

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

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION**

**FOR THE NINE MONTH PERIOD ENDED  
30 SEPTEMBER 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 September 2016 and the related condensed consolidated interim statements of income and comprehensive income for the three-month and nine-month periods then ended, and the condensed consolidated statements of changes in equity and cash flows for the nine-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  
23 October 2016

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

Paul Suddaby  
Registered Auditor Number 309  
Dubai, United Arab Emirates

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United Arab Bank P.J.S.C.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		<i>Unaudited</i>	<i>Audited</i>
		<i>30 September</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>
<b>Assets</b>			
Cash and balances with the UAE Central Bank	5	2,565,726	3,075,352
Due from other banks	6	478,960	864,386
Loans and advances	7	13,883,990	15,671,631
Investments	8	3,286,380	2,559,350
Investment property	9,18	78,000	78,000
Property, equipment and capital work-in-progress		589,710	587,718
Other assets		835,767	827,186
<b>Total assets</b>		<b>21,718,533</b>	<b>23,663,623</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Due to banks	10	1,689,988	1,037,946
Customer deposits	11	14,538,828	16,775,043
Medium term borrowings	12	1,891,235	2,313,549
Other liabilities		928,325	967,130
<b>Total liabilities</b>		<b>19,048,376</b>	<b>21,093,668</b>
<b>Shareholders' equity</b>			
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		683	714
Retained earnings		474,665	386,890
Cumulative changes in fair values		(97,408)	(109,866)
<b>Total shareholders' equity</b>		<b>2,670,157</b>	<b>2,569,955</b>
<b>Total liabilities and shareholders' equity</b>		<b>21,718,533</b>	<b>23,663,623</b>

This condensed consolidated interim financial information was approved by the board of directors on 23 October 2016 and signed on its behalf by:

\_\_\_\_\_  
 Samer Tamimi  
 Acting Chief Executive Officer  
 23 October 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 nine month period ended 30 September 2016

	<i>Note</i>	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
		<b>2016</b> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>	<b>2016</b> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
Interest income		<b>229,610</b>	319,022	<b>727,342</b>	952,054
Interest expense		<b>(81,474)</b>	(60,621)	<b>(232,079)</b>	(164,077)
<b>Net interest income</b>		<b>148,136</b>	258,401	<b>495,263</b>	787,977
Net fees and commission income		<b>13,921</b>	20,021	<b>60,840</b>	96,880
Foreign exchange income		<b>16,348</b>	18,720	<b>57,309</b>	59,481
Other operating income		<b>32,467</b>	5,367	<b>73,238</b>	53,928
<b>Operating income</b>		<b>210,872</b>	302,509	<b>686,650</b>	998,266
Net impairment losses	7	<b>(104,346)</b>	(465,772)	<b>(335,939)</b>	(600,260)
<b>Net operating income / (loss)</b>		<b>106,526</b>	(163,263)	<b>350,711</b>	398,006
Employee benefit expenses		<b>(56,944)</b>	(66,486)	<b>(168,724)</b>	(204,086)
Depreciation		<b>(8,279)</b>	(7,834)	<b>(25,693)</b>	(23,093)
Other operating expenses		<b>(24,319)</b>	(35,023)	<b>(68,550)</b>	(99,005)
<b>Total operating expenses</b>		<b>(89,542)</b>	(109,343)	<b>(262,967)</b>	(326,184)
<b>Net profit / (loss) for the period</b>		<b>16,984</b>	(272,606)	<b>87,744</b>	71,822
<b>Earnings / (losses) per share (basic and diluted in AED)</b>	4	<b>0.01</b>	(0.20)	0.06	0.05

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 nine month period ended 30 September 2016

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	<b>2016</b> <i>AED'000</i>	2015 <i>AED'000</i>	<b>2016</b> <i>AED'000</i>	2015 <i>AED'000</i>
<b>Net profit / (loss) for the period</b>	<b>16,984</b>	(272,606)	<b>87,744</b>	71,822
<b>Other comprehensive income:</b>				
<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	<b>732</b>	(22,264)	<b>48,929</b>	(52,616)
Available for sale investments – reclassified to consolidated interim statement of income	<b>9,414</b>	(33,057)	<b>(36,471)</b>	(15,665)
	<b>10,146</b>	(55,321)	<b>12,458</b>	(68,281)
<b>Total comprehensive income / (loss) for the period</b>	<b>27,130</b>	(327,927)	<b>100,202</b>	3,541

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 nine month period ended 30 September 2016

	<i>Nine month period ended 30 September</i>	
	<b>2016</b>	<b>2015</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Operating activities</b>		
Net profit for the period	<b>87,744</b>	71,822
Adjustments for:		
Depreciation	<b>25,693</b>	23,093
Loss on write off of property and equipment	-	1,156
Net impairment losses	<b>335,939</b>	600,260
Amortisation of premium paid on investments	<b>23,611</b>	-
Net fair value gains on disposal of investments	<b>(40,045)</b>	(19,468)
Net fair value gains on disposal of investment properties	-	(1,089)
	<b>432,942</b>	675,774
Operating profit before working capital changes		
Changes in operating assets and liabilities:		
Loans and advances	<b>1,451,702</b>	(259,722)
Balances with the UAE Central bank maturing after three months	<b>(179,789)</b>	(24,323)
Due from other banks maturing after three months	<b>(103,240)</b>	(201,976)
Cash margin held by counterparty banks against borrowings and derivative transactions	<b>(6,678)</b>	(29,067)
Other assets	<b>(8,581)</b>	117,712
Due to banks maturing after three months	<b>270,371</b>	798,455
Customer deposits	<b>(2,236,215)</b>	(441,504)
Other liabilities	<b>(89,664)</b>	(250,554)
Net cash (used in) / generated from operating activities	<b>(469,152)</b>	384,795
<b>Investing activities</b>		
Purchase of property, equipment and capital work-in-progress	<b>(27,685)</b>	(188,768)
Purchase of investments	<b>(4,539,606)</b>	(2,882,422)
Proceeds from redemption / sale of investments	<b>3,892,327</b>	2,494,434
Proceeds from sale of investment properties	-	15,883
Net cash used in investing activities	<b>(674,964)</b>	(560,873)
<b>Financing activities</b>		
Net (repayment of) / proceeds from medium term borrowings	<b>(422,314)</b>	275,533
Cash dividends	-	(114,586)
Net cash (used in) / generated from financing activities	<b>(422,314)</b>	160,947
<b>Net change in cash and cash equivalents</b>	<b>(1,566,430)</b>	(15,131)
Cash and cash equivalents at the beginning of the period	<b>2,610,146</b>	1,970,311
<b>Cash and cash equivalents at the end of the period</b>	<b>1,043,716</b>	1,955,180
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	<b>1,364,605</b>	985,612
Due from other banks	<b>212,325</b>	1,272,467
Due to banks	<b>(533,214)</b>	(302,899)
	<b>1,043,716</b>	1,955,180

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 nine month period ended 30 September 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 values 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	-	-	-	-	-	71,822	-	71,822
Other comprehensive loss for the period	-	-	-	-	-	-	(68,281)	(68,281)
Total comprehensive income for the period	-	-	-	-	-	71,822	(68,281)	3,541
Depreciation transfer for land and buildings	-	-	-	-	(27)	27	-	-
Scrip dividend (note 13)	229,172	-	-	-	-	(229,172)	-	-
Cash dividend (note 13)	-	-	-	-	-	(114,586)	-	(114,586)
At 30 September 2015 (restated – note 18)	<u>1,375,033</u>	<u>412,659</u>	<u>495,214</u>	<u>9,311</u>	<u>723</u>	<u>624,850</u>	<u>(135,174)</u>	<u>2,782,616</u>
At 1 January 2016 (restated – note 18)	<b>1,375,033</b>	<b>412,659</b>	<b>495,214</b>	<b>9,311</b>	<b>714</b>	<b>386,890</b>	<b>(109,866)</b>	<b>2,569,955</b>
Profit for the period	-	-	-	-	-	<b>87,744</b>	-	<b>87,744</b>
Other comprehensive income for the period	-	-	-	-	-	-	<b>12,458</b>	<b>12,458</b>
Total comprehensive income for the period	-	-	-	-	-	<b>87,744</b>	<b>12,458</b>	<b>100,202</b>
Depreciation transfer for land and buildings	-	-	-	-	(31)	<b>31</b>	-	-
At 30 September 2016	<u><b>1,375,033</b></u>	<u><b>412,659</b></u>	<u><b>495,214</b></u>	<u><b>9,311</b></u>	<u><b>683</b></u>	<u><b>474,665</b></u>	<u><b>(97,408)</b></u>	<u><b>2,670,157</b></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 September 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 consolidated 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**

<b>IFRS No.</b>	<b>Title</b>	<b>Effective for annual periods beginning on or after</b>
IAS 1	Presentation of financial statements (disclosure initiative)	1 January 2016
IFRS 10	Consolidated financial statements	1 January 2016
IAS 28	Investments in associates and joint ventures	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.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2016 (continued)**

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.

**Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2016 and not early adopted**

<b>IFRS No.</b>	<b>Title</b>	<b>Effective for annual periods beginning on or after</b>
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

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 an 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.

**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.

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 audited consolidated financial statements as at and for the year ended 31 December 2015.

**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>Nine month period ended</i> <i>30 September</i>	
	<b>2016</b>	<b>2015</b>
	<b>AED</b>	<b>AED</b>
Net profit for the period	<b>87,744,000</b>	71,822,000
<i>Weighted average number of ordinary shares:</i>		
Ordinary shares of AED 1 each at the beginning of the period	<b>1,375,033,766</b>	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	<b>1,375,033,766</b>	1,375,033,766
Basic earnings per share	<b>AED 0.06</b>	AED 0.05

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 September</i> <b>2016</b> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <b>2015</b> <i>AED'000</i>
Cash on hand	<b>90,971</b>	138,719
Balances with the UAE Central Bank:		
Clearing accounts	<b>1,273,634</b>	1,115,301
Certificate of deposits	<b>450,000</b>	800,000
Reserve requirements	<b>751,121</b>	1,021,332
	<b>2,565,726</b>	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> <i>30 September</i> <i>2016</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED'000</i>
Demand deposits	213,866	177,687
Term deposits	265,094	686,699
	<u>478,960</u>	<u>864,386</u>

Due from banks include AED 270,703,000 (31 December 2015: AED 554,091,000) placed with foreign banks outside the UAE. AED 71,588,000 (31 December 2015: AED 64,910,000) is held as margin for derivative transactions.

**7 LOANS AND ADVANCES**

	<i>Unaudited</i> <i>30 September</i> <i>2016</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED'000</i>
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The composition of the loans and advances portfolio is as follows:

Overdrafts	1,413,595	1,548,208
Term loans (medium and short term)	11,431,196	12,286,125
Loans against trust receipts	1,284,119	1,640,225
Bills discounted	292,492	763,734
Other cash advances	85,015	95,681
Bills drawn under letters of credit	84,165	156,683
	<u>14,590,582</u>	<u>16,490,656</u>
Gross amount of loans and advances		
Less: Provision for impairment on loans and advances	(706,592)	(819,025)
	<u>13,883,990</u>	<u>15,671,631</u>
Net loans and advances		

**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> <i>30 September</i> <i>2016</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED'000</i>
Balance at 1 January	<b>819,025</b>	525,531
Provided during the period / year	<b>520,779</b>	934,861
Released during the period / year	<b>(173,384)</b>	(32,212)
Amounts written off (net) during the period / year	<b>347,395</b> <b>(459,828)</b>	902,649 (609,155)
Balance	<b>706,592</b>	819,025

At 30 September 2016, the gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to AED 650,545,000 (31 December 2015: AED 661,150,000).

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

	<i>Unaudited</i> <i>30 September</i> <i>2016</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED'000</i>
Net impairment of loans and advances	<b>347,395</b>	902,649
Recoveries on bad debts written off	<b>(11,456)</b>	(14,858)
Provision for credit losses	<b>335,939</b>	887,791

**8 INVESTMENTS**

	<i>Unaudited</i> 30 September 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>
<b>Debt:</b>						
<i>Available for sale</i>						
Local	2,807,774	-	2,807,774	2,253,806	-	2,253,806
Overseas	469,773	-	469,773	295,854	-	295,854
<b>Total debt securities</b>	<b>3,277,547</b>	<b>-</b>	<b>3,277,547</b>	<b>2,549,660</b>	<b>-</b>	<b>2,549,660</b>
<b>Equity:</b>						
<i>Available for sale</i>						
Overseas	8,757	76	8,833	9,614	76	9,690
<b>Total equities</b>	<b>8,757</b>	<b>76</b>	<b>8,833</b>	<b>9,614</b>	<b>76</b>	<b>9,690</b>
<b>Total investments</b>	<b>3,286,304</b>	<b>76</b>	<b>3,286,380</b>	<b>2,559,274</b>	<b>76</b>	<b>2,559,350</b>

Included in the above are investment securities amounting to AED 1,331,172,000 ( 31 December 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 nine month period ended 30 September 2016 (31 December 2015: Nil).

**9 INVESTMENT PROPERTY**

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

During the nine month period ended 30 September 2016 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> <b>30 September</b> <b>2016</b> <i>AED'000</i>	<i>Audited</i> <b>31 December</b> <b>2015</b> <i>AED'000</i>
Demand deposits	<b>78,102</b>	6,458
Term deposits	<b>1,611,886</b>	1,031,488
	<b><u>1,689,988</u></b>	<b><u>1,037,946</u></b>

Term deposits include borrowings through repurchase agreements of AED 991,521,000 (31 December 2015: AED 683,000,000).

**11 CUSTOMER DEPOSITS**

	<i>Unaudited</i> <b>30 September</b> <b>2016</b> <i>AED'000</i>	<i>Audited</i> <b>31 December</b> <b>2015</b> <i>AED'000</i>
Term and call deposits	<b>8,986,753</b>	11,548,820
Current accounts	<b>5,175,205</b>	4,701,183
Savings accounts	<b>376,870</b>	525,040
	<b><u>14,538,828</u></b>	<b><u>16,775,043</u></b>

**12 MEDIUM TERM BORROWINGS**

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

	<i>Unaudited</i> <b>30 September</b> <b>2016</b> <i>AED'000</i>	<i>Audited</i> <b>31 December</b> <b>2015</b> <i>AED'000</i>
Balance as at 1 January	<b>2,313,549</b>	2,019,655
New borrowings	<b>550,845</b>	1,028,344
Repayments	<b>(973,159)</b>	(734,450)
	<b><u>1,891,235</u></b>	<b><u>2,313,549</u></b>

**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>	<i>Audited</i>
				<i>30</i>	<i>31</i>
				<i>September</i>	<i>December</i>
				<i>2016</i>	<i>2015</i>
				<i>AED'000</i>	<i>AED '000</i>
2016	USD	Floating	LIBOR + Margin	-	319,332
2017	USD	Floating	LIBOR + Margin	<b>459,038</b>	1,057,780
2018	USD	Floating	LIBOR + Margin	<b>1,432,197</b>	936,437
				<b><u>1,891,235</u></b>	<b><u>2,313,549</u></b>

**13 DIVIDENDS**

At the annual general meeting of the shareholders held on 14 March 2016, no cash dividend (31 December 2014: AED 0.10 per share of AED 1 each) relating to the year 2015 (31 December 2014: AED 114,586,147) was approved and paid.

No scrip dividend (31 December 2014: AED 0.20 per share of AED 1 each) relating to the year 2015 (31 December 2014: 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 nine month period ended 30 September 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	249,300	97,894	24,644	123,425	495,263
Other operating income	79,809	25,356	79,578	6,644	191,387
Operating expenses	(122,381)	(90,379)	(30,927)	(19,280)	(262,967)
Net impairment losses	3,712	(47,737)	-	(291,914)	(335,939)
Profit / (loss) for the period	<u>210,440</u>	<u>(14,866)</u>	<u>73,295</u>	<u>(181,125)</u>	<u>87,744</u>
Capital expenditure - Property and equipment	<u>15,227</u>	<u>9,413</u>	<u>2,492</u>	<u>553</u>	<u>27,685</u>
At 30 September 2016					
Segment assets	<u>10,895,853</u>	<u>3,490,410</u>	<u>6,408,302</u>	<u>923,968</u>	<u>21,718,533</u>
Segment liabilities	<u>10,861,839</u>	<u>4,206,030</u>	<u>3,724,541</u>	<u>255,966</u>	<u>19,048,376</u>

**14 SEGMENTAL INFORMATION (continued)**

Segmental information for the nine month period ended 30 September 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	330,646	131,544	44,368	281,419	787,977
Other operating income	94,193	26,658	61,862	27,576	210,289
Operating expenses	(110,968)	(136,935)	(30,833)	(47,448)	(326,184)
Net impairment losses	(246,676)	(82,823)	-	(270,761)	(600,260)
Profit / (loss) for the period	<u>67,195</u>	<u>(61,556)</u>	<u>75,397</u>	<u>(9,214)</u>	<u>71,822</u>
Capital expenditure - Property and equipment	<u>100,047</u>	<u>66,069</u>	<u>15,101</u>	<u>7,551</u>	<u>188,768</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> <i>30 September</i> <i>2016</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED'000</i>
<i>Contingent liabilities</i>		
Letters of credit	<b>489,033</b>	461,358
Guarantees	<b>2,977,610</b>	3,023,975
	<b><u>3,466,643</u></b>	<u>3,485,333</u>
<i>Commitments</i>		
Undrawn loan commitments	<b><u>2,850,404</u></b>	<u>2,784,629</u>

**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> <b>30 September</b> <b>2016</b> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <b>2015</b> <i>AED'000</i>
<i><u>Shareholders, directors, their related entities and key management personnel</u></i>		
Due from other banks	<b>2,102</b>	115,147
Due to banks	<b>149,444</b>	1,764
Medium term borrowings	<b>91,808</b>	141,703
Loans and advances	<b>319,947</b>	267,745
Customer deposits	<b>319,904</b>	373,759
Investments	<b>85,174</b>	9,336
Commitments and contingencies	<b>282,391</b>	297,836
Accrued interest income	<b>5,799</b>	4,231
Accrued interest expense	<b>1,356</b>	1,066

For the nine month period ended 30 September 2016, the Group has not recorded any impairment on amounts owed by related parties (30 September 2015: 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>Nine month period ended</i> <i>30 September</i>	
	<b>2016</b> <b>AED'000</b>	<b>2015</b> <b>AED'000</b>
<u><i>Shareholders, directors, their related entities and key management personnel</i></u>		
Interest income	<b>16,887</b>	9,250
Interest expense	<b>4,609</b>	3,066
<b>Compensation of key management personnel is as follows:</b>		
Salaries and other short term benefits	<b>21,272</b>	23,017
Number of key management personnel	<b>21</b>	23

The Group has leased office space in various premises owned by a related party. The property rentals and associated expenses for the nine month period ended 30 September 2016 amounted to AED 1,809,000 (30 September 2015: AED 1,761,000). 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>
<b>30 September 2016</b>				
Investments	<b>3,286,304</b>	-	<b>76</b>	<b>3,286,380</b>
Derivative assets	-	<b>77,236</b>	-	<b>77,236</b>
Investment properties (Restated - Note 18)	-	<b>78,000</b>	-	<b>78,000</b>
	<u><b>3,286,304</b></u>	<u><b>155,236</b></u>	<u><b>76</b></u>	<u><b>3,441,616</b></u>
Derivative liabilities	-	<b>143,318</b>	-	<b>143,318</b>
<b>31 December 2015</b>				
Investments	2,559,274	-	76	2,559,350
Derivative assets	-	29,343	-	29,343
Investment properties (Restated - Note 18)	-	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 nine month period ended 30 September 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 value 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 an 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>As previously reported AED'000</i>	<i>Impact of restatement AED'000</i>	<i>As restated AED'000</i>
<b>Consolidated statement of financial position</b>			
<b>As at 31 December 2015</b>			
Investment property	96,000	(18,000)	78,000
Retained earnings	404,890	(18,000)	386,890
	<u>          </u>	<u>          </u>	<u>          </u>
<b>As at 31 December 2014</b>			
Investment property	110,794	(18,000)	92,794
Retained earnings	914,759	(18,000)	896,759
	<u>          </u>	<u>          </u>	<u>          </u>