Finance House P.J.S.C.

Condensed interim consolidated financial statements
For the nine months ended 30 September 2015

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Review report to the Directors of Finance House P.J.S.C.

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Finance House P.J.S.C ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2015 and the related condensed interim consolidated statements of income, comprehensive income for the three-month and nine-month periods then ended and the condensed interim consolidated statement of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
9 November 2015

Jacques E. Fakhoury
Registered Auditor Number 379
Abu Dhabi, United Arab Emirates

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Finance House P.J.S.C.

Condensed interim consolidated statement of financial position

	Notes	30 September 2015 (Unaudited) AED'000	31 December 2014 (Restated) AED'000	1 January 2014 (Restated) AED'000
ASSETS				
Cash balances	7	**10,644**	35,304	9,497
Due from banks	7	**816,187**	931,457	1,093,081
Investments carried at fair value through other comprehensive income	8	**722,648**	655,222	305,726
Investments carried at fair value through profit or loss	8	**270,279**	248,377	201,355
Investments carried at amortized cost	8	**167,193**	231,592	284,485
Loans and advances	9.1	**1,883,570**	1,856,418	1,403,360
Islamic financing and investing assets	9.2	**194,395**	138,811	100,442
Investment in associate	10	**52,175**	44,507	30,422
Statutory deposit		**6,000**	6,000	6,000
Property, fixtures and equipment		**15,884**	13,421	288,082
Intangibles		**13,702**	14,290	15,596
Investment properties		**376,200**	376,200	81,200
Interest receivable and other assets		**256,258**	277,741	253,920
Total assets		**4,785,135**	4,829,340	4,073,166
EQUITY AND LIABILITIES				
EQUITY				
Share capital	11	**310,050**	302,500	302,500
Treasury shares	12	**(9,525)**	(9,263)	(7,213)
Employees' share-based payment scheme	13	**(1,750)**	(1,750)	(1,750)
Statutory reserve		**131,865**	131,865	123,797
Revaluation reserve		**22,409**	22,409	18,962
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		**(27,858)**	(32,714)	(25,336)
Retained earnings		**185,738**	138,208	143,906
Tier 1 Sukuk	14	**190,750**	-	-
Proposed directors' remuneration		**-**	6,249	5,404
		801,679	557,504	560,270
Non-controlling interests	15	**78,667**	138,286	141,188
Net equity		**880,346**	695,790	701,458
LIABILITIES				
Customers' deposits	16	**2,229,620**	2,850,221	2,178,142
Margin accounts		**722,427**	516,426	438,882
Due to banks		**65,392**	64,379	207,528
Medium term loan		**150,000**	-	-
Short term borrowings	17	**390,000**	190,000	-
Interest payable and other liabilities	18	**337,211**	377,398	410,274
Provision for employees' end of service benefits		**10,139**	8,826	7,882
Non-convertible sukuk	19	**-**	126,300	129,000
Total liabilities		**3,904,789**	4,133,550	3,371,708
Total equity and liabilities		**4,785,135**	4,829,340	4,073,166
Commitments and contingent liabilities	20	**1,745,467**	1,373,414	1,274,622

....
Mr. Mohammed Alqubaisi
Chairman

....
Mr. Hamid Taylor
General Manager

Finance House P.J.S.C.

Condensed interim consolidated income statement (unaudited)

	Notes	Three months ended 30 September **2015** **AED'000**	Three months ended 30 September 2014 AED'000 (Restated)	Nine months ended 30 September **2015** **AED' 000**	Nine months ended 30 September 2014 AED '000 (Restated)
Interest income and income from Islamic financing and investing assets	4	**56,602**	48,836	**169,396**	135,466
Interest expense and profit distributable to depositors	4	**(13,361)**	(13,295)	**(44,002)**	(38,991)
Net Interest income and income from Islamic financing and investing assets	4	**43,241**	35,541	**125,394**	96,475
Net Income from perpetual instruments		**5,998**	2,151	**17,227**	4,883
Net interest income, income from Islamic financing and investing assets and net income from perpetual instruments		**49,239**	37,692	**142,621**	101,358
Net fee and commission income		**11,620**	13,039	**33,888**	48,812
Net contract expense		**(516)**	(707)	**(1,594)**	(5,217)
Net insurance income/(loss)		**790**	(9,192)	**3,250**	(6,553)
Profit distributable to sukuk holders		**(1,182)**	(1,951)	**(5,129)**	(5,920)
Net (loss)/income from investments	5	**(3,501)**	28,213	**39,011**	90,653
Net income from investment property		**8,876**	1,898	**26,560**	5,687
Share of (loss)/income of associate	10	**(37)**	(397)	**7,668**	(1,227)
Other operating income, net		**778**	2,883	**3,154**	4,190
Total operating income		**66,067**	71,478	**249,429**	231,783
Salaries and employee related expenses		**(30,776)**	(28,516)	**(87,891)**	(79,751)
Depreciation of property, fixtures and equipment		**(1,154)**	(1,269)	**(4,595)**	(3,736)
Amortization of intangibles		**(196)**	(196)	**(588)**	(1,110)
General and administrative expenses		**(17,669)**	(12,807)	**(49,386)**	(39,006)
Total operating expenses and allowances		**(49,795)**	(42,788)	**(142,460)**	(123,603)
Profit before net impairment charges		**16,272**	28,690	**106,969**	108,180
Allowance for impairment of loans and advances, net	9.1	**(16,180)**	(7,889)	**(38,776)**	(24,120)
Allowance for impairment of Islamic financing and investing assets	9.2	**(1,671)**	(723)	**(3,536)**	(2,801)
(Loss)/Profit for the period		**(1,579)**	20,078	**64,657**	81,259
Attributable to:					
Equity holders of the parent		**793**	25,178	**69,577**	81,440
Non-controlling interests		**(2,372)**	(5,100)	**(4,920)**	(181)
		(1,579)	20,078	**64,657**	81,259
Basic and diluted earnings per share attributable to ordinary shares (AED)	6	**0.00**	0.08	**0.23**	0.27

Finance House P.J.S.C.

Condensed interim consolidated statement of comprehensive income (unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	**2015**	2014
	AED'000	AED'000 (Restated)	**AED'000**	AED'000 (Restated)
(Loss)/profit for the period	(1,579)	20,078	64,657	81,259
Other comprehensive income:				
Items that will not be reclassified to income statement:				
Net (loss)/profit on financial assets measured at fair value through other comprehensive income	(7,389)	26,492	(396)	24,716
Directors' remuneration paid	-	-	(6,249)	(5,404)
	(7,389)	26,492	(6,645)	19,312
Other comprehensive (loss)/income for the period	(7,389)	26,492	(6,645)	19,312
Total comprehensive(loss)/income for the period	(8,968)	46,570	58,012	100,571
Attributable to:				
Equity holders of the parent	(5,949)	50,319	63,814	100,080
Non-controlling interests	(3,019)	(3,749)	(5,802)	491
	(8,968)	46,570	58,012	100,571

Finance House P.J.S.C.

Condensed interim consolidated statement of changes in equity

	Share capital AED'000	Treasury shares AED'000	Employees' share-based payment scheme AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Cumulative changes in fair value AED'000	Retained earnings AED'000	Proposed directors' remuneration AED'000	Tier 1 Sukuk AED'000	Attributable to shareholders of the parent company AED'000	Non controlling interest AED'000	Total AED'000
Balance at 1 January 2014 (Restated)	302,500	(7,213)	(1,750)	123,797	18,962	(25,336)	143,906	5,404	-	560,270	141,188	701,458
Profit on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	(3,367)	3,367	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	81,440	-	-	81,440	(181)	81,259
Increase in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	-	24,044	-	-	-	24,044	672	24,716
Directors' remuneration paid	-	-	-	-	-	-	-	(5,404)	-	(5,404)	-	(5,404)
Total comprehensive income/(loss) for the period	-	-	-	-	-	24,044	81,440	(5,404)		100,080	491	100,571
Cash dividend	-	-	-	-	-	-	(75,625)	-		(75,625)	-	(75,625)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(2,645)	(2,645)
Purchase of treasury shares	-	(1,323)	-	-	-	-	-	-		(1,323)	-	(1,323)
Balance at 30 September 2014 (Restated)	302,500	(8,536)	(1,750)	123,797	18,962	(4,659)	153,088	-	-	583,402	139,034	722,436
Balance at 1 January 2015 (Restated)	302,500	(9,263)	(1,750)	131,865	22,409	(32,714)	138,208	6,249		557,504	138,286	695,790
Profit on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	4,370	(4,370)	-	-	-	23	23
Profit for the period	-	-	-	-	-	-	69,577	-	-	69,577	(4,920)	64,657
Increase in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	-	486	-	-	-	486	(882)	(396)
Directors' remuneration paid	-	-	-	-	-	-	-	(6,249)	-	(6,249)	-	(6,249)
Total comprehensive (loss)/income for the period	-	-	-	-	-	486	69,577	(6,249)	-	63,814	(5,802)	58,012
Stock dividend paid	7,550	-	-	-	-	-	(7,550)	-	-	-	-	-
Acquisition of non-controlling interest (note 15) - decrease in non-controlling interest	-	-	-	-	-	-	(6,960)	-	-	(6,960)	(53,840)	(60,800)
Issue of Tier 1 Sukuk	-	-	-	-	-	-	-	-	190,750	190,750	-	190,750
Tier 1 Sukuk coupon paid	-	-	-	-	-	-	(3,167)	-	-	(3,167)	-	(3,167)
Purchase of treasury shares	-	(262)	-	-	-	-	-	-	-	(262)	-	(262)
Balance at 30 September 2015	**310,050**	**(9,525)**	(1,750)	131,865	22,409	(27,858)	185,738	-	190,750	801,679	78,667	880,346

Finance House P.J.S.C.

Condensed interim consolidated statement of cash flows (unaudited)

	Notes	Nine months ended 30 September 2015 AED'000	2014 AED'000 (Restated)
Operating activities			
Profit for the period		**64,657**	81,259
Non-cash adjustments:			
Depreciation of property, fixtures and equipment		**4,595**	3,736
Amortization of intangible asset		**588**	1,110
(Loss)/gain on sale of investments carried at amortized cost	5	**(1,846)**	972
Share of results of associate, net	10	**(7,668)**	1,227
Dividend income from investments	5	**(21,001)**	(13,453)
Gain on disposal of investments carried at fair value through profit or loss	5	**(4,145)**	(89,583)
Unrealised (gain)/loss on investments carried at fair value through profit or loss	5	**(12,019)**	11,411
Allowance for impairment of loans and advances	9.1	**38,776**	24,120
Allowance for impairment of Islamic financing and investing assets	9.2	**3,536**	2,801
Net movement in provision for employees' end of service benefits		**1,313**	1,367
		66,786	24,967
Working capital adjustments:			
Decrease in due from banks		**-**	218,100
Increase in Islamic financing and investing assets		**(59,120)**	(52,505)
Increase in loans and advances		**(65,928)**	(706,708)
Increase in interest receivable and other assets		**21,483**	(57,324)
Decrease in due to banks		**-**	(140,000)
Increase in term loan		**150,000**	-
(Decrease) increase in customers' deposits		**(620,601)**	595,158
Increase in margin accounts		**206,001**	53,230
(Decrease) increase in interest payable and other liabilities		**(40,187)**	390,237
Net cash (used in)/generated from operating activities		**(341,566)**	325,155
Investing activities			
Purchase of investments carried at fair value through other comprehensive income		**(87,280)**	(53,975)
Proceeds from sale of investments carried at fair value through other comprehensive income		**16,314**	19,536
Purchase of investments carried at fair value through profit or loss		**(78,885)**	(145,881)
Proceeds from sale investments carried at fair value through profit or loss		**73,147**	263,108
Purchase of investments carried at amortized cost		**(10,523)**	(249,513)
Proceeds from sale of investments carried at amortized cost		**76,768**	56,264
Purchase of property, fixtures and equipment		**(7,058)**	(18,533)
Acquisition of a subsidiary, net of cash acquired		**(6,960)**	-
Investment in associate	10	**-**	(11,047)
Dividend income received		**21,001**	13,453
Net cash used in investing activities		**(3,476)**	(126,588)

Finance House P.J.S.C.

Condensed interim consolidated statement of cash flows (unaudited) (continued)

	Notes	Nine months ended 30 September 2015 AED'000	2014 AED'000 (Restated)
Financing activities			
Increase in short term borrowings		200,000	80,000
Directors' remuneration paid		(6,249)	(5,404)
Cash dividends paid		-	(75,625)
Non-convertible Sukuk		(126,300)	(2,700)
Issuance of Tier 1 Sukuk		190,750	-
Purchase of treasury shares		(262)	(1,323)
Change in non-controlling interest		(53,840)	(2,645)
Net generated from/ (used in) financing activities		204,099	(7,697)
Net (decrease)/increase in cash and cash equivalents		(140,943)	190,870
Cash and cash equivalents, beginning of the period		902,382	816,950
Cash and cash equivalents, end of the period	7	761,439	1,007,820

1 Activities

Finance House P.J.S.C. (the "Company") is a Public Joint Stock Company incorporated in Abu Dhabi, United Arab Emirates (U.A.E.) in accordance with the provisions of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended), the U.A.E. Central Bank, the Monetary System and Organization of Banking Law No. (10) of 1980 and under authority of resolutions of the Board of Directors of the U.A.E. Central Bank relating to Finance Companies.

The Company was established on 13 March 2004 and commenced its operations on 18 July 2004. The Company performs its activities through its head office in Abu Dhabi and its Abu Dhabi, Dubai and Sharjah branches. The principal activities of the Company consist of investments, consumer and commercial financing and other related services.

The registered head office of the Company is at P.O. Box 7878, Abu Dhabi, U.A.E.

This condensed interim consolidated financial statements of the Company and its subsidiaries (collectively referred to as, the "Group") for the period ended 30 September 2015 were authorised for issue by Board of Directors on 09 November 2015.

These condensed interim consolidated financial statements have been reviewed, not audited.

2 Basis of preparation

Statement of compliance

The condensed interim consolidated financial statements for the nine months ended 30 September 2015 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. These financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2014. The Group has restated its previously consolidated financial statements as at and for the years ended 31 December 2013 through 2014 and all the related disclosures.

The restatement of the Group's condensed consolidated financial statements followed a prior period adjustment of the Group's consolidated financial statements and accounting records that was undertaken in contemplation of a material adjustment to the balance of loans and advances and investments carried at fair value through other comprehensive income and other related accounts. The effects of the restatement are reflected in note 27 of these interim condensed consolidated financial statements.

Significant accounting policies

The accounting policies applied by the Group in the condensed interim consolidated financial statements are the same as those applied by the Group in its most recent audited annual consolidated financial statements as at and for the year ended 31 December 2014.

These condensed interim consolidated financial statements is presented in United Arab Emirates Dirhams ("AED"), which is the "functional currency", rounded to the nearest thousand.

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated October 12, 2008, accounting policies relating to investment securities and investment properties have been disclosed in the condensed interim consolidated financial statements.

2 Basis of preparation (continued)

2.1 Basis of consolidation

The condensed interim consolidated financial statements incorporates the financial statements of the Company and its subsidiaries (collectively referred to as, the "Group").

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date a control commences until the date a control ceases. The details of the Company's subsidiaries and their principal activities are as follows:

Name of subsidiary	Country of incorporation	Ownership interest % 30 September 2015	Ownership interest % 31 December 2014	Principal activity
Third Vision Investment L.L.C.	U.A.E.	100	100	Management
Finance House Holding L.L.C.	U.A.E.	100	100	Investment and development
National Project House L.L.C.	U.A.E.	100	100	Construction
Benyan Development Company L.L.C.	U.A.E.	100	100	Construction
Emirates National Electromechanical L.L.C.	U.A.E.	100	100	Electromechanical contracting
FH Capital Limited (D.I.F.C.)	U.A.E.	100	100	Investment and asset management
Finance House Sukuk Company 1	Cayman Islands	100	100	Sukuk issuance
Islamic Finance House P.J.S.C.	U.A.E.	100	47.83	Islamic financing services
Insurance House P.S.C.	U.A.E.	44.83	44.83	Insurance
Finance House Securities Co L.L.C.	U.A.E.	70	70	Brokerage
CAPM Investment P.J.S	U.A.E.	100	100	Investment and asset management

Insurance House P.S.C is considered a subsidiary by virtue of control.

Transactions eliminated on consolidation

All intragroup balances and income, expenses and cash flows resulting from intragroup transactions are eliminated in full on consolidation.

2 Basis of preparation (continued)

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

2.2.1 New and revised IFRSs effective for accounting periods beginning 1 January 2015

New standards and significant amendments to standards applicable to the Group	Effective date
Annual improvements 2012 These annual improvements amend standards from the 2010 - 2012 reporting cycle. It includes changes to: • IFRS 8, 'Operating segments' which is amended to require disclosure of the judgements made by management in applying the aggregation criteria to operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. • IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. • IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.	1 July 2014 although endorsed for annual period on or after 1 February 2015
Annual improvements 2013 • IFRS 13 'Fair value measurement' on clarification of the portfolio exemption in IFRS 13 - The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.	1 July 2014 although endorsed for annual period on or after 1 February 2015
IAS 19, Defined benefit plans: Employee contributions The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employees' working lives. Management should consider how it will apply that model.	1 July 2014 although endorsed for annual period on or after 1 February 2015

There is no impact of these provisions on these condensed interim consolidated financial statements of the Group.

There are no other IFRSs that were effective for the first time for the financial year beginning 1 January 2015 that had a material impact on the Group's condensed interim consolidated financial statements.

2 Basis of preparation (continued)

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

2.2.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted

Except for IFRS 9, the Group has not early adopted relevant new and revised IFRSs that have been issued but are not yet effective.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation. This amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. • IAS 1 Amendments to IAS 1, 'Presentation of financial statements' Disclosure initiative. The amendments clarify that it may be necessary to disaggregate some of the line items specified in IAS 1 paragraphs 54 (statement of financial position) and 82 (profit or loss). That disaggregation is required where it is relevant to an understanding of the entity's financial position or performance.	1 January 2016
Amendments to IFRS 10 and IAS 28, 'Investments in associates and joint ventures' regarding the sale or contribution of assets between an investor and its associate or joint venture These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.	1 January 2016

2 Basis of preparation (continued)

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

2.2.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted (continued)

Annual improvements 2014 These annual improvements amend standards from the 2012 - 2014 reporting cycle. It includes changes to: • IFRS 7, 'Financial instruments: Disclosures' – The amendment related to servicing contracts requires that if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. • IAS 19, 'Employee benefits' – The amendment clarifies, when determining the discount rate for post-employment benefit obligations, that it is the currency that the liabilities are denominated in that is important, not the country where they arise. • IAS 34,'Interim financial reporting', regarding information disclosed elsewhere in the interim financial report. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.	1 January 2016
IFRS 15, 'Revenue from contracts with customers' This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.	1 January 2017

2 Basis of preparation (continued)

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

2.2.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted (continued)

IFRS 9, 'Financial instruments' The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.	1 January 2018 Earlier application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception: Entities with a date of initial application before 1 February 2015 continue to have the option to apply the Standard in phases.

The Group is assessing the impact of the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2015.

The Group has early adopted IFRS 9 effective in 2010 with regards to the classification and measurement of financial assets and will also consider the impact of the remaining phases of IFRS 9 in due course.

The application of the finalised version of IFRS 9 may have an impact on amounts reported and disclosures made in the Group's condensed interim consolidated financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

2 Basis of preparation (continued)

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

2.2.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted (continued)

There are no other applicable new standards and amendments to published standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2015 that would be expected to have a material impact on the condensed interim consolidated financial statements of the Group.

3 Significant accounting policies

3.1 Investment in associates

The Group's investment in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Losses in excess of the cost of the investment in an associate are recognised when the Group has incurred obligations on its behalf.

The Group's share of the result of operations of associates is included in the consolidated income statement. Unrealized profits and losses from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate.

3.2 Financial assets

3.2.1 Classification
The Group classifies its financial assets in the following categories: *financial assets measured at amortised cost or financial assets at fair value* as follows:

(a) *Financial assets measured at amortised cost*
Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

3 Significant accounting policies (continued)

3.2 Financial assets (continued)

3.2.1 Classification (continued)

(b) Financial assets at fair value through profit or loss
A financial asset is classified into the "financial assets at fair value through profit or loss" category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

(c) Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income comprise financial assets that are not held for trading and the Group has opted to use this classification.

3.2.2 Recognition and measurement
All financial assets are initially recognised on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. All financial assets are initially measured at their fair value plus transaction costs, except for those financial assets measured at fair value through profit or loss.

After initial recognition the Group shall measure the financial asset at amortised cost or at fair value.

Financial assets measured at amortised cost only if the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amount. An inability to meet these two criteria requires the financial asset to be subsequently measured at fair value through profit or loss. However, even where both conditions are met, the Group may elect upon initial recognition to measure the financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments meeting these criteria are subsequently measured at amortised cost using the effective interest rate method, adjusted for any impairment charges and transaction costs incurred upon initial recognition. The effective interest rate method calculates an interest rate which exactly discounts estimated future cash receipts through the expected life of the financial asset or a shorter period (where appropriate) to the net carrying amount of the financial asset. After initial measurement at fair value, amounts due from banks and loans and advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate method. The amortisation is included in interest income in the income statement. The losses arising from impairment are recognised in the condensed interim consolidated income statement in allowance for impairment of loans and advances.

3 Significant accounting policies (continued)

3.2 Financial assets (continued)

3.2.2 Recognition and measurement

Changes in fair value of financial assets measured at fair value through other comprehensive income are recognised in condensed interim consolidated comprehensive income as a separate component in equity. Changes in the fair value of financial assets at fair value through profit or loss are recognised in the condensed interim consolidated income statement.

3.2.3 Islamic financing and investing assets

Islamic financing assets are financial assets with fixed or expected profit payments. These assets are not quoted in an active market. They arise when the Group provides funds directly to a customer.

Murabaha is stated at amortised cost less any provisions for impairment and deferred income.

Istisna'a cost is measured and reported in the financial statements at a value not exceeding the cash equivalent value.

The Ijara is classified as a finance lease, when the Group undertakes to sell the leased assets to the lessee using an independent agreement upon the maturity of the lease and the sale results in transferring all the risks and rewards incident to an ownership of the leased assets to the lessee. Leased assets represents finance lease of assets for periods, which either approximate or cover a major part of the estimated useful lives of such assets. Leased assets are stated at amounts equal to the net investment outstanding in the leases including the income earned thereon less impairment provisions.

Equity investments at fair value through other comprehensive income

Equity investments not held for trading can be designated as being measured at fair value through other comprehensive income at initial recognition and such an election is irrevocable. This designation is made on an instrument-by-instrument basis. Gains or losses arising on subsequent measurement of these equity investments are recognised in condensed interim consolidated other comprehensive income. The gain or loss on disposal of the asset is reclassified to retained earnings and is not recycled to profit or loss. Transaction costs on disposal are taken to the condensed interim consolidated income statement. Dividends received on these equity investments are recognised in the condensed interim consolidated income statement unless the dividend represents recovery of the cost of the investment.

Financial assets designated at fair value through profit or loss

Financial assets classified in this category are those that have been designated by management at initial recognition. Management may designate a financial asset at fair value through profit or loss upon initial recognition only when the first of the following criteria is met. Designation is determined on an instrument by instrument basis:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking.

3 Significant accounting policies (continued)

3.2 Financial assets (continued)

3.2.3 Islamic financing and investing assets (continued)
Financial assets designated at fair value through profit or loss (continued)
Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gain or loss on financial assets designated at fair value through profit or loss. Interest earned is accrued in interest income, using the effective interest rate method, while dividend income is recorded in other operating income when the right to the payment has been established.

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period.

3.3 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not significantly occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Valuations are performed as at the reporting date by an independent professional valuator who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

3 Significant accounting policies (continued)

3.3 Investment properties (continued)

Changes in fair values are recognised in the condensed interim consolidated income statement. Investment properties are derecognised when they have been disposed of. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the condensed interim consolidated income statement within net gain or loss from change in fair value of investment properties.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group measures such property at fair value at the date of change in use. Any revaluation surplus is credited to the revaluation reserve included in the equity section of the condensed consolidated statement of financial position. A revaluation deficit is recognised in the consolidated income statement.

Notes to the condensed interim consolidated financial statements for the nine months ended 30 September 2015 (continued)

4 Net interest income and income from Islamic financing and investing assets

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2015	2014	**2015**	2014
	AED'000	AED'000 (Restated)	**AED'000**	AED'000 (Restated)
Due from banks	**1,366**	2,481	**5,120**	10,321
Loans and advances	**44,198**	37,873	**132,694**	107,767
Income from Islamic financing and investing assets	**6,030**	3,778	**15,885**	9,467
Others	**5,008**	4,704	**15,697**	7,911
Interest income and income from Islamic financing and investing assets	**56,602**	48,836	**169,396**	135,466
Customers' deposits	**(10,669)**	(12,470)	**(38,365)**	(35,064)
Profit distributable to depositors	**(797)**	(589)	**(2,414)**	(1,877)
Due to banks	**(1,895)**	(236)	**(3,223)**	(2,050)
Interest expense and profit distributable to depositors	**(13,361)**	(13,295)	**(44,002)**	(38,991)
Net interest income and income from Islamic financing and investing assets	**43,241**	35,541	**125,394**	96,475

5 Net income from investments

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2015	2014	**2015**	2014
	AED'000	AED'000 (Restated)	**AED'000**	AED'000 (Restated)
Gain on disposal of investments carried at fair value through profit or loss	**1,960**	711	**4,145**	89,583
Change in fair value of investments carried at fair value through profit or loss	**(7,016)**	22,533	**12,019**	(11,411)
Dividends from investments carried at fair value through profit or loss	**1,121**	136	**8,655**	2,296
Net income from investments carried at fair value through profit or loss	**(3,935)**	23,380	**24,819**	80,468
Dividend income from investments carried at fair value through other comprehensive income	**434**	4,808	**12,346**	11,157
Gain/(loss) on disposal of investments carried at amortized cost	**-**	25	**1,846**	(972)
Net (loss)/income from investments	**(3,501)**	28,213	**39,011**	90,653

6 Basic and diluted earnings per share

Earnings per share are calculated by dividing the net results for the period by the weighted average number of shares outstanding during the period. Diluted earnings per share is determined by adjusting the net profit and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares. As at 30 September 2015, the Group has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

The calculation of the basic and diluted earnings per share is based on the following data:

	Three months ended 30 September (Unaudited)		**Nine months ended 30 September (Unaudited)**	
	2015	2014 (Restated)	**2015**	2014 (Restated)
Profit for the period attributable to equity holders of the parent (AED '000)	**793**	25,178	**69,577**	81,440
Number of ordinary shares in issue ('000)	**302,500**	302,500	**302,500**	302,500
Less: Treasury shares ('000)	**(2,690)**	(2,416)	**(2,690)**	(2,416)
Less: Employees' share-based payment scheme ('000)	**(1,750)**	(1,750)	**(1,750)**	(1,750)
	298,060	298,334	**298,060**	298,334
Earnings per share (AED)	**0.00**	0.08	**0.23**	0.27

7 Cash and cash equivalents

	30 September 2015 AED'000	31 December 2014 AED'000
Cash balances		
Cash in hand	**10,644**	10,304
Short-term investments in commercial papers	**-**	25,000
	10,644	35,304
Due from banks		
Current and demand accounts	**272,453**	102,591
Fixed placements	**175,152**	755,000
Wakala deposits with banks	**-**	25,000
Call accounts	**368,582**	48,866
	816,187	931,457
Due to banks with original maturity of less than 3 months	**(65,392)**	(64,379)
Net cash and cash equivalents	**761,439**	902,382

Fixed placements and wakala deposits with banks are less than 90 days maturity.

Notes to the condensed interim consolidated financial statements for the nine months ended 30 September 2015 (continued)

8 Investments

	At fair value through OCI	At fair value through profit or loss	At amortised cost	Total
	AED'000	AED'000	AED'000	AED'000
30 September 2015 (unaudited)				
Equity instruments:				
- Quoted	**547,063**	**255,678**	-	**802,741**
- Unquoted	**168,538**	-	-	**168,538**
Debt instruments:				
- Quoted - fixed rate	-	**14,601**	**64,344**	**78,945**
- Unquoted leverage investments	-	-	**102,849**	**102,849**
Investment in managed funds	**7,047**	-	-	**7,047**
	722,648	**270,279**	**167,193**	**1,160,120**
UAE	524,790	264,996	64,344	854,130
Outside UAE	197,858	5,283	102,849	305,990
	722,648	270,279	167,193	1,160,120
31 December 2014 (Restated)				
Equity instruments:				
- Quoted	502,322	245,854	-	748,176
- Unquoted	143,877	-	-	143,877
Debt instruments:				
- Quoted - fixed rate	-	2,523	128,742	131,265
- Unquoted leverage investments	-	-	102,850	102,850
Investment in managed funds	9,023	-	-	9,023
	655,222	248,377	231,592	1,135,191
UAE	479,962	248,377	128,742	857,081
Outside UAE	175,260	-	102,850	278,110
	655,222	248,377	231,592	1,135,191

The fair value of investments carried at amortized cost at 30 September 2015 is AED 170,798 thousand (31 December 2014: AED 241,391 thousand).

During the period, the Group has disposed of a number of investments that are carried at amortised cost for strategic reasons.

8 Investments (continued)

	At fair value through OCI	At fair value through profit or loss	At amortised cost	Total
	AED'000	**AED'000**	**AED'000**	**AED'000**
Statement of financial position				
1 January 2014 (Restated)				
Equity instruments:				
- Quoted	145,901	198,917	-	344,818
- Unquoted	149,416	-	-	149,416
Debt instruments:				
- Quoted - fixed rate	-	2,438	284,485	286,923
- Unquoted leverage investments	-	-	-	-
Investment in managed funds	10,409	-	-	10,409
	305,726	201,355	284,485	791,566
UAE	248,618	198,917	180,189	627,724
Outside UAE	57,108	2,438	104,296	163,842
	305,726	201,355	284,485	791,566

9 Loans, advances and Islamic financing and investing assets

9.1 Loans and advances

	30 September 2015	31 December 2014	1 January 2014
	(Unaudited)	(Audited)	(Audited)
	AED'000	AED'000 (restated)	AED'000 (restated)
Commercial loans	**1,701,737**	1,718,505	1,291,787
Retail finance	**366,409**	336,810	277,543
Gross loans and advances	**2,068,146**	2,055,315	1569,330
Less:			
Allowance for impairment, collective	**(21,412)**	(21,663)	(16,531)
Allowance for impairment, specific	**(163,164)**	(177,234)	(149,439)
Net loans and advances	**1,883,570**	1,856,418	1,403,360

9 Loans, advances and Islamic financing and investing assets (continued)

9.1 Loans and advances (continued)

Allowance for impairment movement during the period/year is as follows:

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000 (Restated)	1 January 2014 (Audited) AED'000 (Restated)
At the beginning of the period/year	**198,897**	165,970	186,512
Charge for the period/year, net	**38,776**	34,932	37,541
Written off during the period/year	**(53,097)**	(2,005)	(58,083)
At the end of the period/year	**184,576**	198,897	165,970

9.2 Islamic financing and investing assets

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Commodities Murabaha	**132,740**	70,761
Covered card and drawings	**48,605**	34,912
Purchase and lease back	**14,733**	30,857
Ijarah	**7,936**	8,364
Gross islamic financing and investing assets	**204,014**	144,894
Less:		
Allowance for impairment, collective	**(2,445)**	(2,014)
Allowance for impairment, specific	**(7,174)**	(4,069)
Net islamic financing and investing assets	**194,395**	138,811

Islamic financing and investing assets are stated net of allowance for impairment. The movement in the allowance during the period/year is as follows:

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
At the beginning of the period/year	**6,083**	3,228
Charge for the period/year, net	**3,536**	2,855
At the end of the period/year	**9,619**	6,083

10 Investment in associate

	Country of incorporation	Percentage of holding		Principal activity
		2015	2014	
Mainland Management L.L.C.	United Arab Emirates	**33.33%**	33.33%	Hospitality management services

Movement in investment in associate is as follows:

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
At the beginning of the period/year	**44,507**	30,422
Share of results for the period/year	**7,668**	(1,915)
Additions during the period/year	**-**	16,000
At the end of the period/year	**52,175**	44,507

11 Share capital

Authorised, issued and fully paid		
310.1 million shares (2014: 302.5 million shares) of AED 1 each (2014: AED 1 each)	**310,050**	302,500

12 Treasury shares

Treasury shares represent the cost of 2,690 thousand shares. These treasury shares are held by the Company and a subsidiary as at 30 September 2015 (31 December 2014: 2,582 thousand shares).

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Shares held by Finance House PJSC (502 thousand shares)	**1,818**	1,719
Shares held by Insurance House PJSC (2,188 thousand shares)	**7,707**	7,544
	9,525	9,263

13 Employees' share-based payment scheme

The share-based payment scheme is administered by a trustee and gives the Board of Directors the authority to determine which employees of the Group will be granted the shares. The values of shares granted to employees are expensed in the period in which they are granted, and that of the remaining shares are included within shareholders' equity. During the period, no shares were granted to employees and the value of outstanding shares not yet granted to employees as of 30 September 2015 was AED 1,750 thousand (31 December 2014: AED 1,750 thousand).

14 Tier 1 Sukuk

In July 2015, the Company raised financing by way of Shari'a compliant Tier 1 Capital Certificates amounting to AED 200 million. Issuance of these Capital Certificates was approved by the Company's Extra Ordinary General Meeting (EGM) in April 2015, and payment of profit on these Sukuk Certificates is under the discretion of the Company. The UAE Central Bank has also approved the facility to be considered as Tier 1 capital for regulatory purposes. These Capital Certificates bear profit at a fixed rate payable semi-annually in arrears. The Capital Certificates are non-cumulative perpetual securities for which there is no fixed redemption date, and are callable by the Company subject to certain conditions. Sukuk amounting to AED 9.25 million were held by a subsidiary of the Group and, accordingly, eliminated in the consolidated statement of financial position.

15 Acquisition of non-controlling interest

On 4 January 2015, the Company purchased the remaining 52.17% share capital of Islamic Finance House held by non-controlling interests, thereby increasing the entity's ownership interest from 47.83% to 100%. The Company paid a total consideration amounting to AED 60.8 million. The carrying amount of Islamic Finance House PJSC's net assets on acquisition was AED 53.8 million. Accordingly, the excess of the consideration over the net assets acquired, amounting to AED 7 million was recorded within the equity as a decrease in retained earnings.

16 Customers' deposits

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Call and demand deposits	**317,908**	138,794
Time deposits	**1,790,321**	2,591,262
Wakala deposits	**121,391**	120,165
	2,229,620	2,850,221
Analysis of customers' deposits by sector is as follows:		
Government	**762,922**	948,064
Corporate	**1,466,698**	1,902,157
	2,229,620	2,850,221

Customers' deposits carry fixed interest rates.

17 Short term borrowings

During the period, the Group obtained short-term loans from a number of reputable banks with a net amount of AED 200 million (31 December 2014: AED 110 million). These short-term loans carry interest rates ranging from 1.95% p.a to 2.60% p.a (31 December 2014: 1.95% p.a to 2.60% p.a), and are secured by a promissory note in the amount of AED 468,365 thousand.

18 Interest payable and other liabilities

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Trade payables	**106,902**	73,517
Unearned premiums	**72,314**	62,243
Accrued expenses	**34,976**	41,260
Due to Insurance Co. and policy holders	**18,923**	16,337
Interest payable	**15,490**	18,148
Profit payable	**1,022**	557
Other liabilities	**87,584**	165,336
	337,211	377,398

19 Non convertible Sukuk

In June 2012, the Company raised financing by way of a Shari'a compliant subordinated sukuk issued by Finance House Sukuk Company 1 (the issuer and a special purpose vehicle) amounting to AED 150 million and maturing in June 2017. The sukuk carried a profit rate of 6 months EIBOR plus 3% or 6.25% per annum whichever is higher, payable semi annually as periodic distribution amount. In accordance with the terms and conditions of issue, this Sukuk was early redeemed in full at par in July 2015.

20 Commitments and contingent liabilities

The Group provides letters of credit and financial guarantees on behalf of customers to third parties. These agreements have fixed limits and are generally for a certain period of time.

Capital commitments are contracted for at the end of the reporting period but not yet incurred.

Irrevocable commitments to extend credit represent contractual irrevocable commitments to make loans and revolving credits.

20 Commitments and contingent liabilities (continued)

The Group had the following commitments and contingent liabilities outstanding at period/year end:

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Letters of guarantee	**1,440,173**	1,075,651
Letters of credit	**113,883**	105,105
Capital commitments	**7,357**	7,357
Irrevocable commitments to extend credit	**184,054**	185,301
	1,745,467	1,373,414

All commitments and contingent liabilities are issued in the ordinary course of business.

21 Related party disclosures

In the ordinary course of business, the Group enters into transactions with major shareholders, directors, senior management and their related concerns at commercial interest and commission rates.

The period/year-end balances in respect of related parties included in the condensed interim consolidated statement of financial position are as follows:

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Loans and advances to customers		
To key management staff	**716**	412
To board of directors	**9,954**	2,518
Customer deposits		
From others	**10,093**	7,466

21 Related party disclosures (continued)

Significant transactions with related parties during the period were as follows:

	Nine months ended 30 September (Unaudited)	
	2015	2014
	AED'000	AED'000
Interest and commission income		
From key management staff	**10**	6
From board of directors	**343**	133
Interest expense		
To others	**38**	22
Key management remuneration		
Short term benefits (salaries, benefits and bonuses)	**17,851**	14,990

22 Seasonality of results

No income of a seasonal nature was recorded in the condensed interim consolidated income statement for the nine months ended 30 September 2015 and 2014.

23 Dividends

The Company's General Assembly in its annual meeting held on 16 March 2015 approved a stock dividend of AED 7,549,961. The dividend was approved by the U.A.E Central Bank and distributed during the period.

24 Segment information

For management purposes, the Group is organised into six major business segments:

(i) Commercial and retail financing, which principally provides loans and other credit facilities for institutional and individual customers.

(ii) Investment, which involves the management of the Group's investment portfolio and its treasury activities.

(iii) Islamic financing and investing, which involves one of the Group's subsidiaries principally providing investment, consumer and commercial financing and other related services based on Islamic Sharia's rules and principles.

(iv) Insurance, which involves one of the Group's subsidiaries providing non-life insurance services.

(v) Construction, which involves the Group's subsidiaries performing real estate construction related activities.

(vi) Brokerage, which involves one of the Group's subsidiaries providing brokerage services.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds.

Notes to the condensed interim consolidated financial statements for the nine months ended 30 September 2015 (continued)

24 Segment information (continued)

Information regarding the Group's reportable segments is presented below:

	Commercial and retail financing AED'000	Investment AED'000	Islamic financing and investing AED'000	Construction AED'000	Brokerage AED'000	Insurance AED'000	Unallocated AED'000	Total AED'000
30 September 2015 (Unaudited)								
Operating income/(loss)	**110,298**	**102,938**	**16,749**	**(628)**	**9,794**	**10,278**	**-**	**249,429**
Inter-segment revenues	**(49,381)**	**49,381**	**-**	**-**	**-**	**-**	**-**	**-**
Segmental results and profits/(losses) from operations	**38,837**	**95,049**	**2,474**	**(1,847)**	**3,242**	**(10,594)**	**(62,504)**	**64,657**
Segmental assets	**1,883,570**	**2,107,517**	**317,225**	**19,234**	**216,549**	**241,183**	**-**	**4,785,135**
Segmental liabilities	**1,844,733**	**1,540,945**	**210,831**	**31,744**	**142,696**	**133,840**	**-**	**3,904,789**
30 September 2014 (Unaudited and Restated)								
Operating income	83,840	112,721	10,291	(5,647)	18,457	12,121	-	231,783
Inter-segment revenues	(49,679)	49,679	-	-	-	-	-	-
Segmental results and profits/(losses) from operations	32,035	108,604	898	(10,014)	11,110	(7,160)	(54,214)	81,259
Segmental assets	2,098,982	2,234,190	296,071	35,064	160,630	268,503	-	5,093,440
Segmental liabilities	2,066,947	1,800,074	193,099	58,570	117,435	134,356	-	4,370,481

25 Fair value measurement

While the Group prepares its condensed interim consolidated financial statements under the historical cost convention modified for measurement to fair value of investments carried at fair value and investment properties, in the opinion of management, the estimated carrying values and fair values of financial assets and liabilities, that are not carried at fair value in the condensed interim consolidated financial statements are not materially different, since assets and liabilities are either short term in nature or in the case of deposits and performing loans and advances, frequently repriced. For impaired loans and advances, expected cash flows, including anticipated realisation of collateral, were discounted using the original interest rates, considering the time of collection and a provision for the uncertainty of the cash flows.

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy as at 30 September 2015:

	Date of Valuation	Level 1 AED'000 (Restated)	Level 2 AED'000 (Restated)	Level 3 AED'000 (Restated)	Total AED'000 (Restated)
Assets measured at fair value					
Investment property	17 December 2014	-	-	**376,200**	**376,200**
At fair value through profit or loss					
Quoted equities	30 September 2015	**255,678**	-	-	**255,678**
Quoted debt instruments	30 September 2015	**14,601**	-	-	**14,601**
		270,279	-	-	**270,279**
At fair value through other comprehensive income					
Quoted equities	30 September 2015	**547,063**	-	-	**547,063**
Unquoted equities	31 December 2014	-	**38,569**	**129,969**	**168,538**
Investment in managed funds	30 September 2015	-	**7,047**	-	**7,047**
		547,063	**45,616**	**129,969**	**722,648**
Assets for which fair value is disclosed					
Investment carried at amortised cost	30 September 2015	**65,283**	**105,515**	-	**170,798**

Notes to the condensed interim consolidated financial statements for the nine months ended 30 September 2015 (continued)

25 Fair value measurement (continued)

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy as at 31 December 2014:

	Date of Valuation	Level 1 AED'000 (Restated)	Level 2 AED'000 (Restated)	Level 3 AED'000 (Restated)	Total AED'000 (Restated)
Assets measured at fair value					
Investment property	17 December 2014	-	-	376,200	376,200
At fair value through profit or loss					
Quoted equities	31 December 2014	245,854	-	-	245,854
Quoted debt instruments	31 December 2014	2,523	-	-	2,523
		248,377	-	-	248,377
At fair value through other comprehensive income					
Quoted equities	31 December 2014	502,322	-	-	502,322
Unquoted equities	31 December 2014	-	17,578	126,299	143,877
Investment in managed funds	31 December 2014	-	9,023	-	9,023
		502,322	26,601	126,299	655,222
Assets for which fair value is disclosed					
Investment carried at amortised cost	31 December 2014	134,669	106,722	-	241,391

The following is a description of the determination of fair value for assets which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the assets.

Investments carried at fair value through profit or loss

Investments carried at fair value through profit and loss are listed equities and debt instruments in local as well as international exchanges. Valuations are based on market prices as quoted in the exchange.

Investments carried at fair value through other comprehensive income

Investments carried at fair value through other comprehensive income, the revaluation gains/losses of which are recognized through equity, comprise long term strategic investments in listed and unlisted equities, Tier 1 Capital instruments and private equity funds. Listed equity and Tier 1 Capital instruments valuations are based on market prices as quoted in the exchange while funds are valued on the basis of net asset value statements received from fund managers. For unquoted equities, the financial statements provide the valuations of these investments which are arrived at primarily by discounted cash flow analysis. Fair value of the unquoted ordinary shares has been estimated using DCF model and Price Earning Multiple basis valuation. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility and price earnings multiples. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

25 Fair value measurement (continued)

Investments carried at fair value through other comprehensive income (continued)

Following is the description of the significant unobservable inputs used in the valuation of unquoted equities categorized under level 3 fair value measurement.

	Valuation technique	Significant unobservable inputs to valuation	Range (Weighted average)	Sensitivity of the input to fair value
Unquoted equities	DCF Method	Long term growth rate	2%	1.5% increase (decrease) in the long term growth rate would result in increase (decrease) in the fair value by AED 2.1 million and (AED 0.3 million) respectively.
		Discount rate	15%	1% increase (decrease) in the discount rate would result in (decrease) increase in fair value by (AED 0.8 million) and AED 2.6 million respectively.
		Growth rate in revenue projections	4% - 6%	1% increase (decrease) in the growth rates in cash flows would result in increase (decrease) in fair value by AED 7.9 million and (AED 6 million) respectively.
Unquoted equities	Price Earning Multiple Valuation Basis	PE Multiple	7 – 13	Increase (decrease) in the PE Multiples by 1 would result in increase (decrease) in fair value by AED 5 million

Transfers between categories

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (2014: None). Furthermore, the only movement in the level 3 fair value assets, represents a purchase of unquoted equities in the amount of AED 3.67 million.

26 Legal proceeding

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's condensed interim consolidated financial statements if disposed unfavourably.

27 Prior year restatement and reclassification

During the period, an outstanding loan balance of AED 75,042 thousand was restated as an investment carried at fair value through other comprehensive income in the prior years consolidated financial statements, the difference between the outstanding loan balance and the fair value of the investment carried at fair value through other comprehensive income has been adjusted by restating the following accounts: loans and advances, investments carried at fair value through other comprehensive income, retained earnings and cumulative changes in fair value of investments carried at fair value through other comprehensive income.

The following main transactions have been treated as prior year adjustments and therefore adjusted against the respective accounts:

	As previously reported AED'000	Increase/ (decrease) AED'000	As Restated AED'000
Condensed interim consolidated statement of financial position			
As of 31 December 2014			
Investments carried at fair value through Other comprehensive income	-	27,261	27,261
Loans and advances	75,042	(75,042)	-
Cumulative changes in fair value of investments carried at fair value through other comprehensive income	-	(20,226)	(20,226)
Retained earnings	-	(27,555)	(27,555)
As of 1 January 2014			
Investments carried at fair value through Other comprehensive income	-	47,487	47,487
Loans and advances	75,042	(75,042)	-
Retained earnings	-	(27,555)	(27,555)

27 Prior year adjustments and reclassification (continued)

	As previously reported	Increase/ (decrease)	As Restated
	AED'000	AED'000	AED'000
Condensed interim consolidated income statement			
As of 30 September 2014			
Interest income and income from Islamic financing and investing assets	4,883	(4,883)	-
Net income from tier 1 capital instruments	-	4,883	4,883

Reclassifications

Certain comparative figures have been reclassified, where necessary, to conform to the current year presentation. Management believes that the current period presentation provides more meaningful information to the readers of the condensed consolidated financial statements. These reclassifications mainly include, the reclassification of tier 1 capital investments from investments carried at amortised cost to investment at fair value through other comprehensive income, in addition to the reclassification of the related investment income amounts of these investments in the condensed interim consolidated income statement.