

# **United Arab Bank P.J.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2015 (UNAUDITED)**



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## **Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information**

The Shareholders  
United Arab Bank P.J.S.C.

### *Introduction*

We have reviewed the accompanying 30 June 2015 interim condensed consolidated financial information of United Arab Bank P.J.S.C. (the "Bank") and its subsidiary (collectively referred to as the "Group"), which comprises:

- the interim condensed consolidated statement of financial position as at 30 June 2015;
- the interim condensed consolidated statement of income for the three-month and six-month periods ended 30 June 2015;
- the interim condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2015;
- the interim condensed consolidated statement of changes in equity for the six-month period ended 30 June 2015;
- the interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2015; and
- notes to the interim condensed consolidated financial information.

Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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 condensed consolidated 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 30 June 2015 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited  
Muhammad Tariq  
Registration No: 793  
Date:

14 JUL 2015

United Arab Bank P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2015 (Unaudited)

	<i>Note</i>	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Interest income		<b>314,928</b>	312,364	<b>633,032</b>	600,852
Interest expense		<b>(49,710)</b>	(58,887)	<b>(103,456)</b>	(107,491)
<b>NET INTEREST INCOME</b>		<b>265,218</b>	253,477	<b>529,576</b>	493,361
Net fees and commission income		<b>41,462</b>	30,807	<b>76,859</b>	61,163
Net exchange income arising from dealing in foreign currencies		<b>19,890</b>	22,374	<b>40,761</b>	41,878
Other operating income		<b>17,224</b>	42,836	<b>48,561</b>	79,622
<b>TOTAL OPERATING INCOME</b>		<b>343,794</b>	349,494	<b>695,757</b>	676,024
Provision for credit losses	7	<b>(50,151)</b>	(85,324)	<b>(134,488)</b>	(146,775)
<b>NET OPERATING INCOME</b>		<b>293,643</b>	264,170	<b>561,269</b>	529,249
Personnel expenses		<b>(69,150)</b>	(62,694)	<b>(137,600)</b>	(127,148)
Depreciation on property and equipment		<b>(7,851)</b>	(7,538)	<b>(15,259)</b>	(14,867)
Other operating expenses		<b>(33,701)</b>	(26,891)	<b>(63,982)</b>	(58,888)
<b>TOTAL OPERATING EXPENSES</b>		<b>(110,702)</b>	(97,123)	<b>(216,841)</b>	(200,903)
<b>PROFIT FOR THE PERIOD</b>		<b>182,941</b>	167,047	<b>344,428</b>	328,346
<b>EARNINGS PER SHARE (AED)</b>	4	<b>0.13</b>	0.12	<b>0.25</b>	0.24

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

United Arab Bank P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015 (Unaudited)

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</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>
<b>Profit for the period</b>	<b>182,941</b>	167,047	<b>344,428</b>	328,346
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified to profit or loss</i>				
Net unrealised (loss) / gain on available for sale investments	(25,160)	3,543	(30,352)	26,274
Available for sale investments – reclassified to statement of income	27,018	(6,267)	17,392	(10,549)
Reversal of gain on settlement of cash flow hedges	-	-	-	(2,772)
	<u>1,858</u>	<u>(2,724)</u>	<u>(12,960)</u>	<u>12,953</u>
<b>Total comprehensive income for the period</b>	<b>184,799</b>	164,323	<b>331,468</b>	341,299

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

United Arab Bank P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 (Unaudited)

		<i>30 June 2015 AED'000</i>	<i>Audited 31 December 2014 AED'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
Cash and balances with UAE Central Bank	5	2,002,404	1,810,558
Due from banks	6	1,684,145	1,933,231
Loans and advances	7	18,328,972	17,940,903
Investments	8	2,837,660	2,486,530
Investment properties	9	96,000	110,794
Property and equipment		570,796	409,115
Other assets		1,061,678	1,018,154
<b>TOTAL ASSETS</b>		<b>26,581,655</b>	<b>25,709,285</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
<b>LIABILITIES</b>			
Due to banks		2,047,124	846,914
Customers' deposits		18,240,889	18,718,297
Medium term borrowings		2,019,655	2,019,655
Other liabilities		1,145,444	1,212,758
<b>TOTAL LIABILITIES</b>		<b>23,453,112</b>	<b>22,797,624</b>
<b>SHAREHOLDERS' FUNDS</b>			
Share capital		1,375,033	1,145,861
Special reserve		412,659	412,659
Statutory reserve		495,214	495,214
General reserve		9,311	9,311
Revaluation reserve		732	750
Retained earnings		915,447	914,759
Cumulative changes in fair value		(79,853)	(66,893)
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>3,128,543</b>	<b>2,911,661</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>26,581,655</b>	<b>25,709,285</b>



Paul Trowbridge  
Chief Executive Officer  
14 July 2015

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

# United Arab Bank P.J.S.C.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015 (Unaudited)

	<i>Six months ended 30 June</i>	
	<b>2015</b>	<b>2014</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	<b>344,428</b>	328,346
Items not involving cash flows:		
Depreciation	<b>15,259</b>	14,867
Provision for credit losses	<b>134,488</b>	146,775
Items considered separately:		
Net gain on sale of investments	<b>(19,865)</b>	(20,056)
Fair valuation gain on investment properties	<b>-</b>	(17,748)
Net gain on sale of investment properties	<b>(1,089)</b>	(4,277)
Changes in operating assets and liabilities:		
Loans and advances	<b>(522,557)</b>	(2,724,575)
Due from UAE Central Bank	<b>(161,165)</b>	(181,215)
Due from banks maturing after three months	<b>(201,977)</b>	-
Cash margin held by counterparty banks against borrowings and derivative transactions	<b>(26,894)</b>	(2,572)
Other assets	<b>(43,524)</b>	184,525
Due to banks maturing after three months	<b>811,135</b>	(608,842)
Customers' deposits	<b>(477,408)</b>	3,547,347
Other liabilities	<b>(60,437)</b>	(159,381)
Net cash flows (used in) / from operating activities	<b>(209,606)</b>	503,194
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<b>(176,940)</b>	(202,626)
Purchase of investment properties	<b>-</b>	(2,528)
Purchase of investments	<b>(2,813,550)</b>	(3,199,888)
Proceeds from redemption / sale of investments	<b>2,462,448</b>	2,545,810
Proceeds from sale of investment properties	<b>15,883</b>	12,077
Net cash flows used in investing activities	<b>(512,159)</b>	(847,155)
<b>FINANCING ACTIVITIES</b>		
Medium term borrowings	<b>-</b>	367,210
Dividends paid	<b>(114,586)</b>	(149,460)
Net cash flows (used in) / from financing activities	<b>(114,586)</b>	217,750
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(836,351)</b>	(126,211)
Cash and cash equivalents at 1 January	<b>1,970,311</b>	2,114,896
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>1,133,960</b>	1,988,685
Cash and cash equivalents comprise the following statement of financial position amounts with original maturities of three months or less:		
Cash and balances with UAE Central Bank	<b>591,455</b>	451,570
Due from banks maturing within three months	<b>1,411,284</b>	1,848,623
Due to banks maturing within three months	<b>(868,779)</b>	(311,508)
	<b>1,133,960</b>	1,988,685

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

United Arab Bank P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 (Unaudited)

	<i>Share capital AED'000</i>	<i>Special reserve AED'000</i>	<i>Statutory reserve AED'000</i>	<i>General reserve AED'000</i>	<i>Revaluation reserve AED'000</i>	<i>Retained earnings AED'000</i>	<i>Cumulative changes in fair value AED'000</i>	<i>Total AED'000</i>
At 1 January 2015	1,145,861	412,659	495,214	9,311	750	914,759	(66,893)	2,911,661
Profit for the period	-	-	-	-	-	344,428	-	344,428
Other comprehensive loss for the period	-	-	-	-	-	-	(12,960)	(12,960)
Total comprehensive income for the period	-	-	-	-	-	344,428	(12,960)	331,468
Depreciation transfer for land and buildings	-	-	-	-	(18)	18	-	-
Scrip dividend (note 10)	229,172	-	-	-	-	(229,172)	-	-
Cash dividend (note 10)	-	-	-	-	-	(114,586)	-	(114,586)
<b>At 30 June 2015</b>	<b>1,375,033</b>	<b>412,659</b>	<b>495,214</b>	<b>9,311</b>	<b>732</b>	<b>915,447</b>	<b>(79,853)</b>	<b>3,128,543</b>
At 1 January 2014	996,401	352,118	434,673	9,311	3,409	737,494	(51,875)	2,481,531
Profit for the period	-	-	-	-	-	328,346	-	328,346
Other comprehensive income for the period	-	-	-	-	-	-	12,953	12,953
Total comprehensive income for the period	-	-	-	-	-	328,346	12,953	341,299
Depreciation transfer for land and buildings	-	-	-	-	(26)	26	-	-
Sale of investment properties	-	-	-	-	(2,610)	2,610	-	-
Scrip dividend (note 10)	149,460	-	-	-	-	(149,460)	-	-
Cash dividend (note 10)	-	-	-	-	-	(149,460)	-	(149,460)
<b>At 30 June 2014</b>	<b>1,145,861</b>	<b>352,118</b>	<b>434,673</b>	<b>9,311</b>	<b>773</b>	<b>769,556</b>	<b>(38,922)</b>	<b>2,673,370</b>

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

## 1 INCORPORATION AND ACTIVITIES

United Arab Bank P.J.S.C. (the “Bank”) was incorporated as a public company with limited liability in the Emirate of Sharjah in 1975 by a decree of His Highness The Ruler of Sharjah and has been registered as a public joint stock company under the UAE Commercial Companies Law No. (8) of 1984 (as amended). The Bank’s registered office is located in the Emirate of Sharjah, United Arab Emirates. The address of the registered office is PO Box 25022, Sharjah, United Arab Emirates.

The Bank carries out the business of commercial banking through its offices and branches in the United Arab Emirates. The Bank also carries out Islamic banking operations through Islamic banking windows at selected branches.

The interim condensed consolidated financial statements for the period ended 30 June 2015 comprise the Bank and its subsidiary, Al Sadarah Investment Company (together referred to as the “Group”).

## 2 STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements of the Group are prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements as at 31 December 2014.

### **New standards, interpretations and amendments thereof adopted by the Group**

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31 December 2014 except for the adoption of the new International Financial Reporting Standards (IFRSs) which became effective as of 1 January 2015 and change to the estimated useful lives of property and equipment as follows:

	30 June 2015	30 June 2014
Buildings	Over 25 years	Over 20 years
Motor vehicles	Over 5 years	Over 3 years
Furniture, fixtures and equipment	Over 3 to 8 years	Over 3 to 8 years
Leasehold improvements	Over 12 years	-

The adoption of the new and amended standards and interpretations did not have an impact on the financial position or performance of the Group during the period.

## 3 SIGNIFICANT ACCOUNTING POLICIES

In preparing these interim condensed consolidated financial statements, significant judgments made by the management in applying the Group’s accounting policies and the key sources of estimation were the same as those that were applied to the Group’s consolidated financial statements as at and for the year ended 31 December 2014.

### **Estimates**

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from the estimates.

### **Financial risk management**

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014.

**4 EARNINGS PER SHARE**

Basic earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
Net Profit for the period	<b>AED 344,428,000</b>	AED 328,346,000
<i>Weighted average number of ordinary shares:</i>		
Ordinary shares of AED 1 each at the beginning of the period	<b>1,145,861,472</b>	996,401,280
Effect of scrip dividend of AED 0.15 per share of AED 1 each issued during 2014	-	149,460,192
Effect of scrip dividend of AED 0.20 per share of AED 1 each issued during 2015	<b>229,172,294</b>	229,172,294
Weighted average number of shares of AED 1 each outstanding during the period	<b>1,375,033,766</b>	1,375,033,766
Basic earnings per share	<b>AED 0.25</b>	AED 0.24

Weighted average number of shares outstanding for the period have been adjusted to include the effect of scrip dividends issued in 2014 and 2015 (refer to note 10).

The figures for diluted earnings per share are the same as basic earnings per share as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

**5 CASH AND BALANCES WITH UAE CENTRAL BANK**

	<i>30 June</i>	<i>Audited</i>
	<i>2015</i>	<i>31 December</i>
	<i>AED'000</i>	<i>2014</i>
		<i>AED'000</i>
Cash on hand	<b>131,655</b>	124,190
Balances with UAE Central Bank:		
Clearing accounts	<b>259,800</b>	436,584
Central Bank Certificate of Deposits	<b>250,000</b>	-
Reserve requirements	<b>1,360,949</b>	1,249,784
	<b>2,002,404</b>	1,810,558

The reserve requirements kept with the UAE Central Bank in AED and USD, are not available for use in the Group's day to day operations and cannot be withdrawn without its approval. However, the Central Bank in its Circular 4310/2008 dated 24 September 2008, has temporarily permitted banks to overdraw their current accounts (a) upto the amount of reserves at interest of 3% above the prevailing Central Bank Repo rate, and (b) in excess of reserves at interest of 5% above the prevailing Central Bank Repo rate. The level of reserve required changes every month in accordance with the UAE Central Bank directive.

**6 DUE FROM BANKS**

Due from banks include AED 1,013,281,000 (31 December 2014: AED 1,374,681,000) placed with foreign banks outside the UAE. AED 70,884,000 (31 December 2014: AED 43,990,000) is held as margin for derivative transactions.

**7 LOANS AND ADVANCES**

	<b>30 June 2015 AED'000</b>	<i>Audited</i> 31 December 2014 AED'000
The composition of the loans and advances portfolio is as follows:		
Overdrafts	<b>1,630,548</b>	1,710,574
Loans (medium and short term)	<b>12,843,474</b>	12,281,060
Loans against trust receipts	<b>3,016,030</b>	3,021,368
Bills discounted	<b>1,218,066</b>	1,126,288
Other cash advances	<b>92,042</b>	103,507
Bills drawn under letters of credit	<b>137,386</b>	223,637
	<hr/>	<hr/>
Gross amount of loans and advances	<b>18,937,546</b>	18,466,434
Less: Provision for impairment on loans and advances	<b>(565,398)</b>	(500,843)
Interest in suspense	<b>(43,176)</b>	(24,688)
	<hr/>	<hr/>
Net loans and advances	<b>18,328,972</b>	17,940,903
	<hr/> <hr/>	<hr/> <hr/>

Loans and advances are stated net of interest in suspense and provision for impairment of loans and advances. The movements for interest in suspense and provisions are as follows:

	<b>30 June 2015</b>		<i>Audited</i> 31 December 2014	
	<i>Interest in suspense AED'000</i>	<i>Impairment provisions AED'000</i>	<i>Interest in suspense AED'000</i>	<i>Impairment provisions AED'000</i>
Balance at 1 January	<b>24,688</b>	<b>500,843</b>	24,133	263,802
Suspended / provided during the period / year	<b>19,720</b>	<b>142,095</b>	20,123	388,009
Released during the period / year	<b>(1,232)</b>	<b>(7,607)</b>	(6,948)	(13,934)
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts written off during the period / year	<b>18,488</b>	<b>134,488</b>	13,175	374,075
	<b>-</b>	<b>(69,933)</b>	(12,620)	(137,034)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2015 / 31 December 2014	<b>43,176</b>	<b>565,398</b>	24,688	500,843
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2015, the gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance and on which interest is not being accrued or where interest is suspended amounted to AED 542,272,000 (31 December 2014: AED 472,866,000).

**8 INVESTMENTS**

	30 June 2015			Audited 31 December 2014		
	Quoted AED'000	Unquoted AED'000	Total AED'000	Quoted AED'000	Unquoted AED'000	Total AED'000
<b>Debt:</b>						
<i>Held for trading</i>						
Local	7,510	-	7,510	33,783	-	33,783
	<u>7,510</u>	<u>-</u>	<u>7,510</u>	<u>33,783</u>	<u>-</u>	<u>33,783</u>
<i>Available for sale</i>						
Local	2,512,851	-	2,512,851	2,321,684	-	2,321,684
Overseas	305,300	-	305,300	118,654	-	118,654
	<u>2,818,151</u>	<u>-</u>	<u>2,818,151</u>	<u>2,440,338</u>	<u>-</u>	<u>2,440,338</u>
<b>Total debt securities</b>	<u><b>2,825,661</b></u>	<u><b>-</b></u>	<u><b>2,825,661</b></u>	<u><b>2,474,121</b></u>	<u><b>-</b></u>	<u><b>2,474,121</b></u>
<b>Equity:</b>						
<i>Available for sale</i>						
Overseas	11,923	76	11,999	12,333	76	12,409
	<u>11,923</u>	<u>76</u>	<u>11,999</u>	<u>12,333</u>	<u>76</u>	<u>12,409</u>
<b>Total equities</b>	<u><b>11,923</b></u>	<u><b>76</b></u>	<u><b>11,999</b></u>	<u><b>12,333</b></u>	<u><b>76</b></u>	<u><b>12,409</b></u>
<b>Total investments</b>	<u><b>2,837,584</b></u>	<u><b>76</b></u>	<u><b>2,837,660</b></u>	<u><b>2,486,454</b></u>	<u><b>76</b></u>	<u><b>2,486,530</b></u>

Included in the above are investment securities amounting to AED 637,644,000 (2014: AED 445,000,000) held under repurchase agreements with the lenders.

**9 INVESTMENT PROPERTIES**

Investment properties include land and buildings in the UAE, which have been acquired or transferred from property and equipment either for development in future or for undetermined future use. The Group has obtained fair values for these properties at 31 December 2014 based on open market valuations carried out by independent valuers. Net gain in fair value for the six months ended 30 June 2015 was AED Nil (30 June 2014: AED 17,748,000). During the period ended 30 June 2015, the Group disposed of two investment properties with a combined value of AED 14,794,000 (30 June 2014: one property valued at AED 7,800,000) resulting in a combined net gain on sale of AED 1,089,000 (30 June 2014: AED 4,277,000) which has been included in the consolidated statement of income.

**10 DIVIDENDS**

At the annual general meeting of the shareholders held on 3 March 2015, a cash dividend of AED 0.10 per share of AED 1 each (30 June 2014: AED 0.15 per share of AED 1 each) amounting to AED 114,586,147 relating to the year 2014 (30 June 2014: AED 149,460,192 relating to the year 2013) was approved and paid.

In addition, a scrip dividend of AED 0.20 per share of AED 1 each (30 June 2014: AED 0.15 per share of AED 1 each) amounting to AED 229,172,294 (30 June 2014: AED 149,460,192) was approved and issued.

**11 SEGMENTAL INFORMATION**

**Primary segment information**

For the purposes of reporting to the chief operating decision makers, the Group is organised into three segments:

- Retail banking - principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and funds transfer facilities as well as Islamic banking services;
- Corporate banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Others - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations, Al Sadarah Investment Company, the SME business and head office functions.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged / credited to business segments based on a pool rate which approximates the marginal cost of funds.

Segmental information for the six months ended 30 June 2015 is as follows:

	<i>Retail banking AED'000</i>	<i>Corporate banking AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Interest and other income	229,770	349,631	219,812	799,213
Interest and other expense	(110,982)	(138,568)	(55,488)	(305,038)
Impairment losses on loans and advances	(57,959)	(53,120)	(23,409)	(134,488)
Depreciation	(6,164)	(6,281)	(2,814)	(15,259)
Profit for the period	<u>54,665</u>	<u>151,662</u>	<u>138,101</u>	<u>344,428</u>
Capital expenditure - Property and equipment	<u>58,390</u>	<u>97,317</u>	<u>21,233</u>	<u>176,940</u>
At 30 June 2015				
Segment assets	<u>5,551,792</u>	<u>12,666,313</u>	<u>8,363,550</u>	<u>26,581,655</u>
Segment liabilities	<u>5,346,456</u>	<u>11,708,848</u>	<u>6,397,808</u>	<u>23,453,112</u>

**11 SEGMENTAL INFORMATION (continued)**

Segmental information for the six months ended 30 June 2014 was as follows:

	<i>Retail banking AED '000</i>	<i>Corporate banking AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
Interest and other income	224,504	371,754	187,257	783,515
Interest and other expense	(87,329)	(119,572)	(86,626)	(293,527)
Impairment losses on loans and advances	(61,533)	(71,667)	(13,575)	(146,775)
Depreciation	(3,705)	(9,862)	(1,300)	(14,867)
Profit for the period	<u>71,937</u>	<u>170,653</u>	<u>85,756</u>	<u>328,346</u>
Capital expenditure - Property and equipment	<u>58,690</u>	<u>121,576</u>	<u>22,360</u>	<u>202,626</u>
At 31 December 2014				
Segment assets	<u>5,314,360</u>	<u>12,555,618</u>	<u>7,839,307</u>	<u>25,709,285</u>
Segment liabilities	<u>5,440,063</u>	<u>11,814,205</u>	<u>5,543,356</u>	<u>22,797,624</u>

**Secondary segment information**

The Group operates in only one geographic area, the Middle East. Accordingly, no further geographical analysis of operating income, net profit and net assets is given.

**12 COMMITMENTS AND CONTINGENT LIABILITIES**

The Group has the following credit related commitments:

	<i>30 June 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
<i>Contingent liabilities</i>		
Letters of Credit	<b>665,017</b>	777,624
Guarantees	<b>3,153,398</b>	3,225,904
	<u><b>3,818,415</b></u>	<u>4,003,528</u>
<i>Commitments</i>		
Undrawn loan commitments	<u><b>2,769,459</b></u>	<u>2,667,483</u>

**13 RELATED PARTY TRANSACTIONS**

The Group carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Group, Directors of the Group, key management personnel of the Group and companies over which such shareholders and Directors exercise control or significant influence either directly or indirectly.

The significant balances outstanding are as follows:

	<i>30 June 2015 AED'000</i>	<i>Audited 31 December 2014 AED'000</i>
<i>Shareholders, directors, their related entities and key management personnel</i>		
Due from banks	<b>65,333</b>	69,101
Due to banks	<b>276,708</b>	3,575
Medium term borrowings	<b>141,695</b>	141,695
Loans and advances	<b>237,886</b>	426,063
Customers' deposits	<b>362,971</b>	281,691
Investments	<b>11,639</b>	12,024
Commitments and contingencies	<b>306,971</b>	342,564
Accrued interest income	<b>384</b>	1,350
Accrued interest expense	<b>720</b>	895

For the six months ended 30 June 2015, the Group has not recorded any impairment on amounts owed by related parties (30 June 2014: AED Nil).

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

	<i>Six months ended 30 June</i>	
	<i>2015 AED'000</i>	<i>2014 AED'000</i>
<i>Shareholders, directors, their related entities and key management personnel</i>		
Interest income	<b>6,062</b>	8,100
Interest expense	<b>1,650</b>	2,751
<b>Compensation of key management personnel is as follows:</b>		
Salaries and other benefits	<b>15,654</b>	12,861
Number of key management personnel	<b>23</b>	25

**13 RELATED PARTY TRANSACTIONS (continued)**

The Group has leased office space in various premises owned by a related party. The property rentals and associated expenses for the six months ended 30 June 2015 amounted to AED 1,173,000 (30 June 2014: AED 1,132,000). The property rentals are negotiated each year at market rates.

**14 FAIR VALUES OF FINANCIAL INSTRUMENTS**

The Group 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 have a significant effect on the recorded fair value that are observable, either directly or indirectly; and

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

**Financial instruments and assets recorded at fair value**

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

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>30 June 2015</b>				
Investments	2,837,584	-	76	2,837,660
Derivative assets	-	12,140	-	12,140
Investment properties	-	96,000	-	96,000
	<u>2,837,584</u>	<u>108,140</u>	<u>76</u>	<u>2,945,800</u>
Derivative liabilities	-	36,572	-	36,572
<b>31 December 2014</b>				
Investments	2,486,454	-	76	2,486,530
Derivative assets	-	37,241	-	37,241
Investment properties	-	110,794	-	110,794
	<u>2,486,454</u>	<u>148,035</u>	<u>76</u>	<u>2,634,565</u>
Derivative liabilities	-	65,429	-	65,429

There were no movements in assets categorised as level 3 during the six months ended on 30 June 2015 (31 December 2014: Nil).

**Financial instruments not recorded at fair value**

The fair values of financial instruments not recorded at fair value includes cash and balances with UAE Central Bank, due from banks, loans and advances, other assets (excluding prepayments), due to banks, customers' deposits and other liabilities that are categorised as level two based on market observable inputs. The fair values of financial instruments not recorded at fair are not materially different to their carrying values.

**15 ACCOUNTING CLASSIFICATION AND FAIR VALUES**

All assets and liabilities of the Group are classified and measured at amortised cost except available for sale investments which are fair valued through other comprehensive income and held for trading investments, derivatives and investment properties which are fair valued through the consolidated statement of income.