

First Gulf Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2015 (UNAUDITED)



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF FIRST GULF BANK PJSC

Introduction

We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC and its Subsidiaries (the “Bank”) as at 31 March 2015 and the related interim consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Signed by
Andre Kasparian
Partner
Ernst & Young
Registration No. 365


22 April 2015
Abu Dhabi

First Gulf Bank PJSC

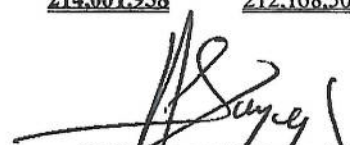
INTERIM CONSOLIDATED BALANCE SHEET

31 March 2015 (Unaudited)

	<i>Notes</i>	<i>Unaudited 31 March 2015 AED 000</i>	<i>Audited 31 December 2014 AED 000</i>
Assets			
Cash and balances with Central Banks	3	19,634,596	21,541,399
Due from banks and financial institutions	4	14,235,291	14,907,509
Loans and advances	5	142,778,664	139,708,657
Investments	6	17,090,244	16,707,823
Investment in associates	7	132,690	155,675
Investment properties	8	8,530,741	8,469,563
Other assets		10,365,681	9,510,667
Property and equipment		<u>1,234,031</u>	<u>1,167,208</u>
Total assets		<u>214,001,938</u>	<u>212,168,501</u>
Liabilities			
Due to banks		14,667,723	12,590,527
Customers' deposits	9	142,912,901	141,271,750
Term loans	10	11,163,041	11,674,347
Sukuk financing instruments	11	4,223,950	4,223,950
Other liabilities		<u>8,895,390</u>	<u>7,670,965</u>
Total liabilities		<u>181,863,005</u>	<u>177,431,539</u>
Equity			
Equity attributable to equity holders of the Bank			
Share capital	12	4,500,000	3,900,000
Capital notes	13	4,000,000	4,000,000
Legal reserve		8,780,110	8,780,110
Special reserve		1,950,000	1,950,000
General reserve		120,000	120,000
Revaluation reserve		305,851	305,851
Proposed bonus shares		-	600,000
Proposed cash dividends		-	3,900,000
Retained earnings		11,426,337	10,074,510
Cumulative changes in fair values		578,584	519,091
Foreign currency translation reserve		<u>(61,676)</u>	<u>146</u>
		31,599,206	34,149,708
Non-controlling interests		<u>539,727</u>	<u>587,254</u>
Total equity		<u>32,138,933</u>	<u>34,736,962</u>
Total equity and liabilities		<u>214,001,938</u>	<u>212,168,501</u>


Vice Chairman


Managing Director


Chief Executive Officer

The attached explanatory notes 1 to 21 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

31 March 2015 (Unaudited)

	<i>Notes</i>	<i>Three- month ended</i>	
		<i>2015</i>	<i>2014</i>
		<i>AED 000</i>	<i>AED 000</i>
Interest income and income from Islamic financing		1,997,411	2,067,599
Interest expense and Islamic financing expense		<u>(410,640)</u>	<u>(466,903)</u>
NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING		1,586,771	1,600,696
Share of profits of associates		558	779
Other operating income	17	<u>734,290</u>	<u>649,729</u>
OPERATING INCOME		2,321,619	2,251,204
General and administrative expenses		<u>(524,303)</u>	<u>(475,082)</u>
PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE AND TAX		1,797,316	1,776,122
Provision for impairment of loans and advances		(358,887)	(436,149)
Impairment of available for sale investments		<u>(13,158)</u>	<u>-</u>
PROFIT FOR THE PERIOD BEFORE TAXATION		1,425,271	1,339,973
Income taxes		<u>(5,488)</u>	<u>(4,393)</u>
PROFIT FOR THE PERIOD		<u>1,419,783</u>	<u>1,335,580</u>
Profit attributable to:			
Equity holders of the Bank		1,417,337	1,330,340
Non-controlling interest		<u>2,446</u>	<u>5,240</u>
		<u>1,419,783</u>	<u>1,335,580</u>
Basic and diluted earnings per share (AED)	18	<u>0.31</u>	<u>0.28</u>

The attached explanatory notes 1 to 21 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

31 March 2015 (Unaudited)

	<i>Three- month ended</i>	
	<i>31 March</i>	
	2015	2014
	<i>AED 000</i>	<i>AED 000</i>
PROFIT FOR THE PERIOD	1,419,783	1,335,580
OTHER COMPREHENSIVE INCOME (LOSS):		
Items that may be reclassified subsequently to the consolidated statement of income		
Gain on available for sale investments, net	44,291	153,696
Net unrealised gain (loss) on cash flow hedge	15,595	(4,909)
Share of changes recognised directly in associates' equity	(393)	-
Foreign exchange translation	<u>(111,795)</u>	<u>(4,067)</u>
Other comprehensive (loss) income for the period	<u>(52,302)</u>	<u>144,720</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,367,481</u>	<u>1,480,300</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	1,415,008	1,477,039
Non-controlling interest	<u>(47,527)</u>	<u>3,261</u>
	<u>1,367,481</u>	<u>1,480,300</u>

The attached explanatory notes 1 to 21 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

31 March 2015 (Unaudited)

	<i>Three-month ended</i>	
	<i>31 March</i>	
<i>Note</i>	2015	2014
	AED 000	AED 000
OPERATING ACTIVITIES		
Profit for the period before tax	1,425,271	1,339,973
Adjustments for:		
Depreciation	20,104	19,096
Amortisation of intangible assets	5,480	-
Provision for impairment of loans and advances	358,886	436,149
Gain on sale of investment properties	(24,762)	(41,229)
Gain from investments	(69,805)	(73,689)
Gain on sale of an associate	(15,100)	-
Gain on sale of property and equipment	(53)	-
Provision for impairment of available for sale investments	13,158	-
Share of profit of associates	(558)	(779)
Operating profit before changes in operating assets and liabilities	1,712,621	1,679,521
Deposits with banks	3,754,939	(4,149,381)
Mandatory cash reserve with UAE Central Bank	(137,614)	(175,681)
Loans and advances	(3,390,453)	1,746,884
Other assets	(839,347)	(504,200)
Due to banks	2,077,196	3,033,416
Customers' deposits	1,641,151	(8,307,423)
Other liabilities	384,650	677,452
Net cash from (used in) operating activities	<u>5,203,143</u>	<u>(5,999,412)</u>
INVESTING ACTIVITIES		
Purchase of investments	(3,986,663)	(2,138,442)
Proceeds from redemption and sale of investments	3,716,475	1,980,555
Purchase of property and equipment	(86,927)	(56,595)
Proceeds from sale of property and equipment	53	93
Deposits with UAE Central Bank	(1,789,472)	(1,500,000)
Additions to investment properties	(238,871)	(129,706)
Proceeds from sale of an associate	19,126	-
Proceeds from sale of investment properties	202,455	143,436
Net cash used in investing activities	<u>(2,163,824)</u>	<u>(1,700,659)</u>
FINANCING ACTIVITIES		
Dividends paid	(3,101,876)	(2,108,735)
Interest on capital notes	(65,510)	(120,000)
Movement in term loans	(511,306)	15,834
Net cash used in financing activities	<u>(3,678,692)</u>	<u>(2,212,901)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		
	(639,373)	(9,912,972)
Cash and cash equivalents at the beginning of the period	13,784,896	23,903,638
Net changes in foreign currency translation reserve	(111,795)	(4,067)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	4
	<u>13,033,728</u>	<u>13,986,599</u>
Operating cash flows from interest and Islamic financing		
Interest and Islamic financing income received	1,933,148	2,066,627
Interest and Islamic financing expense paid	400,230	587,140

The attached explanatory notes 1 to 21 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2015 (Unaudited)

	<i>Attributable to equity holders of the Bank</i>													
	<i>Share capital AED 000</i>	<i>Capital notes AED 000</i>	<i>Legal reserve AED 000</i>	<i>Special reserve AED 000</i>	<i>General reserve AED 000</i>	<i>Revaluation reserve AED 000</i>	<i>Proposed bonus shares AED 000</i>	<i>Proposed cash dividends AED 000</i>	<i>Retained earnings AED 000</i>	<i>Cumulative changes in fair values AED 000</i>	<i>Foreign currency translation reserve AED 000</i>	<i>Total AED 000</i>	<i>Non-controlling interests AED 000</i>	<i>Total equity AED 000</i>
At 1 January 2014	3,000,000	4,000,000	8,780,110	1,500,000	120,000	87,554	900,000	3,000,000	9,592,434	263,999	(13,149)	31,230,948	539,523	31,770,471
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,330,340	148,787	(2,088)	1,477,039	3,261	1,480,300
Transfer to dividends payable	-	-	-	-	-	-	-	(3,000,000)	-	-	-	(3,000,000)	-	(3,000,000)
Proposed bonus shares converted to shares (note 12)	900,000	-	-	-	-	-	(900,000)	-	-	-	-	-	-	-
Interest on capital notes (note 13)	-	-	-	-	-	-	-	-	(120,000)	-	-	(120,000)	-	(120,000)
As of 31 March 2014	<u>3,900,000</u>	<u>4,000,000</u>	<u>8,780,110</u>	<u>1,500,000</u>	<u>120,000</u>	<u>87,554</u>	<u>-</u>	<u>-</u>	<u>10,802,774</u>	<u>412,786</u>	<u>(15,237)</u>	<u>29,587,987</u>	<u>542,784</u>	<u>30,130,771</u>
At 1 January 2015	3,900,000	4,000,000	8,780,110	1,950,000	120,000	305,851	600,000	3,900,000	10,074,510	519,091	146	34,149,708	587,254	34,736,962
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,417,337	59,493	(61,822)	1,415,008	(47,527)	1,367,481
Transfer to dividends payable	-	-	-	-	-	-	-	(3,900,000)	-	-	-	(3,900,000)	-	(3,900,000)
Proposed bonus shares converted to shares (note 12)	600,000	-	-	-	-	-	(600,000)	-	-	-	-	-	-	-
Interest on capital notes (note 13)	-	-	-	-	-	-	-	-	(65,510)	-	-	(65,510)	-	(65,510)
As of 31 March 2015	<u>4,500,000</u>	<u>4,000,000</u>	<u>8,780,110</u>	<u>1,950,000</u>	<u>120,000</u>	<u>305,851</u>	<u>-</u>	<u>-</u>	<u>11,426,337</u>	<u>578,584</u>	<u>(61,676)</u>	<u>31,599,206</u>	<u>539,727</u>	<u>32,138,933</u>

The attached explanatory notes 1 to 21 form part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

1 ACTIVITIES

First Gulf Bank PJSC is a public joint stock company with limited liability incorporated in Abu Dhabi in accordance with UAE Federal Law No. (8) of 1984 (as amended). First Gulf Bank PJSC, its branches and subsidiaries (the “Bank”) carry on commercial and retail banking, investment and real estate activities in Abu Dhabi, Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah. The representative office of the Bank in Singapore has commenced operations from September 2007 and was upgraded to a wholesale bank in August 2009. The Bank has established a representative office in India in September 2009 and in Qatar in November 2009. The representative office in Qatar was upgraded to a branch in May 2011. In December 2012, the Bank established a representative office in Hong Kong. In April and June 2014, the Bank established representative offices in South Korea and United Kingdom, respectively.

The registered head office of the Bank is at P O Box 6316, Abu Dhabi, United Arab Emirates (UAE). The principal activities of the Bank are described in note 16.

The interim condensed consolidated financial statements of First Gulf Bank PJSC (“the Bank”) were authorised for issue by the Board of Directors on 22 April 2015.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Bank’s annual consolidated financial statements as at 31 December 2014. In addition, results for the three-months period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2014, except for the adoption of the following amendments to standards and new standards as of 1 January 2015:

- Annual Improvements Cycle - 2010-2012
- Annual Improvements Cycle - 2011-2013
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The new standards and amendments to standards listed above had no significant impact on the Bank’s financial position or performance or disclosures.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

2.2 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Bank and those of its following subsidiaries:

	Activity	Country of incorporation	Percentage of holding	
			2015	2014
Mismak Properties Co. LLC (Mismak)	Real estate investments	United Arab Emirates	100%	100%
Radman Properties Co. LLC (subsidiary of Mismak)	Real estate investments	United Arab Emirates	80%	80%
First Merchant International LLC	Merchant banking services	United Arab Emirates	100%	100%
FGB Sukuk Company Limited	Special purpose vehicle	Cayman Islands	100%	100%
FGB Sukuk Company II Limited	Special purpose vehicle	Cayman Islands	100%	100%
First Gulf Libyan Bank*	Banking services	Libya	50%	50%
First Gulf Properties LLC	Management and brokerage of real estate properties	United Arab Emirates	100%	100%
Aseel Finance PJSC	Islamic finance	United Arab Emirates	100%	100%
Dubai First PJSC	Credit card finance	United Arab Emirates	100%	100%
First Gulf Information Technology LLC	Information Technology Services	United Arab Emirates	100%	100%

*Although the Bank owns 50% of the outstanding shares of First Gulf Libyan Bank, the investment has been classified as a subsidiary as the Bank exercises control over the investee because it casts the majority of the votes on the board of directors.

The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. The Bank exercises control over all of the subsidiaries listed above.

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Bank's voting rights and potential voting rights.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

3 CASH AND BALANCES WITH CENTRAL BANKS

	<i>Unaudited 31 March 2015 AED'000</i>	<i>Audited 31 December 2014 AED'000</i>
Cash on hand	369,850	427,684
Balances with Central Banks	<u>19,264,746</u>	<u>21,113,715</u>
	<u>19,634,596</u>	<u>21,541,399</u>

Balances with UAE Central Bank include AED 5,667,055 thousand (2014: AED 5,529,441 thousand) representing mandatory cash reserve deposits and AED 12,359,990 thousand (2014: AED 10,570,518 thousand) representing certificates of deposit. These are not available for use in the Bank's day-to-day operations.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	<i>Unaudited 31 March 2015 AED'000</i>	<i>Audited 31 December 2014 AED'000</i>
Cash and balances with Central Banks	19,634,596	21,541,399
Due from banks and financial institutions	<u>14,235,291</u>	<u>14,907,509</u>
	33,869,887	36,448,908
Less: balances with UAE Central Bank maturing after three months of placement	12,359,990	10,570,518
Less: Mandatory cash reserve with UAE Central Bank	5,667,055	5,529,441
Less: Due from banks and financial institutions maturing after three months of placement	<u>2,809,114</u>	<u>6,564,053</u>
Cash and cash equivalents	<u>13,033,728</u>	<u>13,784,896</u>

Geographic analysis of cash and balances with Central Banks and due from banks and financial institutions is as follows:

	<i>Unaudited 31 March 2015 AED'000</i>	<i>Audited 31 December 2014 AED'000</i>
UAE	19,570,106	20,594,743
Other Arab Countries	3,434,424	7,061,868
Asia	1,544,198	8,778
Europe	7,686,846	7,977,127
USA	294,099	464,025
Rest of the world	<u>1,340,214</u>	<u>342,367</u>
	<u>33,869,887</u>	<u>36,448,908</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

5 LOANS AND ADVANCES

The composition of loans and advances portfolio is as follows:

	<i>Unaudited 31 March 2015 AED 000</i>	<i>Audited 31 December 2014 AED 000</i>
Economic Sector		
Agriculture	699,354	1,280,254
Energy	1,771,381	1,641,336
Trading	8,300,565	7,922,632
Construction	6,448,946	6,185,143
Transport	2,558,137	2,530,944
Personal – Retail loans and credit cards	34,287,626	33,574,853
Personal – Retail mortgages	3,511,623	3,352,679
Personal – Retail mortgages - National Housing Loans	17,790,563	17,195,646
Personal – Others	3,891,727	4,148,374
Government	183,751	168,542
Share financing	719,267	1,073,470
Real estate	14,431,840	15,065,848
Financial services	11,490,844	8,845,794
Other services	22,935,268	21,807,446
Public sector	11,439,900	12,355,070
Manufacturing	6,940,845	7,036,069
Others	<u>-</u>	<u>2,603</u>
Total	147,401,637	144,186,703
Less provision for impaired loans and advances	<u>(4,622,973)</u>	<u>(4,478,046)</u>
Total	<u>142,778,664</u>	<u>139,708,657</u>
Representing:		
Conventional loans and advances	133,455,239	130,925,986
Islamic financing	<u>9,323,425</u>	<u>8,782,671</u>
Total	<u>142,778,664</u>	<u>139,708,657</u>

Loans and advances to customers are stated net of provision for impairment. The movements in the provision during the period were as follows:

At 1 January	4,478,046	3,905,091
Amounts written off	(190,537)	(629,971)
Recoveries	(16,497)	(77,218)
Charge for the year	375,383	1,438,637
Notional interest on impaired loans and advances	<u>(23,422)</u>	<u>(158,493)</u>
Closing balance	<u>4,622,973</u>	<u>4,478,046</u>

Analysis of the provision for impairment is as follows:

Specific provision	1,981,513	1,975,295
Collective provision	<u>2,641,460</u>	<u>2,502,751</u>
Closing balance	<u>4,622,973</u>	<u>4,478,046</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

6 INVESTMENTS

	<i>Unaudited 31 March 2015 AED 000</i>	<i>Audited 31 December 2014 AED 000</i>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	220,120	211,139
Investments in equities - Quoted	164,312	58,606
- Unquoted	20,198	20,198
Debt securities	<u>356,798</u>	<u>68,688</u>
	<u>761,428</u>	<u>358,631</u>
<i>Available for sale investments</i>		
Investments in equities - Quoted	4,726	14,082
- Unquoted	156,708	139,609
Investments in private equity funds	1,191,173	1,289,959
Debt securities - Quoted	10,255,561	9,890,145
- Unquoted	<u>111,099</u>	<u>330,330</u>
	<u>11,719,267</u>	<u>11,664,125</u>
<i>Held to maturity investments</i>		
Debt securities - Quoted	3,516,358	3,773,959
- Unquoted	<u>1,093,191</u>	<u>911,108</u>
	<u>4,609,549</u>	<u>4,685,067</u>
Total	<u>17,090,244</u>	<u>16,707,823</u>
Geographic analysis of investments is as follows:		
UAE	6,944,777	7,369,589
Other Arab Countries	2,599,684	2,930,856
Asia	3,582,742	3,543,539
Europe	2,403,688	2,023,924
USA	1,264,862	716,271
Rest of the world	<u>294,491</u>	<u>123,644</u>
	<u>17,090,244</u>	<u>16,707,823</u>

Debt securities represent bonds with maturities ranging up to 10 years from the balance sheet date. Of the debt securities at 31 March 2015, 47% (31 December 2014: 48%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

The fair value of held to maturity investments at 31 March 2015 amounted to AED 4,803,913 thousand (31 December 2014: AED 4,896,964 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

7 INVESTMENT IN ASSOCIATES

The Bank has the following investments in associates:

	<i>Unaudited</i> 31 March 2015 AED 000	<i>Audited</i> 31 December 2014 AED 000
First Gulf Financial Services LLC*	-	45%
Green Emirates Properties PJSC	40%	40%
Midmak Properties LLC	16%	16%

*During the three month period ended 31 March 2015, the Bank sold its 45% stake in First Gulf Financial Services LLC (“FGFS”) for a total consideration amounting to AED 38,250 thousand. A gain of AED 15,100 thousand was recognised on the sale of the associate.

Green Emirates Properties PJSC (“GEP”) is a private joint stock company incorporated in the Emirate of Abu Dhabi and engaged mainly in the management and brokerage of real estate properties in United Arab Emirates and overseas.

Midmak Properties LLC (“Midmak”) is a limited liability company incorporated in the Emirate of Abu Dhabi. Midmak is involved in real estate activities. Although the Bank owns 16% of the outstanding shares of Midmak, the investment has been classified as an associate as the Bank exercises significant influence due to representation of the Board of Directors.

8 INVESTMENT PROPERTIES

	<i>Unaudited</i> 31 March 2015 AED 000	<i>Audited</i> 31 December 2014 AED 000
Balance at 1 January	8,469,563	8,044,163
Additions	238,871	129,706
Disposals	(168,744)	(102,207)
Gain from fair value adjustment	<u>(8,949)</u>	-
At 31 March	<u>8,530,741</u>	8,071,662
Additions		487,476
Disposals		(202,884)
Gain from fair value adjustment		<u>113,309</u>
At 31 December		<u>8,469,563</u>

Investment properties are stated at fair value, which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm’s length transaction at the date of valuation.

All investment properties are located in the UAE.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

9 CUSTOMERS' DEPOSITS

	<i>Unaudited</i> <i>31 March</i> <i>2015</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2014</i> <i>AED 000</i>
Current accounts	24,894,023	27,273,140
Saving accounts	2,106,058	1,901,435
Time deposits	91,736,372	88,066,542
Call and other deposits	<u>24,176,448</u>	<u>24,030,633</u>
Total	<u>142,912,901</u>	<u>141,271,750</u>

As of 31 March 2015, time deposits include deposits of AED 81,825 thousand (31 December 2014: AED 24,741 thousand) from overseas financial institutions held against the sale of debt securities, with a carrying value of AED 82,235 thousand (31 December 2014: AED 24,556 thousand), with arrangements to repurchase them at a fixed future date.

In December 2006, the Bank received an initial deposit of AED 5 billion from the Government of Abu Dhabi (the "Government") to fund an interest-free housing loans scheme for UAE Nationals, which is recorded in call and other deposits. The scheme is being administered by the Bank based on various terms and conditions agreed with the Government. As of 31 March 2015, the Government's time deposit amounted to AED 18,015 million (31 December 2014: AED 17,688 million) and housing loans (note 5) amounted to AED 17,791 million (31 December 2014: AED 17,196 million). Interest is payable on this Government deposit at market rates based on the principal amount net of loan disbursements made.

10 TERM LOANS

	<i>Unaudited</i> <i>31 March</i> <i>2015</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2014</i> <i>AED 000</i>
Syndicated loan	-	3,305,700
Bank loan	183,650	183,650
Euro Medium Term Notes	8,572,008	5,750,845
Medium term bonds	2,199,124	2,225,893
Repurchase agreements	<u>208,259</u>	<u>208,259</u>
	<u>11,163,041</u>	<u>11,674,347</u>

Syndicated Loan:

On 6 December 2012, the Bank obtained a loan of US\$ 900 million (equivalent to AED 3,306 million) from a syndicate comprising of several foreign and local banks. The loan is repayable in full in December 2015. The loan accrues interest at the rate of LIBOR plus a margin of 1.30% per annum plus a mandatory cost, if any, calculated by the facility agent as the weighted average of the lenders' additional cost rates. The loan is subject to various terms, covenants and conditions. Specifically, the Bank should ensure that its capital adequacy ratio shall not at any time be less than the Basel II minimum capital requirements as implemented in the UAE under the guidelines of the Central Bank. The syndicated loan was fully settled on 28 January 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

10 TERM LOANS continued

Bank Loan:

Bank loan comprises of the following loan obtained from a commercial bank with a balance as at 31 March 2015 and 31 December 2014 as follows:

<i>Year obtained</i>	<i>Loan amount US\$ 000</i>	<i>Loan amount AED 000</i>	<i>Maturity</i>	<i>Interest</i>
2013	50,000	183,650	March 2016	Libor + 130 bps
	50,000	183,650		

Euro Medium Term Notes:

During 2007, the Bank established a US\$ 3.5 billion, Euro Medium Term Notes Programme (the “Programme”). The Bank subsequently issued the following notes under the Programme:

- (i) On 9 October 2012, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 650 million (equivalent to AED 2,387 million). The notes are due in October 2017 and carry a coupon rate of 2.862% per annum payable semi-annually in arrears.
- (ii) On 8 August 2013, the Bank issued a Euro Medium Term Note (EMTN) of HKD 400 million (equivalent to AED 189 million). The notes are due in August 2023 and carry a coupon rate of 4.18% per annum payable annually in arrears.
- (iii) On 15 August 2013, the Bank issued a Euro Medium Term Note (EMTN) of HKD 400 million (equivalent to AED 189 million). The notes are due in August 2023 and carry a coupon rate of 4.18% per annum payable annually in arrears.
- (iv) On 19 September 2013, the Bank issued a Euro Medium Term Note (EMTN) of JPY 4,700 million (equivalent to AED 144 million). The notes are due in September 2016 and carry a coupon rate of 1.00% per annum payable semi-annually in arrears.
- (v) On 14 November 2013, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 500 million (equivalent to AED 1,827 million). The notes are due in January 2019 and carry a coupon rate of 3.250% per annum payable semi-annually in arrears.
- (vi) On 12 December 2013, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 25 million (equivalent to AED 92 million). The notes are due in December 2016 and carry a coupon of 3 months USD LIBOR plus a margin of 1.23% per annum payable quarterly in arrears.
- (vii) On 1 July 2014, the Bank issued a Euro Medium Term Note (EMTN) of EUR 100 million (equivalent to AED 395 million). The notes are due in July 2025 and carry a coupon rate of 3.00% per annum payable annually in arrears.
- (viii) On 2 July 2014, the Bank issued a Euro Medium Term Note (EMTN) of JPY 10 billion (equivalent to AED 306 million). The notes are due in July 2019 and carry a coupon rate of 0.863% per annum payable semi-annually in arrears.
- (ix) On 22 July 2014, the Bank issued a Euro Medium Term Note (EMTN) of AUD 20 million (equivalent to AED 56 million). The notes are due in July 2019 and carry a coupon at the rate of 3 months AUD BBSW plus a margin of 1.42% per annum payable quarterly in arrears.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

10 TERM LOANS continued

Euro Medium Term Notes: continued

- (x) On 2 October 2014, the Bank issued a Euro Medium Term Note (EMTN) of USD 30 million (equivalent to AED 109 million). The notes are due in October 2019 and carry a coupon of 3 months USD LIBOR plus a margin of 0.91% per annum payable quarterly in arrears.
- (xi) On 17 February 2015, the Bank issued a Euro Medium Term Note (EMTN) of HKD 160 million (equivalent to AED 76 million). The notes are due in February 2020 and carry a coupon rate of 2.43% per annum payable annually in arrears.
- (xii) On 24 February 2015, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 750 million (equivalent to AED 2,743 million). The notes are due in February 2020 and carry a coupon rate of 2.625% per annum payable semi-annually in arrears.
- (xiii) On 26 February 2015, the Bank issued a Euro Medium Term Note (EMTN) of EUR 15 million (equivalent to AED 59 million). The notes are due in February 2018 and carry a coupon at the rate of 3 months EURIBOR plus a margin of 0.36% per annum payable quarterly in arrears.

Subsequent to 31 March 2015, the Bank issued a Euro Medium Term Note (EMTN) of CNY 400 million (equivalent to AED 236 million). The notes are due in April 2018 and carry a coupon rate of 5.00% per annum payable annually in arrears.

Medium Term Bonds:

On 16 February 2011, the Bank issued 5 year bonds of CHF 200 million (equivalent of AED 754 million). The bonds are due in February 2016 and carry a coupon rate of 3% per annum payable annually in arrears.

On 27 November 2012, the Bank issued CHF 100 million bonds (equivalent of AED 377 million). The bonds are due in January 2016 and carry a coupon at the rate of 3 months CHF LIBOR plus a margin of 1.15% per annum payable quarterly in arrears.

On 23 April 2013, the Bank issued CHF 100 million bonds (equivalent of AED 377 million). The bonds are due in April 2015 and carry a coupon at the rate of 3 months CHF LIBOR plus a margin of 0.60% per annum payable quarterly in arrears.

On 1 April 2014, the Bank issued AUD 250 million bonds (equivalent of AED 690 million). The bonds are due in April 2019 and carry a coupon at the rate of 5.0% per annum payable semi-annually in arrears.

Repurchase Agreements:

During 2010, the Bank entered into several transactions with a foreign bank to obtain financing against the sale of debt securities with arrangements to repurchase them at a fixed future date. As at 31 March 2015, the carrying value of debt securities sold under these arrangements amounted to AED 235,284 thousand (31 December 2014: AED 236,317 thousand). The amount and maturity of outstanding transactions are as follows:

No.	<i>Unaudited</i> 31 March 2015		<i>Audited</i> 31 December 2014		Maturity
	<i>Amount</i> US\$ 000	<i>Amount</i> AED 000	<i>Amount</i> US\$ 000	<i>Amount</i> AED 000	
1	40,500	148,756	40,500	148,756	25-October-2017
2	7,200	26,446	7,200	26,446	1-August-2018
3	9,000	33,057	9,000	33,057	8-April-2019
	<u>56,700</u>	<u>208,259</u>	<u>56,700</u>	<u>208,259</u>	

The Bank has not had any defaults of principal, interest or other breaches with regard to all borrowings during the three month period ended 31 March 2015 and year ended 31 December 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

11 SUKUK FINANCING INSTRUMENTS

In August 2011, the Bank raised financing by way of a Sukuk issued by FGB Sukuk Company Limited (a special purpose vehicle) amounting to US\$ 650 million (equivalent to AED 2,387 million) and maturing in August 2016 (the “Sukuk”). The Sukuk carries a fixed profit rate of 3.797 percent per annum payable semi-annually and is listed on the London Stock Exchange. The Sukuk was the inaugural issuance under the US\$ 3.5 billion trust certificate issuance programme. Pursuant to the Sukuk structure, FGB Sukuk Company Limited (as Rab-ul-Maal and Trustee) will receive certain payments from the Bank (as mudareb of certain mudaraba assets and wakeel of certain wakala assets). FGB Sukuk Company Limited will use such amounts received from the Bank to discharge its payment obligations under the Sukuk. Such payment obligations of the Bank rank pari passu with all other senior unsecured obligations of the Bank.

On 18 January 2012, the Bank issued its second tranche of trust certificates amounting to US\$ 500 million (equivalent to AED 1,836 million) due in January 2017 under the same trust certificate issuance program. The Sukuk carries a fixed profit rate of 4.046 percent per annum payable semi-annually and is listed on the London Stock Exchange.

12 SHARE CAPITAL

	<i>Unaudited</i> 31 March <i>2015</i> AED 000	<i>Audited</i> 31 December <i>2014</i> AED 000
Ordinary shares of AED 1 each	<u>4,500,000</u>	<u>3,900,000</u>

In its meeting held on 29 January 2014, the Board of Directors of the Bank proposed to distribute 900 million shares amounting to AED 900 million to shareholders of the Bank as bonus shares. The resolution was approved by the shareholders of the Bank in its Annual General Meeting held on 26 February 2014.

In its meeting held on 28 January 2015, the Board of Directors of the Bank proposed to distribute 600 million shares amounting to AED 600 million to shareholders of the Bank as bonus shares. The resolution was approved by the shareholders of the Bank in the Annual General Meeting held on 25 February 2015.

13 CAPITAL NOTES

Following approval of the Extraordinary General Assembly meeting held on 25 February 2009, the Board of Directors resolved on 26 February 2009 to issue capital notes (the “Notes”) to the Department of Finance, Government of Abu Dhabi amounting to AED 4 billion. The Notes are subject amongst other terms, to the following:

- The Notes have a par value of AED 10 million each;
- The Notes are perpetual securities in respect of which there is no fixed redemption date;
- The Notes constitute direct, unsecured and subordinated obligations of the Bank;
- The Notes holder is entitled to a semi-annual fixed interest coupon at the rate of 6% per annum until February 2014 and floating interest rate of EIBOR plus 2.3% per annum thereafter. The Bank may at its sole discretion elect not to make an interest coupon payment. Any interest payment made will be reflected in the statement of changes in equity. During the period, interest payments amounted to AED 65.5 million (period ended 31 March 2014: AED 120 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

14 DIVIDENDS

	<i>31 March</i>	
	<i>Unaudited 2015 AED 000</i>	<i>Unaudited 2014 AED 000</i>
Dividends on ordinary shares declared during the three-month period:		
Final cash dividend for 2014: AED 1 (2013: Declared AED 1)	<u>3,900,000</u>	<u>3,000,000</u>
Bonus shares issued in respect of 2014: AED 0.15 (2013: AED 0.3)	<u>600,000</u>	<u>900,000</u>
Dividends on ordinary shares paid during the three-month period:		
Final cash dividend	<u>3,101,876</u>	<u>2,108,735</u>

15 OFF-BALANCE SHEET ITEMS

Commitments and contingent liabilities -

The Bank has the following commitments and contingent liabilities:

	<i>Unaudited 31 March 2015 AED'000</i>	<i>Audited 31 December 2014 AED'000</i>
<i>Contingent liabilities:</i>		
Letters of credit	18,313,751	26,036,754
Guarantees	<u>50,712,085</u>	<u>46,593,496</u>
	<u>69,025,836</u>	<u>72,630,250</u>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	10,867,503	9,423,662
Commitments for future capital expenditure	731,639	930,266
Commitments for future private equity investments	<u>606,449</u>	<u>663,237</u>
	<u>12,205,591</u>	<u>11,017,165</u>
Total commitments and contingent liabilities	<u>81,231,427</u>	<u>83,647,415</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

15 OFF-BALANCE SHEET ITEMS continued

Derivatives -

The notional amounts of the Bank's outstanding derivative financial instruments are as follows:

	<i>Unaudited 31 March 2015 AED'000</i>	<i>Audited 31 December 2014 AED'000</i>
<i>Derivatives held for trading</i>		
Forward foreign exchange contracts	52,654,299	46,948,394
Interest rate swaps, caps and collars	28,255,195	23,287,133
Credit default swaps	322,268	311,983
Commodity linked swaps	246,630	916,923
Equity swaps	-	153,544
Swaptions	1,167,159	1,167,159
Options	23,271,745	14,605,686
Futures	<u>1,150,547</u>	<u>3,467,437</u>
	<u>107,067,843</u>	<u>90,858,259</u>
<i>Derivatives held for hedging:</i>		
Interest rate swaps	5,869,310	3,146,043
Cross currency swaps	<u>5,127,807</u>	<u>4,539,760</u>
Total	<u>118,064,960</u>	<u>98,544,062</u>

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are neither indicative of the market risk nor credit risk.

16 SEGMENTAL INFORMATION

A segment represents 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.

Operating segment information

For management purposes the Bank is organised into five major business segments:

Wholesale Banking Group ("WBG") – Covering corporate and institutional clients, as well as high net worth individuals, through dedicated client segments. WBG offers credit facilities, Global Transaction Services, Debt Markets (loan, bond and structured finance), Islamic Finance, Treasury and Global Markets products to both UAE and international clients.

Treasury and Global Markets ("T&GM"), including investment operations – Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of government securities and placements and deposits with other banks..

Consumer Banking Group ("CBG") – Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities.

Real estate activities – Principally the acquisition, leasing, brokerage, management and resale of properties carried out through its subsidiaries and associate companies.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

16 SEGMENTAL INFORMATION continued

Other operations, comprising mainly the Head Office, include unallocated costs, subsidiaries and associates other than the above categories.

As of and for three-month period ended 31 March 2015:

	Wholesale Banking Group						
	UAE Operations AED 000	International Operations AED 000	Treasury & Global Markets AED 000	Consumer Banking Group AED 000	Real Estate AED 000	Other Operations AED 000	Total AED 000
Assets	<u>75,887,242</u>	<u>17,314,916</u>	<u>45,908,195</u>	<u>52,082,227</u>	<u>10,615,122</u>	<u>12,194,236</u>	<u>214,001,938</u>
Liabilities	<u>102,365,128</u>	<u>8,131,867</u>	<u>26,765,850</u>	<u>36,610,931</u>	<u>1,703,571</u>	<u>6,285,658</u>	<u>181,863,005</u>
Operating income excluding associates	<u>718,787</u>	<u>97,513</u>	<u>348,784</u>	<u>861,592</u>	<u>68,468</u>	<u>225,917</u>	<u>2,321,061</u>
Net interest income and income from Islamic financing	<u>456,598</u>	<u>64,172</u>	<u>181,013</u>	<u>657,000</u>	<u>-</u>	<u>227,988</u>	<u>1,586,771</u>
Share of profit from associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236</u>	<u>322</u>	<u>558</u>
Provision for impairment of loans and advances and available for sale investments	<u>(90,500)</u>	<u>(4,263)</u>	<u>-</u>	<u>(199,703)</u>	<u>-</u>	<u>(77,579)</u>	<u>(372,045)</u>
Profit attributable to equity holders of the Bank	<u>526,508</u>	<u>63,287</u>	<u>318,585</u>	<u>443,826</u>	<u>58,070</u>	<u>7,061</u>	<u>1,417,337</u>
Other segment information							
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,690</u>	<u>-</u>	<u>132,690</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,263</u>	<u>86,535</u>	<u>325,798</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198</u>	<u>19,906</u>	<u>20,104</u>
As of 31 December 2014:							
Assets	<u>73,503,360</u>	<u>17,844,404</u>	<u>48,271,979</u>	<u>49,869,678</u>	<u>10,457,456</u>	<u>12,221,624</u>	<u>212,168,501</u>
Liabilities	<u>114,869,376</u>	<u>8,155,035</u>	<u>9,562,319</u>	<u>37,037,570</u>	<u>1,414,671</u>	<u>6,392,568</u>	<u>177,431,539</u>

As of and for three-month period ended 31 March 2014:

	Wholesale Banking Group						
	UAE Operations AED 000	International Operations AED 000	Treasury & Global Markets AED 000	Consumer Banking Group AED 000	Real Estate AED 000	Other Operations AED 000	Total AED 000
Assets	<u>62,858,951</u>	<u>14,281,339</u>	<u>47,483,151</u>	<u>46,875,440</u>	<u>10,867,994</u>	<u>10,518,663</u>	<u>192,885,538</u>
Liabilities	<u>105,733,446</u>	<u>6,714,699</u>	<u>6,600,160</u>	<u>35,188,068</u>	<u>1,413,475</u>	<u>7,104,919</u>	<u>162,754,767</u>
Operating income excluding associates	<u>778,267</u>	<u>104,860</u>	<u>328,989</u>	<u>805,571</u>	<u>81,101</u>	<u>151,637</u>	<u>2,250,425</u>
Net interest income and income from Islamic financing	<u>523,422</u>	<u>69,460</u>	<u>208,240</u>	<u>644,167</u>	<u>-</u>	<u>155,407</u>	<u>1,600,696</u>
Share of profit from associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340</u>	<u>439</u>	<u>779</u>
Provision for impairment of loans and advances and available for sale investments	<u>(156,000)</u>	<u>(20,536)</u>	<u>-</u>	<u>(173,835)</u>	<u>-</u>	<u>(85,778)</u>	<u>(436,149)</u>
Profit attributable to equity holders of the Bank	<u>530,144</u>	<u>52,408</u>	<u>305,911</u>	<u>424,299</u>	<u>71,047</u>	<u>(53,469)</u>	<u>1,330,340</u>
Other segment information							
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,144</u>	<u>22,780</u>	<u>147,924</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,490</u>	<u>56,811</u>	<u>186,301</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232</u>	<u>18,864</u>	<u>19,096</u>

Effective 1 January 2015, the Bank changed its Funds Transfer Pricing Methodology ("FTP"). As a result of the change in the FTP, comparative figures relating to net interest income and income from Islamic financing as well as profit attributable to equity holders of the Bank for 2014 have been adjusted for consistency purposes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

17 OTHER OPERATING INCOME

	<i>Three-month ended</i>	
	<i>31 March</i>	
	<i>2015</i>	<i>2014</i>
	<i>AED 000</i>	<i>AED 000</i>
Investment income:		
Gain on disposal of available for sale investments	53,251	48,006
Gain on disposal of investments carried at fair value through income statement	4,632	22,443
Change in fair value of investments carried at fair value through income statement	11,922	3,240
Dividend income	<u>3,030</u>	<u>7,002</u>
Total investment gain	72,835	80,691
Commission income	124,493	136,395
Fee income	195,503	171,995
Fees and commissions on credit cards	146,652	131,028
Brokerage and fund management fee income	2,113	2,349
Foreign exchange income	24,363	22,850
Derivative income	75,607	18,682
Gain on sale of investment properties	24,762	41,229
Gain on sale of property and equipment	53	-
Gain on sale of an associate	15,100	-
Rental income	26,163	25,842
Management fees on leasing properties	16,009	13,521
Other income	<u>10,637</u>	<u>5,147</u>
Total	<u>734,290</u>	<u>649,729</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

18 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

The following reflects the income and shares data used in the earnings per share computations:

	<i>Three-month ended</i> <i>31 March</i>	
	<i>Unaudited</i> <i>2015</i>	<i>Unaudited</i> <i>2014</i>
Profit for the period attributable to ordinary equity holders (AED 000)	1,417,337	1,330,340
Deduct: Interest on capital notes (AED 000)	<u>(20,184)</u>	<u>(49,377)</u>
Profit attributable to ordinary equity holders (AED 000)	<u>1,397,153</u>	<u>1,280,963</u>
Weighted average number of ordinary shares in issue (000's)	<u>4,500,000</u>	<u>4,500,000</u>
Basic and diluted earnings per share (AED)	<u>0.31</u>	<u>0.28</u>

19 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 3,030 thousand (31 March 2014: AED 7,002 thousand) recorded in the interim consolidated statement of income for the three-month period ended 31 March 2015.

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

While the Bank prepares its interim condensed consolidated financial statements under the historical cost convention modified for measurement to fair value of investment securities (other than held to maturity investments and certain unquoted investments), investment properties and derivative financial instruments, in the opinion of management, the estimated carrying values and fair values of those financial assets and liabilities, other than the Government deposit referred to in note 9, that are not carried at fair value in the interim condensed 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 re-priced. 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 carrying value of unquoted investments stated at cost and fair value of held to maturity investments are disclosed in note 6. The fair value of the Government deposit cannot be reliably estimated as this is dependent on the amounts and timing of future loan disbursement under the housing loans scheme. Details of the Government deposit are disclosed in note 9.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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20 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 March 2015:

	<i>Level 1</i> <i>31 March</i> <i>2015</i> <i>AED 000</i>	<i>Level 2</i> <i>31 March</i> <i>2015</i> <i>AED 000</i>	<i>Level 3</i> <i>31 March</i> <i>2015</i> <i>AED 000</i>	<i>Total</i> <i>31 March</i> <i>2015</i> <i>AED 000</i>
FINANCIAL ASSETS				
<i>INVESTMENTS</i>				
<i>Carried at fair value through income statement</i>				
Investments in managed funds	-	220,120	-	220,120
Investments in equities – Quoted	164,312	-	-	164,312
– Unquoted	-	-	20,198	20,198
Debt securities	356,798	-	-	356,798
<i>Available for sale investments</i>				
Investments in equities – Quoted	4,726	-	-	4,726
– Unquoted	-	2,208	154,500	156,708
Investments in private equity funds	-	-	1,191,173	1,191,173
Debt securities – Quoted	10,255,561	-	-	10,255,561
– Unquoted	-	111,099	-	111,099
<i>For disclosure purposes - Held to maturity investments</i>				
Debt securities – Quoted	3,749,312	-	-	3,749,312
– Unquoted	-	1,054,601	-	1,054,601
	<u>14,530,709</u>	<u>1,388,028</u>	<u>1,365,871</u>	<u>17,284,608</u>
<i>DERIVATIVES – Positive fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	746,428	-	746,428
Interest rate swaps, caps and collars	-	688,231	-	688,231
Swaptions	-	9,594	-	9,594
Credit default swaps	-	1,249	-	1,249
Options	-	761,909	-	761,909
Commodity linked Swap	-	58,504	-	58,504
<i>Derivatives held as fair value hedge-</i>				
Interest rate swaps	-	25,403	-	25,403
Cross currency swaps	-	183,492	-	183,492
	<u>-</u>	<u>2,474,810</u>	<u>-</u>	<u>2,474,810</u>
<i>DERIVATIVES – Negative fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	817,863	-	817,863
Interest rate swaps, caps and collars	-	699,899	-	699,899
Swaptions	-	10,081	-	10,081
Credit default swaps	-	450	-	450
Options	-	756,759	-	756,759
Futures	2,341	-	-	2,341
Commodity linked Swap	-	42,942	-	42,942
<i>Derivatives held as fair value hedge</i>				
Interest rate swaps	-	95,485	-	95,485
Cross currency swaps	-	391,527	-	391,527
	<u>2,341</u>	<u>2,815,006</u>	<u>-</u>	<u>2,817,347</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Unaudited)

20 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

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

	<i>Level 1</i> <i>31 December</i> <i>2014</i> <i>AED 000</i>	<i>Level 2</i> <i>31 December</i> <i>2014</i> <i>AED 000</i>	<i>Level 3</i> <i>31 December</i> <i>2014</i> <i>AED 000</i>	<i>Total</i> <i>31 December</i> <i>2014</i> <i>AED 000</i>
FINANCIAL ASSETS				
<i>INVESTMENTS</i>				
<i>Carried at fair value through income statement</i>				
Investments in managed funds	-	211,139	-	211,139
Investments in equities- Quoted	58,606	-	-	58,606
- Unquoted	-	-	20,198	20,198
Debt securities	68,688	-	-	68,688
<i>Available for sale investments</i>				
Investments in equities – Quoted	14,082	-	-	14,082
–Unquoted	-	2,229	137,380	139,609
Investments in private equity funds	-	-	1,289,959	1,289,959
Debt securities - Quoted	9,890,145	-	-	9,890,145
- Unquoted	-	330,330	-	330,330
<i>For disclosure purposes - Held to maturity investments</i>				
Debt securities - Quoted	3,773,959	-	-	3,773,959
- Unquoted	-	911,108	-	911,108
	<u>13,805,480</u>	<u>1,454,806</u>	<u>1,447,537</u>	<u>16,707,823</u>
<i>DERIVATIVES – Positive fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	397,509	-	397,509
Interest rate swaps, caps and collars	-	656,287	-	656,287
Swaptions	-	5,958	-	5,958
Credit default swaps	-	1,447	-	1,447
Options	-	332,664	-	332,664
Futures	4,086	-	-	4,086
Commodity linked Swap	-	40,167	-	40,167
<i>Derivatives held as fair value hedge</i>				
Interest rate swaps	-	15,172	-	15,172
Cross currency swaps	-	72,960	-	72,960
	<u>4,086</u>	<u>1,522,164</u>	<u>-</u>	<u>1,526,250</u>
<i>DERIVATIVES – Negative fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	465,164	-	465,164
Interest rate swaps, caps and collars	-	690,950	-	690,950
Swaptions	-	6,602	-	6,602
Credit default swaps	-	97	-	97
Options	-	325,439	-	325,439
Futures	1,203	-	-	1,203
Commodity linked swaps	-	25,880	-	25,880
<i>Derivatives held as fair value hedge</i>				
Interest rate swaps	-	70,087	-	70,087
Cross currency swaps	-	303,237	-	303,237
	<u>1,203</u>	<u>1,887,456</u>	<u>-</u>	<u>1,888,659</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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21 CAPITAL MANAGEMENT

The table below shows the regulatory capital and capital charge calculated in accordance with the guidelines of the Central Bank of the UAE under Basel II.

Capital Base:

	<i>Unaudited 31 March 2015 AED 000</i>	<i>Audited 31 December 2014 AED 000</i>
Tier I Capital		
Equity attributable to equity holders of the Bank	31,599,206	34,149,708
Less: Positive cumulative changes in fair values	(578,584)	(519,091)
Less: Foreign currency translation reserve	-	(146)
Less: Revaluation reserve	(305,851)	(305,851)
Less: Proposed cash dividends	<u>-</u>	<u>(3,900,000)</u>
Total	<u>30,714,771</u>	<u>29,424,620</u>
Non-controlling interests	539,727	587,254
Less: Goodwill and intangible assets	(207,955)	(213,436)
Investment in associates	<u>-</u>	<u>(23,222)</u>
Total (a)	<u>31,046,543</u>	<u>29,775,216</u>
Tier II Capital		
Collective impairment provision on loans and advances	2,114,539	2,103,375
Cumulative changes in fair values	<u>260,363</u>	<u>233,591</u>
Total	<u>2,374,902</u>	<u>2,336,966</u>
Eligible Tier II Capital (b)	<u>2,374,902</u>	<u>2,336,966</u>
Total capital base (a) + (b)	<u>33,421,445</u>	<u>32,112,182</u>
Risk-weighted assets:		
Credit risk	169,163,150	168,269,963
Market risk	1,611,585	962,829
Operational risk	<u>14,388,077</u>	<u>14,388,077</u>
Total risk-weighted assets (c)	<u>185,162,812</u>	<u>183,620,869</u>
Capital adequacy ratio {(a) + (b) / (c) x 100}	<u>18.0%</u>	<u>17.5%</u>