Dubai Islamic Bank P.J.S.C.

Report and consolidated financial statements for the year ended 31 December 2013

These audited consolidated financial statements are subject to approval of the Central Bank of the U.A.E. and adoption by shareholders at the annual general meeting.

Dubai Islamic Bank P.J.S.C.

Report and consolidated financial statements for the year ended 31 December 2013

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Dubai Islamic Bank P.J.S.C.
Dubai
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Dubai Islamic Bank P.J.S.C.** (the "Parent") **and its subsidiaries** (together referred to as the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management of the Bank is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of **Dubai Islamic Bank P.J.S.C. and its subsidiaries** as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Parent. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended), or the Articles of Association of the Parent which might have a material effect on the financial position of the Parent or its financial performance.

Deloitte & Touche (M.E.)

Anis Sadek
Registration Number 521
29 January 2014

Consolidated statement of financial position
as at 31 December 2013

	Note	31 December 2013 AED'000	31 December 2012 AED'000 (Restated)	1 January 2012 AED'000 (Restated)
ASSETS				
Cash and balances with central banks	6	22,712,964	15,473,999	12,952,679
Due from banks and financial institutions	7	9,606,168	3,293,059	3,152,059
Islamic financing and investing assets, net	8	56,070,638	55,182,688	51,117,618
Investments in Islamic sukuk measured at amortised cost	9	11,642,553	11,088,662	12,688,111
Other investments at fair value	10	2,029,657	1,981,032	2,053,133
Investments in associates and joint ventures	11	1,877,829	2,029,953	1,198,928
Properties held for sale	12	1,840,973	1,997,374	2,558,655
Investment properties	13	2,013,314	2,083,010	1,918,529
Receivables and other assets	14	4,957,374	4,891,958	5,685,868
Property, plant and equipment	15	536,968	589,477	619,120
Total assets		113,288,438	98,611,212	93,944,700
LIABILITIES AND EQUITY				
LIABILITIES				
Customers' deposits	17	79,060,541	66,725,523	64,771,398
Due to banks and financial institutions	18	2,630,006	6,668,000	4,577,981
Sukuk financing instruments	19	2,807,603	4,673,960	4,173,983
Medium term wakala finance	20	-	3,752,543	3,752,543
Payables and other liabilities	21	12,282,511	4,934,700	5,265,381
Zakat payable	23	165,588	163,572	121,076
Total liabilities		96,946,249	86,918,298	82,662,362
EQUITY				
Share capital	24	3,953,751	3,797,054	3,797,054
Tier 1 sukuk	25	3,673,000	-	-
Other reserves and treasury shares	26	5,495,696	5,348,964	5,348,964
Investments fair value reserve	27	(563,850)	(817,913)	(829,632)
Exchange translation reserve	28	(280,833)	(192,100)	(122,830)
Retained earnings		2,013,921	951,776	441,098
Equity attributable to owners of the Parent		14,291,685	9,087,781	8,634,654
Non-controlling interests	16(e)	2,050,504	2,605,133	2,647,684
Total equity		16,342,189	11,692,914	11,282,338
Total liabilities and equity		113,288,438	98,611,212	93,944,700

H. E. Mohammad Ibrahim Al Shaibani
Chairman

Dr. Tariq Humaid Al Tayer
Vice Chairman

Abdulla Ali Al Hamli
Managing Director

Dr. Adnan Chilwan
Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated income statement
for the year ended 31 December 2013

	Note	2013 AED'000	2012 AED'000 (Restated)
INCOME			
Income from Islamic financing and investing assets	31	**3,348,430**	3,266,396
Income from investments in Islamic sukuk		**585,582**	621,465
Income from International murabahat and wakala, short term	32	**95,674**	58,157
Gain from other investments at fair value, net	33	**21,966**	22,483
Commissions, fees and foreign exchange income	34	**798,854**	780,014
Income from investment properties	35	**61,198**	90,295
Income from properties held for sale, net	36	**233,164**	217,392
Other income	37	**65,525**	174,814
Total income		**5,210,393**	5,231,016
EXPENSES			
Personnel expenses	38	**(1,051,159)**	(966,263)
General and administrative expenses	39	**(502,356)**	(518,436)
Depreciation of investment properties	13	**(36,198)**	(31,338)
Depreciation of property, plant and equipment	15	**(98,864)**	(103,835)
Impairment loss on financial assets, net	40	**(920,062)**	(972,633)
Reversal of impairment/(impairment loss) on non-financial assets, net	41	**95,944**	(120,624)
Total expenses		**(2,512,695)**	(2,713,129)
Operating profit before depositors' and sukuk holders' share of profit, share of profit from associates and joint ventures and income tax		**2,697,698**	2,517,887
Depositors' and sukuk holders' share of profit	42	**(1,053,831)**	(1,352,499)
Operating profit for the year		**1,643,867**	1,165,388
Share of profit from associates and joint ventures	11	**78,077**	60,857
Profit for the year before income tax		**1,721,944**	1,226,245
Income tax expense	22	**(3,915)**	(12,801)
Profit for the year		**1,718,029**	1,213,444
Attributable to:			
Owners of the Parent		**1,610,939**	1,150,072
Non-controlling interests		**107,090**	63,372
Profit for the year		**1,718,029**	1,213,444
Basic and diluted earnings per share (AED per share)	43	**AED 0.38**	AED 0.30

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2013

	2013 AED'000	2012 AED'000 (Restated)
Profit for the year	**1,718,029**	1,213,444
Other comprehensive income/(loss) items		
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(88,733)**	(66,639)
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on other investments carried at FVTOCI, net	**275,437**	12,276
Directors' remuneration	**(5,350)**	(5,350)
Other comprehensive income/(loss) for the year	**181,354**	(59,713)
Total comprehensive income for the year	**1,899,383**	1,153,731
Attributable to:		
Owners of the Parent	**1,777,119**	1,087,171
Non-controlling interests	**122,264**	66,560
Total comprehensive income for the year	**1,899,383**	1,153,731

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2013

	Share capital AED'000	Tier 1 sukuk AED'000	Other reserves and treasury shares AED'000	Investments fair value reserve AED'000	Exchange translation reserve AED'000	Retained earnings AED'000	Attributable to owners of the Parent AED'000	Non-controlling interests AED'000	Total Equity AED'000
Balance at 1 January 2012 (As previously reported)	3,797,054	-	5,348,964	(831,849)	(122,218)	943,484	9,135,435	1,038,322	10,173,757
Effect of the change in accounting policy for investment in subsidiaries and joint ventures (note 2 (a))	-	-	-	2,217	(612)	(502,386)	(500,781)	1,609,362	1,108,581
Balance at 1 January 2012 (Restated)	3,797,054	-	5,348,964	(829,632)	(122,830)	441,098	8,634,654	2,647,684	11,282,338
Profit for the year (Restated)	-	-	-	-	-	1,150,072	1,150,072	63,372	1,213,444
Other comprehensive loss for the year (Restated)	-	-	-	11,719	(69,270)	(5,350)	(62,901)	3,188	(59,713)
Total comprehensive income for the year (Restated)	-	-	-	11,719	(69,270)	1,144,722	1,087,171	66,560	1,153,731
Additions in the non-controlling interests (Restated)	-	-	-	-	-	-	-	110,364	110,364
Disposal of non-controlling interest (note 16 (j)) (Restated)	-	-	-	-	-	-	-	(180,605)	(180,605)
Dividends paid (note 29)	-	-	-	-	-	(474,632)	(474,632)	(24,570)	(499,202)
Zakat payable (note 23)	-	-	-	-	-	(159,412)	(159,412)	(14,300)	(173,712)
Balance at 31 December 2012 (Restated)	3,797,054	-	5,348,964	(817,913)	(192,100)	951,776	9,087,781	2,605,133	11,692,914
Profit for the year	-	-	-	-	-	1,610,939	1,610,939	107,090	1,718,029
Other comprehensive income for the year	-	-	-	260,263	(88,733)	(5,350)	166,180	15,174	181,354
Total comprehensive income for the year	-	-	-	260,263	(88,733)	1,605,589	1,777,119	122,264	1,899,383
Acquisition of non-controlling interest (note 16(d))	156,697	-	148,948	-	-	327,040	632,685	(632,690)	(5)
Share capital issuance cost	-	-	-	-	-	(667)	(667)	-	(667)
Tier 1 sukuk issuance (note 25)	-	3,673,000	-	-	-	-	3,673,000	-	3,673,000
Tier 1 sukuk issuance cost	-	-	-	-	-	(29,273)	(29,273)	-	(29,273)
Tier 1 sukuk profit paid	-	-	-	-	-	(114,781)	(114,781)	-	(114,781)
Treasury shares (note 26 (c))	-	-	(2,216)	-	-	395	(1,821)	62	(1,759)
Transfer on disposal of FVTOCI investments	-	-	-	(6,200)	-	6,200	-	-	-
Dividends paid (note 29)	-	-	-	-	-	(569,558)	(569,558)	(25,063)	(594,621)
Zakat payable (note 23)	-	-	-	-	-	(162,800)	(162,800)	(19,202)	(182,002)
Balance at 31 December 2013	**3,953,751**	**3,673,000**	**5,495,696**	**(563,850)**	**(280,833)**	**2,013,921**	**14,291,685**	**2,050,504**	**16,342,189**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2013

	2013 AED'000	2012 AED'000 (Restated)
Cash flows from operating activities		
Profit for the year before income tax expense	1,721,944	1,226,245
Adjustments for:		
Impairment loss on financial assets, net	920,062	972,633
(Reversal of impairment)/impairment loss on non-financial assets, net	(95,944)	120,624
Depreciation of property, plant and equipment	98,864	103,835
Depreciation of investment properties	36,198	31,338
Provision for employees' end-of-service benefits	22,945	23,747
Gain on disposal of investment in Islamic sukuk	(67,122)	(37,058)
Dividend income	(20,274)	(21,033)
Share of profit from associates and joint ventures	(78,077)	(60,857)
Gain on disposal of properties held for sale	(122,217)	(23,434)
Loss/(gain) on disposal of investment in associates and joint ventures	53,636	(4,791)
Amortisation of sukuk instruments issued by a subsidiary	-	5,957
Gain on disposal of subsidiaries	(27,679)	(3,375)
Write off of property plant and equipment	40	259
Revaluation of investments at fair value through profit or loss	(15)	64
Loss/(gain) on disposal of property, plant and equipment	7,289	(351)
Gain on disposal of investments at fair value through profit or loss	(1,677)	(1,514)
Operating cash flow before changes in operating assets and liabilities	2,447,973	2,332,289
Net movement in deposits and International murabahat with original maturities above three months	(6,731,028)	(1,867,064)
Increase in Islamic financing and investing assets	(1,896,361)	(4,995,458)
(Increase)/decrease in receivables and other assets	(139,660)	52,656
Increase in customers' deposits	12,569,190	2,007,844
(Decrease)/increase in due to banks and financial institutions	(4,026,953)	2,335,791
Increase/(decrease) in payables and other liabilities	7,354,339	(384,677)
Cash generated by/(used in) operating activities	9,577,500	(518,619)
Employees' end-of-service benefits paid	(561)	(829)
Tax paid	(6,294)	(5,652)
Net cash generated by/(used in) operating activities	9,570,645	(525,100)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2013 (continued)

	2013 AED'000	2012 AED'000 (Restated)
Cash flows from investing activities		
Purchase of investments in Islamic sukuk	**(2,834,425)**	(2,235,776)
Proceeds from disposal of investments in Islamic sukuk	**2,207,919**	3,830,583
Proceeds from disposal of investments at FVTPL	**181,164**	80,341
Purchase of investments carried at FVTOCI	**(25,397)**	(4,591)
Dividend received	**43,559**	32,386
Additions to properties held for sale	**(107,165)**	(166,070)
Proceeds from disposal of investment properties	**26,565**	27,341
Proceeds from disposal of properties held for sale	**527,438**	292,076
Additions to associates and joint ventures	**(24,638)**	(6,665)
Additions to investment properties	**(16,223)**	(124,920)
Purchase of property, plant and equipment	**(70,350)**	(80,580)
Proceeds from disposal of associates and joint ventures	**136,717**	29,109
Proceeds from disposal of property, plant and equipment	**11,922**	1,039
Net cash generated by investing activities	**57,086**	1,674,273
Cash flows from financing activities		
Dividends paid	**(594,621)**	(499,202)
Zakat paid during the year	**(163,572)**	(118,639)
Tier 1 sukuk issued during the year	**3,673,000**	-
Sukuk financing instrument issued during the year	**-**	2,851,095
Sukuk financing instrument redeemed during the year	**(1,866,357)**	(2,357,075)
Sukuk financing instrument issuance cost	**(29,273)**	-
Settlement of medium term wakala finance	**(3,752,543)**	-
Cost of additional shares issued to non-controlling interests	**(667)**	-
Treasury shares purchased	**(1,759)**	-
Tier 1 sukuk holders' share of profit paid during the year	**(114,781)**	-
Net cash used in financing activities	**(2,850,573)**	(123,821)
Net increase in cash and cash equivalents	**6,777,158**	1,025,352
Cash and cash equivalents at the beginning of the year	**10,548,086**	9,578,719
Effects of exchange rate changes on the balance of cash held in foreign currencies	**43,888**	(55,985)
Cash and cash equivalents at 31 December (Note 44)	**17,369,132**	10,548,086

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2013

1 General information

Dubai Islamic Bank (Public Joint Stock Company) (the "Parent") was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia'a principles. It was subsequently registered under the Commercial Companies Law number 8 of 1984 (as amended) as a Public Joint Stock Company.

The accompanying consolidated financial statements combine the activities of the Parent and its subsidiaries (note 16) (together referred to as the "Bank").

The Bank's entities provide various types of retail and corporate banking services, and investment banking services in primarily the U.A.E. The principal activities of the Bank's entities are described in note 16 to these consolidated financial statements.

The registered head office of the Parent is at P.O. Box 1080, Dubai, United Arab Emirates.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

(a) New and revised IFRSs affecting the amounts reported or/and disclosures in the consolidated financial statements

In the current year, the Bank has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory effective for an accounting period that begins on or after 1 January 2013.

i New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Bank has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Bank as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

(1) Impact of the application of IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation - Special Purpose Entities* that deal with consolidated financial statements. Based on new requirements of IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. All three of these criteria must be met for an investor to have control over an investee. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(a) New and revised IFRSs affecting the amounts reported or/and disclosures in the consolidated financial statements (continued)

i New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

(1) Impact of the application of IFRS 10 *Consolidated Financial Statements* (continued)

In light of the new definitions and guidance of IFRS 10, the management has reassessed the control for its investees. As a consequence, the management has concluded that it has had control over its investment in the following:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion and ownership interest and voting power held by the Bank 2013	2012
Deyaar Development P.J.S.C. ("Deyaar")	Real estate development	U.A.E.	**44.9%**	44.9%

The Bank applied acquisition accounting to the investment in Deyaar at 1 July 2010, as if Deyaar had been consolidated from that date.

Although the Bank owns less than 50% of Deyaar, the management has determined that the Bank has de-facto control over Deyaar because it is exposed to significant variable returns from its involvement with Deyaar and has power and rights to affect the amount of its returns. In prior years, the investment in Deyaar was treated as an associate and accounted for using the equity method of accounting. Comparative amounts for 2012 and the related amounts as at 1 January 2012 have been restated in accordance with the relevant transitional provisions set out in IFRS 10.

As at 1 July 2010, the fair value of net identifiable assets was as follows:

	1 July 2010 AED'000
Fair value of net identifiable assets	5,097,786
The Bank's share of the fair value of net identifiable assets	2,286,357
The Bank's investment carrying amount	(2,788,743)
Net impact on the Bank's retained earnings	(502,386)

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(a) New and revised IFRSs affecting the amounts reported or/and disclosures in the consolidated financial statements (continued)

i New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

(2) Impact of the application of IFRS 11 *Joint Arrangements*

IFRS 11replace IAS 31 *Interests in Joint Ventures* and the guidance contained in a relating interpretation SIC 13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The application of IFRS 11 and IAS 28 (as revised in 2011) resulted in changes in the accounting of the Bank's jointly controlled entities that were previously accounted for using the proportionate consolidation method. As per the new requirements, all jointly controlled entities were deconsolidated and accounted for using the equity method of accounting.

The impact of the adoption of the abovementioned new and revised standards on the comparative amounts is disclosed in note 53 to these consolidated financial statements.

ii IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 11 and 16 to these consolidated financial statements).

iii IFRS 13 *Fair Value Measurements*

The Bank has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS17 *Leases and Measurements* that have some similarities to fair value but are not fair value (e.g. value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also IFRS 13 includes extensive disclosure requirements.

Other than additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(a) New and revised IFRSs affecting the amounts reported or/and disclosures in the consolidated financial statements (continued)

iv Amendments to IAS 1 *Presentation of Financial Statements* - statement of comprehensive income items

The amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

v Amendments to IAS 1 *Presentation of Financial Statements* - comparative amounts

The annual improvements to IFRSs 2009-2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Bank are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when (i) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and (ii) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Bank has applied a number of new and revised IFRSs (see above) which has resulted in material effects on the financial information in the consolidated statement of financial position as at 1 January 2012. In accordance with the amendments to IAS 1, the Bank has presented a third statement of financial position as at 1 January 2012 without the related notes.

(b) New and revised IFRSs applied with no material effect on the consolidated financial statements

The following revised IFRSs have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 *Financial Instruments: Disclosure* - Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities.
- Amendments to IFRS 9 *Financial Instruments* - Including new general hedge accounting model.
- Amendments to IAS 16 *Property, Plant and Equipment - Classification of servicing equipment.*
- IAS 19 (as revised in 2011) *Employee Benefits* - Changes the accounting for defined benefit plans and termination benefits.
- Amendments to IAS 32 *Financial Instruments - Presentation* - Tax effect of distribution to holders of equity instruments.
- IFIRC 20 *Stripping Costs in the Production Phase of a Surface Mine.*

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and revised standards in issue but not yet effective

The Bank has not applied the following new and revised standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 10 *Consolidated Financial Statements* - Amendments for investment entities	1 January 2014
• Amendments to IFRS 12 *Disclosure of interests in Other Entities* - Amendments for investment entities	1 January 2014
• Amendments to IAS 27 *Separate Financial Statements (as amended in 2011)* - Amendments for investment entities	1 January 2014
• Amendments to IAS 32 *Financial instruments: Presentation* - Amendments relating to the offsetting of assets and liabilities	1 January 2014
• Amendments to IAS 36 *Impairment of Assets* - Amendments arising from Recoverable Amount Disclosures for Non-Financial Asset	1 January 2014
• Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* - Amendments for novation of derivatives	1 January 2014
• IFRIC 21 *Levies*	1 January 2014

As of date of issuance of these consolidated financial statements, management are still in the process of evaluating the impact of these new and revised standards on the consolidated financial statements.

3 Definitions

The following terms are used in the consolidated financial statements with the meaning specified:

(a) Murabaha

A contract whereby the Bank (the "Seller") sells an asset to its customer (the "Purchaser"), on a deferred payment basis, after purchasing the asset and gaining possession thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. Murabaha profit is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding. The Murabaha sale price is paid by the Purchaser to the Seller on an installment basis over the period of the Murabaha as stated in the contract.

(b) Salam finance

A contract whereby the Bank purchases a fixed quantity of a specified commodity and pays the full Salam price of the commodity in advance, whereas the customer delivers the quantity of the commodities in accordance with an agreed delivery schedule. The Bank makes profit on Salam transactions, when the Salam commodities are received from the Salam customer and subsequently sold to a third party at profit. Salam profit is internally accounted for on a time-apportioned basis over the period of the Salam contract based on the value of the outstanding Salam commodities.

3 Definitions (continued)

(c) Istisna'a

A sale contract between two parties whereby the Bank (the "Sani" or "Seller") undertakes to construct, for its customer (the "Mustasni" or "Purchaser"), a specific asset or property (being "Al-Masnoo") according to certain pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount. The work undertaken is not restricted to be accomplished by the Sani' alone and the whole or part of the construction/development can be undertaken by third parties under the control and responsibility of the Sani'. Under an Istisna'a contract the Bank could be the Sani' or the Mustasni'. Istisna'a profit (difference between the sale price of Al-Masnoo to the customer and the Bank's total Istisna'a cost) is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding.

(d) Ijarah

i Ijarah Muntahiya Biltamleek

An agreement whereby the Bank (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing/acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term/periods, payable on fixed or variable rental basis.

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Ijarah rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rental (which predominantly represent the cost of the leased asset).

ii Forward Ijarah

Forward Ijarah (Ijarah Mausoofa Fiz Zimma) is an agreement whereby the Bank (the "Lessor") agrees to provide, on a specified future date, a certain described asset on lease to its customer (the "Lessee") upon its completion and delivery by the developer, contractor or customer, from whom the Bank has purchased the same, by way of Istisna.

The Forward Ijarah agreement specifies the description of the leased asset, duration of the lease term, and the basis for rental calculation and the timing of rental payment.

During the construction period, the Bank pays to the developer/contractor one payment or multiple payments, Forward Ijarah profit during the construction period will be accounted for on a time-apportioned basis over the construction period on account of rentals. These profit amounts are received either during the construction period as advance rental payment or with the first or second rental payment after the commencement of the lease.

The lease rental under Forward Ijarah commences only upon the Lessee having received possession of the leased asset from the Lessor. The Lessee undertakes under the Forward Ijarah agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Forward Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

3 Definitions (continued)

(e) Musharaka

An agreement between the Bank and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The Musharaka Capital may be contributed in cash or in kind, as valued at the time of entering into the Musharaka. The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement. In principle Musharaka profit is distributed on declaration/distribution by the managing partner. However, since the Musharaka profit is always reliably estimated, it is internally accounted for on a time-apportioned basis over the Musharaka tenure based on the Musharaka Capital outstanding. Whereas the loss, if any, is shared in proportion to their capital contribution ratios, provided in the absence of the managing partner's negligence, breach or default, the Group receives satisfactory evidence that such loss was due to force majeure and that the managing partner neither was able to predict the same nor could have prevented the negative consequences of the same on the Musharaka.

(f) Mudaraba

A contract between two parties whereby one party is a fund provider (the "Rab Al Mal") who would provide a certain amount of funds (the "Mudaraba Capital"), to the other party (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity. In principle Mudaraba profit is distributed on declaration/distribution by the Mudarib. However, since the Mudaraba profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Mudaraba tenure based on the Mudaraba Capital outstanding. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal, provided the Rab Al Mal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences of the same on the Mudaraba. Under the Mudaraba contract the Bank may act either as Mudarib or as Rab Al Mal, as the case may be.

(g) Wakala

An agreement between two parties whereby one party is a fund provider (the "Muwakkil") who provides a certain amount of money (the "Wakala Capital") to an agent (the "Wakeel"), who invests the Wakala Capital in a Sharia'a compliant manner and according to the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle Wakala profit is distributed on declaration/distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Bank may act either as Muwakkil or as Wakeel, as the case may be.

(h) Sukuk

These comprise asset backed, Sharia'a compliant trust certificates.

3 Definitions (continued)

(i) Amanats accounts

The Bank acts as a trustee agent for clients escrow accounts for a fixed fee.

4 Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and applicable requirements of the Laws of the U.A.E.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets, goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account when pricing the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other that quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial statements are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

The principal accounting policies are set out below.

(c) Presentation of consolidated financial statements

The Bank presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 48 to these consolidated financial statements.

4 Significant accounting policies (continued)

(d) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has:

- power over the investee,
- exposure, or has rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders and other parties;
- rights raising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Parent and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributable to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Bank's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Bank are eliminated in full on consolidation.

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to owners of the Parent.

When the Bank loses control of a subsidiary, a gain or loss is recognised in the consolidated income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Bank had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

4 Significant accounting policies (continued)

(d) Basis of consolidation (continued)

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(e) Fiduciary activities

The Bank acts as trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the Bank's consolidated financial statements as they are not assets of the Bank. However, where the Bank provides Amanat accounts and acts as an agent for fixed fee to hold funds in escrow accounts, these are treated as other liabilities.

(f) Investments in associates and joint ventures

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associates and joint ventures is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Bank's share of the profit or loss and other comprehensive income of the associates and joint ventures. When the Bank's share of losses of associates and joint ventures exceeds the Bank's interest in that associates and joint ventures (which includes any long-term interests that, in substance, form part of the Bank's net investment in the associates and joint ventures), the Bank discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the associates and joint ventures.

An investment in associate as a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of associates and joint ventures recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement in the period in which the investment is acquired.

The requirements of International Financial Reporting Standards are applied to determine whether it is necessary to recognise any impairment loss with respect to the Bank's investment in associates and joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4 Significant accounting policies (continued)

(f) Investments in associates and joint ventures (continued)

The Bank discontinues the use of equity method from the date when the investment ceases to be an associate or a joint venture. When the Bank retains its interest in the former associate or joint venture and the retained interest is a financial asset, the Bank measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Bank accounts for all amounts previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Bank reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Bank continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Upon disposal of associates and joint ventures that results in the Bank losing significant influence over that associates and joint ventures, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associates and joint ventures attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates and joint ventures. In addition, the Bank accounts for all amounts previously recognised in other comprehensive income in relation to that associates and joint ventures on the same basis as would be required if that associates and joint ventures had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associates and joint ventures would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Bank reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associates and joint ventures.

When a Bank's entity transacts with an associate or a joint venture of the Bank, profits and losses resulting from the transactions with the associate or joint venture is recognised in the Bank' consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Bank.

(g) Financial instruments

Financial assets and liabilities are recognised when a Bank's entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

4 Significant accounting policies (continued)

(h) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

i Classification of financial assets

'Balances with central banks', 'due from banks and financial institutions', 'Islamic financing and investing assets', 'investments in Islamic sukuk' and certain items in 'receivables and other assets' that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

ii Amortized cost and effective profit rate method

The effective profit method is a method of calculating the amortised cost of those financial instruments measured at amortized cost and of allocating income over the relevant period. The effective profit rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financing and investing instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition.

Income is recognised on an effective profit basis for financing and investing instruments measured subsequently at amortised cost. Income is recognised in the consolidated income statement.

iii Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

4 Significant accounting policies (continued)

(h) Financial assets (continued)

iii Financial assets at fair value through other comprehensive income (FVTOCI) (continued)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve in equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

Dividends on these investments in equity instruments are recognised in profit or loss when the Bank's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in the consolidated income statement and are included in the 'gain from other investments at fair value' line item.

iv Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Bank designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (see above).

Financial assets (other than equity instruments) that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, financial assets (other than equity instruments) that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. Financial assets (other than equity instruments) may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Bank has not designated any financial assets (other than equity instruments) as at FVTPL.

Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets (other than equity instruments) that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement is included in the 'gain from other investments at fair value' line item in the consolidated income statement. Fair value is determined in the manner described in note 50 to these consolidated financial statements.

Dividend income on investments in equity instruments at FVTPL is recognised in the consolidated income statement when the Bank's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the consolidated income statement as disclosed above.

4 Significant accounting policies (continued)

(h) Financial assets (continued)

v Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in consolidated income statement; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated financial instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated income statement.

vi Impairment of financial assets

Financial assets (including Islamic financing and investing assets, investments in Islamic sukuk, balances due from banks and financial institutions, balances with central banks and other assets) that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets measured at amortized cost are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in profit or principal payments;
- it becoming probable that the customer will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, calculated using the financial asset's original effective profit rate.

The carrying amount of the financial asset measured at amortized cost is reduced by the impairment loss directly for all financial assets with the exception of Islamic financing and investing assets, where the carrying amount is reduced through the use of an impairment allowance account. When the Islamic financing and investing assets are considered uncollectible, it is written off against the impairment allowance account. Subsequent recoveries of amounts previously written off are credited against the impairment allowance account. Changes in the carrying amount of the impairment allowance account are recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Islamic financing and investing assets (and the related impairment allowance) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised Islamic financing and investing assets, when the proceeds from realizing the security have been received.

4 Significant accounting policies (continued)

(h) Financial assets (continued)

vi Impairment of financial assets (continued)

Impairment of Islamic financing and investing assets measured at amortized cost is assessed by the Bank as follows:

(1) Individually assessed Islamic financing and investing assets

Individually assessed Islamic financing and investing assets mainly represent corporate and commercial assets which are assessed individually in order to determine whether there exists any objective evidence that an Islamic financing and investing asset is impaired. Islamic financing and investing assets are classified as impaired as soon as there is doubt about the customer's ability to meet payment obligations to the Bank in accordance with the original contractual terms. Doubts about the customer's ability to meet payment obligations generally arise when:

- Principal and profit are not serviced as per contractual terms; and
- When there is significant deterioration in the customer's financial condition and the amount expected to be realised from disposals of collaterals, if any, are not likely to cover the present carrying value of the Islamic financing and investing assets.

Impaired Islamic financing and investing assets are measured on the basis of the present value of expected future cash flows calculated using Islamic financing and investing asset's original effective profit rate or, as a practical expedient, at the Islamic financing and investing assets' observable market price or fair value of the collaterals if the Islamic financing and investing assets is collateral dependent. Impairment loss is calculated as the difference between the Islamic financing and investing assets' carrying value and its present impaired value.

(2) Retail Islamic financing and investing assets with common features and which are not individually significant

Collective impairment is made to cover impairment against specific group of assets where there is a measurable decrease in estimated future cash flows by applying a formula approach which allocates progressively higher loss rates in line with the overdue installment date.

(3) Incurred but not yet identified

Individually assessed Islamic financing and investing assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics based on industry, product or Islamic financing and investing assets rating for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Bank may have incurred as a result of events occurring before the consolidated financial position date, which the Bank is not able to identify on an individual basis, and that can be reliably estimated. As soon as information becomes available which identifies losses on individual Islamic financing and investing assets within the group of the customer, those Islamic financing and investing assets are removed from the group of the customer and assessed on an individual basis for impairment.

4 Significant accounting policies (continued)

(h) Financial assets (continued)

vi Impairment of financial assets (continued)

(4) Renegotiated financing facilities

Where possible, the Bank seeks to restructure financing exposures rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. Once the terms have been renegotiated, the financing exposure is no longer considered past due. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur. The facility continues to be subject to an individual or collective impairment assessment, calculated using the facility's original effective profit rate depending upon the customer complying with the revised terms and conditions and base upon performance criteria of the exposure such as minimum payment requirements and improvement in quality and effectiveness of collateral, to be moved to performing category.

vii Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised Islamic financing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated income statement.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve in equity is not reclassified to the consolidated income statement, but is transferred to retained earnings within equity.

(i) Financial liabilities and equity instruments

i Classification as liability or equity

Liability and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

ii Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Own equity instruments of the parent which are acquired by it or by any of its subsidiaries (treasury shares) are recognised and deducted directly in equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Parent's own equity instruments.

4 Significant accounting policies (continued)

(i) Financial liabilities and equity instruments (continued)

ii Equity instruments (continued)

Tier 1 sukuk are perpetual Mudaraba sukuk which are not redeemable by sukukholders and bear an entitlement to profit distributions that is non-cumulative and at the discretion of the board of directors. Accordingly tier 1 sukuk are presented as a component of equity instruments issued by the Bank in equity.

Dividends on ordinary shares and profit distribution to tier 1 sukuk are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders and board of directors, respectively. Dividends for the year that are approved after the reporting date are disclosed as an unadjusting event after the reporting date.

iii Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective profit rate method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantees issued by the Bank, and commitments issued by the Bank to provide a facility at below-market profit rate are measured in accordance with the specific accounting policies set out below.

(1) Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective profit rate method. Customers' share of profit that is not capitalised as part of costs of an asset is included in the consolidated income statement.

The effective profit rate method is a method of calculating the amortised cost of a financial liability and of allocating customers' share of profit over the relevant period. The effective profit rate is the rate that is used to calculate the present value of estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs through the expected life of the financial liability, or (where appropriate) a shorter period, to arrive at the net carrying amount on initial recognition.

Financial liabilities measured at amortised cost include 'due to banks and financial institutions', 'customers' deposits', 'sukuk financing instruments', 'medium term wakala finance' and certain 'payables and other liabilities'.

(2) Convertible sukuk financing instruments

Convertible sukuk financing instruments that can be settled at the option of the issuer are recorded as compound financial instruments. The equity component of the convertible sukuk is calculated as the excess of the issue proceeds over the present value of the future profit and principal payments, calculated using the market rate of profit applicable to similar liabilities that do not have a conversion option.

4 Significant accounting policies (continued)

(i) Financial liabilities and equity instruments (continued)

iii. Financial liabilities (continued)

(3) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the consolidated income statement.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

(4) Financial guarantee

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the guarantee, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(5) De-recognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement.

(j) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated financial position only when there is a legally enforceable right to set off the recognised amounts and when the Bank intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

The Bank is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented on a gross basis.

4 Significant accounting policies (continued)

(k) Islamic derivative financial instruments

An Islamic derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Bank enters into a variety of Islamic derivative financial instruments to manage the exposure to profit and foreign exchange rate risks, including unilateral promise to buy/sell currencies and Islamic profit rate swap.

Islamic derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All Islamic derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Islamic derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

Islamic derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the Islamic derivative's components using appropriate pricing or valuation models.

The method of recognising fair value gains and losses depends on whether Islamic derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of Islamic derivatives held for trading are recognised in consolidated income statement.

When Islamic derivatives are designated as hedges, the Bank classifies them as either: (i) hedges of the change in the fair value of recognised assets or liabilities or firm commitments ('fair value hedges'); (ii) hedges of the variability in future cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect future reported net income ('cash flow hedges'); or (iii) a hedge of a net investment in a foreign operation ('net investment hedges'). Hedge accounting is applied to Islamic derivatives designated as hedging instruments in a fair value, cash flow or net investment hedges provided certain criteria are met.

At the inception of a hedging relationship, to qualify for hedge accounting, the Bank documents the relationship between the hedging instruments and the hedged items as well as its risk management objective and its strategy for undertaking the hedge. The Bank also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments, primarily derivatives, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. Profit on designated qualifying hedges is included in the consolidated income statement.

i Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the re-measurement of both the Islamic derivative and the hedged item are recognised in the consolidated income statement. Fair value adjustments relating to the hedging instrument are allocated to the same consolidated income statement category as the related hedged item. Any ineffectiveness is also recognised in the same consolidated income statement category as the related hedged item. If the Islamic derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued.

4 Significant accounting policies (continued)

(k) Islamic derivative financial instruments (continued)

ii Cash flow hedges

The effective portion of changes in the fair value of Islamic derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in other comprehensive income. The ineffective part of any gain or loss is recognised immediately in the consolidated income statement as trading revenue/loss. Amounts accumulated in equity are transferred to the consolidated income statement in the periods in which the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised, in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the consolidated income statement. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the consolidated income statement and classified as trading revenue/loss.

iii Islamic Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of Islamic derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated income statement as trading revenue/loss. However, the gains and losses arising from changes in the fair values of Islamic derivatives that are managed in conjunction with financial instruments designated at fair value are included in net income from financial instruments designated at fair value under other non-profit revenue/loss.

Islamic derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate Islamic derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in the consolidated income statement.

(l) Unilateral promises to buy/sell currencies (the "Promises")

The Promises are stated at fair value. The fair value of a Promise is the equivalent of the unrealised gain or loss from marking to market the Promise using prevailing market rates. Promises with positive market value (unrealised gain) are included in other assets and Promises with negative market value (unrealised losses) are included in other liabilities in the consolidated statement of financial position.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Central Banks, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

4 Significant accounting policies (continued)

(n) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments. Refer to note 46 on Business Segment reporting.

(o) Acceptances

Acceptances are recognised as financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

(p) Properties held for sale

Properties acquired or constructed with the intention of sale are classified as properties held for sale. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale.

Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress.

(q) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost less accumulated depreciation and impairment loss, if any. Depreciation on investment in buildings is charged on a straight-line basis over 25 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the property is derecognised.

Transfers to investment properties are made when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers from investment properties are made when, and only when, there is change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

4 Significant accounting policies (continued)

(r) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the consolidated income statement in the period in which they are incurred.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

• Buildings	15-25 years
• Plant and machinery	15-20 years
• Furniture and office equipment	3-5 years
• Information technology	3-5 years
• Motor vehicles	3 years

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss, if any. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, financing costs capitalised in accordance with the Bank's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Bank's policies.

(s) Impairment of tangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the present value of the estimated future cash flows are calculated using a profit rate that reflects current market assessments of the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement.

4 Significant accounting policies (continued)

(s) Impairment of tangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated income statement.

(t) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Bank has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(u) Employees' end of service benefits

Pension and national insurance contributions for the U.A.E. citizens are made by the Bank in accordance with Federal Law No. 2 of 2000.

The Bank provides end of service benefits for its expatriate employees in accordance with U.A.E. Labour Law. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

(v) Share-based payment arrangement

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of equity instruments that will eventually vest. At each reporting date, the Bank revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement over the remaining vesting period, with a corresponding adjustment to the employees' incentive plan reserve.

4 Significant accounting policies (continued)

(w) Taxation

Provision is made for current and deferred taxes arising from operating results of overseas subsidiaries in accordance with the fiscal regulations of the respective countries in which the subsidiaries operate.

i Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

ii Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(x) Zakat

Zakat for shareholders is computed based on "Net Invested Funds Method" which is in accordance with the advice of the Fatwa and Sharia'a Supervisory Board.

The Zakat for the shareholders is accounted for as follows:

i Zakat accounted by the Bank on shareholders' behalf

Zakat is accounted as per the Articles and Memorandum of Association of the Bank's and is approved by the Bank's Fatwa and Sharia'a Supervisory Boards on the following basis:

4 Significant accounting policies (continued)

(x) Zakat (continued)

i Zakat accounted by the Bank on shareholders' behalf (continued)

- The portion of Zakat payable by the Bank on its shareholders' behalf is calculated on 'statutory reserve', 'general reserve', 'retained earnings' and 'provision for employees' end of service benefits';
- Zakat paid by investee companies directly are adjusted in shareholders Zakat, if the Bank only accounts for net profit after Zakat of investee;
- Zakat on depositors' investment risk reserve is calculated and deducted from the investment risk reserve balance held with the bank and added to the Zakat payable balance; and
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board of Directors.

ii Zakat payable by the shareholders

Zakat payable by the shareholders directly represents the differential/remaining Zakat after deducting the Zakat accounted by the Bank on shareholders' behalf.

(y) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

i Income from financial assets measured at amortised cost

Income from a financial asset measured at amortised cost is recognised when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Income from a financial asset measured at amortised cost is accrued/amortised on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that is used to calculate the present value of estimated future net cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

ii Fee and commission income

Fee and commission income is recognised when the related services are performed.

iii Dividend income

Dividend income from other investments at fair value in equities is recognised when the right to receive the dividend is established.

iv Income from cancellation of properties sale contract

Income from cancellation of properties sale contract (forfeiture income) is recognised in the consolidated income statement when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil the contractual payment terms. This is deemed to take place when, despite rigorous follow-up with the defaulted customer, as per the procedures set out by the Dubai Real Estate Regulatory Authority, the customer continues to default on the contractual terms.

4 Significant accounting policies (continued)

(y) Revenue recognition (continued)

v Revenue from sale of properties, net

Revenue from the sale of properties is recognized when the properties are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Bank has transferred to the buyer the significant risks and rewards of ownership of the properties;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Bank; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Cost of sale of property includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sale in respect of apartments is based on the estimated proportion of the development cost incurred to date to the estimated total development costs for each project.

vi Rental income

The Bank's policy for recognition of revenue from operating leases is described in note 4(aa) below.

vii Forfeited income

In according to the Bank's Fatwa and Sharia'a Supervisory Board, the Bank is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia'a principles, as interpreted by Fatwa and Sharia'a Supervisory Board, and to set aside such amount in a separate account used to pay for local charitable causes and activities.

(z) Depositors' share of profit calculation

Allocation of profits between depositors and shareholders is calculated according to the Bank's standard procedures and is approved by the Bank's Fatwa and Sharia'a Supervisory Board.

(aa) Leasing

i The Bank as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

ii The Bank as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4 Significant accounting policies (continued)

(ab) Foreign currencies

In preparing the financial statements of each individual Bank's entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the consolidated income statement in the period in which they arise except for:

- exchange differences on foreign currency Islamic financing relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to financing costs on those foreign currency Islamic financings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to the consolidated income statement on settlement of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Bank's foreign operations are translated into Arab Emirates Dirham, which is the Bank's presentation currency, using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Bank is reclassified to the consolidated income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Bank losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated income statement. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Bank losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

Fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

5 Critical accounting judgements and key sources of estimation of uncertainty

While applying the accounting policies as stated in Note 4, the management of the Bank has made certain judgments. These judgments mainly have a significant effect on the carrying amounts of Islamic financing and investing assets, investment securities and the fair values of Islamic derivative financial instruments. The significant judgments made by the management in arriving at the carrying amounts of Islamic financing and investing assets, investment securities and fair values of Islamic derivative financial instruments are summarised as follows:

5 Critical accounting judgements and key sources of estimation of uncertainty (continued)

(a) Impairment losses on Islamic financing and investing assets

The impairment allowance for Islamic financing and investing assets is established through charges to the consolidated income statement in the form of an impairment allowance for doubtful Islamic financing and investing assets.

i Individually assessed Islamic financing and investing assets

Impairment losses for individually assessed Islamic financing and investing assets are determined by an evaluation of exposure on a case-by-case basis. This procedure is applied to all classified corporate Islamic financing and investing assets which are individually significant accounts or are not subject to the portfolio-based-approach.

The following factors are considered by management when determining allowance for impairment on individual Islamic financing and investing assets which are significant:

- The amount expected to be realised on disposals of collaterals;
- The Bank's ability to enforce its claim on the collaterals and associated cost of litigation; and
- The expected time frame to complete legal formalities and disposals of collaterals.

The Bank's policy requires regular review of the level of impairment allowances on individual facilities and regular valuation of the collateral and its enforceability.

Impaired Islamic financing and investing assets continue to be classified as impaired unless they are brought fully current and the collection of scheduled profit and principal is considered probable.

ii Collectively assessed Islamic financing and investing assets

Collective assessment of allowance for impairment is made for overdue retail Islamic financing and investing assets with common features which are not individually significant and performing Islamic financing and investing assets which are not found to be individually impaired.

This collective allowance is based on any deterioration in the internal rating of the asset or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The management of the Bank assesses, based on historical experience and the prevailing economic and credit conditions, the magnitude of Islamic financing and investing assets which may be impaired but not identified as of the consolidated financial position date.

(b) Classification of investments

The classification and measurement of the financial assets depends on the management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial assets assessed. Management is satisfied that the Bank's investment in securities are appropriately classified and measured.

Financial assets that are measured at amortized cost are those assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit.

5 Critical accounting judgements and key sources of estimation of uncertainty (continued)

(b) Classification of investments (continued)

Financial assets that are measured at FVTOCI are strategic investments in equity instruments and investment funds that are not held to benefit from changes in their fair value and are not held for trading. The management believes that designating these instruments as at FVTOCI provides a more meaningful presentation of its medium to long-term interest in its investments than holding the investments at fair value through profit and loss.

Note 10 to these consolidated financial statements describes that the Bank owns more than 20% of two investees and classifies them as other investments measured at FVTOCI as the management has concluded that the Bank does not have significant influence over these investees. The conclusion of the Bank was based on the facts that the Bank does not have representatives in the boards of these investees and is not related to the fund managers.

Financial assets that are measured at FVTPL are either held for trading or designated as FVTPL.

(c) Impairment of associates and joint ventures

After application of equity method of accounting, the Bank determines whether it is necessary to recognise for any additional impairment loss on the carrying value of the investment in associates and joint ventures by comparing their recoverable amounts with the higher of value in use or fair value less costs to sell with their carrying amounts.

In determining the value in use of the investment, the Bank estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the associates, including the cash flows from the operations of the associates and the proceeds on the ultimate disposal of the investment; or
- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

(d) Islamic derivative financial instruments

Subsequent to initial recognition, the fair values of Islamic derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, present value calculation of the estimated future cash flow models and recognised pricing models as appropriate. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, present value calculation of the estimated future cash flow analysis and other valuation techniques commonly used by market participants.

The main factors which management considers when applying a model are:

- The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although management judgement may be required in situations where the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt; and

5 Critical accounting judgements and key sources of estimation of uncertainty (continued)

(d) Islamic derivative financial instruments (continued)

- An appropriate profit rate for the instrument that is used to calculate the present value of the future estimated cash flows. Management determines this rate, based on its assessment of the appropriate spread of the rate for the instrument over the internal benchmark profit rate. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared. When valuing instruments on a model basis using the fair value of underlying components, management considers, in addition, the need for adjustments to take account of a number of factors such as bid-offer spread, credit profile, servicing costs of portfolios and model uncertainty.

(e) Fair value of financial instruments

Certain assets and liabilities are measured at fair value for financial reporting purposes. The management has set up a valuation process, which involves finance and investment banking departments to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Bank uses market observable data to the extent it is available. Where level 1 inputs are not available, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as present value calculation rates, prepayment rates and default rate assumptions for 'asset-backed' securities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 50 to these consolidated financial statements.

(f) Property, plant and equipment, and investment properties

The cost of property, plant and equipment, and investment properties is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

(g) Control over a subsidiary

Note 16 to these consolidated financial statements describes that Deyaar Development P.J.S.C. ("Deyaar") is a subsidiary of the Bank even though the Bank has only 44.9% ownership interest and has only 44.9% of the voting rights in Deyaar. Deyaar is a listed company in Dubai Financial Market, U.A.E.. The Bank has held its 44.9% ownership since Deyaar's inception and the remaining 55.1% of the ownership interests are held by numerous shareholders that are unrelated to the Bank.

The Bank's management assessed whether or not the Bank has control over Deyaar based on whether the Bank has practical ability to direct the relevant activities of Deyaar unilaterally. In making their judgement, the management considered absolute size of the Bank's holding in Deyaar and the relative size and dispersion of the holdings of other shareholders. After assessment, the management concluded that the Bank has sufficiently dominant voting power to direct the relevant activities of Deyaar and therefore the Bank has control over Deyaar.

(h) Significant influence over an associate

Note 11 to these consolidated financial statements describes that Ejar Cranes & Equipment L.L.C. ("Ejar") is an associate of the Bank although the Bank only owns a 17% ownership interest in Ejar. The Bank has significant influence over Ejar by being the major shareholder of Ejar, having a representative in Ejar's board of directors and being the major financing facilities provider to Ejar.

5 Critical accounting judgements and key sources of estimation of uncertainty (continued)

(i) Classification of investees as joint ventures

All investees classified as investment in joint ventures are limited liability companies whose legal form confers separation between the parties to the joint arrangement and the investee themselves. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, all these investees are classified as joint ventures of the Bank.

6 Cash and balances with central banks

(a) The analysis of the Bank's cash and balances with central banks as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Cash on hand	**1,740,992**	1,732,034
Balances with central banks:		
Current accounts	**888,259**	1,336,509
Reserve requirements with central banks (note 6 (c))	**5,095,569**	4,186,484
International murabahat with the Central Bank of the U.A.E.	**14,988,144**	8,218,972
Total	**22,712,964**	15,473,999

(b) The geographical analysis of the cash and balances with central banks as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Within the U.A.E.	**22,546,487**	15,332,999
Outside the U.A.E.	**166,477**	141,000
Total	**22,712,964**	15,473,999

(c) The reserve requirements are kept with the Central Banks of the U.A.E. and Islamic Republic of Pakistan in the respective local currencies and US Dollar. These reserves are not available for use in the Bank's day to day operations, and cannot be withdrawn without the approval of the respective central banks. The level of reserve required changes every month in accordance with the requirements of the respective central banks' directives.

7 Due from banks and financial institutions

(a) The analysis of the Bank's due from banks and financial institutions as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Current accounts	**2,461,844**	652,058
Investment deposits	**1,774,263**	891,867
International murabahat - short term	**5,370,061**	1,749,134
Total	**9,606,168**	3,293,059

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

7 Due from banks and financial institutions (continued)

(b) The geographical analysis of the due from banks and financial institutions as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Within the U.A.E.	7,328,001	2,341,167
Outside the U.A.E.	2,278,167	951,892
Total	9,606,168	3,293,059

8 Islamic financing and investing assets, net

(a) The analysis of the Bank's Islamic financing and investing assets, net, as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Islamic financing Assets		
Vehicles murabahat	5,960,304	5,653,007
Commodities murabahat	4,276,412	3,815,483
Real estate murabahat	3,737,731	4,264,731
International murabahat - long term	884,689	286,159
Total murabahat	14,859,136	14,019,380
Other Ijarahs	13,160,813	11,519,558
Home finance Ijarah	11,376,246	12,318,412
Salam	6,235,659	4,687,193
Istisna'a	3,482,002	4,491,960
Islamic credit cards	422,199	392,490
	49,536,055	47,428,993
Deferred income	(1,889,228)	(2,318,116)
Contractors and consultants' Istisna'a contracts	(122,583)	(121,805)
Total Islamic financing assets	47,524,244	44,989,072
Islamic investing Assets		
Musharakat	5,644,561	6,824,046
Mudaraba	4,026,973	3,894,714
Wakalat	3,448,133	3,174,278
Total Islamic investing assets	13,119,667	13,893,038
Total Islamic financing and investing assets	60,643,911	58,882,110
Provisions for impairment (note 8(b))	(4,573,273)	(3,699,422)
Total Islamic financing and investing assets, net	56,070,638	55,182,688

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

8 Islamic financing and investing assets, net (continued)

(b) The movements in the provision for impairment during the years ended 31 December 2013 and 2012 are as follows:

	2013 AED'000	2012 AED'000 (Restated)
Balance at 1 January	**3,699,422**	3,508,874
Charge for the year	**1,153,085**	1,163,674
Release to the profit or loss	**(301,455)**	(279,280)
Write-back/(write-off) during the year	**6,802**	(691,332)
Foreign exchange effect	**(3,799)**	(2,514)
Other	**19,218**	-
Balance at 31 December	**4,573,273**	3,699,422
Gross amount of Islamic financing and investing assets, determined to be impaired	**5,654,003**	6,118,079

(c) The Bank, in the ordinary course of providing finance, holds collateral as security to mitigate credit risk associated with Islamic financing and investing assets. The collaterals include mortgage on land and buildings and lien on savings and investment deposits, equities and other fixed assets. The estimated value of collaterals for Islamic financing and investing assets other than retail assets which are mainly asset based financing, is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Property and mortgages	**40,066,671**	41,000,515
Machineries and vehicles	**2,091,096**	2,238,444
Deposits and equities	**1,648,335**	779,402

(d) The fair value of collaterals that the Bank holds relating to facilities individually determined to be impaired at 31 December 2013 amounts to AED 4.0 billion (2012 (Restated): AED 5.5 billion).

(e) During the year ended 31 December 2013, the Bank took possession of various underlying assets, primarily vehicles. The Bank has sold repossessed assets amounting to AED 1.8 million (2012 (Restated): AED 7.5 million), which has been adjusted against the outstanding receivables.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

8 Islamic financing and investing assets, net (continued)

(f) Analysis of Islamic financing and investing assets, net by industry group and geography as at 31 December 2013 and 2012 are as follows:

	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000
2013			
Economic sector			
Government	**4,627,479**	**91,124**	**4,718,603**
Manufacturing and services	**5,937,119**	**1,135,593**	**7,072,712**
Trade	**4,577,355**	**161,956**	**4,739,311**
Financial institutions	**1,322,238**	**635,908**	**1,958,146**
Real estate	**15,788,116**	**161,684**	**15,949,800**
Consumer home finance	**11,535,324**	**166,852**	**11,702,176**
Consumer financing	**14,248,539**	**254,624**	**14,503,163**
	58,036,170	**2,607,741**	**60,643,911**
Provision for impairment			**(4,573,273)**
Total			**56,070,638**
2012 (Restated)			
Economic sector			
Government	4,081,540	-	4,081,540
Manufacturing and services	6,930,468	1,341,666	8,272,134
Trade	2,626,914	69,785	2,696,699
Financial institutions	1,086,348	263,164	1,349,512
Real estate	17,183,583	84,972	17,268,555
Consumer home finance	12,647,712	179,222	12,826,934
Consumer financing	12,143,907	242,829	12,386,736
	56,700,472	2,181,638	58,882,110
Provision for impairment			(3,699,422)
Total			55,182,688

9 Investments in Islamic sukuk measured at amortised cost

(a) The geographical analysis of the Bank's investments in Islamic Sukuk as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Within the U.A.E.	**10,204,306**	10,066,975
Other G.C.C. Countries	**519,985**	233,249
Rest of the World	**918,262**	788,438
Total	**11,642,553**	11,088,662

(b) Analysis of investments in Islamic sukuk measured at amortized cost by industry group as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Government	**5,877,729**	5,390,379
Manufacturing and services	**2,433,353**	2,728,401
Financial institutions	**2,339,214**	1,943,936
Real estate	**992,257**	1,025,946
Total	**11,642,553**	11,088,662

(c) Investments in Islamic sukuk within the U.A.E. include investments in bilateral sukuk amounting to AED 3,673 million as at 31 December 2013 (2012 (Restated): AED 3,673 million).

10 Other investments at fair value

(a) The analysis of the Bank's other investments at fair value as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Investments designated at fair value through profit or loss	**790**	1,132
Investments measured at fair value through other comprehensive income	**2,028,867**	1,979,900
Total	**2,029,657**	1,981,032

(b) Analysis of other investments at fair value by industry group as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Manufacturing and services	**1,296,732**	1,195,801
Financial institutions	**402,959**	455,787
Real estate	**329,966**	329,444
Total	**2,029,657**	1,981,032

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

10 Other investments at fair value (continued)

(c) The geographical analysis of the other investments at fair value as at 31 December 2013 and 2012 is as follows:

	Within the U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the World AED'000	Total AED'000
2013				
Investments designated at fair value through profit or loss				
Quoted equity instruments	790	-	-	790
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	629,484	184,610	44,544	858,638
Unquoted equity instruments	803,848	42,249	84,326	930,423
Unquoted investment funds	3,916	1,795	234,095	239,806
	1,437,248	228,654	362,965	2,028,867
Total	1,438,038	228,654	362,965	2,029,657
2012 (Restated)				
Investments designated at fair value through profit or loss				
Quoted equity instruments	1,132	-	-	1,132
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	418,616	152,142	40,080	610,838
Unquoted equity instruments	846,424	60,957	83,196	990,577
Unquoted investment funds	143,006	1,794	233,685	378,485
	1,408,046	214,893	356,961	1,979,900
Total	1,409,178	214,893	356,961	1,981,032

(d) During the year ended 31 December 2013, dividends received from financial assets measured at fair value through other comprehensive income (FVTOCI) amounting to AED 20.2 million (2012 (Restated): AED 19.8 million) were recognized as gain from other investments at fair value in the consolidated income statement (note 33).

(e) Unquoted investments include investments in two entities amounting to AED 230.2 million in which the Bank owns more than 20% of each. These investments are not classified as investment in associates as the Bank does not have a significant influence over these investees as explained in note 5 (b) to these consolidated financial statements.

11 Investments in associates and joint ventures

(a) The analysis of the Bank's investments in associates and joint ventures as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Investments in associates and joint ventures	1,940,876	2,063,448
Provision for impairment	(63,047)	(33,495)
Net investment in associates and joint ventures	**1,877,829**	2,029,953

(b) The analysis of the Bank's share of total comprehensive income of associates and joint ventures during the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
The Bank's share of profit for the year *	78,077	60,857
The Bank's share of other comprehensive loss for the year	(71,142)	(42,560)
The Bank's share of total comprehensive income for the year	6,935	18,297

* The Bank's share of profit for the year ended 31 December 2013 is net of forfeited income of AED 0.2 million (2012: AED 0.2 million).

(c) Details of the Bank's significant associates and joint ventures at 31 December 2013 and 2012 are as follows:

	Name of associate or joint venture	Principal activity	Place of incorporation	Percentage of holding 2013	2012 (Restated)
1.	Bank of Khartoum	Banking	Sudan	28.4%	28.4%
2.	Jordan Dubai Islamic Bank	Banking	Jordan	20.8%	20.8%
3.	Bosnia Bank International	Banking	Bosnia	27.3%	27.3%
4.	Emirates REIT Management Private Limited	Properties management	DIFC, U.A.E.	25.0%	25.0%
5.	Liquidity Management Center	Brokerage services	Bahrain	25.0%	25.0%
6.	Ejar Cranes & Equipment L.L.C. (note 11(e))	Equipment leasing	U.A.E.	16.7%	16.7%
7.	MESC Investment Company	Investments	Jordan	40.0%	40.0%
8.	Solidere International Al Zorah Equity Investments Inc	Property development	Cayman Islands	22.7%	22.7%
9.	Landmark Properties LLC	Real estate brokerage	U.A.E.	40.0%	40.0%
10.	Emirates REIT CEIC Limited (note 11(g))	Real estate fund	U.A.E.	39.2%	36.2%
11.	Al Islami Aircraft Leasing Limited	Aircraft Leasing	U.A.E.	24.7%	-
12.	Al Bustan Center Company L.L.C.	Rental of apartments and shops	U.A.E.	50.0%	50.0%
13.	Millennium Private Equity L.L.C.	Fund management	DIFC, U.A.E.	50.0%	50.0%
14.	Al Rimal Development	Property development	U.A.E.	50.0%	50.0%
15.	Arady Development LLC	Property development	U.A.E.	50.0%	50.0%
16.	Alarko Deyaar Gayrimenkul	Property development	Turkey	-	50.0%

11 Investments in associates and joint ventures (continued)

(d) All of the above associates and joint ventures are accounted for using the equity method in these consolidated financial statements.

(e) Although the Bank holds less than 20% of the equity shares of Ejar Cranes & Equipment L.L.C., and it has less than 20% of the voting power at shareholders meetings, the Bank exercises significant influence by being one of the major shareholders of the company, having a representative in the company's board of directors and being the major financing facilities provider.

(f) As at 31 December 2013, the fair value of the Bank's listed associates is AED 168.9 million (2012 (Restated): AED 189.3 million), and the carrying amount of the Bank's interest in those associates is AED 371.1 million (2012 (Restated): AED 409.6 million). All other investments in associates and joint ventures are not listed in active markets and the management considers the carrying amounts of these investments approximate their fair values.

(g) During the year ended 31 December 2013, the management reassessed the conclusion on the classification of their interests in entities and concluded that interest in Emirates REIT CEIC Limited, U.A.E. and Al Islami Aircraft Leasing Limited, U.A.E. The Bank reclassified from other investments measured at FVTOCI to investment in associate as the Bank has significant influence over both entities. Emirates REIT CEIC Limited's reclassification was a prior year error and accordingly comparative figures were restated as disclosed in note 53 to these consolidated financial statements.

(h) Bank of Khartoum, Sudan; Jordan Dubai Islamic Bank, Jordan; Solidere International Al Zorah Equity Investments Inc, Cayman Islands; and Arady Development LLC, U.A.E. are considered as the Bank's material associates and joint ventures for financial reporting purposes. Summarized financial information in respect of each of the Bank's material associates and joint ventures is set out below. The summarized financial information below represents amounts shown in the associates' and joint ventures' financial statements prepared in accordance with IFRS and adjusted by the Bank for equity accounting purposes.

(i) Bank of Khartoum ("BOK")

	2013 AED'000	2012 AED'000 (Restated)
Assets	**5,199,884**	7,557,275
Liabilities	**(4,457,546)**	(6,552,627)
Net assets of the associate	**742,338**	1,004,648
Revenue	**324,239**	559,148
Profit for the year	**185,509**	159,701
Other comprehensive income	**-**	-
Total comprehensive income	**185,509**	159,701
Dividends received during the year	**-**	13,635

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

11 Investments in associates and joint ventures (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in BOK recognized in these consolidated financial statements:

	2013 AED'000	2012 AED'000 (Restated)
Net assets of the associate	**742,338**	1,004,648
Proportion of the Bank's ownership interest in BOK	**28.4%**	28.4%
Carrying amount of the Bank's interest in BOK	**210,824**	285,320

These figures are extracted from the financial information of Bank of Khartoum for the nine-month period ended 30 September 2013 (latest available financial information) and for the year ended 31 December 2012. Management believes the financial information for the year ended 31 December 2013 will not be materially different from 30 September 2013.

(j) Jordan Dubai Islamic Bank ("JDIB")

	2013 AED'000	2012 AED'000 (Restated)
Assets	**2,977,776**	2,349,332
Liabilities	**(2,207,041)**	(1,590,587)
Net assets of the associate	**770,735**	758,745
Revenue	**128,067**	33,933
Profit/(loss) for the year	**11,977**	(8,197)
Other comprehensive income	-	-
Total comprehensive income/(loss)	**11,977**	(8,197)
Dividends received during the year	-	-

Reconciliation of the above summarized financial information to the carrying amount of the interest in JDIB recognized in these consolidated financial statements:

	2013 AED'000	2012 AED'000 (Restated)
Net assets of the associate	**770,735**	758,745
Proportion of the Bank's ownership interest in JDIB	**20.8%**	20.8%
Carrying amount of the Bank's interest in JDIB	**160,313**	157,819

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

11 Investments in associates and joint ventures (continued)

These figures are extracted from the financial information of Jordon Dubai Islamic Bank for the nine-month period ended 30 September 2013 (latest available financial information) and for the year ended 31 December 2012. Management believes the financial information for the year ended 31 December 2013 will not be materially different from 30 September 2013.

(k) Solidere International Al Zorah Equity Investments Inc ("Zorah")

	2013 AED'000	2012 AED'000 (Restated)
Assets	**1,128,639**	1,125,414
Liabilities	**(222,683)**	(222,018)
Net assets of the associate	**905,956**	903,396
Revenue	**8,626**	11,436
Profit for the year	**4,194**	6,167
Other comprehensive income	-	-
Total comprehensive income	**4,194**	6,167
Dividends received during the year	-	-

Reconciliation of the above summarized financial information to the carrying amount of the interest in Zorah recognized in these consolidated financial statements:

	2013 AED'000	2012 AED'000 (Restated)
Net assets of the associate	**905,956**	903,396
Proportion of the Bank's ownership interest in Zorah	**22.7%**	22.7%
Carrying amount of the Bank's interest in Zorah	**205,652**	205,071

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

11 Investments in associates and joint ventures (continued)

(l) Arady Development LLC ("Arady")

	2013 AED'000	2012 AED'000 (Restated)
Assets	**1,886,410**	1,826,798
Liabilities	**(381,446)**	(1,031,784)
Net assets of the joint venture	**1,504,964**	795,014
Revenue	-	-
Loss for the year	**(30,156)**	(3,956)
Other comprehensive income	-	-
Total comprehensive loss	**(30,156)**	(3,956)
Dividends received during the year	-	-

Reconciliation of the above summarized financial information to the carrying amount of the interest in Arady recognized in these consolidated financial statements:

	2013 AED'000	2012 AED'000 (Restated)
Net assets of the joint venture	**1,504,964**	795,014
Proportion of the Bank's ownership interest in Arady	**50.0%**	50.0%
Carrying amount of the Bank's interest in Arady	**752,482**	397,507

(m) Aggregate information of associates and joint ventures that are not individually material

	2013 AED'000	2012 AED'000 (Restated)
The Bank's share of financial position:		
Assets	**1,208,484**	1,401,009
Liabilities	**(659,926)**	(383,278)
Net assets of the associates and joint ventures	**548,558**	1,017,731
The Bank Share of revenue & total comprehensive income:		
Revenue	**92,242**	80,541
Profit for the year	**37,027**	17,335
Other comprehensive loss	**(3,974)**	-
Total comprehensive income	**33,053**	17,335
Dividends received during the year	**23,285**	-

11 Investments in associates and joint ventures (continued)

(n) Movement of provision for impairment of investments in associates during the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Balance at 1 January	**33,495**	8,382
Charge for the year (note 41)	**29,552**	33,495
Derecognized investments in associates	-	(8,382)
Balance at 31 December	**63,047**	33,495

(o) The geographical analysis of the investment in associates net of provision for impairment as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Within the U.A.E.	**1,389,009**	1,060,057
Other G.C.C. Countries	**56,931**	53,628
Rest of the world	**431,889**	916,268
Total	**1,877,829**	2,029,953

(p) During the years ended 31 December 2013 and 2012, the Bank disposed of its interest in equity of certain associates and joint ventures. This resulted in the recognition of a gain/(loss) calculated as follows:

	2013 AED'000	2012 AED'000 (Restated)
Proceeds of disposal	**136,717**	29,109
Carrying value of the investments at the time of disposal	**(190,353)**	(24,318)
(Loss)/gain recognized (note 37)	**(53,636)**	4,791

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

12 Properties held for sale

(a) Properties held for sale represent properties in the U.A.E. and outside the U.A.E. that are registered in the name of the Bank's entities.

(b) The movement of the properties held for sale during the years ended 31 December 2013 and 2012 is as follows:

	Other real estate AED'000	Properties under construction AED'000	Land AED'000	Total AED'000
2013				
Balance at 1 January 2013	**915,832**	**841,542**	**240,000**	**1,997,374**
Additions	**194**	**102,580**	**4,391**	**107,165**
Disposals (note 36)	**(391,518)**	**(13,703)**	**-**	**(405,221)**
Reversal of impairment during the year (note 41)	**-**	**150,000**	**-**	**150,000**
Transfers	**754,117**	**(754,117)**	**-**	**-**
Foreign exchange effect	**(8,345)**	**-**	**-**	**(8,345)**
Balance at 31 December 2013	**1,270,280**	**326,302**	**244,391**	**1,840,973**
2012 (Restated)				
Balance at 1 January 2012 as previously Reported	504,472	105,284	-	609,756
Impact of adoption of IFRS 10 & 11	669,299	1,039,600	240,000	1,948,899
Balance at 1 January 2012 after adoption of IFRS 10 & 11 (Restated)	1,173,771	1,144,884	240,000	2,558,655
Additions	18,907	147,163	-	166,070
Disposals (note 36)	(268,641)	-	-	(268,641)
Impaired during the year (note 41)	(104,829)	31,660	-	(73,169)
Transferred to investment properties (note 13 (b))	(381,749)	-	-	(381,749)
Transfers	482,165	(482,165)	-	-
Foreign exchange effect	(3,792)	-	-	(3,792)
Balance at 31 December 2012	915,832	841,542	240,000	1,997,374

(c) The geographical analysis of properties held for sale as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Within the U.A.E.	**1,736,102**	1,877,754
Outside the U.A.E.	**104,871**	119,620
Total	**1,840,973**	1,997,374

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

13 Investment properties

(a) Movement in investment properties during the years ended 31 December 2013 and 2012 is as follows:

2013	Other real estate AED'000	Investment properties under construction AED'000	Land AED'000	Total AED'000
Cost:				
Balance at 1 January 2013	904,269	670,397	1,147,763	2,722,429
Additions	1,410	14,813	-	16,223
Disposal	(107,101)	-	-	(107,101)
Foreign exchange effect	6,938	-	-	6,938
Balance at 31 December 2013	805,516	685,210	1,147,763	2,638,489
Accumulated depreciation and impairment:				
Balance at 1 January 2013	295,883	39,369	304,167	639,419
Depreciation charged for the year	36,198	-	-	36,198
(Reversal of impairment)/impairment losses recognized, net (note 41)	62,239	-	(37,735)	24,504
Disposal	(80,536)	-	-	(80,536)
Foreign exchange effect	5,590	-	-	5,590
Balance at 31 December 2013	319,374	39,369	266,432	625,175
Carrying amount at 31 December 2013	486,142	645,841	881,331	2,013,314
2012 (Restated)				
Cost:				
Balance at 1 January 2012 (as previously reported)	1,081,049	450,266	472,072	2,003,387
Impact of adoption of IFRS 10 & 11	(19,314)	-	312,494	293,180
Balance at 1 January 2012 after IFRS 10 & 11(Restated)	1,061,735	450,266	784,566	2,296,567
Additions	337,974	32,815	23,386	394,175
Transferred from properties held for sale (note 13 (b))	69,763	187,316	339,811	596,890
Disposal	(27)	-	-	(27)
Eliminated on loss of control in subsidiaries (note 16 (j))	(585,266)	-	-	(585,266)
Foreign exchange effect	8,990	-	-	8,990
Other	11,100	-	-	11,100
Balance at 31 December 2012	904,269	670,397	1,147,763	2,722,429
Accumulated depreciation and impairment:				
Balance at 1 January 2012	218,182	-	-	218,182
Impact of adoption of IFRS 10 & 11	(6,064)	-	165,920	159,856
Balance at 1 January 2012 after IFRS 10 & 11(Restated)	212,118	-	165,920	378,038
Depreciation charged for the year	31,338	-	-	31,338
(Reversal of impairment)/impairment losses recognized, net (note 41)	26,601	-	(12,641)	13,960
Foreign exchange effect	942	-	-	942
Transferred from properties held for sale (note 13 (b))	24,884	39,369	150,888	215,141
Balance at 31 December 2012	295,883	39,369	304,167	639,419
Carrying amount at 31 December 2012	608,386	631,028	843,596	2,083,010

13 Investment properties (continued)

(b) Transfer from properties held for sale during the year ended 31 December 2012 is as follows:

	2012 AED'000 (Restated)
Other real estate	69,763
Investment properties under construction	187,316
Land	339,811
Total cost (note 13 (a))	596,890
Accumulated impairment (note 13 (a))	(215,141)
Total carrying amount (note 12 (b))	381,749

(c) The geographical analysis of investment properties as of 31 December 2013 and 2012 is as follows:

2013	**Other real estate AED'000**	**Properties under construction AED'000**	**Land AED'000**	**Total AED'000**
Cost:				
Within the U.A.E.	**385,447**	**685,210**	**890,580**	**1,961,237**
Outside the U.A.E.	**422,269**	**-**	**257,182**	**679,451**
Total cost	**807,716**	**685,210**	**1,147,762**	**2,640,688**
Accumulated depreciation and impairment				**(627,374)**
Carrying amount as at 31 December 2013				**2,013,314**
2012 (Restated)				
Cost:				
Within the U.A.E.	382,070	670,397	890,580	1,943,047
Outside the U.A.E.	526,599	-	257,182	783,781
Total cost	908,669	670,397	1,147,762	2,726,828
Accumulated depreciation and impairment				(643,818)
Carrying amount as at 31 December 2012				2,083,010

(d) The fair value of the Bank's investment properties as at 31 December 2013 is AED 3.2 billion (2012 (Restated): AED 3.2 billion). The fair value is mainly based on observable market inputs (i.e. level 2).

The Bank has carried out internal and external valuation of these properties as at 31 December 2013 and 2012. The valuations are carried out by professional valuers not related to the Bank who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuations were based on comparable transaction method and present value calculation of the estimated future cash flow model supported by existing lease and current market rents for similar properties in the same location adjusted to reflect the level of completion of construction of these properties. The profit rate, which is used to calculate the present value of the future cash flows, reflects current market assessments of the uncertainty and timing of the cash flows.

The valuations were based on an individual assessment, for each property type, of both the future earnings and the required yield. In assessing the future earnings of the properties, potential changes in rental levels from each contract's rent and expiry date compared with estimated current market rent, as well as changes in occupancy rates and property costs.

13 Investment properties (continued)

(e) Investment properties include properties amounting AED 376.6 million (2012 (Restated): AED 433.2 million) have been mortgaged by one of the Bank's entities as a security financing obligation to another bank.

14 Receivables and other assets

(a) The analysis of the Bank's receivables and other assets as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Receivables on sale of investment properties, net (note 14 (d))	**2,339,881**	2,339,881
Due from customers (note 14 (c))	**895,785**	889,000
Acceptances	**858,556**	679,425
Trade receivables	**227,413**	256,854
Other income receivable	**138,803**	165,650
Clearing receivables	**88,154**	74,168
Prepaid expenses	**82,752**	77,276
Advances to contractors	**38,781**	18,169
Due from employees	**31,778**	31,692
Fair value of Islamic derivatives (note 47 (a))	**21,041**	41,288
Deferred tax asset (note 22 (b))	**9,691**	9,749
Inventories	**2,147**	15,882
Other	**351,666**	372,487
	5,086,448	4,971,521
Provision for impairment (note 14(b))	**(129,074)**	(79,563)
Total	**4,957,374**	4,891,958

(b) Movement of provision for impairment during the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Balance at 1 January	**79,563**	51,203
Charged during the year	**74,647**	51,561
Releases during the year	**(6,215)**	(7,154)
Other movement	**(18,921)**	-
Write-off	-	(16,047)
Balance at 31 December	**129,074**	79,563

14 Receivables and other assets (continued)

(c) Due from customers represent overdrawn current accounts and other accounts that do not meet the definition of Islamic financing and investing assets. The balances are stated net of provision for impairment amounting to AED 473.0 million (2012 (Restated): AED 473.0 million). The Bank holds collaterals amounting to AED 1,250 million (2012 (Restated): AED 951.0 million) against these accounts.

(d) The Bank entered into sale and purchase agreements to sell investment properties in prior years. The salient terms and conditions of the sales and purchase agreements are as follows:

- The sales consideration is receivable on or before 30 December 2016;
- The sales consideration can be settled in cash or in kind or a combination of cash and in kind, at the discretion of the buyer. In case full settlement of consideration or part thereof is in kind, assets to be offered in lieu of the full sales consideration or part thereof, must be of equal value (as verified by an independent real estate consultant jointly appointed by the buyer and the seller) to the amount due and payable under the agreement; and
- The commitments on the remaining original purchase price for the plots of land remain with the Bank.

Receivables on sale of investment properties are stated net of provision for impairment amounting to AED 101.2 million (2012 (Restated): AED 49.1 million).

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

15 Property, plant and equipment

2013

	Land and buildings AED'000	Plant and machinery AED'000	Furniture and office equipment AED'000	Information technology AED'000	Motor vehicles AED'000	Capital work in progress* AED'000	Total AED'000
Cost:							
Balance at 1 January 2013 (Restated)	474,695	74,871	380,796	469,111	3,476	30,672	1,433,621
Additions	3,375	-	7,451	9,700	582	49,242	70,350
Disposals	(10,888)	(63,695)	(13,623)	(15,875)	(1,977)	-	(106,058)
Written off	-	-	(96)	-	-	-	(96)
Transfers	145,037	8,868	(135,732)	20,529	-	(38,702)	-
Exchange adjustments	(149)	(348)	(5,759)	(3,363)	(83)	(223)	(9,925)
Balance at 31 December 2013	612,070	19,696	233,037	480,102	1,998	40,989	1,387,892
Accumulated depreciation:							
Balance at 1 January 2013 (Restated)	88,683	58,111	322,630	371,944	2,776	-	844,144
Charge for the year	27,047	8,426	21,313	41,755	323	-	98,864
Disposals	(2,191)	(53,804)	(13,358)	(15,523)	(1,971)	-	(86,847)
Written off	-	-	(56)	-	-	-	(56)
Transfers	139,134	7,094	(144,971)	(1,257)	-	-	-
Exchange adjustments	-	(169)	(2,987)	(1,974)	(51)	-	(5,181)
Balance at 31 December 2013	252,673	19,658	182,571	394,945	1,077	-	850,924
Carrying amount							
Balance at the end of the year	359,397	38	50,466	85,157	921	40,989	536,968

* Capital work in progress comprises cost incurred on information technology projects and civil work for branch network.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

15 Property, plant and equipment (continued)

2012 (Restated)

	Land and buildings AED'000	Plant and machinery AED'000	Furniture and office equipment AED'000	Information technology AED'000	Motor vehicles AED'000	Capital work in progress* AED'000	Total AED'000
Cost:							
Balance at 1 January 2012 (as previously reported)	416,058	84,063	383,270	421,891	3,630	22,771	1,331,683
Impact of adoption of IFRS 10 & 11	31,423	(10,501)	(5,265)	22,748	1,747	1,580	41,732
Balance at 1 January 2012 (Restated)	447,481	73,562	378,005	444,639	5,377	24,351	1,373,415
Additions	5,645	1,642	8,822	7,250	329	56,892	80,580
Disposals	(83)	(3)	(2,251)	(2,246)	(2,157)	-	(6,740)
Written off	-	-	(4,446)	(208)	-	-	(4,654)
Transfers	21,793	-	5,673	22,938	-	(50,404)	-
Exchange adjustments	(141)	(330)	(5,007)	(3,262)	(73)	(167)	(8,980)
Balance at 31 December 2012	474,695	74,871	380,796	469,111	3,476	30,672	1,433,621
Accumulated depreciation:							
Balance at 1 January 2012 (as previously reported)	65,247	64,253	305,343	312,549	2,881	-	750,273
Impact of adoption of IFRS 10 & 11	(578)	(9,180)	(5,385)	17,513	1,654	-	4,024
Balance at 1 January 2012 (Restated)	64,669	55,073	299,958	330,062	4,535	-	754,297
Charge for the year	24,041	3,171	31,149	45,075	399	-	103,835
Disposals	(27)	(2)	(1,964)	(1,954)	(2,105)	-	(6,052)
Written off	-	-	(4,232)	(163)	-	-	(4,395)
Exchange adjustments	-	(131)	(2,281)	(1,076)	(53)	-	(3,541)
Balance at 31 December 2012	88,683	58,111	322,630	371,944	2,776	-	844,144
Carrying amount							
Balance at the end of the year	386,012	16,760	58,166	97,167	700	30,672	589,477

* Capital work in progress comprises cost incurred on information technology projects and civil work for branch network.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

16 Subsidiaries

(a) The Bank's material interest held directly or indirectly in the subsidiaries is as follows:

	Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion and ownership interest and voting power held by the Bank	
				2013	2012
1.	DIB Capital Limited	Investments and financial services	DIFC, U.A.E.	**95.5%**	95.5%
2.	Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	**100.0%**	100.0%
3.	Tamweel P.J.S.C. (note 16 (d))	Financing and investment	U.A.E	**86.5%**	58.3%
4.	Dubai Islamic Financial Services L.L.C.	Brokerage services	U.A.E.	**95.5%**	95.5%
5.	Deyaar Development P.J.S.C. (note 2 (a))	Real estate development	U.A.E	**44.9%**	44.9%
6.	Dar al Shariah Financial & Legal Consultancy L.L.C.	Financial and legal advisory	U.A.E.	**60.0%**	60.0%
7.	Al Tanmyah Services L.L.C.	Labour services	U.A.E.	**99.5%**	99.5%
8.	Al Tatweer Al Hadith Real Estate	Real estate development	Egypt	**100.0%**	100.0%
9.	Al Tameer Modern Real Estate Investment	Real estate development	Egypt	**100.0%**	100.0%
10.	Al Tanmia Modern Real Estate Investment	Real estate development	Egypt	**100.0%**	100.0%
11.	Naseej Fabric Manufacturing L.L.C.	Textile Manufacturing	U.A.E.	**99.0%**	99.0%
12.	DIB Printing Press L.L.C.	Printing	U.A.E.	**99.5%**	99.5%
13.	Levant One Investment Limited	Investments	U.A.E.	**100.0%**	100.0%
14.	Petra Limited	Investments	Cayman Islands	**100.0%**	100.0%
15.	Al Islami Real Estate Investments Ltd.	Investments	U.A.E.	**100.0%**	100.0%
16.	Emirates Automotive Leasing Company	Trading in motor vehicles	U.A.E.	**100.0%**	100.0%
17.	Omega Engineering L.L.C. (note 16(j))	Real estate	U.A.E	-	100.0%

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

16 Subsidiaries (continued)

(b) The following Special Purpose Vehicles ("SPV") were formed to manage specific transactions including funds, and are expected to be closed upon completion of the related transactions.

	Name of SPV	Principal activity	Place of incorporation and operation	Proportion and ownership interest and voting power held by the Bank	
				2013	2012
18.	HoldInvest Real Estate Sarl	Investments	Luxembourg	Controlling interest	Controlling interest
19.	France Invest Real Estate SAS	Investments	France	Controlling interest	Controlling interest
20.	SARL Barbanniers	Investments	France	Controlling interest	Controlling interest
21.	SCI le Sevine	Investments	France	Controlling interest	Controlling interest
22.	Findi Real Estate SAS	Investments	France	Controlling interest	Controlling interest
23.	PASR Einudzwanzigste Beteiligunsverwaltung GMBH	Investments	Austria	Controlling interest	Controlling interest
24.	Al Islami German Holding Co. GMBH	Investments	Germany	Controlling interest	Controlling interest
25.	Rhein Logistics GMBH	Investments	Germany	Controlling interest	Controlling interest
26.	Jef Holdings BV	Investments	Netherlands	Controlling interest	Controlling interest
27.	Zone Two Real Estate Management Co.	Investments	Cayman Islands	Controlling interest	Controlling interest
28.	Zone One Real Estate Management Co.	Investments	Cayman Islands	100.0%	100.0%
29.	Al Islami Trade Finance FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
30.	DIB Lease One Ltd.	Investments	Bahamas	100.0%	100.0%
31.	DIB Lease One (Dublin) Ltd.	Investments	Ireland	100.0%	100.0%
32.	Gulf Atlantic FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
33.	Al Islami Oceanic Shipping Co FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
34.	Sequia Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
35.	Blue Nile Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%

(c) In addition to the registered ownership described above, the remaining equity in the entities 1, 4, 7, 11, 12, 34 and 35 are also beneficially held by the Bank through nominee arrangements.

(d) On 3 January 2013, the Bank's Board of Directors announced its intention to acquire 100% of Tamweel P.J.S.C. ("Tamweel") shares by offering DIB shares in exchange for Tamweel shares to the non-controlling shareholders. The Bank obtained the approval of its shareholders in the Extraordinary Annual General Meeting conducted on 4 March 2013 and subsequently obtained all required approvals from the regulatory authorities, including The U.A.E. Ministry of Finance, Securities and Commodities Authority of the U.A.E., the U.A.E. Central Bank and Dubai Financial Market.

During the year ended 31 December 2013, the Bank issued 156.7 million shares at a par value of AED 1 per share to the non-controlling interest of Tamweel, who accepted the Bank's offer of swapping 10 new DIB shares for every 18 Tamweel shares. This transaction increased the Bank's percentage of equity in Tamweel to 86.5% and the difference of AED 327.0 million between the fair value of the 156.7 million DIB shares and the carrying amount of non-controlling interest acquired was recognized in retained earnings.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

16 Subsidiaries (continued)

(e) Non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Bank that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by the non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
1. Tamweel P.J.S.C., U.A.E.	13.5%	41.7%	19,238	29,719	312,503	965,971
2. Deyaar Development P.J.S.C. (note 16(f))	55.1%	55.1%	85,216	21,291	1,734,230	1,633,841
3. Individually immaterial subsidiaries with non-controlling interests			2,636	12,362	3,771	5,321
Total			107,090	63,372	2,050,504	2,605,133

(f) Deyaar Development P.J.S.C. ("Deyaar") is a subsidiary of the Bank even though the Bank has only 44.9% ownership interest and has only 44.9% of the voting rights in Deyaar. The Bank has held its 44.9% ownership since Deyaar's listing and the remaining 55.1% of the ownership interests are held by numerous shareholders that are unrelated to the Bank, none individually holding more than 5%.

The Bank's management assessed whether or not the Bank has control over Deyaar based on whether the Bank has practical ability to direct the relevant activities of Deyaar unilaterally. In making their judgement, the management considered the Bank's absolute size of holding in Deyaar and the relative size dispersion of the holdings of other shareholders. After assessment, the management concluded that the Bank has a sufficiently dominant voting power to direct the relevant activities of Deyaar and therefore the Bank has control over Deyaar.

(g) Summarised financial information in respect of each of the Bank's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

16 Subsidiaries (continued)

(h) Tamweel P.J.S.C. summarised financial information for the years ended 31 December 2013 and 2012

	2013 AED'000	2012 AED'000 (Restated)
Statement of financial position		
Islamic financing and investing assets, net	7,676,168	9,324,190
Other	671,701	1,622,676
Total assets	8,347,869	10,946,866
Customers' deposits	-	1,478,680
Due to banks and financial institutions	4,650,000	3,498,750
Sukuk financing instruments	1,102,500	3,297,650
Other	248,340	358,082
Total liabilities	6,000,840	8,633,162
Equity	2,347,029	2,313,704
Dividends paid to non-controlling interests	20,876	20,876
Statement of comprehensive income		
Total income	587,336	644,364
Total expenses	(290,724)	(270,572)
Depositors' and sukukholders' share of profit	(194,084)	(302,609)
Profit for the year	102,528	71,183
Other comprehensive income	-	-
Total comprehensive income	102,528	71,183
Statement of cash flows		
Net cash flows (used in)/generated from operating activities	(952,670)	121,886
Net cash flows generated from/(used in) investing activities	7,027	(56,656)
Net cash flows generated from financing activities	-	859,949
Net cash flows (used in)/generated during the year	(945,643)	925,179

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

16 Subsidiaries (continued)

(i) Deyaar Development P.J.S.C. summarised financial information for the years ended 31 December 2013 and 2012*

	2013 AED'000	2012 AED'000 (Restated)
Statement of financial position		
Investment in associates and joint ventures	984,943	1,163,148
Properties held for sale	1,670,962	1,820,278
Investment properties	265,521	215,917
Receivables and other assets	1,999,737	1,990,369
Other	458,198	259,825
Total assets	5,379,361	5,449,537
Due to banks and financial institutions	826,389	887,450
Payables and other liabilities	1,408,402	1,679,302
Total liabilities	2,234,791	2,566,752
Equity	3,144,570	2,882,785
Dividends paid to non-controlling interests	-	-
Statement of comprehensive income		
Total income	281,483	275,315
Total expenses	(87,863)	(189,946)
Depositors' and sukukholders' share of profit	(24,927)	(38,205)
Share of loss from associates and joint ventures	(14,176)	(8,559)
Profit for the year	154,517	38,605
Other comprehensive income	26,861	5,780
Total comprehensive income	181,378	44,385
Statement of cash flows		
Net cash flows generated from operating activities	255,384	4,811
Net cash flows generated from investing activities	140,030	6,625
Net cash flows generated from/(used in) financing activities	54,550	(73,337)
Net cash flows generated/(used in) during the year	449,964	(61,901)

* Adjustments were made to the above financial information to bring the subsidiary's accounting policies in line with those used by the Bank.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

16 Subsidiaries (continued)

(j) During the years ended 31 December 2013 and 2012, the Bank has lost control over certain subsidiaries. Below is the analysis of assets and liabilities of subsidiaries over which control was lost at the date of derecognition:

	2013 AED'000	2012 AED'000 (Restated)
Investment properties (note 13 (a))	-	585,266
Other	15,536	179,211
Total assets	15,536	764,477
Due to banks and financial institutions	-	(235,744)
Other	(55,770)	(166,697)
Total liabilities	(55,770)	(402,441)
Non-controlling interest	-	(180,605)
Net (liabilities)/assets disposed of (note 16 (k))	(40,234)	181,431

(k) Gain recognized on loss of control of subsidiaries during the years ended 31 December 2013 and 2012:

	2013 AED'000	2012 AED'000 (Restated)
(Net liabilities)/fair value of investments retained	(12,555)	184,806
Less: Net liabilities settled/(assets disposed of) (note 16 (j))	40,234	(181,431)
Gain recognized (note 37)	27,679	3,375

17 Customers' deposits

(a) The analysis of the Bank's customers' deposits as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Current accounts	20,606,115	17,802,921
Saving accounts	12,927,264	11,264,634
Investment deposits	45,126,102	37,310,636
Margin accounts	226,332	169,011
Depositors' investment risk reserve (note 17 (c))	105,396	64,748
Depositors' share of profit payable (note 17 (d))	69,332	113,573
Total	79,060,541	66,725,523

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

17 Customers' deposits (continued)

(b) Analysis of customers' deposits by geography as at 31 December 2013 and 2012 are as follows:

	2013 AED'000	2012 AED'000 (Restated)
Within the U.A.E.	**75,591,875**	64,139,934
Outside the U.A.E.	**3,468,666**	2,585,589
Total	**79,060,541**	66,725,523

(c) Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is payable to the depositors upon the approval of the Bank's Fatwa and Sharia'a Supervisory Board. Zakat on depositors' investment risk reserve is included under Zakat payable and is deducted from the depositors' investment risk reserve balance.

Movement of depositors' investment risk reserve during the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Balance at 1 January	**64,748**	33,157
Zakat for the year (note 23)	**(2,788)**	(1,713)
Net transfer from depositors' share of profit during the year (note 17 (d))	**43,436**	33,304
Balance at 31 December (note 17 (a))	**105,396**	64,748

(d) Movement of depositors' share of profit payable during the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Balance at 1 January	**113,573**	158,522
Depositors' share of profit for the year (note 42)	**453,300**	612,542
Net transfer to depositors' investment risk reserve (note 17 (c))	**(43,436)**	(33,304)
Less: amount paid during the year	**(454,105)**	(624,187)
Balance at 31 December (note 17 (a))	**69,332**	113,573

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

18 Due to banks and financial institutions

(a) The analysis of the Bank's due to banks and financial institutions as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Current accounts	**177,616**	344,963
Investment deposits	**2,452,390**	6,323,037
Total	**2,630,006**	6,668,000

(b) The geographical analysis of the Bank's due to banks and financial institutions as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Within the U.A.E.	**1,666,936**	6,031,640
Outside the U.A.E.	**963,070**	636,360
Total	**2,630,006**	6,668,000

19 Sukuk financing instruments

(a) The analysis of the Bank's sukuk financing instruments as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Sukuk financing instruments issued by the Bank (note 19 (b))	**1,836,500**	1,836,500
Sukuk financing instruments issued by a subsidiary (note 19 (c))	**971,103**	2,837,460
Total	**2,807,603**	4,673,960

(b) In May 2012, the Bank, through a Sharia'a compliant financing arrangement, established a Trust Certificate Issuance Programme for USD 2,500 million (the "Programme"). As part of the Programme, the first series of the trust certificates amounting to USD 500 million (AED 1,836.5 million) were issued and listed on Irish Stock Exchange on 30 May 2012.

The terms of the Programme include transfer of certain identified assets (the "Co-Owned Assets") including original leased and musharakat assets, Sharia'a compliant authorised investments and any replaced assets of the Bank to DIB Sukuk Limited, Cayman Islands (the "Issuer"). These assets are under the control of the Bank and shall continue to be serviced by the Bank.

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

These sukuk financing instruments mature in May 2017 and is expected to pay profit to the investors semi-annually based on 6 months LIBOR + 3.65% per annum at the time of issuance.

19 Sukuk financing instruments (continued)

(c) In 2008, a subsidiary of the Bank issued Sharia'a compliant, convertible sukuk for a total value of USD 300 million (AED 1,101.9 million) at an expected profit rate of 4.31% per annum. Realised profit on these sukuk was paid quarterly in arrears.

The sukuk was listed on NASDAQ Dubai, U.A.E. and was redeemed fully in cash on maturity in January 2013.

In 2008, another Sharia'a compliant, non-convertible sukuk was issued in the form of Trust Certificates for the total value of AED 1,100 million at an expected profit rate of 3 months EIBOR + 225 basis points per annum. Realised profit on these sukuk was paid quarterly in arrears. These sukuk were listed on NASDAQ Dubai, U.A.E. and redeemed fully in cash on maturity in July 2013.

In 2012, a subsidiary issued Sharia'a Compliant Trust Certificates of US$ 300 million (AED 1,101.9 million) at an expected profit rate of 5.15% per annum. Realised profit on these certificates is payable semi-annually in arrears. The certificates are listed on the Irish Stock Exchange, Ireland and mature in 2017.

20 Medium term wakala finance

(a) The Bank opted to re-categorise wakala deposits received in 2008 from UAE Ministry of Finance amounting to AED 3.8 billion to Tier 2 qualifying finance ("Tier 2 finance"). The conversion process has been approved by the Shareholders in the Extraordinary General Meeting held in April 2009.

(b) During the year ended 31 December 2013, the Bank repaid Ministry of Finance medium term wakala finance in full before its contractual maturity in December 2016 after obtaining the necessary regulatory and government approvals.

21 Payables and other liabilities

(a) The analysis of the Bank's payables and other liabilities as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Transaction amanat accounts (note 21(b))	**7,293,849**	69,157
Trade payables	**1,280,192**	1,251,575
Acceptances payable	**858,556**	679,425
Bankers cheques	**381,903**	239,282
Investments related payable	**293,585**	293,585
Payable for properties	**215,687**	215,382
Vendor payable for Islamic financing and investing assets	**170,957**	117,291
Provision for employees' end-of-service benefits (note 21 (d))	**154,050**	131,666
Sundry deposits	**123,380**	166,180
Clearing payable	**99,708**	70,125
Depositors' and sukuk holders' share of profit payable (note 21(c))	**97,848**	143,915
Accruals and other provisions	**97,131**	267,665
Deferred income	**71,156**	17,783
Payable to contractors	**66,097**	154,083
Unclaimed dividends	**35,540**	35,610
Fund transfer and remittances	**19,606**	19,921
Fair value of Islamic derivative liabilities (note 47 (a))	**10,136**	27,963
Directors' remuneration payable	**5,350**	5,350
Provision for taxation (note 22 (a))	**2,239**	3,590
Other	**1,005,541**	1,025,152
Total	**12,282,511**	4,934,700

(b) Transaction Amanats accounts represent escrow accounts held and maintained by the Bank on behalf of customers where the Bank acts as an agent in certain transactions.

(c) Movement of the depositors' and sukuk holders share of profit payable during the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Balance at 1 January	**143,915**	100,936
Wakala and other investment deposits from banks (note 42)	**439,144**	557,918
Sukukholders' accrued/realised profit on sukuk financing instruments	**161,387**	182,039
Paid during the year	**(646,598)**	(696,978)
Balance at 31 December (note 21 (a))	**97,848**	143,915

(d) Movement of provision for employees' end-of-service benefits during the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Balance at 1 January	**131,666**	108,748
Charged during the year (note 38)	**22,945**	23,747
Paid during the year	**(561)**	(829)
Balance at 31 December (note 21 (a))	**154,050**	131,666

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

22 Taxation

(a) Provision for taxation movement during the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Balance at 1 January	**3,590**	5,346
Charged during the year (note 22 (c))	**4,685**	3,941
Paid during the year	**(6,294)**	(5,652)
Foreign exchange effect	**258**	(45)
Balance at 31 December (note 21 (a))	**2,239**	3,590

(b) Deferred tax asset movement during the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Balance at 1 January	**9,749**	19,297
Reversed/(charged) during the year (note 22 (c))	**770**	(8,860)
Foreign exchange effect	**(828)**	(688)
Balance at 31 December (note 14 (a))	**9,691**	9,749

(c) The analysis of income tax expense charged during the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Current taxation (note 22(a))	**4,685**	3,941
Deferred taxation (note 22(b))	**(770)**	8,860
Total	**3,915**	12,801

23 Zakat payable

The analysis of Zakat payable by the Bank on shareholders' behalf for the years ended 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Zakat charged to equity attributable to shareholders of the Parent	**163,995**	163,541
Zakat adjustment related to previous years	-	(2,446)
Zakat accounted and paid by investees	**(1,195)**	(1,683)
Shareholders' Zakat for the year payable by the Bank	**162,800**	159,412
Zakat adjustment related to previous years	-	2,447
Net Zakat payable by the Bank on shareholders' behalf	**162,800**	161,859
Zakat on depositors' investment risk reserve (note 17 (c))	**2,788**	1,713
Total Zakat payable	**165,588**	163,572

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

24 Share capital

As at 31 December 2013, 3,953,751,107 authorised ordinary shares of AED 1 each (2012 (Restated): 3,797,054,290 ordinary shares of AED 1 each) were fully issued and paid up.

25 Tier 1 sukuk

In March 2013, the Bank through a Shari'a compliant sukuk arrangement issued Tier 1 sukuk amounting to USD 1,000 million (AED 3,673 million) at a par value of USD 1,000 (AED 3,673) per sukuk. Tier 1 sukuk was issued as approved by the Bank's shareholders in the Extraordinary General Meeting conducted on 4 March 2013.

Tier 1 sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 sukuk is listed on the Irish Stock Exchange and callable by the Bank after the six-year period ending in March 2019 (the "First Call Date") or any profit payment date thereafter subject to certain redemption conditions.

The net proceeds of Tier 1 sukuk are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the general Mudaraba pool.

Tier 1 sukuk bears an expected profit rate of 6.25% per annum to be paid semi-annually in arrears until the First Call Date. After that, the expected profit rate will be reset based on then prevailing 6 year U.S. Mid Swap Rate plus initial margin of 495.5 basis points.

At the Issuer's sole discretion, it may elect not to make any Mudaraba profit distributions expected and the event is not considered an event of default. In such event, the Mudaraba profit will not be accumulated. If the Issuer makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on ordinary shares issued by the Bank, or (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire ordinary shares issued by the Bank.

26 Other reserves and treasury shares

(a) The movement of the other reserves during the years ended 31 December 2013 and 2012 is as follows:

	Statutory reserve AED'000	General reserve AED'000	Donated land reserve AED'000	Additional paid in capital AED'000	Treasury shares AED'000	Total AED'000
Balance at 1 January 2012 (Restated)	2,731,879	2,350,000	267,085	-	-	5,348,964
Balance at 31 December 2012 (Restated)	2,731,879	2,350,000	267,085	-	-	5,348,964
Acquisition of non-controlling interest of Tamweel P.J.S.C. (note 16 (d))	-	-	-	159,832	(10,884)	148,948
Treasury shares	-	-	-	-	(2,216)	(2,216)
Balance at 31 December 2013	**2,731,879**	**2,350,000**	**267,085**	**159,832**	**(13,100)**	**5,495,696**

26 Other reserves (continued)

(b) Statutory reserve:

Article 192 of the U.A.E. Commercial Companies Law No. (8) of 1984 (as amended) and the Articles of Association of the Bank, require that 10% of the profit attributable to the shareholders is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

The Board of Directors has resolved to discontinue the annual transfer to statutory reserve as the current reserve exceeds 50% of the paid up capital of the Bank.

(c) General reserve:

Transfer to general reserve is made based on the discretion of the Board of Directors and is subject to the approval of the Shareholders at the annual general meeting.

(d) Donated land reserve:

The Government of Dubai has donated certain lands which have been allocated for the sole benefit of the shareholders of the Bank. Such lands are included in investment properties as they are held for capital appreciation purposes.

(e) Treasury shares:

During the year ended 31 December 2013, the Bank acquired 1,603,589 treasury shares at AED 2.2 million.

In addition, 6,046,042 treasury shares amounting to AED 10.9 million were acquired by the Bank as a result of the Bank's acquisition of a subsidiary's non-controlling interests during the year ended 31 December 2013 (note 16 (d)).

27 Investments fair value reserve

	2013 AED'000	2012 AED'000 (Restated)
Balance at 1 January	**(817,913)**	(831,849)
Impact of adoption of IFRS 10 & 11	**-**	2,217
Net unrealised gain on other investments carried at FVTOCI	**260,263**	11,719
Realized gain transferred to retained earnings upon investment disposal	**(6,200)**	-
Balance at 31 December	**(563,850)**	(817,913)

28 Exchange translation reserve

Exchange translation reserve relating to the translation of the results and net assets of the Bank's foreign operations from their functional currencies to the Bank's presentation currency (i.e. AED) are recognised directly in other comprehensive income and accumulated in the exchange translation reserve.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

29 Dividends paid and proposed

(a) The Board of Directors has proposed 25% cash dividend at their meeting held on 29 January 2014.

(b) For the year ended 31 December 2012, the shareholders approved and paid a cash dividend of AED 0.15 per share (total dividend AED 569.56 million) at the Annual General Meeting held on 4 March 2013. For the year ended 31 December 2011, the shareholders approved and paid a cash dividend of AED 0.125 per share (total dividend AED 474.63 million) at the Annual General Meeting held on 20 March 2012.

30 Contingent liabilities and commitments

(a) The analysis of contingent liabilities and commitments as at 31 December 2013 and 2012 is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Contingent liabilities:		
Letters of guarantee	**6,986,202**	7,828,148
Letters of credit	**3,313,044**	1,962,295
Total contingent liabilities	**10,299,246**	9,790,443
Commitments:		
Capital expenditure commitments	**903,605**	1,082,813
Irrevocable undrawn facilities commitments	**13,850,038**	10,393,008
Total commitments	**14,753,643**	11,475,821
Total contingent liabilities and commitments	**25,052,889**	21,266,264

(b) Financing-related financial instruments (contingent liabilities):

Financing-related financial instruments include commitments to extend Islamic financing, standby letters of credit and guarantees which are designed to meet the requirements of the Bank's customers.

Commitments to extend Islamic financing represent contractual commitments to provide Islamic financing. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being utilized, the total contract amounts do not necessarily represent future cash requirements. Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

31 Income from Islamic financing and investing assets

	2013 AED'000	2012 AED'000 (Restated)
Islamic financing assets		
Vehicles murabahat	**350,508**	382,178
Commodities murabahat	**249,213**	265,498
Real estate murabahat	**162,097**	173,638
International murabahat	**12,342**	7,843
Total murabahat income	**774,160**	829,157
Home finance Ijarah	**585,010**	616,161
Other Ijarah	**541,620**	487,095
Salam finance	**611,116**	436,718
Istisna'a	**219,438**	318,122
Total income from Islamic financing assets	**2,731,344**	2,687,253
Islamic Investing assets		
Musharakat	**321,200**	356,655
Mudarabat	**166,550**	149,429
Wakalat	**129,336**	73,059
Total income from Islamic investing assets	**617,086**	579,143
Total income from Islamic financing and investing assets	**3,348,430**	3,266,396

Income from financing and investing assets is presented net of forfeited income of AED 3.4 million (2012 (Restated): AED 2.4 million).

32 Income from International murabahat and wakala, short term

	2013 AED'000	2012 AED'000 (Restated)
Income from international murabahat with central bank of the U.A.E.	**65,008**	33,582
Income from investment and wakala deposits	**22,708**	19,891
Income from international murabahat from banks and financial institutions	**7,958**	4,684
Total	**95,674**	58,157

33 Gain from other investments at fair value, net

	2013 AED'000	2012 AED'000 (Restated)
Dividend income and other returns from investments measured at FVTOCI	**20,210**	19,775
Realized gain on disposal of investments measured at FVTPL	**1,677**	1,514
Dividend income from investments designated at FVTPL	**64**	1,258
Unrealized gain/(loss) on revaluation of investments measured at FVTPL	**15**	(64)
Total	**21,966**	22,483

Dividend income is presented net of forfeited income of AED 2.9 million (2012 (Restated): AED 4.2 million).

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

34 Commissions, fees, and foreign exchange income

	2013 AED'000	2012 AED'000 (Restated)
Trade related commission and fees	**283,515**	218,211
Foreign exchange income	**70,186**	75,014
Asset and wealth management related fees	**52,189**	97,924
Fair value of Islamic derivatives	**4,293**	2,779
Other commissions and fees	**388,671**	386,086
Total	**798,854**	780,014

35 Income from investment properties

Income from investment properties represents the net rental income recognized by the Bank from its investment properties during the years ended 31 December 2013 and 2012.

36 Income from properties held for sale, net

	2013 AED'000	2012 AED'000 (Restated)
Sales proceeds	**527,438**	292,076
Less: cost of sale (note 12(b))	**(405,221)**	(268,642)
Net gains from sale of properties	**122,217**	23,434
Income from cancellation of properties sale contracts	**110,947**	193,958
Total	**233,164**	217,392

37 Other income

	2013 AED'000	2012 AED'000 (Restated)
Realized gain on disposal of investments in Islamic sukuk	**67,122**	37,058
Services income, net	**25,456**	62,991
(Loss)/gain on disposal of associates and joint ventures (note 11 (p))	**(53,636)**	4,791
Net (loss)/gain on sale of property, plant and equipment	**(7,289)**	351
Gain on sale of subsidiary (note 16 (k))	**27,679**	3,375
Other	**6,193**	66,248
Total	**65,525**	174,814

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

38 Personnel expenses

	2013 AED'000	2012 AED'000 (Restated)
Salaries, wages and other benefits	**1,028,214**	941,965
Staff terminal benefits (note 21 (d))	**22,945**	23,747
Share based payments	-	551
Total	**1,051,159**	966,263

39 General and administrative expenses

	2013 AED'000	2012 AED'000 (Restated)
Premises and equipment maintenance costs	**94,919**	131,902
Administrative expenses	**96,709**	82,905
Rental charges under operating leases	**72,241**	71,597
Communication costs	**72,529**	71,617
Printing and stationery	**7,631**	7,024
Other operating expenses	**158,327**	153,391
Total	**502,356**	518,436

40 Impairment loss on financial assets, net

	2013 AED'000	2012 AED'000 (Restated)
Provision for Islamic financing and investing assets charged (note 8 (b))	**1,153,085**	1,163,674
Provision for Islamic financing and investing assets released (note 8 (b))	**(301,455)**	(279,280)
Net provision for receivables and other assets (note 14 (b))	**68,432**	44,407
Other provisions	-	43,832
Total	**920,062**	972,633

41 (Reversal of impairment)/impairment losses on non-financial assets, net

	2013 AED'000	2012 AED'000 (Restated)
(Reversal of)/additional impairment of properties held for sale (note 12 (b))	**(150,000)**	73,169
Impairment of investment properties (note 13 (a))	**24,504**	13,960
Impairment of investment in associates and joint ventures (note 11(n))	**29,552**	33,495
Total	**(95,944)**	120,624

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

42 Depositors' and sukuk holders' share of profit

	2013 AED'000	2012 AED'000 (Restated)
Investment and savings deposits from customers (note 17 (d))	**453,300**	612,542
Wakala and other investment deposits from banks (note 21 (c))	**439,144**	557,918
Sukukholders' accrued/realised profit on sukuk financing instruments (note 21 (c))	**161,387**	182,039
Total	**1,053,831**	1,352,499

43 Basic and diluted earnings per share

(a) Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Parent, net of directors' remuneration and profit attributable to Tier 1 sukukholders by the weighted average number of shares outstanding during the year as follows:

	2013 AED'000	2012 AED'000 (Restated)
Profit for the year attributable to owners of the Parent (AED'000)	**1,610,939**	1,150,072
Profit attributable to Tier 1 sukukholders	**(114,781)**	-
Directors' remuneration (AED'000)	**(5,350)**	(5,350)
	1,490,808	1,144,722
Weighted average number of shares outstanding during the year ('000)	**3,894,475**	3,797,054
Basic and diluted earnings per share (AED per share)	**AED 0.38**	AED 0.30

(b) As of the reporting date, the diluted earnings per share is equal to the basic earnings per share as the Bank has not issued any financial instruments that should be taken into consideration when the diluted earnings per share is calculated.

44 Cash and cash equivalents

	2013 AED'000	2012 AED'000 (Restated)
Cash and balances with the central banks (note 6 (a))	**22,712,964**	15,473,999
Due from banks and financial institutions (note 7 (a))	**9,606,168**	3,293,059
	32,319,132	18,767,058
Less: Balances and deposits with banks and financial institutions with original maturity over 3 months	**(14,950,000)**	(8,218,972)
Balance at 31 December	**17,369,132**	10,548,086

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

45 Related party transactions

(a) The Bank enters into transactions with shareholders, associates, directors, key management personnel and their related concerns in the ordinary course of business at commercial profit and commission rates.

(b) As at 31 December 2013, the major shareholder of the Bank is Investment Corporation of Dubai ("ICD"), a company in which the Government of Dubai is the majority shareholder.

Deposits from and financing to Investment Corporation of Dubai related-entities, other than those that have been individually disclosed below, amount to 5.34% of the Bank's total customers' deposits (2012 (Restated): 3.1%), 10.5% of the Bank's total Islamic financing and investing assets (2012 (Restated): 10.6%), and 22.8% of the Bank's total due from banks and financial institutions (2012 (Restated): 49.7%). These entities are independently run business entities, and all financial dealings with the Bank are on an arms-length basis.

(c) Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

(d) The significant balances outstanding at 31 December 2013 and 2012 in respect of related parties included in these consolidated financial statements are as follows:

	Major shareholders AED'000	Directors and key management personnel AED'000	Associates and joint ventures AED'000	Total AED'000
2013				
Islamic financing and investing assets	**1,591,634**	**50,921**	**5,964**	**1,648,519**
Customers' deposits	**3,021,695**	**40,955**	**14,883**	**3,077,533**
Income from Islamic financing and investing assets	**48,441**	**3,847**	**2,261**	**54,549**
Depositors' share of profits	**73,405**	**170**	**-**	**73,575**
Contingent liabilities	**-**	**6**	**14,120**	**14,126**
2012 (Restated)				
Islamic financing and investing assets	1,469,201	61,038	58,393	1,588,632
Customers' deposits	1,884,551	83,198	7,831	1,975,580
Income from Islamic financing and investing assets	42,608	5,383	6,356	54,347
Depositors' share of profits	54,646	1,982	-	56,628
Contingent liabilities	-	6	14,078	14,084

(e) No impairment allowances have been recognized against Islamic financing and investing assets extended to related parties or contingent liabilities issued in favor of related parties during the years ended 31 December 2013 and 2012.

(f) The compensation paid to key management personnel of the Bank is as follows:

	2013 AED'000	2012 AED'000 (Restated)
Salaries and other benefits, including directors' remuneration	**22,214**	20,779
Employee terminal benefits	**3,999**	3,233

46 Segmental information

Reportable segments

(a) Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Bank's reporting segments are organised into five major business segments as follows:

- Retail and business banking:	Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahats, Ijarah, islamic card and funds transfer facilities and trade finance facilities.
- Corporate and investment banking:	Principally handling financing and other credit facilities and deposit and current accounts for corporate and institutional customers and investment banking services.
- Real estate:	Property development and other real estate investments.
- Treasury:	Principally responsible for managing the Bank's overall liquidity and market risk and provide treasury services to customers. Treasury also run its own Islamic Sukuk portfolio and specialise financial instruments book to manage the above risk.
- Other:	Functions other than above core lines of businesses.

(b) The accounting policies of the reportable segments are the same as the Bank's accounting policies described in note 4 to these consolidated financial statements.

(c) Transactions between segments are conducted at estimated profit rates which approximate to market rates on an arm's length basis.

(d) Segment profit represents the profit earned by each segment without allocation of income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

46 Segmental information (continued)

Reportable segments **(continued)**

(e) The following table presents income and profit and certain asset and liability information regarding the Bank's business segments for the year ended 31 December 2013 and 2012:

	Retail and business banking		Corporate and investment banking		Real estate		Treasury		Other		Total	
	2013 AED'000	2012 AED'000 (Restated)	2013 AED'000	2012 AED'000 (Restated)	2013 AED'000	2012 AED'000 (Restated)	2013 AED'000	2012 AED'000 (Restated)	2013 AED'000	2012 AED'000 (Restated)	2013 AED'000	2012 AED'000 (Restated)
Net operating revenue *	2,067,130	1,897,556	1,186,246	1,090,959	(2,717)	49,122	499,864	504,118	406,039	336,762	4,156,562	3,878,517
Share of profit /(loss) of associates	-	-	92,253	69,416	(14,176)	(8,559)	-	-	-	-	78,077	60,857
Operating expense	(1,178,413)	(1,086,342)	(141,316)	(139,149)	(231,675)	(257,850)	(19,974)	(21,745)	(117,199)	(114,786)	(1,688,577)	(1,619,872)
Impairment loss	(315,482)	(286,439)	(560,138)	(750,177)	135,497	(50,128)	-	-	(83,995)	(6,513)	(824,118)	(1,093,257)
Profit for the year before income tax	573,235	524,775	577,045	271,049	(113,071)	(267,415)	479,890	482,373	204,845	215,463	1,721,944	1,226,245
Income tax expense											(3,915)	(12,801)
Profit for the year											1,718,029	1,213,444

* Operating revenue is reported net as management primarily relies on net operating revenue as a performance measure, not the gross operating income and expense.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

46 Segmental information (continued)

Reportable segments (continued)

(f) The following table presents assets, liabilities and equity regarding the Bank's business segments:

	Retail and business banking		Corporate and investment banking		Real estate		Treasury		Other		Total	
	2013 AED'000	2012 AED'000 (Restated)	**2013 AED'000**	2012 AED'000 (Restated)	**2013 AED'000**	2012 AED'000 (Restated)	**2013 AED'000**	2012 AED'000 (Restated)	**2013 AED'000**	2012 AED'000 (Restated)	**2013 AED'000**	2012 AED'000 (Restated)
Segment assets	**26,025,468**	25,178,722	**34,891,639**	35,060,170	**7,892,443**	7,710,077	**21,053,721**	12,511,922	**23,425,167**	18,150,321	**113,288,438**	98,611,212
Segment liabilities and equity	**52,181,790**	48,779,669	**40,633,302**	21,469,305	**4,699,006**	4,280,950	**6,480,665**	12,008,362	**9,293,675**	12,072,926	**113,288,438**	98,611,212

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

46 Segmental information (continued)

Geographical information

(g) Although the management of the Bank is based primarily on business segments, the Bank operates in two geographic markets: inside the U.A.E. which is designated as domestic and outside the U.A.E. which is designated as international.

(h) The following table show the distribution of the Bank's external gross income and non-current assets allocated based on the location of the operating centres for the years ended 31 December 2013 and 2012:

	Gross income from external customers *		Non-current assets **	
	2013	2012	2013	2012
	AED'000	AED'000 (Restated)	AED'000	AED'000 (Restated)
Within the U.A.E.	4,938,901	4,905,170	1,965,331	2,030,877
Outside the U.A.E.	271,493	325,846	584,950	641,610
Total	5,210,394	5,231,016	2,550,281	2,672,487

* Gross income from external customers geographical analysis is based on the Bank's operating centres and subsidiaries locations.

** Non-current assets exclude financial instruments, investments in associates and joint ventures and deferred tax assets.

Revenue from major products and services

(i) Revenue from major products and services are disclosed in notes 31, 32, 33, 34, 35 and 36 to the consolidated financial statements.

47 Islamic derivatives financial instruments

(a) The table below shows the positive and negative fair values of Islamic derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of an Islamic derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of Islamic derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

47 Islamic derivatives financial instruments (continued)

	Positive fair value (note 14) AED'000	Negative fair value (note 21) AED'000	Notional amount total AED'000	Notional amounts by term to maturity Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year to 3 years AED'000	Over 3 to 5 years AED'000	Over 5 years AED'000
2013								
Islamic Derivatives held for trading:								
Unilateral promise to buy/sell currencies	10,522	10,136	9,704,723	5,343,890	4,360,833	-	-	-
Islamic profit rate swaps	10,519	-	5,379,778	-	-	3,041,478	1,673,300	665,000
Total	21,041	10,136	15,084,501	5,343,890	4,360,833	3,041,478	1,673,300	665,000
2012 (Restated)								
Islamic Derivatives held for trading:								
Unilateral promise to buy/sell currencies	29,830	27,963	12,018,647	4,656,381	7,362,266	-	-	-
Islamic profit rate swaps	11,458	-	5,123,176	-	-	2,349,880	2,473,296	300,000
Total	41,288	27,963	17,141,823	4,656,381	7,362,266	2,349,880	2,473,296	300,000

(b) Disclosures concerning the fair value of Islamic derivatives are provided in risk management note below.

(c) The Bank has positions in the following types of Islamic derivatives:

- ***Unilateral Promise to buy/sell currencies***

  Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the value dates, by exchanging the purchase/sale offers and acceptances between the relevant parties and delivering (exchanging) the relevant currencies on spot basis.

- ***Islamic Swaps***

  Islamic Swaps are based on a Waa'd (promise) structure between two parties to buy a specified Sharia'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. Islamic swap structure comprises profit rate swap and currency swap. For Islamic profit rate swaps, counterparties generally exchange fixed and floating rate profit payments by executing the purchase/sale of commodity under "Murabaha Sale Agreement" in a single currency. For Islamic currency swaps, fixed or floating profit payments as well as cost of underlying commodity are exchanged in different currencies, by executing the purchase/sale of commodity under "Murabaha Sale Agreement".

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

48 Maturity analysis of assets and liabilities

The table below summarises the maturity profile of the Bank's assets and liabilities analysed according to when they are expected to be recovered or settled.

2013

	Less than one month AED'000	1 month to 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets:						
Cash and balances with central banks	2,930,618	9,705,806	9,967,747	108,793	-	22,712,964
Due from banks and financial institutions	8,547,845	695,820	362,503	-	-	9,606,168
Islamic financing and investing assets, net	3,198,033	4,563,855	8,879,252	26,793,616	12,635,882	56,070,638
Investment in Islamic sukuk	17,866	20,105	1,511,341	8,400,044	1,693,197	11,642,553
Other investments at fair value	-	-	1,066,155	963,502	-	2,029,657
Investments in associates and joint ventures	-	-	-	-	1,877,829	1,877,829
Properties held for sale	-	-	-	1,840,973	-	1,840,973
Investment properties	-	-	-	-	2,013,314	2,013,314
Receivables and other assets	41,457	398,052	1,034,312	3,483,168	385	4,957,374
Property, plant and equipment	-	-	-	228,173	308,795	536,968
Total assets	14,735,819	15,383,638	22,821,310	41,818,269	18,529,402	113,288,438
Liabilities and equity:						
Customers' deposits	14,270,542	11,096,110	32,670,132	20,952,861	70,896	79,060,541
Due to banks and financial institutions	1,498,918	558,018	84,487	488,583	-	2,630,006
Sukuk financing instruments	-	-	-	2,807,603	-	2,807,603
Medium term wakala finance	-	-	-	-	-	-
Payables and other liabilities	7,430,842	1,422,053	2,953,928	475,688	-	12,282,511
Zakat payable	-	-	165,588	-	-	165,588
Equity	-	-	593,063	(563,850)	16,312,976	16,342,189
Total liabilities and equity	23,200,302	13,076,181	36,467,198	24,160,885	16,383,872	113,288,438

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

48 Maturity analysis of assets and liabilities (continued)

2012 (Restated)

	Less than one month AED'000	1 month to 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets:						
Cash and balances with central banks	3,061,994	4,096,076	8,218,972	96,957	-	15,473,999
Due from banks and financial institutions	2,350,950	922,109	20,000	-	-	3,293,059
Islamic financing and investing assets, net	2,867,061	4,907,169	8,964,298	24,374,219	14,069,941	55,182,688
Investment in Islamic sukuk	23,853	22,104	2,187,964	7,998,864	855,877	11,088,662
Other investments at fair value	-	-	611,970	1,369,062	-	1,981,032
Investments in associates and joint ventures	-	-	-	-	2,029,953	2,029,953
Properties held for sale	-	-	-	1,997,374	-	1,997,374
Investment properties	-	-	-	-	2,083,010	2,083,010
Receivables and other assets	115,913	53,556	3,917,457	803,659	1,373	4,891,958
Property, plant and equipment	-	-	-	256,430	333,047	589,477
Total assets	8,419,771	10,001,014	23,920,661	36,896,565	19,373,201	98,611,212
Liabilities and equity:						
Customers' deposits	6,831,035	9,218,177	28,266,824	22,330,684	78,803	66,725,523
Due to banks and financial institutions	586,651	173,229	3,504,515	2,403,605	-	6,668,000
Sukuk financing instruments	634,960	-	1,100,000	2,939,000	-	4,673,960
Medium term wakala finance	-	-	-	3,752,543	-	3,752,543
Pyabales and other liabilities	1,201,408	1,129,317	1,961,594	641,679	702	4,934,700
Zakat payable	-	-	163,572	-	-	163,572
Equity	-	-	569,558	(820,131)	11,943,487	11,692,914
Total liabilities and equity	9,254,054	10,520,723	35,566,063	31,247,380	12,022,992	98,611,212

49 Financial instruments classification

The table below sets out the Bank's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2013 and 2012:

2013	Fair value through OCI AED'000	Fair value through profit or loss AED'000	Amortised cost AED'000	Carrying amount AED'000
Financial assets				
Cash and balances with central banks	-	-	22,712,964	22,712,964
Due from banks and financial institutions	-	-	9,606,168	9,606,168
Islamic financing and investing assets, net	-	-	56,070,638	56,070,638
Investment in Islamic sukuk measured at amortised cost	-	-	11,642,553	11,642,553
Other investments at fair value	2,028,867	790	-	2,029,657
Receivables and other assets	-	21,041	4,802,962	4,824,003
	2,028,867	21,831	104,835,285	106,885,983
Financial liabilities				
Customers' deposits	-	-	79,060,541	79,060,541
Due to banks and financial institutions	-	-	2,630,006	2,630,006
Sukuk financing instruments	-	-	2,807,603	2,807,603
Medium term wakala finance	-	-	-	-
Payables and other liabilities	-	10,136	12,044,930	12,055,066
	-	10,136	96,543,080	96,553,216
2012 (Restated)				
Financial assets				
Cash and balances with central banks	-	-	15,473,999	15,473,999
Due from banks and financial institutions	-	-	3,293,059	3,293,059
Islamic financing and investing assets, net	-	-	55,182,688	55,182,688
Investment in Islamic sukuk measured at amortised cost	-	-	11,088,662	11,088,662
Other investments at fair value	1,979,900	1,132	-	1,981,032
Receivables and other assets	-	41,288	4,729,594	4,770,882
	1,979,900	42,420	89,768,002	91,790,322
Financial liabilities				
Customers' deposits	-	-	66,725,523	66,725,523
Due to banks and financial institutions	-	-	6,668,000	6,668,000
Sukuk financing instruments	-	-	4,673,960	4,673,960
Medium term wakala finance	-	-	3,752,543	3,752,543
Payables and other liabilities	-	27,963	4,753,698	4,781,661
	-	27,963	86,573,724	86,601,687

50 Fair value of financial instruments

This note provides information about how the Bank determines the fair value of various financial assets and financial liabilities.

(a) Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis

All of the Bank's financial assets and financial liabilities, which are reported at their fair value in these consolidated financial statements, are measured at fair value at end of each reporting period. The fair value of financial assets and financial liabilities are determined as follows:

- Fair value of all quoted other investment measured at fair value through profit or loss and at fair value through other comprehensive income (note 10) are based on quoted price in an active market (unadjusted);
- Fair value of all unquoted other investments measured at fair value through other comprehensive income (note 10) are mainly based on net asset value of the investees on measurement dates. The net asset value is unobservable input and the Bank has determined that the reported net asset value represents the fair value at end of the reporting period; and
- Fair value of all Islamic derivatives financial instruments (Sharia compliant profit rate swap and unilateral promise to buy/sell currencies) is based on present value calculation of the estimated future cash flows. Future cash flows are estimated based on forward profit rates and/or exchange rates (from observable yield curves and/or forward exchange rates at the end of each reporting period) and contract profit and/or forward rates, present valued at a rate that reflects the credit risk of various counterparties.

The table below summarises the Bank's financial instruments fair value according to fair value hierarchy:

2013

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Other investments measured at fair value				
Investments designated at fair value through profit or loss				
Quoted equity instruments	790	-	-	790
Investments carried at fair value through other comprehensive income				
Quoted equity instruments	858,638	-	-	858,638
Unquoted equity instruments	-	-	930,423	930,423
Unquoted investment funds	-	-	239,806	239,806
Other assets				
Islamic derivative assets	-	21,041	-	21,041
Total financial assets measured at fair value	859,428	21,041	1,170,229	2,050,698
Other liabilities				
Islamic derivative liabilities	-	10,136	-	10,136

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

50 Fair value of financial instruments (continued)

(a) Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

2012 (Restated)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Other investments measured at fair value				
Investments designated at fair value through profit or loss				
Quoted equity instruments	1,132	-	-	1,132
Investments carried at fair value through other comprehensive income				
Quoted equity instruments	610,838	-	-	610,838
Unquoted equity instruments	-	-	990,577	990,577
Unquoted investment funds	-	-	378,485	378,485
Other assets				
Islamic derivative assets	-	41,288	-	41,288
Total financial assets measured at fair value	611,970	41,288	1,369,062	2,022,320
Other liabilities				
Islamic derivative liabilities	-	27,963	-	27,963

The fair values of the financial assets included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on the present value of future cash flow analysis, with the most significant inputs being the applicable rate that reflects the credit risk of counterparties.

There were no transfers between Level 1 and 2 during the years ended 31 December 2013 and 2012.

(b) Reconciliation of Level 3 fair value measurement of financial assets measured at fair value through other comprehensive income

	2013 AED'000	2012 AED'000 (Restated)
Balance at1 January	**1,369,062**	1,447,628
Losses in other comprehensive income	**(46,235)**	(72,843)
Reclassified from investment in subsidiaries	**-**	19,335
Reclassified to investment in associates and joint ventures	**(54,662)**	-
Purchased during the year	**-**	4,591
Disposed during the year	**(97,936)**	(29,649)
Balance at 31 December	**1,170,229**	1,369,062

50 Fair value of financial instruments (continued)

(c) Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statement approximate their fair values.

	Carrying	Fair value			
2013	**amount AED'000**	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets:					
Investments in Islamic sukuk	**11,642,553**	**11,154,576**	-	**856,177**	**12,010,753**
Financial liabilities:					
Sukuk financing instruments	**2,807,603**	**2,971,687**	-	-	**2,971,687**
2012 (Restated)					
Financial assets:					
Investments in Islamic sukuk	11,088,662	8,770,301	-	3,690,630	12,460,931
Financial liabilities:					
Sukuk financing instruments	4,673,960	4,885,995	-	-	4,885,995

51 Risk management

(a) Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his responsibilities.

The Bank is exposed to various risks including:
- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

i. Risk management structure

The Board of Directors, supported by the Risk Management Committee and Risk Management Department, is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and policies.

51 Risk management (continued)

(a) Introduction (continued)

i. Risk management structure (continued)

Board Risk Management Committee

The Board Risk Management Committee has the overall responsibility for the development of the risk strategies, frameworks, policies and limits, and for recommending these strategies and policies to the Board of Directors. It is responsible for the fundamental risk issues, and manages and monitors relevant risk decisions.

Risk Management Committee

The day-to-day management of risk has been delegated to Risk Management Committee which is headed by the Chief Executive Officer ("CEO").

The Risk Management Committee has the overall responsibility to support the Board Risk Management Committee for the development and formulation of the risk strategy, frameworks, policies and limits. It is responsible for ensuring the compliance with all risk limits, monitoring risk exposures and implementing the regulatory guidelines issued by the regulatory bodies (e.g. The Central Bank of the U.A.E.).

Risk Management Department

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure risk remains within the acceptable range as approved by the Board Risk Management Committee and the Board of Directors. The department is responsible for credit approval, credit administration, portfolio management, credit risk, market risk, operational risk and overall risk control.

Asset and Liability Management Committee

Asset and Liability Management Committee ("ALCO") is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Bank Internal Audit Department

Risk management processes throughout the Bank are audited periodically by the Bank Internal Audit Department which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit Bank Department comments the results of their assessments with management, and reports its findings and recommendations to the Bank's Audit Committee.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(a) Introduction (continued)

ii Risk measurement and reporting systems

The Bank measures risks using conventional qualitative methods for credit, market liquidity and operational risks. Further, the Bank also uses quantitative analysis and methods to support revisions in business and risk strategies as and when required. These analysis and methods reflect both the expected loss likely to arise in normal course of business or unexpected losses in an unforeseen event based on simple statistical techniques and probabilities derived from historical experience. The Bank also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Board of Directors and management. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries.

Information compiled from all the businesses is examined and processed in order to analyse the risk profile and identify early risks. This information is presented and explained to the management, management committees, Board Risk Management Committee, and the Risk Management Committee. Specialized reports are presented to the pertinent heads of business and are delivered with a frequency suited to the volatility of the risk. The report includes aggregate credit exposure, limit exceptions, liquidity, operational loss incidents and other risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the provision for impairment losses on a quarterly basis.

iii. Risk mitigation

As part of its overall risk management, the Bank uses various methods to manage exposures resulting from changes in credit risks, liquidity risks, market risks (including profit rate risk, foreign exchange risk, and equity price risk), and operational risks.

The Bank seeks to manage its credit risk exposures through diversification of financing and investing activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. The Bank actively uses collateral to reduce its credit risks.

In order to guard against liquidity risk, management has diversified funding sources and assets are managed with overall Bank liquidity in consideration maintaining a healthy balance of liquid assets (i.e. cash and cash equivalents).

The market risks are managed on the basis of predetermined asset allocation across various asset categories and continuous appraisal of market conditions for movement and expectation of foreign currencies rate, bench mark profit rates and equity houses.

To manage all other risks, the Bank has developed a detailed risk management framework to identify and apply resources to mitigate the risks.

iv. Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

51 Risk management (continued)

(b) Credit risk

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk measurement

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. Whilst some of the models for assessment of Real Estate projects are internally developed, others for the Corporate, Contracting and SME businesses have been acquired from Moody's and calibrated to the Bank's internal rating scale. The models are housed with the Moody's Risk Analyst rating tool.

The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of securities for facilities provided, which is a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for Islamic financing and investing assets are:

- Mortgages over residential and commercial properties;
- Corporate guarantees;
- Charges over business assets such as premises, machinery, vehicles and inventory; and
- Charges over financial instruments such as deposits and equity investments.

Islamic derivative financial instruments

Credit risk arising from Islamic derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated financial position.

Credit-related commitments risks

The Bank makes available to its customers guarantees and letters of credit which require that the Bank makes payments in the event that the customer fails to fulfill certain obligations to other parties. This exposes the Bank to a similar risk to Islamic financing and investing assets and these are mitigated by the same control processes and policies.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(b) Credit risk (continued)

i. Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk by class of financial asset, including Islamic derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2013 AED'000	Gross maximum exposure 2012 AED'000 (Restated)
Balances with central banks	20,971,972	13,742,415
Due from banks and financial institutions	9,606,168	3,293,059
Islamic financing and investing assets	60,643,911	58,882,110
Investment in Islamic sukuk measured at amortised cost	11,642,553	11,088,662
Other investments at fair value	2,029,657	1,981,032
Receivables and other assets	5,527,422	5,372,670
	110,421,683	94,359,948
Contingent liabilities	10,299,246	9,789,727
Commitments	14,753,643	11,475,821
Total	135,474,572	115,625,496

ii. Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The Bank's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	Retail and business banking AED'000	Wholesale banking AED'000	Total AED'000
2013			
The U.A.E.	30,168,218	97,997,518	128,165,736
Other Gulf Cooperation Council (GCC) countries	-	1,378,244	1,378,244
South Asia	434,739	2,497,223	2,931,962
Europe	-	2,370,057	2,370,057
Africa	-	304,512	304,512
Other	-	324,061	324,061
Total	30,602,957	104,871,615	135,474,572

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(b) Credit risk (continued)

ii. Risk concentrations of the maximum exposure to credit risk (continued)

2012 (Restated)

	Retail and business banking AED'000	Wholesale banking AED'000	Total AED'000
The U.A.E.	26,676,833	82,706,024	109,382,857
Other Gulf Cooperation Council (GCC) countries	-	2,172,038	2,172,038
South Asia	420,184	2,118,716	2,538,900
Europe	3,866	990,405	994,271
Africa	-	292,603	292,603
Other	70	244,757	244,827
Total	27,100,953	88,524,543	115,625,496

An industry sector analysis of the Bank's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

	Gross maximum exposure 2013 AED'000	2012 AED'000 (Restated)
Financial Institutions	**39,534,274**	24,893,794
Real estate	**31,308,079**	31,049,256
Manufacturing and services	**21,296,628**	16,879,112
Consumer financing	**16,666,774**	14,089,656
Consumer home finance	**11,702,178**	13,509,828
Government	**5,287,423**	9,606,547
Trade	**9,679,216**	5,597,303
Total	**135,474,572**	115,625,496

iii Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial Islamic financing and investing facilities, charges over real estate properties, inventory, leased assets and trade receivables, and
- For retail Islamic financing and investing facilities, charge over assets and mortgages over properties.

The Bank also obtains guarantees from parent companies for Islamic financing and investing assets granted to their subsidiaries, but the benefits are not included in the above table.

51 Risk management (continued)

(b) Credit risk (continued)

iv. Credit quality per class of financial assets

2013	Balances with central banks and due from banks and financial institutions AED'000	Islamic financing and investing assets AED'000	Investments in Islamic sukuk and other investments at fair value AED'000	Receivables and other assets AED'000	Contingent liabilities and commitments AED'000	Total AED'000
Individually impaired						
Gross amount	-	5,654,003	-	1,365,316	-	7,019,319
Non-impaired exposures						
Neither past due nor impaired	30,578,140	49,068,511	13,672,210	4,085,942	25,052,889	122,457,692
Past due by less than 30 days	-	2,930,687	-	76,164	-	3,006,851
Past due by more than 30 days but less than 90 days	-	1,502,313	-	-	-	1,502,313
Past due by more than 90 days	-	1,488,397	-	-	-	1,488,397
Gross amount	30,578,140	54,989,908	13,672,210	4,162,106	25,052,889	128,455,253
Total gross maximum exposure	30,578,140	60,643,911	13,672,210	5,527,422	25,052,889	135,474,572
Allowances for impairment	-	(4,573,273)	-	(703,419)	-	(5,276,692)
Net carrying amount	30,578,140	56,070,638	13,672,210	4,824,003	25,052,889	130,197,880

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(b) Credit risk (continued)

iv. Credit quality per class of financial assets (continued)

2012 (Restated)	Balances with central banks and due from banks and financial institutions AED'000	Islamic financing and investing assets AED'000	Investments in Islamic sukuk and other investments at fair value AED'000	Receivables and other assets AED'000	Contingent liabilities and commitments AED'000	Total AED'000
Individually impaired						
Gross amount	-	6,118,079	-	1,295,434	-	7,413,513
Non-impaired exposures						
Neither past due nor impaired	17,035,474	47,406,317	13,069,694	4,023,381	21,265,548	102,800,414
Past due by less than 30 days	-	1,924,924	-	53,855	-	1,978,779
Past due by more than 30 days but less than 90 days	-	1,460,583	-	-	-	1,460,583
Past due by more than 90 days	-	1,972,207	-	-	-	1,972,207
Gross amount	17,035,474	52,764,031	13,069,694	4,077,236	21,265,548	108,211,983
Total gross maximum exposure	17,035,474	58,882,110	13,069,694	5,372,670	21,265,548	115,625,496
Allowances for impairment	-	(3,699,422)	-	(601,788)	-	(4,301,210)
Net carrying amount	17,035,474	55,182,688	13,069,694	4,770,882	21,265,548	111,324,286

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(b) Credit risk (continued)

iv. Credit quality per class of financial assets (continued)

Credit risk exposure of the Bank's financial assets for each internal risk rating

	Moody's equivalent grades	**Total 2013 AED'000**	Total 2012 AED'000 (Restated)
Low risk			
Risk rating class 1	Aaa	**24,150,145**	17,335,102
Risk rating classes 2 and 3	Aa1-A3	**25,849,242**	18,492,272
Fair risk			
Risk rating class 4	Baa1-Baa3	**27,434,591**	20,662,823
Risk rating classes 5 and 6	Ba1-B3	**38,973,653**	35,699,165
Risk rating class 7	Caa1-Caa3	**11,429,696**	14,701,539
High risk			
Risk rating classes 8 to11		**7,637,245**	8,734,595
		135,474,572	115,625,496

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of financing exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly. The Moody's equivalent grades are relevant only for certain of the exposures in each risk rating class.

v. Impairment assessment

The main considerations for the impairment assessment include whether any payments of principal or profit are overdue by more than 90 days (in line with the U.A.E. Central Bank guidelines) or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant Islamic financing or investing asset on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

51 Risk management (continued)

(b) Credit risk (continued)

v. Impairment assessment (continued)

Collectively assessed allowances

Allowances are assessed collectively for losses on Islamic financing and investing assets that are not individually significant (including Islamic credit cards, vehicles murabahas, and unsecured retail financing and investing assets) where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is reviewed by credit management to ensure alignment with the Bank's overall policy.

Acceptances and contingent liabilities are assessed and provisions made in a similar manner as for Islamic financing and investing assets.

(c) Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains statutory deposits with the central banks. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The high quality of the asset portfolio ensures its liquidity and coupled with the Bank's own funds and "evergreen" customer deposits help form a stable funding source. Even under adverse conditions, the Bank has access to the funds necessary to cover customer needs and meet its funding requirements.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(c) Liquidity risk and funding management (continued)

i. Liquidity risk management process

The Bank's liquidity risk management process, as carried out within the Bank and monitored by a separate team in Bank's Treasury department, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are financed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of Islamic financing and investing exposures maturities.

Based on the internal guidelines, the liquidity ratios at the end of each quarter during the year were as follows:

	March	June	September	December
2013	**42%**	**35%**	**29%**	**36%**
2012 (Restated)	21%	25%	23%	22%

ii. Funding approach

Sources of liquidity are regularly reviewed by management to maintain a wide diversification by currency, geography, provider, product and term.

During the year ended 31 December 2013, the Bank issued Tier 1 sukuk AED 3,673 million (USD 1,000 million) sukuk to diversify sources of funding to support business growth going forward (note 25).

iii. Non-derivative cash flows

The table below summarises the maturity profile of the gross cash flows of the Bank's financial assets and liabilities as at 31 December 2013 and 2012. The amounts disclosed in the table are the contractual gross cash flows, whereas the Bank manages the inherent liquidity risk based on expected gross cash flows.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the management expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(c) Liquidity risk and funding management (continued)

iii. Non-derivative cash flows (continued)

	On demand AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
2013						
Balances with central banks	2,570,699	5,860,116	9,997,346	-	-	18,428,161
Due from banks and financial institutions	4,729,651	8,864,985	-	-	-	13,594,636
Islamic financing and investing assets, net	4,282,666	6,941,699	9,398,187	31,854,046	19,160,096	71,636,694
Investment in Islamic sukuk	17,866	23,752	1,658,968	9,594,802	2,280,515	13,575,903
Other investments at fair value	-	-	1,062,508	997,269	-	2,059,777
Receivables and other assets	76,164	664,119	1,141,272	3,645,867	-	5,527,422
Total assets	11,677,046	22,354,671	23,258,281	46,091,984	21,440,611	124,822,593
Customers' deposits	14,437,148	11,241,126	34,935,859	22,035,867	70,895	82,720,895
Due to banks and other financial institutions	1,498,918	558,018	90,082	-	-	2,147,018
Sukuk financing instruments	-	-	28,411	3,494,270	-	3,522,681
Medium term wakala finance	-	-	-	-	-	-
Payables and other liabilities	7,437,205	1,429,319	2,660,428	548,205	-	12,075,157
Zakat payable	-	-	165,588	-	-	165,588
Total liabilities	23,373,271	13,228,463	37,880,368	26,078,342	70,895	100,631,339
2012 (Restated)						
Balances with central banks	3,123,765	4,186,484	8,240,797	97,315	-	15,648,361
Due from banks and financial institutions	528,113	2,745,152	20,000	-	-	3,293,265
Islamic financing and investing assets, net	5,613,187	10,358,216	9,494,010	26,669,199	21,804,536	73,939,148
Investment in Islamic sukuk	5,295	40,879	2,216,941	9,986,142	1,119,821	13,369,078
Other investments at fair value	-	-	611,970	1,552,326	-	2,164,296
Receivables and other assets	123,874	66,875	1,787,507	3,120,920	2,751	5,101,927
Total assets	9,394,234	17,397,606	22,371,225	41,425,902	22,927,108	113,516,075
Customers' deposits	23,140,289	18,263,248	11,247,196	17,168,237	79,095	69,898,065
Due to banks and other financial institutions	743,830	174,029	3,620,115	2,577,893	-	7,115,867
Sukuk financing instruments	-	1,102,187	1,119,559	3,533,591	-	5,755,337
Medium term wakala finance	-	-	-	4,052,746	-	4,052,746
Payables and other liabilities	856,090	1,228,508	2,111,419	737,277	1,406	4,934,700
Zakat payable	-	-	163,571	-	-	163,571
Total liabilities	24,740,209	20,767,972	18,261,860	28,069,744	80,501	91,920,286

Assets available to meet all of the liabilities and to cover outstanding commitments include cash and balances with central banks, Islamic financing and investing assets, other investments at fair value and items in the course of collection.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(c) Liquidity risk and funding management (continued)

iv. Islamic derivative maturity profile

The Bank's Islamic derivatives will be settled on the following basis:

- Unilateral promise to buy/sell currencies: This mainly comprise promises to either buy or sell a specified currency at a specific price and date in the future.

- Islamic profit rate swaps: The transactions are settled by executing the purchase or sale of commodity under "Murabaha Sale Agreement".

The table below analyses the Bank's Islamic derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the consolidated financial position to the contractual maturity date. The amounts disclosed in the table are the contractual gross cash flows.

	On demand AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
2013						
Unilateral promise to buy/sell currencies	-	5,343,890	4,360,833	-	-	9,704,723
Islamic profit rate swaps	-	-	-	4,714,778	665,000	5,379,778
	-	5,343,890	4,360,833	4,714,778	665,000	15,084,501
2012 (Restated)						
Unilateral promise to buy/sell currencies	-	4,656,381	7,362,266	-	-	12,018,647
Islamic profit rate swaps	-	-	-	4,823,176	300,000	5,123,176
	-	4,656,381	7,362,266	4,823,176	300,000	17,141,823

v. Contingent liabilities and commitments

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments

2013

	On demand AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Contingent liabilities:						
- Letters of guarantee	-	138,280	1,609,837	3,048,051	2,190,034	6,986,202
- Letters of credit	-	1,141,222	1,673,715	483,181	14,926	3,313,044
	-	1,279,502	3,283,552	3,531,232	2,204,960	10,299,246
Capital expenditure commitments	-	3,598	-	900,007	-	903,605
Total	-	1,283,100	3,283,552	4,431,239	2,204,960	11,202,851

51 Risk management (continued)

(c) Liquidity risk and funding management (continued)

v. Contingent liabilities and commitments (continued)

2012 (Restated)

	On demand AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Contingent liabilities:						
- Letters of guarantee	-	5,510,365	1,528,333	787,732	1,718	7,828,148
- Letters of credit	-	1,563,847	397,861	587	-	1,962,295
	-	7,074,212	1,926,194	788,319	1,718	9,790,443
Capital expenditure commitments	-	-	12,135	1,070,678	-	1,082,813
Total	-	7,074,212	1,938,329	1,858,997	1,718	10,873,256

(d) Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. The Bank is exposed to diverse financial instruments including securities, foreign currencies, equities and commodities.

The Bank pays considerable attention to market risk. The Bank uses appropriate models, as per standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management; and

- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on a timely basis.

The policies and procedures and the trading limits are set to ensure the implementation of the Bank's market risk policy in day-to-day operations. These are reviewed periodically to ensure they remain in line with the Bank's general market risk policy. The Chief Risk Officer of the Bank ensures that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, the Bank is required to comply with the guidelines and regulations of the Central Bank of the U.A.E.

51 Risk management (continued)

(d) Market risk (continued)

i. Profit margin risk

The Bank is not significantly exposed to risk in terms of repricing of its customer deposits since, in accordance with Islamic Sharia'a, the Bank does not provide contractual rates of return to its depositors or investment account holders. The return payable to depositors and investment account holders is based on the principle of the Mudaraba by which the depositors and investment account holders agree to share the profit or loss made by the Bank's Mudaraba asset pool over a given period.

ii. Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank manages this risk through risk management strategies.

The effective profit rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Bank's consolidated income statement.

The sensitivity of the consolidated income statement is the effect of the assumed changes in profit rates on the net income for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December 2013 and 2012.

Currency	**Increase in basis points**	**Sensitivity of profit on Islamic financing and investing assets 2013 AED'000**	Sensitivity of profit on Islamic financing and investing assets 2012 AED'000 (Restated)
AED	**50**	**49,168**	48,575
USD	**50**	**10,283**	5,850

iii. Foreign exchange risk

The Bank has significant income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Bank's presentation currency, the U.A.E. Dirham.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2013 and 2012. Included in the table are the Bank's financial instruments at their carrying amounts, categorised by currency.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(d) Market risk (continued)

iii. Foreign exchange risk (continued)

2013

	AED AED'000	USD AED'000	Other G.C.C. AED'000	GBP AED'000	Euro AED'000	Other AED'000	Total AED'000
Financial Assets:							
Cash and balances with central banks	22,162,134	419,130	-	-	-	131,700	22,712,964
Due from banks and financial institutions	2,341,955	6,738,868	435,328	21,974	36,119	31,924	9,606,168
Islamic financing and investing assets, net	49,629,618	4,978,111	17	168	4,152	1,458,572	56,070,638
Investment in Islamic sukuk measured at amortised cost	574,802	10,309,443	-	-	-	758,308	11,642,553
Other investments at fair value	717,229	1,035,893	178,389	3,881	29,831	64,434	2,029,657
Receivables and other assets	4,770,382	21,911	965	-	13,270	17,475	4,824,003
Total	80,196,120	23,503,356	614,699	26,023	83,372	2,462,413	106,885,983
Financial Liabilities:							
Customers' deposits	72,248,919	4,028,724	491,400	45,628	179,512	2,066,358	79,060,541
Due to banks and other financial institutions	1,448,016	1,038,067	-	35	76	143,812	2,630,006
Sukuk financing instruments	-	2,807,603	-	-	-	-	2,807,603
Payables and other liabilities	4,484,240	7,413,698	90,582	315	1,637	64,594	12,055,066
Total	78,181,175	15,288,092	581,982	45,978	181,225	2,274,764	96,553,216
Net on balance sheet	2,014,945	8,215,264	32,717	(19,955)	(97,853)	187,649	10,332,767
Unilateral promise to buy/sell currencies	5,318,606	(5,501,055)	73,467	15,387	23,388	70,207	-
Currency position - long/(short)	7,333,551	2,714,209	106,184	(4,568)	(74,465)	257,856	10,332,767

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(d) Market risk (continued)

iii. Foreign exchange risk (continued)

2012 (Restated)

	AED AED'000	USD AED'000	Other G.C.C. AED'000	GBP AED'000	Euro AED'000	Other AED'000	Total AED'000
Financial Assets:							
Cash and balances with central banks	15,200,907	203,005	-	-	-	70,087	15,473,999
Due from banks and financial institutions	971,977	2,108,490	66,362	71,630	50,805	23795	3,293,059
Islamic financing and investing assets, net	49,636,254	4,180,344	200,374	7,243	-	1,158,473	55,182,688
Investment in Islamic sukuk measured at amortised cost	2,132,513	8,103,600	-	-	-	852,549	11,088,662
Other investments at fair value	889,279	798,412	149,064	74,919	3,486	65,872	1,981,032
Receivables and other assets	4,660,522	39,859	653	12,816	-	57,032	4,770,882
Total	73,491,452	15,433,710	416,453	166,608	54,291	2,227,808	91,790,322
Financial Liabilities:							
Customers' deposits	61,308,046	3,187,854	7,510	220,251	45,038	1,956,824	66,725,523
Due to banks and other financial institutions	5,485,241	1,104,029	-	435	11,419	66,876	6,668,000
Sukuk financing instruments	639,810	4,034,150	-	-	-	-	4,673,960
Medium term wakala finance	3,752,543	-	-	-	-	-	3,752,543
Payables and other liabilities	4,386,869	327,198	11,436	1,617	574	53,967	4,781,661
Total	75,572,509	8,653,231	18,946	222,303	57,031	2,077,667	86,601,687
Net on balance sheet	(2,081,057)	6,780,479	397,507	(55,695)	(2,740)	150,141	5,188,635
Unilateral promise to buy/sell currencies	9,809,055	(9,628,614)	(291,934)	3,196	12,489	95,808	-
Currency position - long/(short)	7,727,998	(2,848,135)	105,573	(52,499)	9,749	245,949	5,188,635

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(d) Market risk (continued)

iii. Foreign exchange risk (continued)

Sensitivity analysis - impact of fluctuation of various currencies on net income and equity

The tables below indicate the extent to which the Bank was exposed to currency risk at 31 December 2013 and 2012 on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against the AED with all other variables held constant on the consolidated income statement (due to the changes in the fair values of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated available-for-sale equity instruments). A negative amount in the table reflects a potential net reduction in consolidated income statement and equity, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Bank that might be taken to mitigate the effect of such changes.

Currency	Increase in currency rate in %	Effect on profit before tax 2013 AED'000	Effect on profit before tax 2012 AED'000 (Restated)
GBP	+2	(92)	1,049
EURO	+2	(1,489)	(195)

Currency	Decrease in currency rate in %	Effect on profit before tax 2013 AED'000	Effect on profit before tax 2012 AED '000 (Restated)
GBP	-2	92	(1,049)
EURO	-2	1,489	195

iv. Foreign investment

The Bank has significant income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Bank's presentation currency, the U.A.E. Dirham.

The table below indicates the change in recorded profit before tax and equity had the result for the year ended 31 December 2013 and 2012 been translated at exchange rates against the AED adjusted, with all other variables held constant, by the assumed changes below. The sensitivity analyses do not take account of actions by the Bank that might be taken to mitigate the effect of such changes.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

51 Risk management (continued)

(d) Market risk (continued)

iv. Foreign investment (continued)

Currency	Increase in currency rate in %	Effect on profit before tax 2013 AED'000	Effect on equity 2013 AED'000	Effect on profit before tax 2012 AED'000 (Restated)	Effect on equity 2012 AED'000 (Restated)
Pak Rupees	+5	(1,005)	(25,034)	1,025	13,551
Egypt Sterling	+5	373	8,406	1,075	8,975

Currency	Decrease in currency rate in %	Effect on profit before tax 2013 AED'000	Effect on equity 2013 AED'000	Effect on profit before tax 2012 AED'000 (Restated)	Effect on Equity 2012 AED'000 (Restated)
Pak Rupees	-5	(2,277)	(47,316)	(156)	(12,261)
Egypt Sterling	-5	(338)	(7,609)	(254)	(8,122)

v. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Bank's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as fair value through other comprehensive income (FVTOCI) at 31 December 2013 and 2012) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	Change in market indices %	Effect on consolidated income statement 2013 AED'000	Effect on equity 2013 AED'000	Effect on consolidated income statement 2012 AED'000 (Restated)	Effect on equity 2012 AED'000 (Restated)
Dubai Financial Market	± 5%	39	18,916	56	16,522
Abu Dhabi Exchange	± 5%	-	5,191	-	3,794
Bahrain Stock Exchange	± 5%	-	3,132	-	1,970
Saudi Stock Exchange	± 5%	-	3,757	-	3,417
Doha Stock Exchange	± 5%	-	2,013	-	2,041
Egypt Stock Exchange	± 5%	-	1,328	-	-
Other	± 5%	-	1,263	-	2,304

51 Risk management (continued)

(e) Operational risk

Operational risk is the potential exposure to financial or other damage arising from inadequate or failed internal processes, people or systems.

The Bank has developed a detailed operational risk framework. The framework clearly defines roles and responsibilities of individuals/units across different functions of the Bank that are involved in performing various operational risk management tasks. Operational Risk Management Framework will ensure that operational risks within the Bank are properly identified, monitored, managed and reported. Key elements of the framework include process mapping, setting up loss data base, setting up of KRIs, risk analysis and risk management reporting.

The Bank is currently using operational risk tracking system, i.e. ORMIS to track operational risk events across the Bank. The system houses three years of operational loss data. The subject system is currently enhanced to automate KRI, RCSA and scenario based fraud risk self-assessment modules.

Each new product introduced is subject to a risk review and signoff process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product. Variations of existing products are also subject to a similar process. Business and support units are responsible for managing operations risk in their respective functional areas. They operate within the Bank's operational risk management framework and ensure that risk is being managed within their respective business units. The day-to-day management of operations risk is through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedure to monitor transaction positions and documentation, as well as maintenance of key backup procedures and business contingency planning.

52 Capital management

(a) Capital management objective

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of consolidated financial position are:

- To comply with the capital requirements set by the Central Bank of U.A.E.;
- To safeguard the Bank's ability to continue as a going concern and increase the returns for the shareholders; and
- To maintain a strong capital base to support the development of its business.

(b) Regulatory capital

The Bank's lead regulator the Central Bank of U.A.E. sets and monitors capital requirements for the Bank as a whole. The Bank and individual banking operations within the Bank are directly supervised by their respective local regulators.

52 Capital management (continued)

(b) Regulatory capital (continued)

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes share capital, Tier 1 sukuk, statutory reserves, donated land reserve, general reserve, retained earnings, exchange translation reserve and non-controlling interests, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy calculation purposes.

- Tier 2 capital, which includes qualifying subordinated liabilities (i.e. Medium term wakala finance), collective impairment allowance and investment fair value reserve relating to unrealised gain/loss on equity instruments measured as FVTOCI.

Various limits are applied to elements of the capital base:

- Tier 2 capital cannot exceed 67% of tier 1 capital;

- Tier 1 capital must be a minimum of 7% of risk weighted assets; and

- Qualifying subordinated liabilities capital cannot exceed 50% of tier 1 capital.

The Bank's assets are risk weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, and commodity risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The Bank is following the standardised approach for credit, market and operational risk, as permitted by the U.A.E. Central Bank and as per Pillar 1 of Basel 2.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the regulators on a monthly or/and quarterly basis. During the years ended 31 December 2013 and 2012, the Bank complied in full with all its externally imposed capital requirements.

During the years ended 31 December 2013 and 2012, all banks operating in the U.A.E. are required to maintain a capital adequacy ratio at 12%.

No changes have been made to the objectives, policies and processes from the previous year. However, they are under constant review by the management.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

52 Capital management (continued)

(c) Capital adequacy ratio ("CAR")

Basel 2 and the U.A.E. Central Bank requirements are followed in calculating the following ratios:

	2013 AED'000	2012 AED'000 (Restated)
Tier 1 Capital		
Share capital	3,953,751	3,797,054
Tier 1 sukuk	3,673,000	-
Other reserves	5,508,795	5,348,964
Retained earnings	1,027,396	725,192
Non-controlling interest	317,373	965,971
	14,480,315	10,837,181
Less:		
Treasury shares	(13,099)	-
Cumulative deferred exchange losses	(280,833)	(197,192)
Total Tier 1 Capital	14,186,383	10,639,989
Tier 2 Capital		
Investment fair value reserve	(563,850)	(820,130)
Collective impairment allowance	902,348	696,179
Medium term wakala finance	-	3,002,034
Total Tier 2 Capital	338,498	2,878,083
Deductions from capital	(570,260)	(477,491)
Total capital base	13,954,621	13,040,581
Risk weighted assets		
Credit risk	70,199,816	69,353,608
Market risk	1,804,650	1,910,767
Operational risk	4,526,311	3,840,839
Total risk weighted assets	76,530,777	75,105,214
Capital Ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets ("capital adequacy ratio")	18.2%	17.4%
Tier 1 capital to total risk weighted assets after deductions for associates	18.2%	13.9%

53 Comparative amounts

The following tables summarize the impact of the adoption of the IFRS 10, IFRS 11 and others adjustments on the comparative balances (i.e. 31 December 2012 and 1 January 2012), results (i.e. 31 December 2012) and cash flows (i.e. 31 December 2012):

Consolidated statement of financial position:

	As at 31 December 2012				
	As previously reported AED'000	IFRS 10 adjustments AED'000	IFRS 11 adjustments AED'000	Others (note 10) AED'000	As restated AED'000
ASSETS					
Cash and balances with central Banks	15,473,549	526	(76)	-	15,473,999
Due from banks and financial Institutions	3,169,114	123,945	-	-	3,293,059
Islamic financing and investing assets, net	55,560,103	(377,739)	324	-	55,182,688
Investments in Islamic sukuk measured at amortised cost	11,088,662	-	-	-	11,088,662
Other investments at fair value	2,144,871	20,517	(1,091)	(183,265)	1,981,032
Investments in associates and joint ventures	2,294,028	(548,342)	101,002	183,265	2,029,953
Properties held for sale	224,909	1,820,278	(47,813)	-	1,997,374
Investment properties	1,931,808	215,916	(64,714)	-	2,083,010
Receivables and other assets	2,920,298	1,990,369	(18,709)	-	4,891,958
Property, plant and equipment	557,357	35,550	(3,430)	-	589,477
Total assets	95,364,699	3,281,020	(34,507)	-	98,611,212
LIABILITIES AND EQUITY					
LIABILITIES					
Customers' deposits	66,800,852	(79,287)	3,958	-	66,725,523
Due to banks and financial institutions	6,158,289	509,711	-	-	6,668,000
Sukuk financing instruments	4,673,960	-	-	-	4,673,960
Medium term wakalat finance	3,752,543	-	-	-	3,752,543
Payables and other liabilities	3,255,628	1,717,537	(38,465)	-	4,934,700
Zakat payable	163,572	-	-	-	163,572
Total liabilities	84,804,844	2,147,961	(34,507)	-	86,918,298
EQUITY					
Equity attributable to owners of the Parent	9,588,562	(500,781)	-	-	9,087,781
Non-controlling interests	971,293	1,633,840	-	-	2,605,133
Total equity	10,559,855	1,133,059	-	-	11,692,914
Total liabilities and equity	95,364,699	3,281,020	(34,507)	-	98,611,212

53 Comparative amounts (continued)

Consolidated statement of financial position:

	As at 1 January 2012			
	As previously reported AED'000	IFRS 10 adjustments AED'000	IFRS 11 adjustments AED'000	As restated AED'000
ASSETS				
Cash and balances with central banks	12,952,319	437	(77)	12,952,679
Due from banks and financial institutions	3,043,096	108,963	-	3,152,059
Islamic financing and investing assets, net	51,507,049	(390,000)	569	51,117,618
Investments in Islamic sukuk measured at amortised cost	12,688,111	-	-	12,688,111
Other investments at fair value	2,034,389	19,507	(763)	2,053,133
Investments in associates and joint ventures	2,336,439	(1,242,629)	105,118	1,198,928
Properties held for sale	609,756	1,996,707	(47,808)	2,558,655
Investment properties	1,785,205	202,451	(69,127)	1,918,529
Receivables and other assets	3,050,690	2,653,139	(17,961)	5,685,868
Property, plant and equipment	581,410	41,662	(3,952)	619,120
Total assets	90,588,464	3,390,237	(34,001)	93,944,700
LIABILITIES AND EQUITY				
LIABILITIES				
Customers' deposits	64,929,839	(166,772)	8,331	64,771,398
Due to banks and financial institutions	4,052,433	525,548	-	4,577,981
Sukuk financing instruments	4,173,983	-	-	4,173,983
Medium term wakalat finance	3,752,543	-	-	3,752,543
Payables and other liabilities	3,384,833	1,922,880	(42,332)	5,265,381
Zakat payable	121,076	-	-	121,076
Total liabilities	80,414,707	2,281,656	(34,001)	82,662,362
EQUITY				
Equity attributable to owners of the Parent	9,135,435	(500,781)	-	8,634,654
Non-controlling interests	1,038,322	1,609,362	-	2,647,684
Total equity	10,173,757	1,108,581	-	11,282,338
Total liabilities and equity	90,588,464	3,390,237	(34,001)	93,944,700

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

53 Comparative amounts (continued)

Consolidated income statement:

	For the year ended 31 December 2012			
	As previously reported AED'000	IFRS 10 Adjustments AED'000	IFRS 11 adjustments AED'000	As restated AED'000
INCOME				
Income from Islamic financing and investing assets	3,286,436	(20,040)	-	3,266,396
Income from investments in Islamic sukuk	621,465	-	-	621,465
Income from International murabahat and wakala, short term	55,359	2,798	-	58,157
Gain from other investments at fair value, net	59,918	(37,058)	(377)	22,483
Commissions, fees and foreign exchange income	733,365	46,679	(30)	780,014
Income from investment properties	98,209	17,230	(25,144)	90,295
Income from properties held for sale, net	15,123	202,269	-	217,392
Other income	156,449	24,172	(5,807)	174,814
Total income	5,026,324	236,050	(31,358)	5,231,016
EXPENSES				
Personnel expenses	(914,837)	(58,235)	6,809	(966,263)
General and administrative expenses	(476,953)	(51,231)	9,748	(518,436)
Depreciation of property, plant and equipment	(31,351)	(4,400)	4,413	(31,338)
Depreciation of investment properties	(99,196)	(5,933)	1,294	(103,835)
Impairment loss on financial assets, net	(972,633)	-	-	(972,633)
Impairment loss on non-financial assets, net	(70,495)	(50,129)	-	(120,624)
Total expenses	(2,565,465)	(169,928)	22,264	(2,713,129)
Operating profit before depositors' and sukuk holders' share of profit, share of profit from associates and joint venture s and income tax	2,460,859	66,122	(9,094)	2,517,887
Depositors' and sukuk holders share of profit	(1,316,205)	(36,294)	-	(1,352,499)
Operating profit for the year	1,144,654	29,828	(9,094)	1,165,388
Share of profit from associates and joint ventures	60,301	(8,538)	9,094	60,857
Profit for the year before income tax	1,204,955	21,290	-	1,226,245
Income tax expense	(12,801)	-	-	(12,801)
Profit for the year	1,192,154	21,290	-	1,213,444
Attributable to:				
Owners of the Parent	1,150,072	-	-	1,150,072
Non-controlling interests	42,082	21,290	-	63,372
Profit for the period	1,192,154	21,290	-	1,213,444

53 Comparative amounts (continued)

Consolidated statement of cash flows:

	For the year ended 31 December 2012			
	As previously reported AED'000	IFRS 10 Adjustments AED'000	IFRS 11 adjustments AED'000	As restated AED'000
Net cash flows from operating activities	(421,857)	(102,472)	(771)	(525,100)
Net cash flows from investing activities	1,524,953	148,549	771	1,674,273
Net cash flows from financing activities	(127,199)	3,378	-	(123,821)
Net cash flows	975,897	49,455	-	1,025,352

54 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 29 January 2014.