In the Name of Allah
The most Gracious and Merciful



Emirates Islamic Bank
(Public Joint Stock Company)

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Condensed Consolidated Interim Financial Statements(un-audited)

For the three month period ended 31st March 2014

Emirates Islamic Bank (PJSC)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three month period ended 31st March 2014

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF EMIRATES ISLAMIC BANK PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Emirates Islamic Bank PJSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated interim statement of financial position as at 31 March 2014 and the related consolidated interim statements of income and comprehensive income, cash flows and changes in equity for the three 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 International Financial Reporting Standard 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

23 April 2014
Dubai, United Arab Emirates

A member firm of Ernst & Young Global Limited

Emirates Islamic Bank (PJSC)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	Unaudited 31 March 2014 AED'000	Audited 31 December 2013 AED'000
ASSETS			
Cash and balances with UAE Central Bank		3,391,384	3,058,691
Due from banks	3	10,707,417	10,851,567
Financing and investing receivables	4	22,392,679	21,683,210
Investments	5	2,299,971	1,975,011
Investment properties	6	1,129,458	1,137,656
Customer acceptances		545,657	461,567
Prepayments and other assets		613,005	495,061
Property and equipment		106,640	106,203
TOTAL ASSETS		**41,186,211**	**39,768,966**
LIABILITIES			
Customers' accounts	7	29,631,116	28,892,862
Due to banks	8	767,571	312,736
Sukuk payable	9	3,673,000	3,673,000
Customer acceptances		545,658	461,567
Other liabilities		1,237,222	1,182,137
Zakat payable		-	7,287
Investment wakala	10	1,081,872	1,081,872
TOTAL LIABILITIES		**36,936,439**	**35,611,461**
SHAREHOLDERS' EQUITY			
Share capital	11	3,930,422	3,930,422
Statutory reserve		228,936	228,936
General reserve		134,715	134,715
Fair value reserve		11,488	13,188
Accumulated losses		(55,789)	(149,756)
TOTAL EQUITY		**4,249,772**	**4,157,505**
TOTAL LIABILITES AND EQUITY		**41,186,211**	**39,768,966**
CONTINGENTCIES AND COMMITMENTS		**7,412,929**	**6,648,928**

Chairman **Chief Executive Officer**

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' review report is set out on page 1.

Emirates Islamic Bank (PJSC)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME (UN-AUDITED)

For the three month period ended 31st March 2014

	Note	For the three months period ended 31 March 2014 AED'000	2013 AED'000
INCOME			
Income from financing activities		312,948	275,163
Income from investment securities		18,445	19,012
Income from Group Holding Company		81,769	83,402
Property related income		12,269	801
Commission and fee income		75,607	58,874
Other operating income		11,031	5,694
TOTAL INCOME		**512,069**	**442,946**
EXPENSES			
General and administrative expenses		(180,477)	(135,543)
TOTAL EXPENSES		**(180,477)**	**(135,543)**
NET OPERATING PROFIT BEFORE ALLOWANCES FOR IMPAIRMENT AND DISTRIBUTIONS		**331,592**	**307,403**
Allowances for impairment, net of recoveries		(145,935)	(162,251)
NET OPERATING PROFIT		**185,657**	**145,152**
Customers' share of profit and distribution to sukuk holders		(91,690)	(111,915)
NET PROFIT FOR THE PERIOD		**93,967**	**33,237**
Attributable to:			
Equity holders of the Bank		93,967	33,264
Non-controlling interest		-	(27)
NET PROFIT FOR THE PERIOD		**93,967**	**33,237**
Earning per share (Dirham)	12	0.024	0.012

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements.

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Emirates Islamic Bank (PJSC)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the three month period ended 31st March 2014

	For the three months period ended 31 March	
	2014	**2013**
	AED'000	**AED'000**
NET PROFIT FOR THE PERIOD	**93,967**	**33,237**
Cumulative changes in fair value of AFS investment		
- Net change in fair value	(1,700)	(9,813)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**92,267**	**23,424**
Attributable to:		
Equity holders of the Bank	92,267	23,451
Non-controlling interest	-	(27)
	92,267	**23,424**

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Emirates Islamic Bank (PJSC)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the three month period ended 31st March 2014

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK						Non-controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Fair value reserve	Accumulated losses	Total		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
As at 1 January 2013	2,430,422	214,987	120,766	66,632	(254,059)	2,578,748	43,276	2,622,024
Issue of right shares	1,500,000	-	-	-	-	1,500,000	-	1,500,000
Net profit for the period	-	-	-	-	33,264	33,264	(27)	33,237
Other comprehensive (loss) for the period	-	-	-	(9,813)	-	(9,813)	-	(9,813)
As at 31 March 2013	**3,930,422**	**214,987**	**120,766**	**56,819**	**(220,795)**	**4,102,199**	**43,249**	**4,145,448**
As at 1 January 2014	3,930,422	228,936	134,715	13,188	(149,756)	4,157,505	-	4,157,505
Net profit for the period	-	-	-	-	93,967	93,967	-	93,967
Other comprehensive (loss) for the period	-	-	-	(1,700)	-	(1,700)	-	(1,700)
As at 31 March 2014	**3,930,422**	**228,936**	**134,715**	**11,488**	**(55,789)**	**4,249,772**	**-**	4,249,772

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' review report is set out on page 1.

Emirates Islamic Bank (PJSC)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the three month period ended 31st March 2014

		For the three months period ended 31 March	
		2014	2013
OPERATING ACTIVITIES	Note	**AED'000**	**AED'000**
Net profit for the period		93,967	33,237
Adjustments:			
Allowances for impairment on financing receivables		80,655	136,751
Allowances for impairment on investments		65,280	25,500
Dividend income		(6,178)	-
Loss on sale of Available for Sale investments		161	-
Gain on sale of investment properties		(8,086)	-
Unrealised gain on fair value of investment securities through profit and loss		(3,989)	(2,537)
Depreciation on investment properties		7,171	7,171
Depreciation on fixed assets		6,383	4,678
Operating profit before changes in operating assets and liabilities		**235,364**	**204,800**
Changes in reserves with UAE Central Bank		(322,916)	(26,622)
Changes in due from banks		(348,808)	2,784,979
Changes in financing receivables		(790,124)	(1,034,656)
Changes in prepayments and other assets		(114,885)	(127,271)
Changes in customers' accounts		738,254	(382,212)
Changes in due to banks		480,423	(2,769,581)
Changes in other liabilities		55,086	(48,562)
Zakat paid		(7,287)	(3,291)
Net cash used in operating activities		**(74,893)**	**(1,402,416)**
INVESTING ACTIVITIES			
Changes in investment securities		(388,112)	(71,427)
Dividend income received		3,119	-
Proceeds from sale of investment properties		23,313	-
Changes in investment properties		(14,200)	(12,658)
Changes in fixed assets		(6,820)	(4,800)
Net cash used in investing activities		**(382,700)**	**(88,885)**
FINANCING ACTIVITIES			
Issue of right shares		-	1,500,000
Net cash generated from financing activities		**-**	**1,500,000**
Net change in cash and cash equivalents		**(457,593)**	**8,699**
Cash and cash equivalents at the beginning of the period		4,625,598	1,602,560
Cash and cash equivalents at the end of the period	13	**4,168,005**	**1,611,259**

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' review report is set out on page 1.

1 LEGAL STATUS AND ACTIVITIES

Emirates Islamic Bank, formerly Middle East Bank, (the "Bank") was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with limited liability in the Emirate of Dubai on 3rd of October 1975. The Bank was re-registered as a Public Joint Stock Company in July 1995 and is regulated by the Central Bank of the United Arab Emirates.

At an extraordinary general meeting held on 10th of March 2004, a resolution was passed to transform the Bank's activities to be in full compliance with Islamic Sharia'. The entire process was completed on 9th of October 2004 (the "Transformation Date") when the Bank obtained the UAE Central Bank and other UAE authorities' approvals.

The Bank is a subsidiary of Emirates NBD PJSC, Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai, an entity in which the Government of Dubai is the major shareholder. The Bank is listed on the Dubai Financial Market.

In addition to its head office in Dubai, the Bank operates through 50 branches in the UAE. The Financial Statements combine the activities of the Bank's head office and its branches and the following subsidiary (together referred as "the Group").

	Date of incorporation &country	**Principal activity**	**Ownership %**
Emirates Islamic Financial Brokerage Co. LLC	26 April 2006, UAE	Financial brokerage services	100%

The Bank provides full commercial and banking services and offers a variety of products through Islamic financing and investing instruments in accordance with Islamic Sharia'.

The Bank's registered office address is P.O. Box 6564, Dubai, United Arab Emirates.

2 BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. They do not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2013. In addition, results for the three month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 23rd April 2014.

2 BASIS OF PREPARATION *(continued)*

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for the following which are measured at fair value:

- Financial assets at fair value through profit or loss; and
- Financial assets available for sale.

The condensed consolidated interim financial statements are presented in United Arab Emirates Dirham (AED), which is the Group's functional currency. Except where indicated, financial information presented in AED has been rounded to the nearest thousand.

c) Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its most recent audited consolidated financial statements for the year ended 31 December 2013.The adoption of new and amended IFRS and IFRIC interpretations with effect from 1 Jan 2014 has had no effect on the condensed consolidated interim financial statements of the Group.

d) Judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the management to use certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired financing receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

e) Financial risk management

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

3 DUE FROM BANKS

	Unaudited 31 March 2014 AED'000	Audited 31 December 2013 AED'000
Due from local banks		
Current accounts	23	24
Murabaha accounts	8,317,942	8,210,859
Deposit exchange (profit free)	13,596	-
Receivables from Dubai Bank	2,294,927	2,415,665
Other balances with parent company & subsidairies	-	121,862
	10,626,488	**10,748,410**
Due from foreign banks		
Current accounts	80,929	103,157
	10,707,417	**10,851,567**

4 FINANCING AND INVESTING RECEIVABLES

	Unaudited 31 March 2014 AED'000	Audited 31 December 2013 AED'000
Murabaha	14,835,012	13,858,119
Ijarah	9,599,032	9,417,915
Istisna'a	1,165,579	1,252,003
Financing wakala	857,617	855,658
Musharaka	12,152	133,384
Mudarabah	202,841	192,072
Secured overdrafts	197,083	224,552
Credit card receivables	984,539	988,558
	27,853,855	26,922,261
Less: Deferred income	(2,352,228)	(2,210,170)
Less: Allowances for impairment	(3,108,948)	(3,028,881)
	22,392,679	**21,683,210**
Total of impaired financing receivables	**4,037,698**	**4,077,849**

4 FINANCING AND INVESTING RECEIVABLES (continued)

	Unaudited 31 March 2014 AED'000	Audited 31 December 2013 AED'000
Analysis by Economic Activity		
Agriculture and related activities	9,488	7,560
Manufacturing	471,958	436,590
Construction	506,632	420,778
Trade	1,440,515	1,436,855
Transportation and communication	258,782	255,103
Sovereign	397,448	411,643
Services	1,601,476	1,485,240
Personal	16,928,017	15,821,629
Real estates	4,431,613	4,669,135
Financial institutions	1,024,243	1,022,649
Others	386,235	955,079
	27,456,407	26,922,261
Less: Deferred income	(2,352,228)	(2,210,170)
Less: Allowances for impairment	(3,108,948)	(3,028,881)
	21,995,231	**21,683,210**
Movements in allowances for specific impairment:		
Balance at the beginning of the period/year	2,407,019	1,860,821
Allowances for impairment made during the period/year	107,843	676,262
Recoveries/write backs during the period/year	(36,141)	(135,614)
Transfer from Dubai Bank PJSC	-	16,841
Write off	(588)	(11,291)
Balance at the end of the period/year	**2,478,133**	**2,407,019**
Movements in allowances for collective impairment:		
Balance at the beginning of the period/year	621,862	607,539
Allowances for impairment made during the period/year	8,953	14,323
Balance at the end of the period/year	**630,815**	**621,862**
	3,108,948	**3,028,881**

5 INVESTMENTS

	Unaudited 31 March 2014 AED'000	Audited 31 December 2013 AED'000
Fair value through profit or loss		
Equity shares	64,286	60,297
	64,286	60,297
Available-for-sale		
Equity shares	707,570	705,705
Funds	807,871	810,634
Sukuks	863,981	476,213
	2,379,422	1,992,552
Held-to-maturity		
Sukuks	327,328	327,947
	2,771,036	2,380,796
Less: Allowance for impairment	(471,065)	(405,785)
	2,299,971	**1,975,011**
Investment securities comprise:		
Quoted	1,152,002	727,280
Unquoted	1,147,969	1,247,731
	2,299,971	**1,975,011**
Investments located at:		
Investments within UAE	844,669	642,879
Investments outside UAE	1,455,302	1,332,132
	2,299,971	**1,975,011**
Movements in allowances for impairment:		
Balance at the beginning of the period/year	405,785	242,155
Allowances for impairment made during the period/year	65,280	163,630
Balance at the end of the period/year	**471,065**	**405,785**

6 INVESTMENT PROPERTIES

	AED'000	AED'000	AED'000	Unaudited AED'000
31 March 2014	**Land**	**Building**	**Work-in-progress**	**Total**
Cost				
Balance as at 1 January	556,266	840,889	128,683	1,525,838
Addition during the period	663	-	13,537	14,200
Properties sold	(15,227)	-	-	(15,227)
Gross Balance at 31 March	**541,702**	**840,889**	**142,220**	**1,524,811**
Less: Allowances for Impairment	(151,091)	(113,457)	-	(264,548)
Net Balance at 31 March	**390,611**	**727,432**	**142,220**	**1,260,263**
Accumulated Depreciation				
Balance as at 1 January	-	(123,634)	-	(123,634)
Charge during the period	-	(7,171)	-	(7,171)
Balance as at 31 March	**-**	**(130,805)**	**-**	**(130,805)**
Net Book Value at 31 March	**390,611**	**596,627**	**142,220**	**1,129,458**

				Audited
31 December 2013				
Cost				
Balance as at 1 January	662,221	840,889	60,253	1,563,363
Addition during the year	62,444	-	68,430	130,874
Properties disposed in respect of sale of share in a subsidiary	(168,399)	-	-	(168,399)
Gross Balance at 31 March	**556,266**	**840,889**	**128,683**	**1,525,838**
Less: Allowances for Impairment	(235,822)	(113,457)	-	(349,279)
Add: Write off of impairment in respect of share in a subsidiary	84,731	-	-	84,731
Net Balance at 31 March	**405,175**	**727,432**	**128,683**	**1,261,290**
Accumulated Depreciation				
Balance as at 1 January	-	(94,951)	-	(94,951)
Charge during the year	-	(28,683)	-	(28,683)
Balance as at 31 March	**-**	**(123,634)**	**-**	**(123,634)**
Net Book Value at 31 March	**405,175**	**603,798**	**128,683**	**1,137,656**

The fair value of investment properties as of 31st March 2014, based on management's assessment is not materially different from their carrying value.

All investment properties are located within the United Arab Emirates.

7 CUSTOMERS' ACCOUNTS

	Unaudited 31 March 2014 AED'000	Audited 31 December 2013 AED'000
Current accounts	10,596,917	10,011,289
Saving accounts	7,270,815	6,587,312
Investment accounts	5,281,624	5,423,969
Wakala accounts	6,276,271	6,636,087
Margins	205,489	234,205
	29,631,116	**28,892,862**
Customers' accounts are concentrated as follows:		
Resident customer accounts	28,793,242	28,385,141
Non-Resident customer accounts	837,874	507,721
	29,631,116	**28,892,862**

8 DUE TO BANKS

	Unaudited 31 March 2014 AED'000	Audited 31 December 2013 AED'000
Current Accounts	866	4,019
Overdraft with correspondents	20,624	43,059
Investment accounts	72,080	72,080
Deposit exchange (profit free)	-	132,144
Wakala accounts	149,877	61,434
Other balances with parent company & subsidairies	524,124	-
	767,571	**312,736**
Due to banks are concentrated as follows:		
Due to local banks	674,001	266,014
Due to foreign banks	93,570	46,722
	767,571	**312,736**

9 SUKUK PAYABLE

The Bank, through a Sharia'a compliant sukuk financing arrangement, raised two tranches of US Dollar denominated medium term finance amounting to USD 500,000,000 each (AED 1,836,500,000).

The sukuks are listed on the London Stock Exchange. The terms of the arrangement include transfer of certain identified assets (the "Co Owned Assets") of the Bank to a sukuk company, EIB Sukuk Company Limited – (the "Issuer"), a special purpose vehicle formed for the issuance of the sukuk. In substance, the co-owned assets remain in control of the Bank. Accordingly these assets continue to be recognized by the Bank. In case of any default, the Holding Company has provided an undertaking to make good all losses to the sukuk holders. The sukuks will be due for maturity during January 2017 and January 2018 respectively. The assets are in the control of the Bank and shall continue to be serviced by the Bank.

The Issuer will pay the semi-annual distribution amount from returns received in respect of the Co Owned Assets. Such proceeds are expected to be sufficient to cover the semi-annual distribution amount payable to the sukuk holders on the semi-annual distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at the exercise price.

The sukuks carry a fixed profit rate of 4.718% and 4.14% per annum respectively. Such profits are payable on a semi-annual basis.

10 INVESTMENT WAKALA

The Bank received funds, on Wakala basis, aggregating to AED 1,081,872,000 in December 2008 from the Ministry of Finance, Government of UAE, payable after five years (extendable up to seven years), subject to certain conditions as per the Wakala agreement and carries profit rate of 5.25% (2013: 5.25%).

11 SHARE CAPITAL

The Bank has an authorized share capital of AED 5,000,000,000 (2013: 5,000,000,000) and paid up capital of AED 3,930,422,000 (31 December 2013: AED 3,930,422,000).

12 EARNING PER SHARE

The calculation of basic earnings per share is based on net income of AED 93,967,000 (31 March 2013: 33,237,000) for the three month periods ended 31 March 2014 divided by the weighted average number of shares outstanding of 3,930,422,000 (31 March 2013: 2,680,422,000).

The Group has not issued any instruments which would have a dilutive impact on basic earnings per share when exercised.

13 CASH AND CASH EQUIVALENTS

	Unaudited 31 March 2014 AED'000	Audited 31 December 2013 AED'000
Cash in hand	192,425	191,437
Current account with U.A.E Central Bank	344,472	335,683
Murabaha with Central Bank	401,993	401,993
Due from banks	3,250,605	3,743,563
Due to banks	(21,490)	(47,078)
	4,168,005	**4,625,598**

14 RELATED PARTY TRANSACTIONS

The ultimate parent of the Group is the Investment Corporation of Dubai (55.6%), an entity in which the Government of Dubai is the majority shareholder.

Customer accounts and financing to Government related entities other than those that have been individually disclosed amount to 8.05% and 3.18% (31 Dec 2013: 6.81% and 3.96%) of the total customer accounts and financing receivables of the Group respectively.

These entities are independently run business entities, and all the financial dealings with the Group are on an agreed basis.

The Group has also entered into transactions with certain other related parties who are Non-Government related entities. Such transactions were also made on substantially the same terms, including profit rates and collaterals, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Related party transactions are as follows:

	Unaudited For the three months period ended 31 March 2014 AED'000	Unaudited For the three months period ended 31 March 2013 AED'000
Consolidated interim statement of income		
Income from Group Holding Company	81,769	83,402
Key management personnel compensations	(11,374)	(9,488)
Key management personnel compensations - retirements benefits	(106)	(110)

Balances with related parties are as follows:	Unaudited 31 March 2014 AED'000	Audited 31 December 2013 AED'000
Consolidated interim statement of financial position		
Due from Group Holding Company	7,657,537	8,139,143
Due from Ulimtate Parent Company	183,743	183,756
Due to Ultimate Parent Company	(831,241)	(254,629)
Due from Dubai Bank PJSC	2,294,927	2,415,665
Financing receivables - Directors & affiliates	7,069	6,059
Financing receivables - Key management personnel & affiliates	6,644	16,615
Current and Investment accounts - Directors	(2,148)	(379)
Current and Investment accounts - Key management personnal	(17,203)	(14,236)
Investment in Government Related Entites	102,993	85,195

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

No impairment losses have been recorded against balances outstanding during the period/year with key management personnel and their immediate relations.

15 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair Value of assets and liabilities

The table below analyses assets and liabilities measured at fair value on a recurring basis. The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in principal markets for identified assets or liabilities.
- Level 2: valuation using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Unaudited

	Quoted prices in active markets for identical assets Level 1 AED '000	Significant other observable inputs Level 2 AED '000	Significant unobservable inputs Level 3 AED '000	Total Gains/ (losses) AED '000
31-March-2014				
Investment securities				
AVAILABLE-FOR-SALE:				
Investment in Funds	-	-	557,514	**557,514**
Investment in equities	64,080	-	503,329	**567,409**
Debt Securities	863,982	-	-	**863,982**
	928,062	**-**	**1,060,843**	**1,988,905**
DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:				
Investment in equities	64,286	-	-	**64,286**
	64,286	**-**	**-**	**64,286**
GRAND TOTAL	**992,348**	**-**	**1,060,843**	**2,053,191**
31-December-2013				
Investment securities				
AVAILABLE-FOR-SALE:				
Investment in Funds	-	-	606,506	**606,506**
Investment in equities	62,217	-	504,379	**566,596**
Debt Securities	476,213	-	-	**476,213**
	538,430	**-**	**1,110,885**	**1,649,315**
DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:				
Investment in equities	60,296	-	-	**60,296**
	60,296	**-**	**-**	**60,296**
GRAND TOTAL	**598,726**	**-**	**1,110,885**	**1,709,611**

15 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE *(continued)*

Reconciliation of financial assets, classified under level 3	Financial assets held for trading	Available for sale financial assets	Total
	AED '000	AED '000	AED '000
Balance as at 1 January 2014	-	1,110,885	1,110,885
Total gains or losses:	-	-	-
in profit or loss	-	-	-
in other comprehensive income	-	-	-
Purchases	-	-	-
Issues	-	-	-
Settlements	-	(49,879)	(49,879)
Movement due to change in un-observable estimates	-	-	-
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
FX Adjustment	-	(163)	(163)
Balance as at 31 March 2014	**-**	**1,060,843**	**1,060,843**

	AED '000	AED '000	AED '000
Balance as at 1 January 2013	-	1,303,088	1,303,088
Total gains or losses:	-	-	-
in profit or loss	-	-	-
in other comprehensive income	-	-	-
Purchases	-	-	-
Issues	-	-	-
Settlements	-	(192,988)	(192,988)
Movement due to change in un-observable estimates	-	-	-
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
FX Adjustment	-	785	785
Balance as at 31 December 2013	**-**	**1,110,885**	**1,110,885**

16 OPERATING SEGMENT

The Bank's activities comprise the following main business segments:

Corporate and Investment
Within this business segment, the Bank provides to corporate customers a range of products and services and accepts their deposits. This segment also invests in investment securities, Sukuk, Funds and Real Estate.

Retail
Retail segment provides a wide range of products and services to individuals and accepts their deposits.

Treasury
This segment mainly includes Murabaha deals with the Group Holding Company.

16 OPERATING SEGMENT (continued)

	Corporate & Investment		Retail		Treasury		Total	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	For the three months		For the three months		For the three months		For the three months	
	2014	2013	2014	2013	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Consolidated statement of income								
Segment income	135,350	156,502	196,043	144,168	81,769	83,402	413,162	384,072
Inter segment wakala income	(52,280)	(20,012)	50,212	47,357	2,068	(27,345)	-	-
Commission, fees & other Income	58,398	22,065	40,465	37,015	44	(206)	98,907	58,874
Total income	**141,468**	**158,555**	**286,720**	**228,540**	**83,881**	**55,851**	**512,069**	**442,946**
General and administrative expenses	(41,995)	(32,881)	(137,261)	(101,697)	(1,221)	(965)	(180,477)	(135,543)
Total expenses	**(41,995)**	**(32,881)**	**(137,261)**	**(101,697)**	**(1,221)**	**(965)**	**(180,477)**	**(135,543)**
Net operating income	**99,473**	**125,674**	**149,459**	**126,843**	**82,660**	**54,886**	**331,592**	**307,403**
Allowances for impairment, net of recoveries	(120,833)	(124,909)	(25,102)	(37,342)		-	(145,935)	(162,251)
	(21,360)	**765**	**124,357**	**89,501**	**82,660**	**54,886**	**185,657**	**145,152**
Customers' share of profit and distribution to sukuk holders	(5,926)	(26,002)	(30,863)	(45,211)	(54,901)	(40,702)	(91,690)	(111,915)
NET (LOSS)/PROFIT FOR THE PERIOD	**(27,286)**	**(25,237)**	**93,494**	**44,290**	**27,759**	**14,184**	**93,967**	**33,237**

16 OPERATING SEGMENT (continued)

	Corporate & Investment		Retail		Treasury		Total	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	31 March 2014 AED'000	31 December 2013 AED'000	31 March 2014 AED'000	31 December 2013 AED'000	31 March 2014 AED'000	31 December 2013 AED'000	31 March 2014 AED'000	31 December 2013 AED'000
Consolidated statement of financial position								
Assets								
Segment assets	13,013,882	15,238,888	13,353,883	12,434,172	11,646,307	9,365,064	38,014,072	37,038,124
Central Bank Reserve Requirements	1,103,486	851,831	1,349,008	1,277,747	-	-	2,452,494	2,129,578
Unallocated assets	-	-	-	-	-	-	719,645	601,264
Total Assets	**14,117,368**	**16,090,719**	**14,702,891**	**13,711,919**	**11,646,307**	**9,365,064**	**41,186,211**	**39,768,966**
Liabilities								
Segment liabilities	6,557,272	5,305,979	23,645,862	23,798,619	5,597,381	4,948,501	35,800,514	34,053,099
Unallocated liabilities	-	-	-	-	-	-	1,135,925	1,558,362
Total Liabilities	**6,557,272**	**5,305,979**	**23,645,862**	**23,798,619**	**5,597,381**	**4,948,501**	**36,936,439**	**35,611,461**

17 CAPITAL ADEQUACY RATIO

	Unaudited 31 March 2014 AED'000	Audited 31 December 2013 AED'000
TIER I CAPITAL		
Share capital	3,930,422	3,930,422
Statutory reserve	228,936	228,936
General reserve	134,715	134,715
Accumulated losses	(55,789)	(149,756)
Total tier I capital	**4,238,284**	**4,144,317**
TIER II CAPITAL		
Investment Wakala from the Ministry of Finance	432,749	649,123
Portfolio impairment provisions	630,815	621,862
Fair value reserve	11,488	13,188
Total tier II capital	**1,075,052**	**1,284,173**
Tier II eligible capital	**835,326**	**1,048,725**
CAPITAL BASE	**5,073,610**	**5,193,042**
RISK WEIGHTED ASSETS	**32,914,016**	**32,539,172**
CAPITAL ADEQUACY RATIO (BASEL II)	**15.41%**	**15.96%**

18 INTERIM MEASUREMENT

The nature of the Group's business is such that income earned or expenses incurred are in a manner which is not impacted by any forms of seasonality. These condensed consolidated interim financial statements are prepared based on an accrual concept, which requires income and expenses for the period to be recorded as earned or incurred in the same period, not as received or paid throughout the period.