

First Gulf Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2016 (UNAUDITED)



Table of Contents

Report on Review of Interim Condensed Consolidated Financial Statements	3
Interim Consolidated Balance Sheet	4
Interim Consolidated Statement of Income	5
Interim Consolidated Statement of Comprehensive Income	6
Interim Consolidated Statement of Cash Flows.....	7
Interim Consolidated Statement of Changes in Equity	8
Notes to the Interim Condensed Consolidated Financial Statements	9
3 Cash and Balances with Central Banks	13
4 Cash and Cash Equivalents.....	14
5 Loans and Advances.....	15
6 Investments.....	16
7 Investment in Associates	17
8 Investment Properties	17
9 Customers' Deposits	18
10 Euro Commercial Paper.....	18
11 Term Loans.....	18
12 Sukuk Financing Instruments	21
13 Share Capital	22
14 Capital Notes	22
15 Fees and Commission Income, Net	22
16 Other Operating Income	23
17 Basic and Diluted Earnings Per Share	23
18 Seasonality of Results	24
19 Dividends	24
20 Off-Balance Sheet Items	24
21 Segmental Information	25
22 Fair Value of Financial Instruments	27
23 Capital Management	30
24 Comparative Information	30

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

Introduction

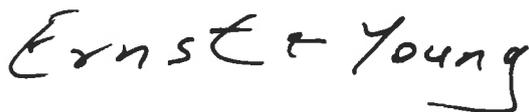
We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC and its Subsidiaries (the “Bank”) as at 31 March 2016 and the related interim consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated 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.

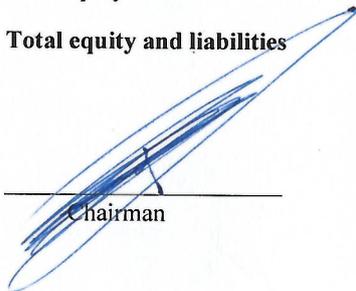


Signed by
Andre Kasparian
Partner
Ernst & Young
Registration No. 365

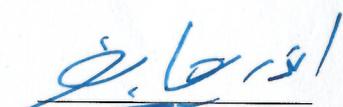
27 April 2016
Abu Dhabi

INTERIM CONSOLIDATED BALANCE SHEET
At 31 March 2016 (Unaudited)

	<i>Notes</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED 000</i>
Assets			
Cash and balances with Central Banks	3	20,869,308	21,075,886
Due from banks and financial institutions	4	10,139,657	13,597,837
Loans and advances	5	152,451,901	149,766,060
Investments	6	23,586,979	22,692,143
Investment in associates	7	39,623	39,551
Investment properties	8	8,296,691	8,242,190
Other assets		10,549,034	10,596,974
Property and equipment		<u>1,487,355</u>	<u>1,485,732</u>
Total assets		<u>227,420,548</u>	<u>227,496,373</u>
Liabilities			
Due to banks		22,367,168	17,883,112
Customers' deposits	9	140,753,163	142,462,563
Euro Commercial Paper	10	3,378,706	2,834,808
Term loans	11	15,558,030	15,857,504
Sukuk financing instruments	12	4,223,950	4,223,950
Other liabilities		<u>7,964,111</u>	<u>7,930,365</u>
Total liabilities		<u>194,245,128</u>	<u>191,192,302</u>
Equity			
Equity attributable to equity holders of the Bank			
Share capital	13	4,500,000	4,500,000
Capital notes	14	4,000,000	4,000,000
Legal reserve		8,780,110	8,780,110
Special reserve		2,250,000	2,250,000
General reserve		120,000	120,000
Revaluation reserve		280,601	280,601
Proposed cash dividends		-	4,500,000
Retained earnings		12,398,296	11,132,046
Cumulative changes in fair values		503,697	410,638
Foreign currency translation reserve		<u>(63,130)</u>	<u>(69,763)</u>
Non-controlling interests		<u>32,769,574</u>	<u>35,903,632</u>
		<u>405,846</u>	<u>400,439</u>
Total equity		<u>33,175,420</u>	<u>36,304,071</u>
Total equity and liabilities		<u>227,420,548</u>	<u>227,496,373</u>


Chairman


Managing Director


Chief Executive Officer

The attached explanatory notes 1 to 24 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 March 2016 (Unaudited)

	Notes	Three-month ended 31 March	
		2016 AED 000	2015 AED 000
Interest income and income from Islamic financing		2,139,693	1,997,411
Interest expense and Islamic financing expense		(554,087)	(410,640)
NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING		1,585,606	1,586,771
Fee and commission income, net	15	365,471	406,467
Other operating income	16	195,335	265,529
Share of profit of associates		72	558
OPERATING INCOME		2,146,484	2,259,325
General and administrative expenses		(436,304)	(462,009)
PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE		1,710,180	1,797,316
Provision for impairment of loans and advances		(375,997)	(358,887)
Impairment of available for sale investments		-	(13,158)
PROFIT FOR THE PERIOD BEFORE TAXATION		1,334,183	1,425,271
Income taxes		(1,182)	(5,488)
PROFIT FOR THE PERIOD		<u>1,333,001</u>	<u>1,419,783</u>
Profit attributable to:			
Equity holders of the Bank		1,332,314	1,417,337
Non-controlling interests		687	2,446
		<u>1,333,001</u>	<u>1,419,783</u>
Basic and diluted earnings per share (AED)	17	<u>0.29</u>	<u>0.31</u>

The attached explanatory notes 1 to 24 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2016 (Unaudited)

	<i>Three-month ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>AED 000</i>	<i>AED 000</i>
PROFIT FOR THE PERIOD	1,333,001	1,419,783
OTHER COMPREHENSIVE INCOME (LOSS):		
Items that may be reclassified subsequently to the consolidated statement of income		
Gain on available for sale investments, net	92,731	44,291
Net unrealised gain on cash flow hedges	328	15,595
Share of changes recognised directly in associates' equity	-	(393)
Foreign exchange translation	<u>11,353</u>	<u>(111,795)</u>
Other comprehensive income (loss) for the period	<u>104,412</u>	<u>(52,302)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,437,413</u>	<u>1,367,481</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	1,432,006	1,415,008
Non-controlling interests	<u>5,407</u>	<u>(47,527)</u>
	<u>1,437,413</u>	<u>1,367,481</u>

The attached explanatory notes 1 to 24 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2016 (Unaudited)

	Notes	Three-month ended 31 March	
		2016 AED 000	2015 AED 000
OPERATING ACTIVITIES			
Profit for the period before tax		1,334,183	1,425,271
Adjustments for:			
Depreciation		24,611	20,104
Amortisation of intangible assets		5,480	5,480
Provision for impairment of loans and advances		375,997	358,887
Gain on sale of investment properties		(22,302)	(24,762)
Loss/(gain) on sale of property and equipment		30	(53)
Gain from investments		(48,406)	(69,806)
Gain on sale of an associate		-	(15,100)
Provision for impairment of available for sale investments		-	13,158
Share of profit of associates		(72)	(558)
Operating profit before changes in operating assets and liabilities		1,669,521	1,712,621
Deposits with banks		(91,825)	3,754,939
Loans and advances		(3,131,362)	(137,614)
Mandatory cash reserve with UAE Central Bank		(25,679)	(3,390,453)
Other assets		11,181	(839,347)
Due to banks		4,484,056	2,077,196
Customers' deposits		(4,198,828)	1,641,151
Other liabilities		32,276	384,650
Net cash (used in) from operating activities		<u>(1,250,660)</u>	<u>5,203,143</u>
INVESTING ACTIVITIES			
Purchase of investments		(4,003,844)	(3,986,663)
Proceeds from redemption and sale of investments		3,368,650	3,716,475
Purchase of property and equipment		(116,418)	(86,927)
Proceeds from sale of property and equipment		2	53
Deposits with UAE Central Banks		(391,938)	(1,789,472)
Additions to investment properties	8	(34,393)	(238,871)
Proceeds from sale of an associate		-	19,126
Proceeds from sale of investment properties		92,346	202,455
Net cash used in investing activities		<u>(1,085,595)</u>	<u>(2,163,824)</u>
FINANCING ACTIVITIES			
Dividends paid	18	(1,891,662)	(3,101,876)
Interest on capital notes	14	(66,064)	(65,510)
Movement in Euro Commercial Paper	10	543,898	-
Movement in term loans		(435,470)	(511,306)
Net cash used in financing activities		<u>(1,849,298)</u>	<u>(3,678,692)</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		17,356,182	13,784,896
Net changes in foreign currency translation reserve		11,353	(111,795)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>13,181,982</u>	<u>13,033,728</u>
Operating cash flows from interest and Islamic financing			
Interest and Islamic financing income received		2,079,550	1,933,148
Interest and Islamic financing expense paid		502,064	400,230

The attached explanatory notes 1 to 24 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2016 (Unaudited)

	Attributable to equity holders of the Bank													
	Share capital AED 000	Capital notes AED 000	Legal reserve AED 000	Special reserve AED 000	General reserve AED 000	Revaluation reserve AED 000	Proposed bonus shares AED 000	Proposed cash dividends AED 000	Retained earnings AED 000	Cumulative changes in fair values AED 000	Foreign currency translation reserve AED 000	Total AED 000	Non-controlling interests AED 000	Total equity AED 000
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 15)	600,000	-	-	-	-	-	(600,000)	-	-	-	-	-	-	-
Interest on capital notes (note 14)	-	-	-	-	-	-	-	-	(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>
At 1 January 2016	4,500,000	4,000,000	8,780,110	2,250,000	120,000	280,601	-	4,500,000	11,132,046	410,638	(69,763)	35,903,632	400,439	36,304,071
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,332,314	93,059	6,633	1,432,006	5,407	1,437,413
Transfer to dividends payable	-	-	-	-	-	-	-	(4,500,000)	-	-	-	(4,500,000)	-	(4,500,000)
Interest on capital notes (note 14)	-	-	-	-	-	-	-	-	(66,064)	-	-	(66,064)	-	(66,064)
As of 31 March 2016	<u>4,500,000</u>	<u>4,000,000</u>	<u>8,780,110</u>	<u>2,250,000</u>	<u>120,000</u>	<u>280,601</u>	<u>-</u>	<u>-</u>	<u>12,398,296</u>	<u>503,697</u>	<u>(63,130)</u>	<u>32,769,574</u>	<u>405,846</u>	<u>33,175,420</u>

The attached explanatory notes 1 to 24 form part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (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 Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Bank is currently assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on 30 June 2016.

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 PO Box 6316, Abu Dhabi, United Arab Emirates (U.A.E.). The principal activities of the Bank are described in note 21.

The interim condensed consolidated financial statements of First Gulf Bank PJSC (the “Bank”) were authorised for issue by the Board of Directors on 27 April 2016.

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 2015. In addition, results for the three-month period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015, except for the adoption of the following amendments to standards and new standards as of 1 January 2016. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Bank or the interim condensed consolidated financial statements of the Bank. The nature and the impact of each new standard or amendment is described below:

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

Significant accounting policies continued

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Bank as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Bank given that the Bank has not used a revenue-based method to depreciate its noncurrent assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Bank's consolidated financial statements.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

Significant accounting policies continued

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016 and did not have any impact on the Bank. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

Significant accounting policies continued
Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements.

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

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	
			2016	2015
Mismak Properties Co. LLC (Mismak)	Real estate investments	United Arab Emirates	100%	100%
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 Technologies 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

2.2 BASIS OF CONSOLIDATION continued

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.

3 CASH AND BALANCES WITH CENTRAL BANKS

	<i>Unaudited</i> 31 March 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
Cash on hand	451,808	368,358
Balances with Central Banks	<u>20,417,500</u>	<u>20,707,528</u>
	<u>20,869,308</u>	<u>21,075,886</u>

Balances with UAE Central Bank include AED 5,472,447 thousand (2015: AED 5,446,768 thousand) representing mandatory cash reserve deposits and AED 12,262,711 thousand (2015: AED 11,870,773 thousand) representing certificates of deposit. These are not available for use in the Bank's day-to-day operations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

4 CASH AND CASH EQUIVALENTS

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

	<i>Unaudited</i> 31 March 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
Cash and balances with Central Banks	20,869,308	21,075,886
Due from banks and financial institutions	<u>10,139,657</u>	<u>13,597,837</u>
	31,008,965	34,673,723
Less: balances with UAE Central Bank maturing after three months of placement	12,262,711	11,870,773
Less: Mandatory cash reserve with UAE Central Bank	5,472,447	5,446,768
Less: Due from banks and financial institutions maturing after three months of placement	<u>91,825</u>	<u>-</u>
Cash and cash equivalents	<u>13,181,982</u>	<u>17,356,182</u>

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

	<i>Unaudited</i> 31 March 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
UAE	20,604,164	25,912,139
Other Arab Countries	2,642,454	2,391,863
Asia	957,803	1,060,177
Europe	5,546,666	3,347,308
USA	920,562	1,923,516
Rest of the world	<u>337,316</u>	<u>38,720</u>
	<u>31,008,965</u>	<u>34,673,723</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

5 LOANS AND ADVANCES

The composition of loans and advances portfolio is as follows:

	<i>Unaudited</i> 31 March <i>2016</i> AED'000	<i>Audited</i> 31 December <i>2015</i> AED'000
Economic Sector		
Agriculture	752,288	1,330,563
Energy	2,524,372	2,398,723
Trading	10,811,303	8,876,394
Construction	6,813,613	6,267,869
Transport	1,159,926	1,147,316
Personal – Retail loans and credit cards	35,566,104	35,966,157
Personal – Retail mortgages	3,770,011	3,801,537
Personal – Retail mortgages - National Housing Loans	19,828,412	19,260,516
Personal – Others	2,822,448	3,153,229
Government	1,282,728	1,393,301
Share financing	851,996	633,808
Real estate	12,929,545	12,800,038
Financial services	9,955,696	10,405,878
Other services	25,982,874	26,048,024
Public sector	14,813,438	13,787,409
Manufacturing	<u>7,041,490</u>	<u>6,914,875</u>
Total	156,906,244	154,185,637
Less provision for impaired loans and advances	<u>(4,454,343)</u>	<u>(4,419,577)</u>
Total	<u>152,451,901</u>	<u>149,766,060</u>
Representing:		
Conventional loans and advances	140,797,085	137,724,119
Islamic financing	<u>11,654,816</u>	<u>12,041,941</u>
Total	<u>152,451,901</u>	<u>149,766,060</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	4,419,577	4,478,046
Amounts written off	(320,187)	(1,371,175)
Recoveries	(17,412)	(144,515)
Charge for the period	393,409	1,551,691
Notional interest on impaired loans and advances	<u>(21,044)</u>	<u>(94,470)</u>
Closing balance	<u><u>4,454,343</u></u>	<u><u>4,419,577</u></u>

Analysis of the provision for impairment is as follows:

Specific provision	1,822,099	1,727,721
Collective provision	<u>2,632,244</u>	<u>2,691,856</u>
Closing balance	<u><u>4,454,343</u></u>	<u><u>4,419,577</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

6 INVESTMENTS

	<i>Unaudited</i> 31 March 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	78,880	78,339
Investments in equities - Quoted	77,734	40,113
- Unquoted	19,180	19,180
Debt securities	<u>652,623</u>	<u>435,333</u>
	<u>828,417</u>	<u>572,965</u>
<i>Available for sale investments</i>		
Investments in equities -Quoted	15,835	196
-Unquoted	149,401	149,768
Investments in private equity funds	1,519,765	1,496,098
Debt securities - Quoted	14,102,159	13,596,231
- Unquoted	<u>416,849</u>	<u>271,424</u>
	<u>16,204,009</u>	<u>15,513,717</u>
<i>Held to maturity investments</i>		
Debt securities - Quoted	5,411,360	5,421,705
- Unquoted	<u>1,143,193</u>	<u>1,183,756</u>
	<u>6,554,553</u>	<u>6,605,461</u>
Total	<u>23,586,979</u>	<u>22,692,143</u>
Geographic analysis of investments is as follows:		
UAE	7,818,496	8,181,642
Other Arab Countries	3,163,369	3,080,505
Asia	6,111,942	5,642,964
Europe	1,733,691	1,775,665
USA	3,495,909	3,497,849
Rest of the world	<u>1,263,572</u>	<u>513,518</u>
	<u>23,586,979</u>	<u>22,692,143</u>

Debt securities represent bonds with maturities ranging up to 10 years from the balance sheet date. Of the debt securities at 31 March 2016, 30% (31 December 2015: 28%) 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 2016 amounted to AED 6,704,433 thousand (31 December 2015: AED 6,716,113 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

7 INVESTMENT IN ASSOCIATES

The Bank has the following investments in associates:

	<i>Unaudited</i> 31 March 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
Green Emirates Properties PJSC	40%	40%
Midmak Properties LLC	16%	16%

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 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
At 1 January	8,242,190	8,469,563
Additions	34,393	238,871
Disposals	(70,044)	(168,744)
Transfer from property and equipment, net	90,152	-
Gain from fair value adjustment	-	(8,949)
At 31 March	<u>8,296,691</u>	8,530,741
Additions		438,685
Disposals		(1,129,189)
Gain from fair value adjustment		557,836
Transfer on liquidation of subsidiary		(143,987)
Transfer to property and equipment, net		<u>(11,896)</u>
At 31 December		<u>8,242,190</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 2016 (Unaudited)

9 CUSTOMERS' DEPOSITS

	<i>Unaudited</i> 31 March 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
Current accounts	30,584,368	26,923,895
Saving accounts	2,684,672	2,544,725
Time deposits	81,769,871	88,019,687
Call and other deposits	<u>25,714,252</u>	<u>24,974,256</u>
Total	<u>140,753,163</u>	<u>142,462,563</u>

As of 31 March 2016, time deposits include a deposit of AED 30,448 thousand (2015: AED 31,653 thousand) from overseas financial institutions held against the sale of debt securities with a carrying value of AED 70,032 thousand (2015: 44,328 thousand), with arrangements to repurchase them at a fixed future date.

In December 2006, the Bank received an amount of AED 5 billion from the Government of Abu Dhabi (the "Government") to fund an interest-free housing loans scheme for U.A.E. 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 2016, the Government time deposit amounted to AED 19,955 million (31 December 2015: AED 19,614 million) and housing loans (note 5) amounting to AED 19,828 million (31 December 2015: AED 19,261 million) were disbursed by the Bank. Interest is payable on this Government deposit at market rates based on the principal amount net of loan disbursements made."

10 EURO COMMERCIAL PAPER

In June 2015, the Bank established a Euro Commercial Paper Programme (the "Programme") of US\$ 3 billion. The notes issued under the Programme are denominated in various currencies and have maturities of less than 12 months. As at 31 March 2016, the notes outstanding amounted to AED 3,378,706 thousand (2015: AED 2,834,808 thousand) and bear interest at market rates.

11 TERM LOANS

	<i>Unaudited</i> 31 March 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
Syndicated loan	3,673,000	3,673,000
Bank loan	-	183,650
Euro Medium Term Notes	10,954,107	10,000,750
Medium term bonds	722,664	1,791,845
Repurchase agreements	<u>208,259</u>	<u>208,259</u>
	<u>15,558,030</u>	<u>15,857,504</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

11 TERM LOANS continued

Syndicated Loan:

On 14 September 2015, the Bank obtained a loan of US\$ one billion (equivalent to AED 3,673 million) from a syndicate comprising of several banks. The loan is repayable in full in September 2018. The loan accrues interest at the rate of 3 months USD LIBOR plus a margin of 0.70% per annum.

Bank Loan:

Bank loan comprises of a US\$ 50 million (equivalent to AED 184 million) loan obtained from a commercial bank which matures in March 2016 and accrues interest at the rate of Libor + 130 bps. The Bank loan was fully settled in March 2016.

Euro Medium Term Notes:

During 2007, the Bank established a US\$ 3.5 billion, Euro Medium Term Notes Programme (the “Programme”). In April 2015, the same Programme was upgraded to US\$ 5.0 billion. The Bank 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 190 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 190 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 154 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 1,837 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 418 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 328 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.
- (x) On 2 October 2014, the Bank issued a Euro Medium Term Note (EMTN) of USD 30 million (equivalent to AED 110 million). The notes are due in October 2019 and carry a coupon of 3 months USD LIBOR plus a margin of 0.80% per annum payable quarterly in arrears.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016 (Unaudited)

11 TERM LOANS continued

Euro Medium Term Notes: continued

- (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 2,754 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 63 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.
- (xiv) On 9 April 2015, the Bank issued a Euro Medium Term Note (EMTN) of CNY 400 million (equivalent to AED 228 million). The notes are due in April 2018 and carry a coupon rate of 5.00% per annum payable annually in arrears.
- (xv) On 11 May 2015, the Bank issued a Euro Medium Term Note (EMTN) of HKD 160 million (equivalent to AED 76 million). The notes are due in May 2020 and carry a coupon rate of 2.37% per annum payable annually in arrears.
- (xvi) On 27 May 2015, the Bank issued a Euro Medium Term Note (EMTN) of CHF 200 million (equivalent to AED 768 million). The notes are due in May 2022 and carry a coupon rate of 0.625% per annum payable annually in arrears.
- (xvii) On 15 June 2015, the Bank issued a Euro Medium Term Note (EMTN) of SGD 11 million (equivalent to AED 30 million). The notes are due in June 2018 and carry a coupon rate of 2.10% per annum payable semi-annually in arrears.
- (xviii) On 7 July 2015, the Bank issued Euro Medium Term Note (EMTN) of USD 25 million (equivalent to AED 92 million). The notes are due in July 2045 and are multi-callable, zero-coupon, with a yield of 5.30% per annum.
- (xix) On 18 August 2015, the Bank issued a Euro Medium Term Note (EMTN) of CNY 230 million (equivalent to AED 131 million). The notes are due in August 2018 and carry a coupon rate of 4.50% per annum payable annually in arrears.
- (xx) On 30 December 2015, the Bank issued a Euro Medium Term Note (EMTN) of USD 20 million (equivalent to AED 73 million). The notes are due in December 2045 and are multi callable, and carry a fixed coupon rate of 4.70% per annum payable annually in arrears.
- (xxi) On 18 March 2016, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 150 million (equivalent to AED 551 million). The notes are due in February 2020 and carry a coupon rate of 2.625% per annum payable semi-annually in arrears.
- (xxii) On 31 March 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 50 million (equivalent to AED 184 million). The notes are due in March 2046 and are multi callable, and carry a fixed coupon rate of 5.08% per annum payable annually in arrears.

Subsequent to 31 March 2016, the Bank issued a Euro Medium Term Note (EMTN) of AED 50 million. The notes are due in April 2019 and carry a coupon of 3 months EIBOR plus a margin of 0.80% per annum payable quarterly in arrears.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

11 TERM LOANS continued

Medium Term Bonds:

On 16 February 2011, the Bank issued 5 year bonds of CHF 200 million (equivalent of AED 768 million). The bonds are due in February 2016 and carry a coupon rate of 3% per annum payable annually in arrears. The bonds were fully repaid in February 2016.

On 27 November 2012, the Bank issued CHF 100 million bonds (equivalent of AED 384 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. The bonds were fully repaid in January 2016.

On 23 April 2013, the Bank issued CHF 100 million bonds (equivalent of AED 384 million) which carried a coupon at the rate of 3 months CHF LIBOR plus a margin of 0.60% per annum payable quarterly in arrears. The bonds were fully repaid in April 2015.

On 1 April 2014, the Bank issued AUD 250 million bonds (equivalent of AED 700 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 2016, the carrying value of debt securities sold under these arrangements amounted to AED 225,289 thousand (2015: AED 229,225 thousand). The amount and maturity of outstanding transactions are as follows:

No.	<i>Unaudited</i> 31 March 2016		<i>Audited</i> 31 December 2015		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 2016 and year ended 31 December 2015.

12 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

13 SHARE CAPITAL

	<i>Unaudited</i> 31 March 2016 <i>AED'000</i>	<i>Audited</i> 31 December 2015 <i>AED'000</i>
Ordinary shares of AED 1 each	<u>4,500,000</u>	<u>4,500,000</u>

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.

14 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 66 million (period ended 31 March 2015: AED 65.5 million).

15 FEES AND COMMISSION INCOME, NET

	<i>Three-month ended</i> 31 March	
	2016 <i>AED 000</i>	2015 <i>AED 000</i>
Fees and commission income		
Commission income	111,354	124,493
Fee income	157,593	195,503
Fees and commissions on credit cards	164,178	146,652
Brokerage and fund management fee income	<u>-</u>	<u>2,113</u>
Total fees and commission income	433,125	468,761
Fees and commission expenses	<u>(67,654)</u>	<u>(62,294)</u>
Fees and commission income, net	<u>365,471</u>	<u>406,467</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

16 OTHER OPERATING INCOME

	<i>Three-month ended</i> <i>31 March</i>	
	2016	2015
	<i>AED 000</i>	<i>AED 000</i>
Investment income:		
Gains on disposal of available for sale investments	38,187	53,251
Gain on disposal of investments carried at fair value through income statement	2,686	4,632
Changes in fair value of investments carried at fair value through income statement	7,533	11,922
Dividend income	<u>560</u>	<u>3,030</u>
Total investment gain	48,966	72,835
Foreign exchange	58,676	76,807
Derivative income	16,871	23,163
Gain on sale of investment properties	22,302	24,762
Rental income	30,848	26,163
(Loss) gain on sale of property and equipment	(30)	53
Gain on sale of an associate	-	15,100
Management fees on leasing properties	14,920	16,009
Other income	<u>2,782</u>	<u>10,637</u>
Total	<u>195,335</u>	<u>265,529</u>

17 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>Unaudited</i>
	2016	2015
Profit for the period attributable to ordinary equity holders (AED 000)	1,332,314	1,417,337
Deduct: Interest on capital notes (AED 000)	<u>(20,355)</u>	<u>(32,013)</u>
Profit attributable to ordinary equity holders (AED 000)	<u>1,311,959</u>	<u>1,385,324</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>0.29</u>	<u>0.31</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

18 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 560 thousand (31 March 2015: AED 3,030 thousand) recorded in the consolidated statement of income for the three-month period ended 31 March 2016.

19 DIVIDENDS

	<i>31 March</i>	
	<i>Unaudited 2016 AED 000</i>	<i>Unaudited 2015 AED 000</i>
Dividends on ordinary shares declared during the three-month period:		
Final cash dividend for 2015: AED 1 (2014: Declared AED 1)	<u>4,500,000</u>	<u>3,900,000</u>
Bonus shares proposed in respect of 2015: AED nil (2014: AED 0.15)	<u>-</u>	<u>600,000</u>
Dividends on ordinary shares paid during the three-month period:		
Final cash dividend	<u>1,891,662</u>	<u>3,101,876</u>

20 OFF-BALANCE SHEET ITEMS

Commitments and contingent liabilities

The Bank has the following commitments and contingent liabilities:

	<i>Unaudited 31 March 2016 AED'000</i>	<i>Audited 31 December 2015 AED'000</i>
<i>Contingent liabilities:</i>		
Letters of credit	13,687,693	14,192,933
Guarantees	49,358,894	49,492,411
	<u>63,046,587</u>	<u>63,685,344</u>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	6,444,320	7,502,799
Commitments for future capital expenditure	694,723	552,308
Commitments for future private equity investments	859,809	769,398
	<u>7,998,852</u>	<u>8,824,505</u>
Total commitments and contingent liabilities	<u>71,045,439</u>	<u>72,509,849</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

20 OFF-BALANCE SHEET ITEMS continued

Derivatives

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

	<i>Unaudited</i> 31 March <i>2016</i> AED'000	<i>Audited</i> 31 December <i>2015</i> AED'000
<i>Derivatives held for trading:</i>		
Forward foreign exchange contracts	69,446,599	65,484,682
Interest rate swaps, caps and collars	43,579,300	46,038,951
Credit default swaps	205,978	203,236
Commodity linked swap	1,992,146	1,757,210
Equity swaps	148,959	151,346
Swaptions	1,985,106	1,720,650
Options	22,413,613	19,047,003
Futures	<u>692,362</u>	<u>843,164</u>
	<u>140,464,063</u>	<u>135,246,242</u>
<i>Derivatives held for hedging:</i>		
Interest rate swaps	7,464,070	6,313,596
Cross currency swaps	<u>6,606,757</u>	<u>7,356,650</u>
	<u>14,070,827</u>	<u>13,670,246</u>
Total	<u>154,534,890</u>	<u>148,916,488</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.

21 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

21 SEGMENTAL INFORMATION continued

Operating segment information continued

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 covering the acquisition, leasing, brokerage, management and resale of properties carried out through its subsidiaries and associate companies.

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

As of and for the three-month period ended 31 March 2016:

	<i>Wholesale Banking Group</i>						<i>Total</i>
	<i>UAE Operations</i>	<i>International Banking</i>	<i>Treasury & Global Markets</i>	<i>Consumer Banking Group</i>	<i>Real Estate</i>	<i>Other Operations</i>	
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	
Assets	<u>76,223,532</u>	<u>22,084,312</u>	<u>50,007,817</u>	<u>55,256,843</u>	<u>6,755,213</u>	<u>17,092,831</u>	<u>227,420,548</u>
Liabilities	<u>97,030,765</u>	<u>13,343,101</u>	<u>40,357,736</u>	<u>37,340,073</u>	<u>764,153</u>	<u>5,409,300</u>	<u>194,245,128</u>
Operating income excluding associates	<u>673,321</u>	<u>112,436</u>	<u>241,154</u>	<u>810,206</u>	<u>70,511</u>	<u>238,784</u>	<u>2,146,412</u>
Net interest income and income from Islamic financing	<u>477,358</u>	<u>77,643</u>	<u>119,471</u>	<u>667,384</u>	<u>-</u>	<u>243,750</u>	<u>1,585,606</u>
Share of profit from associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72</u>	<u>-</u>	<u>72</u>
Provision for impairment of loans and advances and available for sale investments	<u>-</u>	<u>(6,970)</u>	<u>(18,000)</u>	<u>(284,997)</u>	<u>-</u>	<u>(66,030)</u>	<u>(375,997)</u>
Profit attributable to equity holders of the Bank	<u>570,107</u>	<u>81,621</u>	<u>184,565</u>	<u>336,031</u>	<u>59,977</u>	<u>100,013</u>	<u>1,332,314</u>
Other segment information							
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,692</u>	<u>(16,069)</u>	<u>39,623</u>
Capital expenditure	<u>-</u>	<u>133</u>	<u>-</u>	<u>-</u>	<u>34,415</u>	<u>116,263</u>	<u>150,811</u>
Depreciation	<u>-</u>	<u>857</u>	<u>-</u>	<u>-</u>	<u>237</u>	<u>23,517</u>	<u>24,611</u>
As of 31 December 2015:							
Assets	<u>74,909,302</u>	<u>22,084,187</u>	<u>53,971,584</u>	<u>55,056,298</u>	<u>8,981,474</u>	<u>12,493,528</u>	<u>227,496,373</u>
Liabilities	<u>99,035,200</u>	<u>9,730,621</u>	<u>37,386,421</u>	<u>37,111,929</u>	<u>772,833</u>	<u>7,155,298</u>	<u>191,192,302</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

21 SEGMENTAL INFORMATION continued

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

	<i>Wholesale Banking Group</i>						<i>Total</i>
	<i>UAE</i>	<i>International</i>	<i>Treasury & Global</i>	<i>Consumer</i>	<i>Real</i>	<i>Other</i>	
	<i>Operations</i>	<i>Operations</i>	<i>Markets</i>	<i>Banking</i>	<i>Estate</i>	<i>Operations</i>	
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>Group</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
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>805,660</u>	<u>68,468</u>	<u>219,555</u>	<u>2,258,767</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>

22 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
31 March 2016 (Unaudited)

22 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 2016:

	<i>Level 1</i> <i>AED 000</i>	<i>Level 2</i> <i>AED 000</i>	<i>Level 3</i> <i>AED 000</i>	<i>Total</i> <i>AED 000</i>
FINANCIAL ASSETS				
<i>INVESTMENTS</i>				
<i>Carried at fair value through income statement</i>				
Investments in managed funds	-	78,880	-	78,880
Investments in equities- Quoted	77,734	-	-	77,734
- Unquoted	-	-	19,180	19,180
Debt securities	652,623	-	-	652,623
<i>Available for sale investments</i>				
Investments in equities – Quoted	15,835	-	-	15,835
–Unquoted	-	-	149,401	149,401
Investments in private equity funds	-	-	1,519,765	1,519,765
Debt securities - Quoted	14,102,159	-	-	14,102,159
- Unquoted	-	416,849	-	416,849
<i>For disclosure purposes - Held to maturity investments</i>				
Debt securities - Quoted	5,564,958	-	-	5,564,958
- Unquoted	-	1,139,475	-	1,139,475
	<u>20,413,309</u>	<u>1,635,204</u>	<u>1,688,346</u>	<u>23,736,859</u>
<i>DERIVATIVES – Positive fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	610,508	-	610,508
Interest rate swaps, caps and collars	-	520,340	-	520,340
Swaptions	-	25,630	-	25,630
Credit default swaps	-	940	-	940
Options	-	790,276	-	790,276
Futures	475	-	-	475
Equity swaps	-	39	-	39
Commodity linked swaps	-	151,900	-	151,900
<i>Derivatives held for hedging</i>				
Interest rate swaps	-	68,510	-	68,510
Cross currency swaps	-	202,784	-	202,784
	<u>475</u>	<u>2,370,927</u>	<u>-</u>	<u>2,371,402</u>
<i>DERIVATIVES – Negative fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	465,433	-	465,433
Interest rate swaps, caps and collars	-	507,908	-	507,908
Swaptions	-	19,195	-	19,195
Credit default swaps	-	965	-	965
Options	-	861,315	-	861,315
Futures	362	-	-	362
Equity swaps	-	39	-	39
Commodity linked swaps	-	126,534	-	126,534
<i>Derivatives held for hedging</i>				
Interest rate swaps	-	169,590	-	169,590
Cross currency swaps	-	407,627	-	407,627
	<u>362</u>	<u>2,558,606</u>	<u>-</u>	<u>2,558,968</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

22 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 2015:

	<i>Level 1</i> <i>AED 000</i>	<i>Level 2</i> <i>AED 000</i>	<i>Level 3</i> <i>AED 000</i>	<i>Total</i> <i>AED 000</i>
FINANCIAL ASSETS				
<i>INVESTMENTS</i>				
<i>Carried at fair value through income statement</i>				
Investments in managed funds	-	78,339	-	78,339
Investments in equities- Quoted	40,113	-	-	40,113
- Unquoted	-	-	19,180	19,180
Debt securities	435,333	-	-	435,333
<i>Available for sale investments</i>				
Investments in equities – Quoted	196	-	-	196
–Unquoted	-	1,448	148,320	149,768
Investments in private equity funds	-	-	1,496,098	1,496,098
Debt securities - Quoted	13,596,231	-	-	13,596,231
- Unquoted	-	271,424	-	271,424
<i>For disclosure purposes - Held to maturity investments</i>				
Debt securities - Quoted	5,573,084	-	-	5,573,084
- Unquoted	-	1,143,029	-	1,143,029
	<u>19,644,957</u>	<u>1,494,240</u>	<u>1,663,598</u>	<u>22,802,795</u>
<i>DERIVATIVES – Positive fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	308,851	-	308,851
Interest rate swaps, caps and collars	-	760,344	-	760,344
Swaptions	-	10,262	-	10,262
Credit default swaps	-	1,242	-	1,242
Options	-	526,008	-	526,008
Futures	84	-	-	84
Equity swaps	-	127	-	127
Commodity linked swaps	-	87,783	-	87,783
<i>Derivatives held for hedging</i>				
Interest rate swaps	-	26,537	-	26,537
Cross currency swaps	-	198,951	-	198,951
	<u>84</u>	<u>1,920,105</u>	<u>-</u>	<u>1,920,189</u>
<i>DERIVATIVES – Negative fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	394,839	-	394,839
Interest rate swaps, caps and collars	-	741,990	-	741,990
Swaptions	-	6,887	-	6,887
Credit default swaps	-	1,093	-	1,093
Options	-	560,556	-	560,556
Futures	68	-	-	68
Equity swaps	-	127	-	127
Commodity linked swaps	-	63,407	-	63,407
<i>Derivatives held for hedging</i>				
Interest rate swaps	-	81,806	-	81,806
Cross currency swaps	-	517,810	-	517,810
	<u>68</u>	<u>2,368,515</u>	<u>-</u>	<u>2,368,583</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

23 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</i> <i>31 March</i> <i>2016</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED'000</i>
Tier I Capital		
Equity attributable to equity holders of the Bank	32,769,574	35,903,632
Less: Positive cumulative changes in fair values	(503,697)	(410,638)
Less: Revaluation reserve	(280,601)	(280,601)
Less: Proposed cash dividends	<u>-</u>	<u>(4,500,000)</u>
Total	<u>31,985,276</u>	<u>30,712,393</u>
Non-controlling interests	405,846	400,439
Less: Goodwill and intangible assets	(189,037)	(194,517)
Investment in associates	<u>-</u>	<u>-</u>
Total (a)	<u>32,202,085</u>	<u>30,918,315</u>
Tier II Capital		
Collective impairment provision on loans and advances	2,163,842	2,163,031
Cumulative changes in fair values	<u>226,664</u>	<u>184,787</u>
Total	<u>2,390,506</u>	<u>2,347,818</u>
Eligible Tier II Capital (b)	<u>2,390,506</u>	<u>2,347,818</u>
Total capital base (a) + (b)	<u>34,592,591</u>	<u>33,266,133</u>
Risk-weighted assets:		
Credit risk	173,107,372	173,042,446
Market risk	1,514,136	1,219,712
Operational risk	<u>15,768,783</u>	<u>15,768,783</u>
Total risk-weighted assets (c)	<u>190,390,291</u>	<u>190,030,941</u>
Capital adequacy ratio {(a) + (b) / (c) x 100}	<u>18.2%</u>	<u>17.5%</u>

24 COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the presentation of the current period. Such reclassifications relate to derivative income as well as foreign exchange and related derivative income and had no impact on the current and prior period profit and loss.