

# **First Gulf Bank PJSC**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2016 (UNAUDITED)**



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

### ***Introduction***

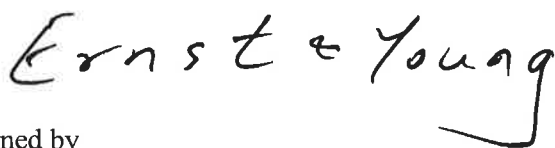
We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC and its Subsidiaries (the "Bank") as at 30 June 2016 and the related interim consolidated statement of income and consolidated statement of comprehensive income, for the three-month and six-month periods then ended and the consolidated statement of cash flows and consolidated statement of changes in equity for the six 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 July 2016  
Abu Dhabi

**INTERIM CONSOLIDATED BALANCE SHEET**  
At 30 June 2016 (Unaudited)

		<i>Unaudited</i> <b>30 June</b> <i>2016</i> <b>AED 000</b>	<i>Audited</i> <b>31 December</b> <i>2015</i> <b>AED 000</b>
	<i>Notes</i>		
<b>Assets</b>			
Cash and balances with Central Banks	3	19,474,888	21,075,886
Due from banks and financial institutions	4	11,062,274	15,096,847
Loans and advances	5	153,797,221	149,766,060
Investments	6	23,891,907	22,692,143
Investment in associates	7	39,707	39,551
Investment properties	8	8,344,606	8,242,190
Other assets		9,107,829	9,097,964
Property and equipment		<u>1,523,027</u>	<u>1,485,732</u>
<b>Total assets</b>		<b><u>227,241,459</u></b>	<b><u>227,496,373</u></b>
<b>Liabilities</b>			
Due to banks		22,060,353	17,883,112
Customers' deposits	9	139,672,444	142,462,563
Euro Commercial Paper	10	2,323,338	2,834,808
Term loans	11	17,376,200	15,857,504
Sukuk financing instruments	12	4,223,950	4,223,950
Other liabilities		<u>6,958,626</u>	<u>7,930,365</u>
<b>Total liabilities</b>		<b><u>192,614,911</u></b>	<b><u>191,192,302</u></b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the Bank</b>			
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		13,703,599	11,132,046
Cumulative changes in fair values		635,995	410,638
Foreign currency translation reserve		<u>(66,452)</u>	<u>(69,763)</u>
		<b>34,203,853</b>	<b>35,903,632</b>
<b>Non-controlling interests</b>		<b><u>422,695</u></b>	<b><u>400,439</u></b>
<b>Total equity</b>		<b><u>34,626,548</u></b>	<b><u>36,304,071</u></b>
<b>Total equity and liabilities</b>		<b><u>227,241,459</u></b>	<b><u>227,496,373</u></b>

Chairman

Managing Director

Chief Executive Officer

The attached explanatory notes 1 to 25 form part of the interim condensed consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 June 2016 (Unaudited)

	<i>Notes</i>	<i>Three month ended 30 June</i>		<i>Six month ended 30 June</i>	
		<b>2016</b> <b>AED 000</b>	<b>2015</b> <b>AED 000</b>	<b>2016</b> <b>AED 000</b>	<b>2015</b> <b>AED 000</b>
Interest income and income from Islamic financing		<b>2,089,157</b>	2,051,040	<b>4,228,850</b>	4,048,451
Interest expense and Islamic financing expense		<b>(523,999)</b>	(441,653)	<b>(1,078,086)</b>	(852,293)
<b>NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING</b>		<b>1,565,158</b>	1,609,387	<b>3,150,764</b>	3,196,158
Fees and commission income, net	15	<b>461,914</b>	445,114	<b>827,385</b>	851,581
Other operating income	16	<b>193,811</b>	189,209	<b>389,146</b>	454,738
Share of profits of associates		<b>84</b>	139	<b>156</b>	697
<b>OPERATING INCOME</b>		<b>2,220,967</b>	2,243,849	<b>4,367,451</b>	4,503,174
General and administrative expenses		<b>(487,335)</b>	(524,594)	<b>(923,639)</b>	(986,603)
<b>PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE AND TAX</b>		<b>1,733,632</b>	1,719,255	<b>3,443,812</b>	3,516,571
Provision for impairment of loans and advances		<b>(398,089)</b>	(257,914)	<b>(774,086)</b>	(616,801)
Impairment of available for sale investments		<b>-</b>	-	<b>-</b>	(13,158)
<b>PROFIT FOR THE PERIOD BEFORE TAXATION</b>		<b>1,335,543</b>	1,461,341	<b>2,669,726</b>	2,886,612
Income taxes		<b>(11,168)</b>	(4,393)	<b>(12,350)</b>	(9,881)
<b>PROFIT FOR THE PERIOD</b>		<b>1,324,375</b>	1,456,948	<b>2,657,376</b>	2,876,731
Profit attributable to:					
Equity holders of the Bank		<b>1,305,305</b>	1,451,631	<b>2,637,619</b>	2,868,968
Non-controlling interest		<b>19,070</b>	5,317	<b>19,757</b>	7,763
		<b>1,324,375</b>	1,456,948	<b>2,657,376</b>	2,876,731
Basic and diluted earnings per share (AED)	17	<b>0.29</b>	0.32	<b>0.58</b>	0.62

The attached explanatory notes 1 to 25 form part of the interim condensed consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2016 (Unaudited)

	<i>Three month ended</i> <i>30 June</i>		<i>Six month ended</i> <i>30 June</i>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>AED 000</b>	<b>AED 000</b>	<b>AED 000</b>	<b>AED 000</b>
<b>PROFIT FOR THE PERIOD</b>	<b>1,324,375</b>	<b>1,456,948</b>	<b>2,657,376</b>	<b>2,876,731</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
<b>Items that may be reclassified subsequently to the consolidated statement of income:</b>				
Gain (loss) on available for sale investments, net	<b>126,607</b>	(18,399)	<b>219,338</b>	25,892
Net unrealised gain (loss) on cash flow hedge	<b>5,691</b>	(2,186)	<b>6,019</b>	13,409
Share of changes recognised directly in associates' equity	-	-	-	(393)
Foreign exchange translation	<u><b>(5,543)</b></u>	<u>(8,073)</u>	<u><b>5,810</b></u>	<u>(119,868)</u>
<b>Other comprehensive income (loss) for the period</b>	<u><b>126,755</b></u>	<u>(28,658)</u>	<u><b>231,167</b></u>	<u>(80,960)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><b>1,451,130</b></u>	<u><b>1,428,290</b></u>	<u><b>2,888,543</b></u>	<u><b>2,795,771</b></u>
Total comprehensive income attributable to:				
Equity holders of the Bank	<b>1,434,281</b>	1,426,694	<b>2,866,287</b>	2,841,702
Non-controlling interest	<u><b>16,849</b></u>	<u>1,596</u>	<u><b>22,256</b></u>	<u>(45,931)</u>
	<u><b>1,451,130</b></u>	<u><b>1,428,290</b></u>	<u><b>2,888,543</b></u>	<u><b>2,795,771</b></u>

The attached explanatory notes 1 to 25 form part of the interim condensed consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2016 (Unaudited)

		Six month ended 30 June	
	Notes	2016 AED 000	2015 AED 000
<b>OPERATING ACTIVITIES</b>			
Profit for the period before tax		2,669,726	2,886,612
Adjustments for:			
Depreciation		50,488	41,298
Amortisation of intangible assets		10,759	10,959
Provision for impairment of loans and advances		774,086	616,801
Gain on sale of investment properties		(66,829)	(75,297)
Gain from investments		(105,298)	(83,373)
Gain on sale of an associate		-	(15,100)
Gain on sale of property and equipment		(61)	(53)
Provision for impairment of available for sale investments		-	13,158
Share of profit of associates		(156)	(697)
Operating profit before changes in operating assets and liabilities		3,332,715	3,394,308
Deposits with banks		(1,262,258)	5,243,653
Loans and advances		(4,867,874)	(9,750,261)
Mandatory cash reserve with UAE Central Bank		(661,433)	201,452
Other assets		235,593	756,071
Due to banks		4,177,241	8,372,329
Customers' deposits		(2,792,626)	(950,744)
Other liabilities		(1,329,184)	(1,283,108)
Net cash (used in) from operating activities		(3,167,826)	5,983,700
<b>INVESTING ACTIVITIES</b>			
Purchase of investments		(10,993,376)	(13,045,357)
Proceeds from redemption and sale of investments		10,294,310	6,646,942
Purchase of property and equipment		(217,620)	(180,198)
Proceeds from sale of property and equipment		39,745	53
Deposits with UAE Central Bank		1,641,270	(973,682)
Additions to investment properties	8	(156,016)	(316,613)
Proceeds from sale of an associate		-	19,125
Proceeds from sale of investment properties		210,582	533,557
Net cash from (used in) investing activities		818,895	(7,316,173)
<b>FINANCING ACTIVITIES</b>			
Dividends paid	19	(4,355,150)	(3,765,735)
Interest on capital notes	14	(66,066)	(65,510)
Proceeds from redemption of euro commercial paper	10	(511,470)	-
Movement in term loans		1,357,815	319,472
Net cash used in financing activities		(3,574,871)	(3,511,773)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		(5,923,802)	(4,844,246)
Cash and cash equivalents at the beginning of the period		18,855,192	13,784,896
Net changes in foreign currency translation reserve		5,810	(119,868)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	4	<b>12,937,200</b>	<b>8,820,782</b>
<b>Operating cash flows from interest and Islamic financing</b>			
Interest and Islamic financing income received		4,275,483	3,872,040
Interest and Islamic financing expense paid		876,370	969,538

The attached explanatory notes 1 to 25 form part of the interim condensed consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 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	-	-	-	-	-	-	-	-	2,868,968	38,908	(66,174)	2,841,702	(45,931)	2,795,771
Transfer to dividends payable	-	-	-	-	-	-	-	(3,900,000)	-	-	-	(3,900,000)	-	(3,900,000)
Proposed bonus shares converted to shares (note 13)	600,000	-	-	-	-	-	(600,000)	-	-	-	-	-	-	-
Interest on capital notes (note 14)	-	-	-	-	-	-	-	-	(65,510)	-	-	(65,510)	-	(65,510)
As of 30 June 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>12,877,968</u>	<u>557,999</u>	<u>(66,028)</u>	<u>33,025,900</u>	<u>541,323</u>	<u>33,567,223</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	-	-	-	-	-	-	-	-	2,637,619	225,357	3,311	2,866,287	22,256	2,888,543
Transfer to dividends payable	-	-	-	-	-	-	-	(4,500,000)	-	-	-	(4,500,000)	-	(4,500,000)
Interest on capital notes (note 14)	-	-	-	-	-	-	-	-	(66,066)	-	-	(66,066)	-	(66,066)
As of 30 June 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>13,703,599</u>	<u>635,995</u>	<u>(66,452)</u>	<u>34,203,853</u>	<u>422,695</u>	<u>34,626,548</u>

The attached explanatory notes 1 to 25 form part of the interim condensed consolidated financial statements.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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). 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. 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 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 July 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 six-month period ended 30 June 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.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

#### *Annual Improvements 2012-2014 Cycle:*

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

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

30 June 2016 (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	
			2016	2015
Mismak Properties Co. LLC (Mismak)	Real estate investments	United Arab Emirates	100%	100%
First Merchant International LLC	Real estate investments	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  
30 June 2016 (Unaudited)

**3 CASH AND BALANCES WITH CENTRAL BANKS**

	<i>Unaudited</i> <b>30 June</b> <b>2016</b> <b>AED'000</b>	<i>Audited</i> <b>31 December</b> <b>2015</b> <b>AED'000</b>
Cash on hand	<b>533,463</b>	368,358
Balances with Central Banks	<b><u>18,941,425</u></b>	<u>20,707,528</u>
	<b><u>19,474,888</u></b>	<u>21,075,886</u>

Balances with UAE Central Bank include AED 6,108,201 thousand (2015: AED 5,446,768 thousand) representing mandatory cash reserve deposits and AED 10,229,503 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.

**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> <b>30 June</b> <b>2016</b> <b>AED'000</b>	<i>Audited</i> <b>31 December</b> <b>2015</b> <b>AED'000</b>
Cash and balances with Central Banks	<b>19,474,888</b>	21,075,886
Due from banks and financial institutions	<b><u>11,062,274</u></b>	<u>15,096,847</u>
	<b>30,537,162</b>	36,172,733
Less: balances with UAE Central Bank maturing after three months of placement	<b>10,229,503</b>	11,870,773
Less: Mandatory cash reserve with UAE Central Bank	<b>6,108,201</b>	5,446,768
Less: Due from banks and financial institutions maturing after three months of placement	<b><u>1,262,258</u></b>	<u>-</u>
Cash and cash equivalents	<b><u>12,937,200</u></b>	<u>18,855,192</u>

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

	<i>Unaudited</i> <b>30 June</b> <b>2016</b> <b>AED'000</b>	<i>Audited</i> <b>31 December</b> <b>2015</b> <b>AED'000</b>
UAE	<b>19,214,716</b>	25,947,179
Other Arab Countries	<b>3,877,520</b>	2,391,863
Asia	<b>1,940,812</b>	1,526,319
Europe	<b>4,337,726</b>	3,854,768
USA	<b>1,070,635</b>	2,413,884
Rest of the world	<b><u>95,753</u></b>	<u>38,720</u>
	<b><u>30,537,162</u></b>	<u>36,172,733</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 June 2016 (Unaudited)

**5 LOANS AND ADVANCES**

The composition of loans and advances portfolio is as follows:

	<i>Unaudited 30 June 2016 AED'000</i>	<i>Audited 31 December 2015 AED'000</i>
<b>Economic Sector</b>		
Agriculture	1,012,186	1,330,563
Energy	2,537,038	2,398,723
Trading	11,495,164	8,876,394
Construction	6,837,380	6,267,869
Transport	1,290,940	1,147,316
Personal – Retail loans and credit cards	34,823,770	35,966,157
Personal – Retail mortgages	3,714,889	3,801,537
Personal – Retail mortgages - National Housing Loans	20,363,533	19,260,516
Personal – Others	2,556,617	3,153,229
Government	1,091,723	1,393,301
Share financing	713,292	633,808
Real estate	13,366,452	12,800,038
Financial services	10,126,394	10,405,878
Other services	27,169,996	26,048,024
Public sector	14,686,211	13,787,409
Manufacturing	<u>6,566,174</u>	<u>6,914,875</u>
<b>Total</b>	<b>158,351,759</b>	<b>154,185,637</b>
Less provision for impaired loans and advances	<u>(4,554,538)</u>	<u>(4,419,577)</u>
<b>Total</b>	<b><u>153,797,221</u></b>	<b><u>149,766,060</u></b>
Representing:		
Conventional loans and advances	<b>141,403,446</b>	137,724,119
Islamic financing	<u>12,393,775</u>	<u>12,041,941</u>
<b>Total</b>	<b><u>153,797,221</u></b>	<b><u>149,766,060</u></b>

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	(596,483)	(1,371,175)
Recoveries	(48,332)	(144,515)
Charge for the period	822,418	1,551,691
Notional interest on impaired loans and advances	<u>(42,642)</u>	<u>(94,470)</u>
Closing balance	<u><b>4,554,538</b></u>	<u><b>4,419,577</b></u>

Analysis of the provision for impairment is as follows:

Specific provision	1,924,244	1,727,721
Collective provision	<u>2,630,294</u>	<u>2,691,856</u>
Closing balance	<u><b>4,554,538</b></u>	<u><b>4,419,577</b></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 June 2016 (Unaudited)

**6 INVESTMENTS**

	<i>Unaudited 30 June 2016 AED'000</i>	<i>Audited 31 December 2015 AED'000</i>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	58,466	78,339
Investments in equities - Quoted	60,388	40,113
- Unquoted	9,086	19,180
Debt securities	<u>494,918</u>	<u>435,333</u>
	<u>622,858</u>	<u>572,965</u>
<i>Available for sale investments</i>		
Investments in equities - Quoted	91,832	196
- Unquoted	149,387	149,768
Investments in private equity funds	1,510,989	1,496,098
Debt securities - Quoted	16,815,872	13,596,231
- Unquoted	<u>1,528,025</u>	<u>271,424</u>
	<u>20,096,105</u>	<u>15,513,717</u>
<i>Held to maturity investments</i>		
Debt securities - Quoted	2,090,408	5,421,705
- Unquoted	<u>1,082,536</u>	<u>1,183,756</u>
	<u>3,172,944</u>	<u>6,605,461</u>
<b>Total</b>	<u><b>23,891,907</b></u>	<u><b>22,692,143</b></u>
Geographic analysis of investments is as follows:		
UAE	8,355,572	8,181,642
Other Arab Countries	3,149,702	3,080,505
Asia	6,196,609	5,642,964
Europe	1,897,596	1,775,665
USA	2,285,191	3,497,849
Rest of the world	<u>2,007,237</u>	<u>513,518</u>
	<u><b>23,891,907</b></u>	<u><b>22,692,143</b></u>

Debt securities represent bonds with maturities ranging up to 10 years from the balance sheet date. Of the debt securities at 30 June 2016, 23% (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 30 June 2016 amounted to AED 3,313,394 thousand (31 December 2015: AED 6,716,113 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 June 2016 (Unaudited)

**7 INVESTMENT IN ASSOCIATES**

The Bank has the following investments in associates:

	<i>Unaudited</i> <b>30 June</b> <b>2016</b>	<i>Audited</i> <b>31 December</b> <b>2015</b>
Green Emirates Properties PJSC	<b>40%</b>	40%
Midmak Properties LLC	<b>16%</b>	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> <b>30 June</b> <b>2016</b> <b>AED’000</b>	<i>Audited</i> <b>31 December</b> <b>2015</b> <b>AED’000</b>
At 1 January	<b>8,242,190</b>	8,469,563
Additions	<b>156,016</b>	316,613
Disposals	<b>(143,753)</b>	(466,055)
Transfer from property and equipment, net	<b>90,153</b>	-
Gain from fair value adjustment	<b>-</b>	(49,949)
At 30 June	<b><u>8,344,606</u></b>	8,270,172
Additions		360,943
Disposals		(831,878)
Gain from fair value adjustment		598,836
Transfer on liquidation of subsidiary		(143,987)
Transfer to property and equipment, net		<u>(11,896)</u>
At 31 December		<b><u>8,242,190</u></b>

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  
30 June 2016 (Unaudited)

**9 CUSTOMERS' DEPOSITS**

	<i>Unaudited</i> <b>30 June</b> <b>2016</b> <i>AED'000</i>	<i>Audited</i> <b>31 December</b> <b>2015</b> <i>AED'000</i>
Current accounts	<b>29,685,126</b>	26,923,895
Saving accounts	<b>2,446,514</b>	2,544,725
Time deposits	<b>81,519,355</b>	88,019,687
Call and other deposits	<b><u>26,021,449</u></b>	<u>24,974,256</u>
<b>Total</b>	<b><u>139,672,444</u></b>	<u>142,462,563</u>

As of 30 June 2016, time deposits include deposits of AED 38,986 thousand (2015: AED 31,653 thousand) from overseas financial institutions held against the sale of debt securities with a carrying value of AED 40,685 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 30 June 2016, the Government time deposit amounted to AED 20,516 million (31 December 2015: AED 19,614 million) and housing loans (note 5) amounting to AED 20,364 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 30 June 2016, the notes outstanding amounted to AED 2,323,338 thousand (2015: AED 2,834,808 thousand) and bear interest at market rates.

**11 TERM LOANS**

	<i>Unaudited</i> <b>30 June</b> <b>2016</b> <i>AED'000</i>	<i>Audited</i> <b>31 December</b> <b>2015</b> <i>AED'000</i>
Syndicated loan	<b>3,673,000</b>	3,673,000
Bank loan	<b>1,101,900</b>	183,650
Euro Medium Term Notes	<b>11,692,597</b>	10,000,750
Medium term bonds	<b>700,444</b>	1,791,845
Repurchase agreements	<b><u>208,259</u></b>	<u>208,259</u>
	<b><u>17,376,200</u></b>	<u>15,857,504</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 June 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\$ 300 million (equivalent to AED 1,102 million) loan obtained from a commercial bank which matures in June 2019 and accrues interest at the rate of USD Libor + 120 bps.

As of 31 December 2015, Bank loan comprised 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 USD 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 202 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 202 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 169 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 USD 500 million (equivalent to AED 1,837 million). The notes are due in January 2019 and carry a coupon rate of 3.25% per annum payable semi-annually in arrears.
- (vi) On 12 December 2013, the Bank issued a Euro Medium Term Note (EMTN) of USD 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 410 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 360 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 54 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**  
30 June 2016 (Unaudited)**11 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 110 million). The notes are due in October 2019 and carry a coupon of 3 months USD LIBOR plus a margin of 0.73% 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 81 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 USD 750 million (equivalent to AED 2,755 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 61 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 225 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 81 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 796 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 129 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 USD 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 June 2016 (Unaudited)

**11 TERM LOANS** continued

**Euro Medium Term Notes:** continued

- (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.
- (xxiii) On 11 April 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.
- (xxiv) On 12 May 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 50 million (equivalent to AED 184 million). The notes are due in May 2046 and are multi-callable, zero-coupon, with a yield of 5.00% per annum.
- (xxv) On 12 May 2016, the Bank issued a Euro Medium Term Note (EMTN) of CNY 65 million (equivalent to AED 37 million). The notes are due in May 2019 and carry a fixed coupon rate of 4.60% payable annually.
- (xxvi) On 3 June 2016, the Bank issued a Euro Medium Term Note (EMTN) of CNY 516 million (equivalent to AED 290 million). The notes are due in June 2019 and carry a fixed coupon rate of 4.55% payable annually in arrears.
- (xxvii) On 13 June 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 10 million (equivalent to AED 37 million). The notes are due in June 2021 and carry a coupon of 3 Month USD Libor + 1.40% payable quarterly in arrears.
- (xxviii) On 15 June 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 10 million (equivalent to AED 37 million). The notes are due in June 2021 and carry a coupon of 3 Month USD Libor + 1.40% payable quarterly in arrears.
- (xxix) On 21 June 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 10 million (equivalent to AED 37 million). The notes are due in June 2021 and carry a coupon of 3 Month USD Libor + 1.40% payable quarterly in arrears.
- (xxx) On 23 June 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 10 million (equivalent to AED 37 million). The notes are due in June 2021 and carry a coupon of 3 Month USD Libor + 1.40% payable quarterly in arrears.

**Medium Term Bonds:**

On 16 February 2011, the Bank issued 5 year bonds of CHF 200 million (equivalent of AED 796 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 398 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 398 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 675 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

### 11 TERM LOANS continued

#### 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 30 June 2016, the carrying value of debt securities sold under these arrangements amounted to AED 224,403 thousand (2015: AED 229,225 thousand). The amount and maturity of outstanding transactions are as follows:

No.	<i>Unaudited</i> 30 June 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	<u>9,000</u>	<u>33,057</u>	<u>9,000</u>	<u>33,057</u>	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 six-month period ended 30 June 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**  
30 June 2016 (Unaudited)

**13 SHARE CAPITAL**

	<i>Unaudited</i> <b>30 June</b> <b>2016</b> <b>AED'000</b>	<i>Audited</i> <b>31 December</b> <b>2015</b> <b>AED'000</b>
Ordinary shares of AED 1 each	<b><u>4,500,000</u></b>	<b><u>4,500,000</u></b>

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 30 June 2015: AED 65.5 million).

**15 FEES AND COMMISSION INCOME, NET**

	<i>Three month ended</i> <i>30 June</i>		<i>Six month ended</i> <i>30 June</i>	
	<i>Unaudited</i> <b>2016</b> <b>AED 000</b>	<i>Unaudited</i> <b>2015</b> <b>AED 000</b>	<i>Unaudited</i> <b>2016</b> <b>AED 000</b>	<i>Unaudited</i> <b>2015</b> <b>AED 000</b>
<b>Fees and commission income</b>				
Commission income	<b>162,940</b>	120,529	<b>274,294</b>	245,022
Fee income	<b>205,122</b>	232,597	<b>362,715</b>	428,100
Fees and commissions on credit cards	<b>170,275</b>	157,939	<b>334,453</b>	304,591
Brokerage and fund management fee income	<b>-</b>	2,236	<b>-</b>	4,349
Total fees and commission income	<b>538,337</b>	513,301	<b>971,462</b>	982,062
Fees and commission expenses	<b><u>(76,423)</u></b>	<b><u>(68,187)</u></b>	<b><u>(144,077)</u></b>	<b><u>(130,481)</u></b>
<b>Fees and commission income, net</b>	<b><u>461,914</u></b>	<b><u>445,114</u></b>	<b><u>827,385</u></b>	<b><u>851,581</u></b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 June 2016 (Unaudited)

**16 OTHER OPERATING INCOME**

	<i>Three month ended</i> <i>30 June</i>		<i>Six month ended</i> <i>30 June</i>	
	<i>Unaudited</i> <i>2016</i> <i>AED 000</i>	<i>Unaudited</i> <i>2015</i> <i>AED 000</i>	<i>Unaudited</i> <i>2016</i> <i>AED 000</i>	<i>Unaudited</i> <i>2015</i> <i>AED 000</i>
Investment income:				
Gain on disposal of available for sale investments	61,274	23,186	99,461	76,437
Gain on disposal of investments carried at fair value through income statement	2,165	7,638	4,851	12,270
Change in fair value of investments carried at fair value through income statement	(6,547)	(17,539)	986	(5,617)
Dividend income	<u>2,566</u>	<u>471</u>	<u>3,126</u>	<u>3,501</u>
Total investment gain	59,458	13,756	108,424	86,591
Foreign exchange and related derivative income	33,916	61,371	92,592	85,734
Derivative income	5,531	15,816	22,402	91,423
Gain on sale of investment properties	44,527	50,535	66,829	75,297
Rental income	31,703	27,246	62,551	53,409
Gain on sale of property and equipment	91	-	61	53
Gain on sale of an associate	-	-	-	15,100
Management fees on leasing properties	11,592	12,947	26,512	28,956
Other income	<u>6,993</u>	<u>7,538</u>	<u>9,775</u>	<u>18,175</u>
<b>Total</b>	<b><u>193,811</u></b>	<b><u>189,209</u></b>	<b><u>389,146</u></b>	<b><u>454,738</u></b>

**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>30 June</i>		<i>Six month ended</i> <i>30 June</i>	
	<i>Unaudited</i> <i>2016</i>	<i>Unaudited</i> <i>2015</i>	<i>Unaudited</i> <i>2016</i>	<i>Unaudited</i> <i>2015</i>
Profit for the period attributable to ordinary equity holders (AED 000)	1,305,305	1,451,631	2,637,619	2,868,968
Deduct: Interest on capital notes (AED 000)	<u>-</u>	<u>(31,661)</u>	<u>(20,355)</u>	<u>(63,674)</u>
Profit attributable to ordinary equity holders (AED 000)	<u>1,305,305</u>	<u>1,419,970</u>	<u>2,617,264</u>	<u>2,805,294</u>
Weighted average number of ordinary shares in issue (000's)	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>
Basic and diluted earnings per share (AED)	<u>0.29</u>	<u>0.32</u>	<u>0.58</u>	<u>0.62</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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## 18 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 3,126 thousand (30 June 2015: AED 3,501 thousand) recorded in the interim consolidated statement of income for the six-month period ended 30 June 2016.

## 19 DIVIDENDS

	30 June	
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>2016</i>	<i>2015</i>
	<i>AED 000</i>	<i>AED 000</i>
Dividends on ordinary shares declared during the six-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 issued in respect of 2015: AED Nil (2014: AED 0.15)	<u>-</u>	<u>600,000</u>
Dividends on ordinary shares paid during the six-month period:		
Final cash dividend	<u>4,355,150</u>	<u>3,765,735</u>

## 20 OFF-BALANCE SHEET ITEMS

### Commitments and contingent liabilities -

The Bank has the following commitments and contingent liabilities:

	<i>Unaudited</i>	<i>Audited</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2016</i>	<i>2015</i>
	<i>AED'000</i>	<i>AED'000</i>
<i>Contingent liabilities:</i>		
Letters of credit	15,631,344	14,192,933
Guarantees	<u>48,286,108</u>	<u>49,492,411</u>
	<u>63,917,452</u>	<u>63,685,344</u>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	5,428,047	7,502,799
Commitments for future capital expenditure	597,209	552,308
Commitments for future private equity investments	<u>870,716</u>	<u>769,398</u>
	<u>6,895,972</u>	<u>8,824,505</u>
<b>Total commitments and contingent liabilities</b>	<u><b>70,813,424</b></u>	<u><b>72,509,849</b></u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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> <i>30 June</i> <i>2016</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED'000</i>
<i>Derivatives held for trading:</i>		
Forward foreign exchange contracts	62,701,188	65,484,682
Interest rate swaps, caps and collars	44,839,702	46,038,951
Credit default swaps	167,926	203,236
Commodity linked swap	-	1,757,210
Equity swaps	69,253	151,346
Swaptions	1,985,106	1,720,650
Options	21,470,840	19,047,003
Futures	<u>532,216</u>	<u>843,164</u>
	<b><u>131,766,231</u></b>	<b><u>135,246,242</u></b>
<i>Derivatives held for hedging:</i>		
Interest rate swaps	9,432,867	6,313,596
Cross currency swaps	<u>5,851,218</u>	<u>7,356,650</u>
	<b><u>15,284,085</u></b>	<b><u>13,670,246</u></b>
Total	<b><u>147,050,316</u></b>	<b><u>148,916,488</u></b>

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

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

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

#### As of and for the six-month period ended 30 June 2016:

	<i>Wholesale Banking Group</i>						
	<i>UAE Operations AED 000</i>	<i>International Operations AED 000</i>	<i>Treasury &amp; Global Markets AED 000</i>	<i>Consumer Banking Group AED 000</i>	<i>Real Estate AED 000</i>	<i>Other Operations AED 000</i>	<i>Total AED 000</i>
Assets	<u>79,345,722</u>	<u>26,054,955</u>	<u>47,902,234</u>	<u>54,927,317</u>	<u>9,058,890</u>	<u>9,952,341</u>	<u>227,241,459</u>
Liabilities	<u>94,417,590</u>	<u>13,029,011</u>	<u>41,692,217</u>	<u>36,409,752</u>	<u>733,379</u>	<u>6,332,962</u>	<u>192,614,911</u>
Operating income excluding associates	<u>1,389,831</u>	<u>283,681</u>	<u>448,956</u>	<u>1,595,997</u>	<u>163,602</u>	<u>485,228</u>	<u>4,367,295</u>
Net interest income and income from Islamic financing	<u>968,585</u>	<u>156,327</u>	<u>226,845</u>	<u>1,309,668</u>	<u>-</u>	<u>489,339</u>	<u>3,150,764</u>
Share of profit from associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156</u>	<u>-</u>	<u>156</u>
Provision for impairment of loans and advances and available for sale investments	<u>(1,228)</u>	<u>(17,225)</u>	<u>(36,747)</u>	<u>(539,649)</u>	<u>-</u>	<u>(179,237)</u>	<u>(774,086)</u>
Profit attributable to equity holders of the Bank	<u>1,171,101</u>	<u>187,771</u>	<u>332,577</u>	<u>661,164</u>	<u>142,743</u>	<u>142,263</u>	<u>2,637,619</u>
<b>Other segment information</b>							
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,778</u>	<u>(16,071)</u>	<u>39,707</u>
Capital expenditure	<u>-</u>	<u>185</u>	<u>-</u>	<u>-</u>	<u>156,312</u>	<u>217,139</u>	<u>373,636</u>
Depreciation	<u>-</u>	<u>1,693</u>	<u>-</u>	<u>-</u>	<u>473</u>	<u>48,322</u>	<u>50,488</u>
<b>As of 31 December 2015:</b>							
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

30 June 2016 (Unaudited)

### 21 SEGMENTAL INFORMATION continued

As of and for the six-month period ended 30 June 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
<b>Assets</b>	<u>79,595,184</u>	<u>17,000,794</u>	<u>48,207,360</u>	<u>53,246,324</u>	<u>9,236,960</u>	<u>11,772,974</u>	<u>219,059,596</u>
<b>Liabilities</b>	<u>96,504,185</u>	<u>8,155,209</u>	<u>36,077,043</u>	<u>37,505,122</u>	<u>1,599,071</u>	<u>5,651,743</u>	<u>185,492,373</u>
Operating income excluding associates	<u>1,462,799</u>	<u>208,634</u>	<u>634,811</u>	<u>1,662,213</u>	<u>160,580</u>	<u>373,440</u>	<u>4,502,477</u>
Net interest income and income from Islamic financing	<u>930,870</u>	<u>127,399</u>	<u>386,043</u>	<u>1,359,318</u>	<u>-</u>	<u>392,528</u>	<u>3,196,158</u>
Share of profit from associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376</u>	<u>321</u>	<u>697</u>
Provision for impairment of loans and advances and available for sale investments	<u>(63,989)</u>	<u>(37,165)</u>	<u>-</u>	<u>(433,189)</u>	<u>-</u>	<u>(95,616)</u>	<u>(629,959)</u>
Profit attributable to equity holders of the Bank	<u>1,182,900</u>	<u>108,090</u>	<u>566,780</u>	<u>871,510</u>	<u>139,895</u>	<u>(207)</u>	<u>2,868,968</u>
<b>Other segment information</b>							
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,829</u>	<u>-</u>	<u>132,829</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,046</u>	<u>179,765</u>	<u>496,811</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>392</u>	<u>40,906</u>	<u>41,298</u>
<b>As of 31 December 2014:</b>							
<b>Assets</b>	<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>
<b>Liabilities</b>	<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

30 June 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 30 June 2016:

	<i>Level 1</i> <i>30 June</i> <i>2016</i> <i>AED 000</i>	<i>Level 2</i> <i>30 June</i> <i>2016</i> <i>AED 000</i>	<i>Level 3</i> <i>30 June</i> <i>2016</i> <i>AED 000</i>	<i>Total</i> <i>30 June</i> <i>2016</i> <i>AED 000</i>
<b>FINANCIAL ASSETS</b>				
<i>INVESTMENTS</i>				
<i>Carried at fair value through income statement</i>				
Investments in managed funds	-	58,466	-	58,466
Investments in equities – Quoted	60,388	-	-	60,388
– Unquoted	-	-	9,086	9,086
Debt securities	494,918	-	-	494,918
<i>Available for sale investments</i>				
Investments in equities – Quoted	91,832	-	-	91,832
– Unquoted	-	-	149,387	149,387
Investments in private equity funds	-	-	1,510,989	1,510,989
Debt securities – Quoted	16,815,872	-	-	16,815,872
– Unquoted	-	1,528,025	-	1,528,025
<i>For disclosure purposes - Held to maturity investments</i>				
Debt securities – Quoted	2,237,455	-	-	2,237,455
– Unquoted	-	1,075,939	-	1,075,939
	<u>19,700,465</u>	<u>2,662,430</u>	<u>1,669,462</u>	<u>24,032,357</u>
<i>DERIVATIVES – Positive fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	369,035	-	369,035
Interest rate swaps, caps and collars	-	817,401	-	817,401
Swaptions	-	32,022	-	32,022
Credit default swaps	-	800	-	800
Equity swaps	-	7	-	7
Options	-	616,301	-	616,301
Futures	2	-	-	2
<i>Derivatives held as fair value hedge-</i>				
Interest rate swaps	-	127,015	-	127,015
Cross currency swaps	-	119,076	-	119,076
	<u>2</u>	<u>2,081,657</u>	<u>-</u>	<u>2,081,659</u>
<i>DERIVATIVES – Negative fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	491,903	-	491,903
Interest rate swaps, caps and collars	-	802,577	-	802,577
Swaptions	-	24,211	-	24,211
Credit default swaps	-	751	-	751
Equity swaps	-	7	-	7
Options	-	720,119	-	720,119
Futures	275	-	-	275
<i>Derivatives held as fair value hedge</i>				
Interest rate swaps	-	232,310	-	232,310
Cross currency swaps	-	403,544	-	403,544
	<u>275</u>	<u>2,675,422</u>	<u>-</u>	<u>2,675,697</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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:

	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
<b>FINANCIAL ASSETS</b>				
<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  
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## 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 30 June 2016 AED'000</i>	<i>Audited 31 December 2015 AED'000</i>
<b>Tier I Capital</b>		
Equity attributable to equity holders of the Bank	34,203,853	35,903,632
Less: Positive cumulative changes in fair values	(635,995)	(410,638)
Less: Revaluation reserve	(280,601)	(280,601)
Less: Proposed cash dividends	-	(4,500,000)
<b>Total</b>	<u>33,287,257</u>	<u>30,712,393</u>
Non-controlling interests	422,695	400,439
Less: Goodwill and intangible assets	(183,757)	(194,517)
<b>Total (a)</b>	<u>33,526,195</u>	<u>30,918,315</u>
<b>Tier II Capital</b>		
Collective impairment provision on loans and advances	2,183,923	2,163,031
Cumulative changes in fair values	286,198	184,787
<b>Total</b>	<u>2,470,121</u>	<u>2,347,818</u>
<b>Eligible Tier II Capital (b)</b>	<u>2,470,121</u>	<u>2,347,818</u>
<b>Total capital base (a) + (b)</b>	<u>35,996,316</u>	<u>33,266,133</u>
<b>Risk-weighted assets:</b>		
Credit risk	174,713,838	173,042,446
Market risk	985,231	1,219,712
Operational risk	15,768,783	15,768,783
<b>Total risk-weighted assets (c)</b>	<u>191,467,852</u>	<u>190,030,941</u>
<b>Capital adequacy ratio {(a) + (b) / (c) x 100}</b>	<u>18.8%</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 other assets, due from banks and financial institutions, derivative income, foreign exchange and related derivative income, general and administrative expenses as well as fee and commission income and had no impact on the current and prior period profit and loss.

## **25 SUBSEQUENT EVENT**

On 3 July 2016, the Bank and National Bank of Abu Dhabi (“NBAD”) announced that their Boards of Directors unanimously voted to recommend to their shareholders to merge both banks. The proposed transaction will be executed through a share swap, with the Bank’s shareholders receiving 1.254 NBAD shares for each of the Bank’s shares they hold. Following the issue of the new NBAD shares, shareholders of the Bank will own approximately 52% of the combined bank and NBAD shareholders will own approximately 48%. On the effective date of the merger, the Bank’s shares will be delisted from the Abu Dhabi Securities Exchange.