

United Arab Bank P.J.S.C.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

**FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2016**

United Arab Bank P.J.S.C.

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Review report on condensed consolidated interim financial information to the board of directors of United Arab Bank (P.J.S.C)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of United Arab Bank (P.J.S.C) and its subsidiary (together referred to as the “group”) as at 30 June 2016 and the related condensed consolidated interim statements of income and comprehensive income for the three-month and six-month periods then ended, and the condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting.”

PricewaterhouseCoopers
17 July 2016

A handwritten signature in blue ink that reads 'Paul Suddaby'.

Paul Suddaby
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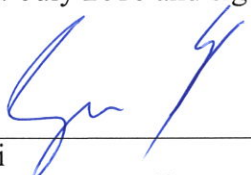
United Arab Bank P.J.S.C.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		<i>Unaudited</i>	<i>Audited</i>
		<i>30 June</i>	<i>and restated</i>
		<i>2016</i>	<i>(Note 18)</i>
	<i>Note</i>	<i>AED'000</i>	<i>31 December</i>
			<i>2015</i>
			<i>AED'000</i>
Assets			
Cash and balances with the UAE Central Bank	5	2,125,457	3,075,352
Due from other banks	6	881,709	864,386
Loans and advances	7	14,888,336	15,671,631
Investments	8	3,267,255	2,559,350
Investment property	9	78,000	78,000
Property, equipment and capital work-in-progress		588,133	587,718
Other assets		665,750	827,186
Total assets		22,494,640	23,663,623
Liabilities and shareholders' equity			
Liabilities			
Due to banks	10	1,845,149	1,037,946
Customer deposits	11	15,258,604	16,775,043
Medium term borrowings	12	1,939,134	2,313,549
Other liabilities		808,726	967,130
Total liabilities		19,851,613	21,093,668
Shareholders' equity			
Share capital		1,375,033	1,375,033
Special reserve		412,659	412,659
Statutory reserve		495,214	495,214
General reserve		9,311	9,311
Revaluation reserve		693	714
Retained earnings		457,671	386,890
Cumulative changes in fair values		(107,554)	(109,866)
Total shareholders' equity		2,643,027	2,569,955
Total liabilities and shareholders' equity		22,494,640	23,663,623

This condensed consolidated interim financial information was approved by the Board of Directors on 17 July 2016 and signed on its behalf by:



Samer Tamimi
Acting Chief Executive Officer
17 July 2016

The notes on pages 8 to 22 form an integral part of the condensed consolidated interim financial information.

United Arab Bank P.J.S.C.

CONSOLIDATED INTERIM STATEMENT OF INCOME (unaudited)

For the six month period ended 30 June 2016

	<i>Note</i>	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
		2016 <i>AED'000</i>	<i>2015</i> <i>AED'000</i>	2016 <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Interest income		238,721	314,928	497,732	633,032
Interest expense		(80,130)	(49,710)	(150,605)	(103,456)
Net interest income		158,591	265,218	347,127	529,576
Net fees and commission income		28,476	41,462	46,919	76,859
Foreign exchange income		16,888	19,890	40,961	40,761
Other operating income		22,716	17,224	40,771	48,561
Operating income		226,671	343,794	475,778	695,757
Net impairment losses	7	(117,238)	(50,151)	(231,593)	(134,488)
Net operating income		109,433	293,643	244,185	561,269
Employee benefit expenses		(54,542)	(69,150)	(111,780)	(137,600)
Depreciation		(8,736)	(7,851)	(17,414)	(15,259)
Other operating expenses		(20,451)	(33,701)	(44,231)	(63,982)
Total operating expenses		(83,729)	(110,702)	(173,425)	(216,841)
Net profit for the period		25,704	182,941	70,760	344,428
Earnings per share (basic and diluted in AED)	4	0.02	0.13	0.05	0.25

The notes on pages 8 to 22 form an integral part of the condensed consolidated interim financial information.

United Arab Bank P.J.S.C.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the six month period ended 30 June 2016

	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	2016 <i>AED'000</i>	<i>2015</i> <i>AED'000</i>	2016 <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Net profit for the period	25,704	182,941	70,760	344,428
Other comprehensive income:				
<i>Items that are or may be reclassified subsequently to the consolidated statement of income</i>				
Net changes in fair value of available for sale investments	29,252	(25,160)	48,197	(30,352)
Available for sale investments – reclassified to consolidated statement of income	(17,265)	27,018	(45,885)	17,392
	11,987	1,858	2,312	(12,960)
Total comprehensive income for the period	37,691	184,799	73,072	331,468

The notes on pages 8 to 22 form an integral part of the condensed consolidated interim financial information.

United Arab Bank P.J.S.C.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (unaudited)

For the six month period ended 30 June 2016

	<i>Six month period ended 30 June</i>	
	2016	2015
	AED'000	AED'000
Operating activities		
Net profit for the period	70,760	344,428
Adjustments for:		
Depreciation	17,414	15,259
Net impairment losses	231,593	134,488
Amortisation of premium paid on investments	13,816	-
Net fair value gains on disposal of investments	(18,248)	(19,865)
Net fair value gains on disposal of investment properties	-	(1,089)
Operating profit before working capital changes	315,335	473,221
Changes in operating assets and liabilities:		
Loans and advances	551,702	(522,557)
Balances with the UAE Central bank maturing after three months	20,089	(161,165)
Due from other banks maturing after three months	(79,797)	(201,977)
Cash margin held by counterparty banks against borrowings and derivative transactions	(26,086)	(26,894)
Other assets	161,436	(43,524)
Due to banks maturing after three months	392,337	811,135
Customer deposits	(1,516,439)	(477,408)
Other liabilities	(214,882)	(60,437)
Net cash used in operating activities	(396,305)	(209,606)
Investing activities		
Purchase of property, equipment and capital work-in-progress	(17,829)	(176,940)
Purchase of investments	(2,539,496)	(2,813,550)
Proceeds from redemption / sale of investments	1,894,813	2,462,448
Proceeds from sale of investment properties	-	15,883
Net cash used in investing activities	(662,512)	(512,159)
Financing activities		
Repayment of medium term borrowings	(374,415)	-
Cash dividends	-	(114,586)
Net cash used in financing activities	(374,415)	(114,586)
Net change in cash and cash equivalents	(1,433,232)	(836,351)
Cash and cash equivalents at the beginning of the period	2,610,146	1,970,311
Cash and cash equivalents at the end of the period	1,176,914	1,133,960

Cash and cash equivalents comprise the following consolidated interim statement of financial position amounts with original maturities of three months or less:

Cash and balances with the UAE Central Bank	1,124,214	591,455
Due from other banks maturing within three months	619,109	1,411,284
Due to banks maturing within three months	(566,409)	(868,779)
	1,176,914	1,133,960

The notes on pages 8 to 22 form an integral part of the condensed consolidated interim financial information.

United Arab Bank P.J.S.C.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (unaudited)

For the six month period ended 30 June 2016

	<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 (restated – note 18)	1,145,861	412,659	495,214	9,311	750	896,759	(66,893)	2,893,661
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 13)	229,172	-	-	-	-	(229,172)	-	-
Cash dividend (note 13)	-	-	-	-	-	(114,586)	-	(114,586)
At 30 June 2015 (restated – note 18)	<u>1,375,033</u>	<u>412,659</u>	<u>495,214</u>	<u>9,311</u>	<u>732</u>	<u>897,447</u>	<u>(79,853)</u>	<u>3,110,543</u>
At 1 January 2016 (restated – note 18)	1,375,033	412,659	495,214	9,311	714	386,890	(109,866)	2,569,955
Profit for the period	-	-	-	-	-	70,760	-	70,760
Other comprehensive profit for the period	-	-	-	-	-	-	2,312	2,312
Total comprehensive income for the period	-	-	-	-	-	70,760	2,312	73,072
Depreciation transfer for land and buildings	-	-	-	-	(21)	21	-	-
Scrip dividend (note 13)	-	-	-	-	-	-	-	-
Cash dividend (note 13)	-	-	-	-	-	-	-	-
At 30 June 2016	<u>1,375,033</u>	<u>412,659</u>	<u>495,214</u>	<u>9,311</u>	<u>693</u>	<u>457,671</u>	<u>(107,554)</u>	<u>2,643,027</u>

The notes on pages 8 to 22 form an integral part of the condensed consolidated interim financial information.

1 LEGAL STATUS AND ACTIVITIES

United Arab Bank P.J.S.C. (the “Bank”) was incorporated in 1975 as a Private Joint Stock Company in the Emirate of Sharjah. The legal form of the Bank was converted to a public company with limited liability in 1982 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 condensed consolidated interim financial information for the period ended 30 June 2016 comprise the Bank and its subsidiary, Al Sadarah Investment Company (together referred to as the “Group”).

2 BASIS OF PREPARATION

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

The condensed consolidated interim financial information 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 2015.

UAE Federal Law No. 2 of 2015 (“Companies Law”) which is applicable to the Group has come into effect on 1 July 2015. The Group has assessed and evaluated the provisions of the Companies Law and is in the process of ensuring compliance within the transitional period of this Law which has been extended till 30 June 2017.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31 December 2015 except for the adoption of the new International Financial Reporting Standards (IFRSs) which became effective as of 1 January 2016.

Standards, amendments and interpretations that are effective for the Group’s accounting period beginning on 1 January 2016

IFRS No.	Title	Effective for annual period beginning on or after
IAS 1	Presentation of financial statements (disclosure initiative)	1 January 2016
IFRS 7	Financial instruments: disclosures*	1 January 2016
IAS 19	Employee benefits*	1 January 2016
IAS 34	Interim financial reporting*	1 January 2016

* These represent annual improvements issued from the 2012 - 2014 reporting cycle, amending the aforesaid standards.

There is no material impact of the above amendments on the condensed consolidated interim financial information of the Group.

There are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning on 1 January 2016 that have had a material impact on the Group’s condensed consolidated interim financial information.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2016 and not early adopted**

IFRS No.	Title	Effective for annual period beginning on or after
IAS 7	Statement of cash flows (disclosure initiative)	1 January 2017
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10	Consolidated financial statements	Date to be determined
IAS 28	Investments in associates and joint ventures	Date to be determined

The Group has plans in place for adhering to the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2016. The Bank has assessed the impact of the above new standards, amendments and interpretations on its 2016 financial statements and determined that it is unlikely to be material other than the impact of IFRS 9 which is likely to result in additional impairment provision which is yet to be quantified.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2016 that would be expected to have a material impact on the condensed consolidated interim financial information of the Group.

In preparing these condensed consolidated interim financial information, significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Group's consolidated financial statements as at and for the year ended 31 December 2015.

Key accounting estimates and judgments

The preparation of condensed consolidated interim financial information 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 audited consolidated financial statements as at and for the year ended 31 December 2015.

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>Unaudited</i> <i>Six month period ended 30 June</i>	
	2016	2015
	AED	AED
Net profit for the period	70,760,000	344,428,000
<i>Weighted average number of ordinary shares:</i>		
Ordinary shares of AED 1 each at the beginning of the period	1,375,033,766	1,145,861,472
Effect of scrip dividend of AED 0.20 per share of AED 1 each issued during 2015	-	229,172,294
Weighted average number of shares of AED 1 each outstanding for the period	1,375,033,766	1,375,033,766
Basic earnings per share	AED 0.05	AED 0.25

Weighted average number of shares outstanding for the period have been adjusted to include the effect of a scrip dividend issued in 2015 (refer to note 13).

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 if or when exercised.

5 CASH AND BALANCES WITH THE UAE CENTRAL BANK

	<i>Unaudited</i> <i>30 June</i> <i>2016</i>	<i>Audited</i> <i>31 December</i> <i>2015</i>
Cash on hand	120,340	138,719
Balances with the UAE Central Bank:		
Clearing accounts	553,874	1,115,301
Certificate of deposits	600,000	800,000
Reserve requirements	851,243	1,021,332
	2,125,457	3,075,352

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 UAE Central Bank, in its Circular 4310/2008 dated 24 September 2008, has temporarily permitted banks to overdraw their current accounts (a) up to the amount of reserves at an interest rate of 3% per annum above the prevailing Central Bank repo rate; and (b) in excess of reserves at an interest of 5% per annum 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 OTHER BANKS

	<i>Unaudited</i> 30 June 2016	<i>Audited</i> 31 December 2015
Demand deposits	361,660	177,687
Term deposits	520,049	686,699
	881,709	864,386

Due from banks include AED 305,983,000 (31 December 2015: AED 554,091,000) placed with foreign banks outside the UAE. AED 90,996,000 (31 December 2015: AED 64,910,000) is held as margin for derivative transactions.

7 LOANS AND ADVANCES

	<i>Unaudited</i> 30 June 2016 AED'000	<i>Audited</i> 31 December 2015 AED'000
The composition of the loans and advances portfolio is as follows:		
Overdrafts	1,300,971	1,548,208
Term loans (medium and short term)	11,885,393	12,286,125
Loans against trust receipts	1,719,825	1,640,225
Bills discounted	506,876	763,734
Other cash advances	84,919	95,681
Bills drawn under letters of credit	100,964	156,683
Gross amount of loans and advances	15,598,948	16,490,656
Less: Provision for impairment on loans and advances	(710,612)	(819,025)
Net loans and advances	14,888,336	15,671,631

7 LOANS AND ADVANCES (continued)

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

	<i>Unaudited</i> 30 June 2016 AED'000	<i>Audited</i> 31 December 2015 AED'000
Balance at 1 January	819,025	525,531
Provided during the period / year	402,564	934,861
Released during the period / year	(161,028)	(32,212)
Amounts written off (net) during the period / year	241,536 (349,949)	902,649 (609,155)
Balance	710,612	819,025

At 30 June 2016, the gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to AED 674,854,000 (31 December 2015: AED 661,150,000).

Provision for credit losses recognised in the consolidated statement of income is as follows:

	<i>Unaudited</i> 30 June 2016 AED'000	<i>Audited</i> 31 December 2015 AED'000
Net impairment of loans and advances	241,536	902,649
Recoveries on bad debts written off	(9,942)	(14,858)
Provision for credit losses	231,593	887,791

8 INVESTMENTS

	<i>Unaudited</i> 30 June 2016			<i>Audited</i> 31 December 2015		
	<i>Quoted</i> <i>AED'000</i>	<i>Unquoted</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Quoted</i> <i>AED'000</i>	<i>Unquoted</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Debt:						
<i>Available for sale</i>						
Local	2,732,814	-	2,732,814	2,253,806	-	2,253,806
Overseas	525,156	-	525,156	295,854	-	295,854
Total debt securities	3,257,970	-	3,257,970	2,549,660	-	2,549,660
Equity:						
<i>Available for sale</i>						
Overseas	9,209	76	9,285	9,614	76	9,690
Total equities	9,209	76	9,285	9,614	76	9,690
Total investments	3,267,179	76	3,267,255	2,559,274	76	2,559,350

Included in the above are investment securities amounting to AED 1,268,064,000 (2015: AED 682,613,000) pledged under repurchase agreements with the lenders (Note 10).

The Group has not purchased or invested in shares of companies in the six month period ended 30 June 2016 (31 December 2015: AED Nil).

9 INVESTMENT PROPERTY

Investment property represents a building in the UAE, which has been possessed through foreclosure of a loan. During the six month period ended 30 June 2016, the Group did not acquire any new investment property (31 December 2015: AED Nil).

During the current quarter the value of investment property has been restated effective from 31 December 2014. Please refer to note 18 for details.

10 DUE TO BANKS

	<i>Unaudited</i> 30 June 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
Demand deposits	62,710	6,458
Term deposits	1,782,439	1,031,488
	<u>1,845,149</u>	<u>1,037,946</u>

Term deposits include borrowings through repurchase agreements of AED 1.3 billion (2015: AED 683 million).

11 CUSTOMER DEPOSITS

	<i>Unaudited</i> 30 June 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
Term and call deposits	10,275,252	11,548,820
Current accounts	4,600,654	4,701,183
Savings accounts	382,698	525,040
	<u>15,258,604</u>	<u>16,775,043</u>

12 MEDIUM TERM BORROWINGS

Movement in medium term borrowings during the year is as follows:

	<i>Unaudited</i> 30 June 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
Balance as at 1 January	2,313,549	2,019,655
New borrowings	-	1,028,344
Repayments	(374,415)	(734,450)
	<u>1,939,134</u>	<u>2,313,549</u>

12 MEDIUM TERM BORROWINGS (continued)

The table below details the maturity, currency and interest rate details of the medium term borrowings:

Maturity	Currency	Fixed / Floating	Interest Rate	<i>Unaudited</i> 30 June 2016 <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED '000</i>
2016	USD	Floating	LIBOR + Margin	-	319,332
2017	USD	Floating	LIBOR + Margin	1,057,780	1,057,780
2018	USD	Floating	LIBOR + Margin	881,354	936,437
				1,939,134	2,313,549

13 DIVIDENDS

At the annual general meeting of the shareholders held on 14 March 2016, no cash dividend (30 June 2015: AED 0.10 per share of AED 1 each) relating to the year 2015 (30 June 2015: AED 114,586,147) was approved and paid.

No scrip dividend (30 June 2015: AED 0.20 per share of AED 1 each) relating to the year 2015 (30 June 2015: AED 229,172,294) was approved and issued.

14 SEGMENTAL INFORMATION

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

- Corporate banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- 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;
- Treasury - principally providing money market, trading and treasury services as well as management of the Group's funding operations; and
- Others - principally handling loans and other credit facilities to non-core segments as well as management of Al Sadarah Investment Company 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.

14 SEGMENTAL INFORMATION (continued)

Segmental information for the six month period ended 30 June 2016 is as follows:

	<i>Corporate banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Treasury AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Net interest income	169,273	71,153	13,068	93,633	347,127
Other operating income	61,756	17,663	45,836	3,396	128,651
Expenses	(80,652)	(58,612)	(20,249)	(13,912)	(173,425)
Impairment loss	9,578	(31,361)	-	(209,810)	(231,593)
Profit for the year	<u>159,955</u>	<u>(1,157)</u>	<u>38,655</u>	<u>(126,693)</u>	<u>70,760</u>
Capital expenditure - Property and equipment	<u>9,806</u>	<u>6,062</u>	<u>1,605</u>	<u>356</u>	<u>17,829</u>
At 30 June 2016					
Segment assets	<u>11,394,068</u>	<u>3,639,706</u>	<u>6,349,244</u>	<u>1,111,622</u>	<u>22,494,640</u>
Segment liabilities	<u>11,054,785</u>	<u>4,554,095</u>	<u>3,937,948</u>	<u>304,785</u>	<u>19,851,613</u>

14 SEGMENTAL INFORMATION (continued)

Segmental information for the six month period ended 30 June 2015 was as follows:

	<i>Corporate banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Treasury AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Net interest income	224,668	90,410	25,987	188,511	529,576
Other operating income	72,568	21,450	49,195	22,968	166,181
Expenses	(74,216)	(90,961)	(19,763)	(31,901)	(216,841)
Impairment loss	(53,120)	(33,887)	-	(47,481)	(134,488)
Profit for the year	<u>169,900</u>	<u>(12,988)</u>	<u>55,419</u>	<u>132,097</u>	<u>344,428</u>
Capital expenditure - Property and equipment	<u>97,317</u>	<u>58,390</u>	<u>14,155</u>	<u>7,078</u>	<u>176,940</u>
At 31 December 2015					
Segment assets	<u>11,290,675</u>	<u>4,087,197</u>	<u>6,499,088</u>	<u>1,786,663</u>	<u>23,663,623</u>
Segment liabilities	<u>12,455,048</u>	<u>4,514,272</u>	<u>3,351,495</u>	<u>772,853</u>	<u>21,093,668</u>

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.

15 COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities represent credit related commitments under letters of credit and guarantees that are designed to meet the requirements of the Group's customers towards third parties. Commitments represent credit facilities and other capital expenditure commitments of the Group that are undrawn as on the date of the consolidated interim statement of financial position. The Group has the following credit related commitments:

	<i>Unaudited</i> 30 June <i>2016</i> AED'000	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED'000</i>
<i>Contingent liabilities</i>		
Letters of credit	421,768	461,358
Guarantees	3,068,216	3,023,975
	3,489,984	3,485,333
<i>Commitments</i>		
Undrawn loan commitments	2,847,134	2,784,629

16 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>Unaudited</i> 30 June 2016 <i>AED'000</i>	<i>Audited</i> <i>31 December</i> 2015 <i>AED'000</i>
<i><u>Shareholders, directors, their related entities and key management personnel</u></i>		
Due from other banks	4,007	115,147
Due to banks	146,900	1,764
Medium term borrowings	141,703	141,703
Loans and advances	332,298	267,745
Customer deposits	340,373	373,759
Investments	85,099	9,336
Commitments and contingencies	304,467	297,836
Accrued interest income	6,283	4,231
Accrued interest expense	2,608	1,066

For the six month period ended 30 June 2016, the Group has not recorded any impairment on amounts owed by related parties (30 June 2015: AED Nil).

16 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Unaudited</i>	
	<i>Six month period ended 30 June</i>	
	2016	2015
	AED'000	AED'000
<i><u>Shareholders, directors, their related entities and key management personnel</u></i>		

Interest income	11,061	6,062
Interest expense	3,577	1,650

Compensation of key management personnel is as follows:

Salaries and other short term benefits	14,359	15,654
Number of key management personnel	24	23

The Group has leased office space in various premises owned by a related party. The property rentals and associated expenses for the six month period ended 30 June 2016 amounted to AED 1,181,000 (31 June 2015: AED 1,132,000). The property rentals are negotiated each year at market rates.

17 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.

17 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**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>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
30 June 2016				
Investments	3,267,179	-	76	3,267,255
Derivative assets	-	74,823	-	74,823
Investment properties	-	78,000	-	78,000
	<u>3,267,179</u>	<u>152,823</u>	<u>76</u>	<u>3,420,078</u>
Derivative liabilities	-	153,665	-	153,665
31 December 2015				
Investments	2,559,274	-	76	2,559,350
Derivative assets	-	29,343	-	29,343
Investment properties	-	78,000	-	78,000
	<u>2,559,274</u>	<u>107,343</u>	<u>76</u>	<u>2,666,693</u>
Derivative liabilities	-	69,462	-	69,462

There were no movements in assets categorised as level 3 during the three month period ended 30 June 2016 (31 December 2015: AED Nil).

Financial instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with the UAE Central Bank, due from other banks, loans and advances, other assets (excluding prepayments), due to banks, customer 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 from their carrying values.

18 CORRECTION OF PRIOR PERIOD ERROR

During the review of investment property, an error in the valuation of investment property included in the financial statements of the Group for the year ended 31 December 2014 has been rectified in the current period. The result of the error was an overstatement of the carrying value of the investment property and the net profit for the year ended 31 December 2014 by AED 18,000,000.

The impact of the above error relating to the year ended 31 December 2014 has been adjusted against retained earnings as at 1 January 2015 and 1 January 2016. The effect of the correction of the prior period error on the Group's financial position and results is shown below:

	<i>Investment Property AED '000</i>	<i>Equity (Retained earnings) AED '000</i>
As at 31 December 2014	96,000	914,759
Adjustment for valuation overstatement	(18,000)	(18,000)
	<hr/>	<hr/>
As at 1 January 2015 (restated)	78,000	896,759
	<hr/> <hr/>	<hr/> <hr/>
As at 31 December 2015	96,000	404,890
Adjustment for valuation overstatement	(18,000)	(18,000)
	<hr/>	<hr/>
As at 1 January 2016 (restated)	78,000	386,890
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