing activities	(1,799)	(97)
INCREASE IN CASH AND CASH EQUIVALENTS	325,041	124,260
Cash and cash equivalents at 1 January	1,205,633	83,632
CASH AND CASH EQUIVALENTS AT 31 MARCH	1,530,674	207,892
Cash and cash equivalents comprise the following amounts in the statement of financial position with original maturities of three months or less:		
Cash and balances with the UAE Central Bank	233,734	149,362
Due from banks	1,339,047	367,615
Due to banks	(42,107)	(309,085)
	1,530,674	207,892
Operational cash flows from interest and dividends		
Interest paid	7,066	9,972
Interest received (including from investments)	14,565	15,333
Dividends received	5,994	6,255

The attached notes 1 to 15 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2015 (Unaudited)

	Share capital AED '000 (Unaudited)	Legal reserve AED '000 (Unaudited)	Special reserve AED '000 (Unaudited)	Cumulative changes in fair value AED '000 (Unaudited)	Retained earnings AED '000 (Unaudited)	Total AED '000 (Unaudited)
At 1 January 2015	65,000	32,500	28,984	52,248	161,007	339,739
Profit for the period	-	-	-	-	21,233	21,233
Other comprehensive income for the period	-	-	-	(9,601)	-	(9,601)
Total comprehensive income for the period	-	-	-	(9,601)	21,233	11,632
Scrip dividend – relating to 2014 (Note 14)	5,000	-	-	-	(5,000)	-
Balance at 31 March 2015	70,000	32,500	28,984	42,647	177,240	351,371
At 1 January 2014	60,000	30,000	24,361	63,337	126,896	304,594
Profit for the period	-	-	-	-	19,518	19,518
Other comprehensive income for the period	-	-	-	15,825	-	15,825
Total comprehensive income for the period	-	-	-	15,825	19,518	35,343
Balance at 31 March 2014	60,000	30,000	24,361	79,162	146,414	339,937

The attached notes 1 to 15 form part of these interim condensed financial statements.

1 INCORPORATION AND ACTIVITIES

Emirates Investment Bank P.J.S.C. (the "Bank") was incorporated on 17 February 1976 in Dubai, United Arab Emirates by a decree of HH The Ruler of Dubai. In 1999, the Bank was registered under the UAE Commercial Companies Law No. (8) of 1984 (as amended) as a Public Joint Stock Company. During 2010, the Bank changed its name to Emirates Investment Bank PJSC. The Bank is engaged in the business of private banking and investment banking. The address of the Bank's registered office is P. O. Box 5503, Dubai, United Arab Emirates.

The Bank is a subsidiary of Al Futtaim Private Company LLC which holds 52.85% of the shares in the Bank.

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2014. In addition, results for the three months ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.

The Bank applies, for the first time, certain standards and amendments. As required by IAS 34, the nature and the effect of these changes are disclosed below.

Several other new standards and amendments apply for the first time in 2015. However, they do not impact the annual financial statements of the Bank or the interim condensed financial statements of the Bank.

The nature and the impact of each new standard/amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Bank as there is no defined benefit plan with contributions from employees or third parties.

The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

3 DUE FROM BANKS

	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>
Domestic	684,377	105,509
Regional	38,810	34,586
International	615,860	902,703
	<u>1,339,047</u>	<u>1,042,798</u>

4 LOANS AND ADVANCES, NET

	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>
Commercial and business:		
Overdrafts / loans (secured)	545,075	585,656
Gross loans and advances	545,075	585,656
Less: collective impairment provision	(12,405)	(12,405)
Loans and advances, net	<u>532,670</u>	<u>573,251</u>

At 31 March 2015, there were no loans individually determined to be impaired and, accordingly, no specific provisions were considered necessary in respect of any of the loans and advances provided by the Bank (31 December 2014: Nil).

Based on the assessment of health of the overall loans and advances portfolio, and also in compliance with the directive of the Central Bank of UAE, the Bank has determined a collective impairment provision of AED 12,405 thousand (31 December 2014: AED 12,405 thousand) against risk of default incurred but not yet identified.

5 INVESTMENTS

	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>
Available-for-sale investments		
Debt		
Quoted	1,026,649	774,300
Unquoted	67,284	91,707
	<u>1,093,933</u>	<u>866,007</u>
Equity		
Quoted	554,492	664,491
Unquoted	94,976	97,654
	<u>649,468</u>	<u>762,145</u>
Total available-for-sale investments	<u>1,743,401</u>	<u>1,628,152</u>
Investment in bullion	542	541
Total investments	<u>1,743,943</u>	<u>1,628,693</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

5 INVESTMENTS (continued)

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
<i>Debt investments:</i>		
Domestic	493,546	573,504
Regional	16,852	16,387
International	583,535	276,116
	<u>1,093,933</u>	<u>866,007</u>
<i>Equity investments:</i>		
Domestic	107,614	125,268
Regional	34,116	37,917
International	507,738	598,960
	<u>649,468</u>	<u>762,145</u>
Investment in bullion	<u>542</u>	<u>541</u>
	<u>1,743,943</u>	<u>1,628,693</u>

Part of the proprietary investment portfolio of the Bank having a carrying value of AED 115 million (2014: AED 116 million) is pledged as collateral with banks against credit facilities and repurchase agreements totaling to AED 86 million (2014: AED 85 million).

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 March 2015, the Bank held the following investments measured as follows:

	31 March 2015 AED'000 (Unaudited)	<i>Investments carried at fair value</i>			<i>Investments carried at cost</i> AED'000 (Unaudited)
		Level 1 AED'000 (Unaudited)	Level 2 AED'000 (Unaudited)	Level 3 AED'000 (Unaudited)	
<i>Debt investments:</i>					
Domestic	493,546	438,503	-	-	55,043
Regional	16,852	16,852	-	-	-
International	583,535	571,294	12,220	21	-
<i>Equity investments:</i>					
Domestic	107,614	90,334	-	17,280	-
Regional	34,116	34,116	-	-	-
International	507,738	389,761	117,418	559	-
Investment in bullion	<u>542</u>	<u>542</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,743,943</u>	<u>1,541,402</u>	<u>129,638</u>	<u>17,860</u>	<u>55,043</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

5 INVESTMENTS (continued)

As at 31 December 2014, the Bank held the following investments measured as follows:

	<i>31 December 2014 AED '000 (Audited)</i>	<i>Investments carried at fair value</i>			<i>Investments carried at cost AED '000 (Audited)</i>
		<i>Level 1 AED '000 (Audited)</i>	<i>Level 2 AED '000 (Audited)</i>	<i>Level 3 AED '000 (Audited)</i>	
Debt investments:					
Domestic	573,504	493,930	-	-	79,574
Regional	16,387	16,387	-	-	-
International	276,116	263,983	12,101	32	-
Equity investments:					
Domestic	125,268	107,988	-	17,280	-
Regional	37,917	37,917	-	-	-
International	598,960	434,118	164,256	586	-
Investment in bullion	541	541	-	-	-
	<u>1,628,693</u>	<u>1,354,864</u>	<u>176,357</u>	<u>17,898</u>	<u>79,574</u>

During the current period, investments amounting to Nil (2014: AED 12,101 thousand) was transferred from Level 1 to Level 2 as quoted prices for such securities are no longer regularly available.

Investments amount to Nil (2014: AED 62,125 thousand) was transferred from Level 2 to Level 1. The transfers from Level 2 to Level 1 were made in 2014 as the market in respect of these securities was considered to be active again. Investment under Level 2 fair value hierarchy is valued using latest available asset value.

The following table shows a reconciliation of the opening and closing amounts of level 3 investments recorded at fair value:

	<i>31 March 2015 AED '000 (Unaudited)</i>	<i>31 December 2014 AED '000 (Audited)</i>
At the beginning of the period	17,898	7,104
Transfer from Level 1	-	7,959
Transfer from Level 2	-	12,165
Transfer from investments carried at cost	-	693
Total losses		
in income statement	(11)	(4,556)
in other comprehensive income	(27)	(5,649)
Purchases	-	182
At the end of the period	<u>17,860</u>	<u>17,898</u>

The Bank has assessed the sensitivity of the fair value measurement of investments under level 3 due to changes in inputs used. Based on the assessment, no major changes in the fair value of investments under level 3 are noted as at 31 December 2014. Such an assessment is performed on an annual basis by observing the changes in unobservable inputs which might result in higher or lower fair value measurement.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

6 DUE TO BANKS

	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>
Term placement	66,932	96,931
Repurchase agreements	28,569	28,296
Overdraft facility	3,537	5,656
	<u>99,038</u>	<u>130,883</u>

The Bank has borrowed an amount of AED 29 million (December 2014: AED 28 million) under repurchase agreements, whereby the Bank's investments in certain bonds with a carrying value of AED 40 million (December 2014: AED 40 million) as at 31 March 2015 are pledged as collateral under these agreements.

The Bank has also borrowed an amount of AED 57 million (December 2014: AED 57 million) under term placements, whereby the Banks investments in certain bonds with a carrying value of AED 75 million (December 2014: AED 76 million) as at 31 March 2015 are pledged as collateral under these placements.

7 INTEREST INCOME

	<i>Three months ended</i>	
	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 March 2014 AED'000 (Unaudited)</i>
Loans and advances	8,090	4,013
Bank placements	1,104	-
	<u>9,194</u>	<u>4,013</u>

8 NET INCOME FROM INVESTMENTS

	<i>Three months ended</i>	
	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 March 2014 AED'000 (Unaudited)</i>
Interest income on investments in debt instruments	7,932	15,220
Net realised gain on disposal of available-for-sale investments	20,934	18,459
Dividend income	5,994	6,255
Portfolio management fee paid to other financial institutions	(440)	(263)
	<u>34,420</u>	<u>39,671</u>

9 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit of AED 21,233 thousand for the three months period ended 31 March 2015 (31 March 2014: AED 19,518 thousand) by the weighted average number of shares outstanding during the period of 700,000 of AED 100 each (31 March 2014: 700,000 shares of AED 100 each).

The earnings per share of AED 27.88 as reported for the three months period ended 31 March 2014 (previously reported as AED 30.03) are adjusted for the effect of the shares issued in 2015 as a result of the stock dividend. The figures for basic and diluted earnings per share are the same as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

10 SEGMENTAL ANALYSIS

For operating purposes, the Bank is organised into two major business segments: (a) Investments which is principally involved in managing the Bank's own investment portfolio and provides treasury services; and (b) Banking Services, which principally manages client's investment portfolio, provides credit facilities, accepts deposit from corporate and individual customers and provides advisory services on corporate finance and capital market transactions. These segments are the basis on which the Bank reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds and an equitable allocation of expenses.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>Three months ended 31 March</i>		<i>Three months ended 31 March</i>		<i>Three months ended 31 March</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue *	34,805	40,999	11,415	5,032	46,220	46,031
Inter-segment adjustment	(658)	(7,067)	658	7,067	-	-
	<u>34,147</u>	<u>33,932</u>	<u>12,073</u>	<u>12,099</u>	<u>46,220</u>	<u>46,031</u>
Profit for the period	<u>20,503</u>	<u>19,193</u>	<u>730</u>	<u>325</u>	<u>21,233</u>	<u>19,518</u>

* Revenue comprises of interest income, net income from investments, other income and exchange (loss) gain - net less impairment loss on investments.

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>31 March 2015</i>	<i>31 December 2014</i>	<i>31 March 2015</i>	<i>31 December 2014</i>	<i>31 March 2015</i>	<i>31 December 2014</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Segment assets	<u>3,401,245</u>	<u>2,981,956</u>	<u>484,481</u>	<u>522,822</u>	<u>3,885,726</u>	<u>3,504,778</u>
Segment liabilities and equity	<u>1,029,310</u>	<u>1,091,548</u>	<u>2,856,416</u>	<u>2,413,230</u>	<u>3,885,726</u>	<u>3,504,778</u>

11 COMMITMENTS AND CONTINGENT LIABILITIES

The Bank has the following credit related contingent liabilities and commitments:

	<i>31 March 2015</i>	<i>31 December 2014</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Guarantees	79,718	79,863
Unutilised committed credit facilities*	15,693	20,954
	<u>95,411</u>	<u>100,817</u>

11 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The Bank has no commitments on account of investments made in securities and limited partnership funds.

* Unutilised committed credit facilities represent a contractual commitment to permit draw downs on a facility within a defined period subject to conditions precedent and termination clauses. Since commitments may expire without being drawn down, and as conditions precedent to draw down have to be fulfilled, the total contract amounts do not necessarily represent exact future cash requirements.

Operating lease commitments:

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Future minimum lease payments		
Within one year	1,709	1,651
After one year but not more than five years	2,672	3,214
Total operating lease expenditure contracted for at the end of the reporting period	<u>4,381</u>	<u>4,865</u>

12 RELATED PARTY TRANSACTIONS

The Bank enters into transactions in the ordinary course of business with related parties, defined as major shareholders, directors, key management personnel and their related companies. All loans and advances to related parties are performing advances and are free of any provision for possible loan losses.

The significant balances outstanding in respect of related parties included in the interim condensed financial statements are as follows:

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
<i>Directors, their related parties and key management personnel:</i>		
Loans and advances	1,377	790
Investments	36,679	61,209
Customers' deposits	987,705	1,024,991
Commitments and contingencies	71,153	74,423

The income and expenses in respect of related parties included in the interim condensed financial statements are as follows:

	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Audited)
<i>Directors, their related parties and key management personnel:</i>		
Interest income	679	378
Interest expenses	6,044	6,491
Other income	403	198
General and administration expenses	1,005	819

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

12 RELATED PARTY TRANSACTIONS (continued)**Compensation of key management personnel:**

	<i>Three months ended</i>	
	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 March 2014 AED'000 (Unaudited)</i>
Salaries and other benefits	<u>2,447</u>	<u>1,802</u>

13 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business the Bank enters into transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. The purpose of derivative financial instruments in the Bank's business is to mitigate the risks arising from default, currency and interest fluctuations and other market variables. The Bank uses forward foreign exchange contracts to mitigate the currency risk on certain investments.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with the notional amounts. The notional amount, recorded gross is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period end and are neither indicative of the market risk nor credit risk.

<i>Positive fair value 31 March 2015 AED'000 (Unaudited)</i>	<i>Negative fair value 31 March 2015 AED'000 (Unaudited)</i>	<i>Notional amount 31 March 2015 AED'000 (Unaudited)</i>	<i>Positive fair value 31 December 2014 AED'000 (Audited)</i>	<i>Negative fair value 31 December 2014 AED'000 (Audited)</i>	<i>Notional amount 31 December 2014 AED'000 (Audited)</i>
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Derivative:

Forward foreign exchange contracts	<u>11,040</u>	<u>6,589</u>	<u>450,213</u>	<u>2,135</u>	<u>1,827</u>	<u>142,894</u>
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Derivative financial instruments include forward foreign exchange contracts. These instruments are entered into for a period of up to five years. The Bank has forty two forward foreign exchange contracts (2014: eleven) outstanding as at 31 March 2015.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank. The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the Bank's market risk.

Derivative product type**Forwards**

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in over-the-counter markets.

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)***Fair value***

The derivatives are recorded at fair value by using the published price quotations in an active market or counterparty prices or valuation techniques using a valuation model that has been tested against the prices of actual market transactions and the Bank's best estimate of the most appropriate model inputs.

Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Bank. With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honours its obligation, but the counterparty fails to deliver the counter value.

The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

The following table shows an analysis of derivative financial instruments recorded at fair value by level of the fair value hierarchy.

31 March 2015

	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
<i>Financial assets</i>				
Forward foreign exchange contracts	-	11,040	-	11,040
<i>Financial liabilities</i>				
Forward foreign exchange contracts	-	6,589	-	6,589

31 December 2014

	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
<i>Financial assets</i>				
Forward foreign exchange contracts	-	2,135	-	2,135
<i>Financial liabilities</i>				
Forward foreign exchange contracts	-	1,827	-	1,827

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

14 DIVIDENDS

On 18 March 2015, the shareholders have approved in the annual general meeting a scrip dividend at 7.692% of the paid up capital amounting to AED 5,000 thousand (2014: a scrip dividend of 8.333% amounting to AED 5,000 thousand for the year ended 31 December 2014). The scrip dividend was issued on 29 March 2015.

15 FIDUCIARY ASSETS

	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>
Balance of fiduciary assets	<u>4,029,277</u>	<u>4,214,543</u>

The Bank manages investments on behalf of its customers. These investments are held by the Bank in a fiduciary capacity and are, accordingly, not included in these financial statements as assets of the Bank.