

Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements
30 September 2015

Commercial Bank of Dubai PSC

Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2015

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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 September 2015 and the related consolidated interim statements of income and comprehensive income for the three month and nine month periods then ended and consolidated interim statements of cash flows and changes in equity for the nine 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



Signed by:

Joseph Murphy

Partner

Registration No. 492

28 October 2015

Dubai, United Arab Emirates

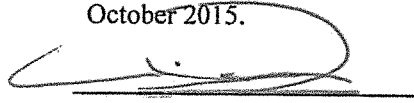
Commercial Bank of Dubai PSC

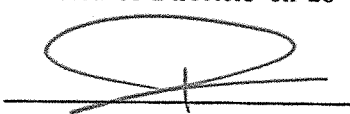
Consolidated interim statement of financial position

As at 30 September 2015

	Notes	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited	30 September 2014 AED'000 (Unaudited)
ASSETS				
Cash and balances with Central Bank	5	4,942,333	5,450,145	5,646,472
Due from banks	6	984,852	1,872,327	2,045,066
Loans and advances and Islamic financing, net	7	38,988,749	31,821,502	31,263,473
Investment securities	8	6,004,289	5,587,998	5,303,302
Investment in an associate		81,202	84,590	86,090
Investment properties		336,547	249,991	252,408
Property and equipment		333,496	323,852	322,866
Other assets		1,642,301	1,488,150	1,579,286
Total assets		53,313,769	46,878,555	46,498,963
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		1,697,274	1,097,926	1,253,801
Customers' deposits and Islamic customers' deposits	9	37,409,632	32,161,339	31,768,737
Notes and medium term borrowings	10	4,027,377	4,021,998	4,020,187
Other liabilities		2,064,469	1,786,879	1,901,364
Total liabilities		45,198,752	39,068,142	38,944,089
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		30,809	69,808	126,416
Reserve for proposed bonus issue		-	560,547	-
Proposed cash dividend		-	560,547	-
Proposed directors' remuneration		-	10,540	-
Retained earnings		2,741,246	1,826,556	2,667,820
Total equity		8,115,017	7,810,413	7,554,874
Total liabilities and equity		53,313,769	46,878,555	46,498,963

The condensed consolidated interim financial statements were approved by the Board of Directors on 28th October 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 nine-month period ended 30 September 2015

	Notes	Nine-month period ended		Three-month period ended	
		30 September 2015 AED'000 (Unaudited)	30 September 2014 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)	30 September 2014 AED'000 (Unaudited)
Interest income and income from Islamic financing		1,432,876	1,340,277	501,215	472,192
Interest expense and distributions to Islamic depositors		(211,389)	(184,703)	(82,146)	(57,782)
Net interest income and net income from Islamic financing		1,221,487	1,155,574	419,069	414,410
Net fees and commission income		381,539	278,950	137,541	97,214
Net gains from foreign exchange and derivatives		85,112	86,606	18,952	30,823
Net gains from investments at fair value through profit or loss - held for trading		1,242	2,746	621	1,042
Net gains from sale of available-for-sale investments		44,849	51,144	19	16,128
Dividend and other investment income		6,067	4,682	637	519
Share of profit of an associate		3,914	19,018	693	1,994
Other income		24,792	24,657	8,811	8,878
Total operating income before provisions		1,769,002	1,623,377	586,343	571,008
Impairment allowances on loans and advances and Islamic financing	7	(289,741)	(265,966)	(81,213)	(106,893)
Recoveries		63,985	56,355	9,905	34,004
Net operating income		1,543,246	1,413,766	515,035	498,119
General and administrative expenses		(590,316)	(489,813)	(196,595)	(177,506)
Depreciation and amortization		(37,591)	(33,845)	(12,915)	(11,592)
Total operating expenses		(627,907)	(523,658)	(209,510)	(189,098)
Net profit for the period		915,339	890,108	305,525	309,021
Basic and diluted earnings per share	12	AED 0.33	AED 0.32	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 nine-month period ended 30 September 2015

	Nine-month period ended		Three-month period ended	
	30 September 2015 AED'000 (Unaudited)	30 September 2014 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)	30 September 2014 AED'000 (Unaudited)
Net profit for the period	915,339	890,108	305,525	309,021
Other comprehensive income*:				
Changes in fair value of effective portion of cash flow hedge	(87)	(202)	1,398	226
Changes in available-for-sale investments:				
Realised gains on sale of available-for- sale investments	(44,849)	(51,144)	(19)	(16,128)
Share of other comprehensive income of associate	-	352	-	-
Revaluation of available-for-sale investments	5,937	122,698	(39,915)	26,558
Net change in available-for-sale investments	(38,912)	71,906	(39,934)	10,430
Other comprehensive (loss) / income for the period	(38,999)	71,704	(38,536)	10,656
Total comprehensive income for the period	876,340	961,812	266,989	319,677

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

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

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Commercial Bank of Dubai PSC
Consolidated interim statement of changes in equity
For the nine-month period ended 30 September 2015

	Share capital	Legal reserve	Capital reserve	General reserve	Cumulative changes in fair values of AFS investments and cash flow hedge instruments	Retained earnings	Proposed distributions	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<i>At 1 January 2014</i>	2,038,352	1,379,813	38,638	1,100,000	54,712	1,778,533	826,341	7,216,389
<i>Transactions with owners, recorded directly in equity</i>								
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)
<i>Comprehensive income</i>								
Net profit for the period	-	-	-	-	-	890,108	-	890,108
Other comprehensive income for the period	-	-	-	-	71,704	-	-	71,704
Total comprehensive income	-	-	-	-	71,704	890,108	-	961,812
At 30 September 2014 (Unaudited)	2,242,187	1,379,813	38,638	1,100,000	126,416	2,667,820	-	7,554,874
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
<i>Transactions with owners, recorded directly in equity</i>								
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)
<i>Comprehensive income</i>								
Net profit for the period	-	-	-	-	-	915,339	-	915,339
Other comprehensive loss for the period	-	-	-	-	(38,999)	-	-	(38,999)
Total comprehensive income	-	-	-	-	(38,999)	915,339	-	876,340
At 30 September 2015 (Unaudited)	2,802,734	1,380,495	38,638	1,121,095	30,809	2,741,246	-	8,115,017

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 nine-month period ended 30 September 2015

	30 September 2015 AED'000 (Unaudited)	30 September 2014 AED'000 (Unaudited)
OPERATING ACTIVITIES		
Profit for the period	915,339	890,108
Adjustments for:		
Depreciation and amortization	37,591	33,845
Loss /(gain) on disposal of property and equipment	3	(39)
Dividend income	(6,067)	(4,682)
Amortization of premium / discount on investments	39,480	44,713
Decrease / (increase) in investment in associate	3,388	(12,875)
Net unrealized loss on investments at fair value through profit or loss - held for trading net of forex translation	3,303	3,071
Realized gains on sale of investments	(45,953)	(52,957)
Net unrealized (income) / loss on derivatives	(1,103)	2,338
Amortization of medium term borrowings	5,379	5,381
	-----	-----
	951,360	908,903
Increase in statutory reserve with the Central Bank	(185,313)	(339,484)
Increase in negotiable Central Bank certificate of deposits with original maturity of more than three months	(500,000)	-
Increase in due from banks with original maturity of more than three months	(61,794)	(73,460)
Increase in loans and advances and Islamic financing	(7,167,247)	(1,141,095)
(Increase) / decrease in other assets	(317,706)	6,602
Increase in customers' deposits and Islamic customers' deposits	5,248,293	826,057
Increase in other liabilities	351,240	63,451
Increase in due to banks with original maturity of more than three months	509,313	-
Directors' remuneration paid	(10,540)	(11,000)
Share of Directors' remuneration of associate	(649)	(821)
	-----	-----
Net cash flows (used in) / from operating activities	(1,183,043)	239,153
INVESTING ACTIVITIES		
Purchase of investments	(2,191,789)	(2,624,200)
Purchase of property and equipment	(40,931)	(40,468)
Increase in investment properties	(2,505)	(102)
Dividend income	6,067	4,682
Proceeds from sale of investments	1,739,756	1,626,277
Proceeds from sale of property and equipment	563	12,616
	-----	-----
Net cash flows used in investing activities	(488,839)	(1,021,195)
	-----	-----
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	(2,232,429)	(1,393,548)
Cash and cash equivalents at 1 January	3,462,213	5,169,019
	-----	-----
Cash and cash equivalents at the end of the period	1,229,784	3,775,471
	=====	=====

During the current period, property with a carrying value of AED 91 million 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.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements

For the nine-month period ended 30 September 2015

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 nine-month period ended 30 September 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 September 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 International Financial Reporting Standards (“IFRS”) IAS 34 Interim Financial Reporting. 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 as at and for the year ended 31 December 2014. In addition, results for the nine months ended 30 September 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 as at and for the year ended 31 December 2014.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES

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

5. CASH AND BALANCES WITH CENTRAL BANK

	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Cash on hand	435,454	445,682
Balances with Central Bank		
-Clearing account balances	816,248	99,145
-Statutory reserves	2,590,631	2,405,318
-Negotiable certificates of deposit	1,100,000	2,500,000
	----- 4,942,333 =====	----- 5,450,145 =====

All the above balances are held in accounts within UAE.

6. DUE FROM BANKS

	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Current and demand deposits	103,774	187,897
Placements	512,269	1,377,415
Loans to banks	368,809	307,015
	----- 984,852 =====	----- 1,872,327 =====

The geographical concentration is as follows:

Within the U.A.E.	191,668	889,718
Outside the U.A.E	793,184	982,609
	----- 984,852 =====	----- 1,872,327 =====

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2015

7. LOANS AND ADVANCES AND ISLAMIC FINANCING

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

	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Loans and advances		
Overdrafts	5,279,843	5,241,049
Loans	31,189,443	25,488,563
Advances against letters of credit and trust receipts	1,303,539	885,449
Bills discounted	667,847	881,213
	-----	-----
Gross loans and advances	38,440,672	32,496,274
	-----	-----
Islamic financing		
Murabaha	1,475,022	828,832
Ijara	1,543,840	1,434,813
Musharaka	19,687	-
Others	208,621	98,524
	-----	-----
Gross Islamic financing	3,247,170	2,362,169
	-----	-----
Gross loans and advances and Islamic financing	41,687,842	34,858,443
	-----	-----
Less: provision for impairment losses	(2,699,093)	(3,036,941)
	-----	-----
Net loans and advances and Islamic financing	38,988,749	31,821,502
	=====	=====

During the nine month period ended 30 September 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 period.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2015

7. LOANS AND ADVANCES AND ISLAMIC FINANCING (CONTINUED)

Analysis by sector	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Commercial and business:-		
Manufacturing	1,367,088	1,155,848
Construction	1,774,720	1,537,185
Real estate	3,841,995	3,102,825
Trade	7,583,434	7,537,430
Services	5,445,278	4,815,229
Business and investment	9,320,151	8,227,527
	-----	-----
Total commercial and business	29,332,666	26,376,044
Financial institutions	1,143,836	336,787
Government and public sector	5,286,269	3,614,228
Personal – mortgage	2,243,019	1,664,463
Personal – schematic	2,641,173	2,233,956
Others	1,040,879	632,965
	-----	-----
Gross loans and advances and Islamic financing	41,687,842	34,858,443
	-----	-----
Less: Provisions for impairment losses	(2,699,093)	(3,036,941)
	-----	-----
Net loans and advances and Islamic financing	38,988,749	31,821,502
	=====	=====

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
Opening balance 1 January 2015	497,642	2,014,080	525,219	3,036,941
Interest not recognized / new provisions raised	133,902	200,371	89,370	423,643
Less:				
Written-off	(172,237)	(476,067)	-	(648,304)
Recoveries /reversal to income	(54,577)	(58,610)	-	(113,187)
Closing Balance 30 September 2015 (Unaudited)	404,730	1,679,774	614,589	2,699,093

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)
For the nine-month period ended 30 September 2015

7. LOANS AND ADVANCES AND ISLAMIC FINANCING (CONTINUED)

	Interest suspended AED'000	Specific provisions AED'000	Collective provisions AED'000	Total AED'000
Opening balance 1 January 2014	478,482	1,877,746	473,995	2,830,223
Interest not recognized / new provisions raised	156,790	232,742	33,224	422,756
Less:				
Written-off	(13,650)	(33,419)	-	(47,069)
Recoveries /reversal to income	(79,418)	(56,355)	-	(135,773)
Closing Balance 30 September 2014 (Unaudited)	542,204	2,020,714	507,219	3,070,137

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)
For the nine-month period ended 30 September 2015

8. INVESTMENT SECURITIES

30 September 2015 (Unaudited)	Domestic AED'000	GCC AED'000	International AED'000	Total AED'000
Held for trading				
Equities	2	-	535	537
Fixed rate securities				
- Government	10,509	7,148	-	17,657
- Others	4,222	1,797	768	6,787
Available-for-sale				
Equities	159,015	-	-	159,015
Fund of funds	15,240	22,253	221,327	258,820
Fixed rate securities				
- Government	1,906,308	325,349	45,632	2,277,289
- Others	1,611,687	648,085	552,213	2,811,985
Floating rate non-government securities	333,850	74,243	64,106	472,199
Total investment securities	4,040,833	1,078,875	884,581	6,004,289
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

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)
For the nine-month period ended 30 September 2015

9. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

Customers' deposits	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Current and demand accounts	14,470,643	13,085,481
Savings accounts	1,398,136	1,411,014
Time deposits	15,080,926	10,880,955
	----- 30,949,705	----- 25,377,450
Islamic customers' deposits		
Current and demand accounts	1,104,410	955,337
Mudaraba saving	563,042	467,467
Investment deposits and Wakala	4,792,475	5,361,085
	----- 6,459,927	----- 6,783,889
Total customers' deposits and Islamic customers' deposits	----- 37,409,632	----- 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 183.4 million (AED 673.6 million) as at 30 September 2015.

Euro medium term notes

In 2013 CBD has 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.

Commercial Bank of Dubai PSC

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2015

11. EQUITY

Share capital

The issued and fully paid up ordinary share capital as at 30 September 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 nine month period ended 30 September 2015 (Unaudited)	For the year ended 31 December 2014 Audited	For the nine month period ended 30 September 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 profit for the nine and three month period ended 30 September 2015 attributable to the shareholders of the parent amounting to AED 915.3 million and AED 305.5 million respectively (nine and three month period ended 30 September 2014: AED 890.1 million and AED 309 million 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 September 2015 AED'000 (Unaudited)	30 September 2014 AED'000 (Unaudited)
Cash in hand	435,454	429,791
Balances with the Central Bank	816,248	101,240
Negotiable certificates of deposit with the Central Bank	500,000	2,650,000
Due from banks with original maturities less than three months	616,043	1,848,241
	2,367,745	5,029,272
Due to banks with original maturities less than three months	(1,137,961)	(1,253,801)
	1,229,784	3,775,471

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Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2015

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 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Contingent liabilities:		
Letters of credit	1,099,616	1,091,458
Guarantees	7,739,354	6,656,419
	<u>8,838,970</u>	<u>7,747,877</u>
Credit commitments:		
Undrawn commitments to extend credit	15,757,522	11,900,926
Total contingent liabilities and credit commitments	<u>24,596,492</u>	<u>19,648,803</u>

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.

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Notes to the condensed consolidated interim financial statements (continued)
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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 for the nine-month period was as follows:

30 September 2015 (Unaudited)	Corporate banking	Commercial banking	Personal banking	Treasury & investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Assets	24,719,623	9,865,077	6,945,709	11,783,360	53,313,769
Liabilities	19,801,868	6,445,718	13,146,474	5,804,692	45,198,752
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

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For the nine-month period ended 30 September 2015

	Corporate banking	Commercial banking	Personal banking	Treasury & investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
30 September 2015 (Unaudited)					
Net interest income and net income from Islamic financing	367,202	311,934	316,867	225,484	1,221,487
Non-interest & other income	178,831	126,649	177,796	64,239	547,515
Total operating income	546,033	438,583	494,663	289,723	1,769,002
Direct and allocated cost					590,316
Depreciation and amortization					37,591
Provisions for impairment losses net of recoveries					225,756
Total expenses					853,663
Net profit for the period					915,339
30 September 2014 (Unaudited)					
Net interest income and net income from Islamic financing	476,526	318,416	214,943	145,689	1,155,574
Non-interest & other income	132,961	105,434	139,863	89,545	467,803
Total operating income	609,487	423,850	354,806	235,234	1,623,377
Direct and allocated cost					489,813
Depreciation and amortization					33,845
Provisions for impairment losses net of recoveries					209,611
Total expenses					733,269
Net profit for the period					890,108

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 September 2014 would have been as follows:

	Corporate banking	Commercial banking	Personal banking	Treasury & investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
30 September 2014 (Unaudited)					
Net interest income and net income from Islamic financing	357,602	264,550	238,165	295,257	1,155,574

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Notes to the condensed consolidated interim financial statements (continued)
For the nine-month period ended 30 September 2015

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:

	Fair value through Profit or loss AED'000	Amortized Cost		Available- for-sale at fair value AED'000	Other amortized cost AED'000	Total carrying amount AED'000
		Held-to- maturity AED'000	Loans and receivables AED'000			
30 September 2015 (Unaudited)						
Cash and balances with Central Bank	-	-	-	-	4,942,333	4,942,333
Due from banks	-	-	-	-	984,852	984,852
Loans and advances and Islamic financing	-	-	38,988,749	-	-	38,988,749
Investment securities	24,981	-	-	5,979,308	-	6,004,289
Other assets	50,873	-	-	-	1,530,175	1,581,048
Total financial assets	75,854	-	38,988,749	5,979,308	7,457,360	52,501,271
Due to banks	-	-	-	-	1,697,274	1,697,274
Customers' deposits and Islamic customers' deposits	-	-	-	-	37,409,632	37,409,632
Notes and medium term borrowing	-	-	-	-	4,027,377	4,027,377
Other liabilities	48,381	-	-	-	1,904,630	1,953,011
Total financial liabilities	48,381	-	-	-	45,038,913	45,087,294
31 December 2014 (Audited)						
Cash and balances with Central Bank	-	-	-	-	5,450,145	5,450,145
Due from banks	-	-	-	-	1,872,327	1,872,327
Loans and advances and Islamic financing	-	-	31,821,502	-	-	31,821,502
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	-	31,821,502	5,558,627	8,659,907	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 from their fair values.

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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 September 2015 (Unaudited)	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments			
Equity	159,552	-	-
Fund of funds	-	258,820	-
Fixed and floating rate securities	5,585,917	-	-
Positive market value of forward foreign exchange contracts and other derivatives	-	50,873	-
Negative market value of forward foreign exchange contracts and other derivatives	-	(48,381)	-
	5,745,469	261,312	-
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	-	-
Positive market value of forward foreign exchange contracts and other derivatives	-	23,159	-
Negative market value of forward foreign exchange contracts and other derivatives	-	(21,683)	-
	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.

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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 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 Audited
Loans and advances	163,606	156,730	2,576,346	2,445,616
Due from Banks	-	-	-	211,910
Investment securities	-	-	815,118	803,397
Due to Banks	-	-	13,125	-
Acceptances	-	-	11,962	16,556
Letters of credit	-	-	27,869	12,005
Letters of Guarantees	-	-	678,808	604,665
Undrawn commitments to extend credit	19,330	21,909	1,365,712	851,054
	=====	=====	=====	=====
Deposits	19,765	23,166	7,351,770	5,856,757
	=====	=====	=====	=====
	30 September 2015 AED'000 (Unaudited)	30 September 2014 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)	30 September 2014 AED'000 (Unaudited)
Interest income	6,110	6,448	59,332	66,820
Interest expense	5	46	40,880	23,660
	=====	=====	=====	=====

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 September 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 nine months period ended 30 September 2015 was AED 2,254 thousand (30 September 2014: AED 1,060 thousand).

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Notes to the condensed consolidated interim financial statements (continued)
For the nine-month period ended 30 September 2015

17. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management compensation

	30 September 2015 AED'000 (Unaudited)	30 September 2014 AED'000 (Unaudited)
Salaries	8,441	8,439
Post-employment benefits	628	1,386
Other benefits	7,153	7,122
	=====	=====

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, legal reserve, general 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 and general collective provision.

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 total risk weighted assets.

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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 September 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	2,741,247	2,387,103
Tier 1 capital	<u>8,045,571</u>	<u>7,130,880</u>
Upper tier 2 capital		
Fair value reserve	13,864	31,414
Collective provisions (up to allowable limit)	545,254	525,219
Tier 2 capital	<u>559,118</u>	<u>556,633</u>
Total capital base	<u>8,604,689</u>	<u>7,687,513</u>
Risk weighted assets (RWA) Pillar 1		
Credit risk	43,620,286	38,614,847
Market risk	70,141	78,145
Operational risk	3,832,044	3,832,044
Risk weighted assets	<u>47,522,471</u>	<u>42,525,036</u>
Tier 1 ratio	16.93%	16.77%
Capital adequacy ratio (Pillar) 1	18.11%	18.08%

19. COMPARATIVE FIGURES

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