Issuer Filing Information

First Gulf Bank P.J.S.C.

ISSUER FILING INFORMATION

Type of Information:	Issuer Filing Information
Date of Announcement:	30 March 2015
Company Name:	First Gulf Bank P.J.S.C. (the "**Issuer**")
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Notes to Investors:

1. TOKYO PRO-BOND Market is a market for professional investors, etc. (*Tokutei Toushika tou*) as defined in Article 2, Paragraph 3, Item 2(b)(2) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") (the "**Professional Investors, Etc.**"). Notes listed on the market ("**Listed Notes**") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Notes on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions after having carefully considered the contents of this document.

2. The regulatory framework for TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on Tokyo Stock Exchange, Inc. ("**Tokyo Stock Exchange**") website.

3. Tokyo Stock Exchange does not express opinions or issue guarantees, etc. regarding the content of this document (including but not limited to, whether this document contains (a) a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content) and shall not be liable for any damage or loss.

4. This Issuer Filing Information shall constitute and form the Issuer Filing Information (set forth in Article 27-32, Paragraph 1 of the FIEA as information set forth in Specified Exchange Regulations (as defined in Article 2, Paragraph 1, Item 1 of the Cabinet Office Ordinance on Provision and Publication of Information on Securities)).

5. All prospective investors who purchase the Notes should be aware that when they offer to purchase the Notes, they shall be required to enter into and agree the terms of a transfer restriction agreement with the Issuer and/or the person making a solicitation. The terms of such transfer restriction agreement provide that prospective investors agree not to sell, transfer or otherwise dispose of the Notes to be held by them to any person other than the Professional Investors, Etc., except for the transfer of the Notes to the following:

    (a) the Issuer or the Officer (meaning directors, company auditors, executive officers or persons equivalent thereto) thereof who holds shares or equity pertaining to voting rights exceeding 50% of all the voting rights in the Issuer which is calculated by excluding treasury shares or any non-voting rights shares (the "**Voting Rights Held by All the Shareholders, Etc.**" (*Sou Kabunushi Tou no Giketsuken*)) (as prescribed in Article 29-4, Paragraph 2 of the FIEA) of the Issuer under his/her own name or another person's name (the "**Specified Officer**" (*Tokutei Yakuin*)), or a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc., are held by the Specified Officer (the "**Controlled Juridical Person, Etc.**" (*Hi-Shihai Houjin Tou*)) including a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. are jointly held by the Specified Officer and the Controlled Juridical Person, Etc. (as prescribed in Article 11-2, Paragraph 1, Item 2 (c) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (MOF Ordinance No. 14 of 1993, as amended)); or

    (b) a company that holds shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. of the Issuer in its own name or another person's name.

6. When (i) a solicitation of an offer to acquire the Notes or (ii) an offer to sell or a solicitation of an offer to purchase the Notes (collectively, "**Solicitation of the Note Trade**") is made, the following matters shall be notified from the person who makes such Solicitation of the Note Trade to the person to whom such Solicitation of the Note Trade is made:

    (a) no securities registration statement (pursuant to Article 4, Paragraphs 1 through 3 of the FIEA) has been filed with respect to the Solicitation of the Note Trade;

    (b) the Notes fall, or will fall, under the Securities for Professional Investors (*Tokutei Toushika Muke Yukashoken*) (as defined in Article 4, Paragraph 3 of the FIEA);

    (c) any acquisition or purchase of the Notes by such person pursuant to any Solicitation of the Note Trade is conditional upon such person entering into an agreement providing for the restriction on transfer of the Notes as set forth in 6 above, (i) with each of the Issuer and the person making such Solicitation of the Note Trade (in the case of a solicitation of an offer to acquire the Notes to be newly issued), or (ii) with the person making such Solicitation of the Note Trade (in the case of an offer to sell or a solicitation of an offer to purchase the Notes already issued);

    (d) Article 4, paragraphs 3, 5 and 6 of the FIEA will be applicable to such certain solicitation, offers and other activities with respect to the Notes as provided in Article 4, paragraph 2 of the FIEA;

    (e) the Specified Securities Information, Etc. (*Tokutei Shouken Tou Jouhou*) (as defined in Article 27-33 of the FIEA) with respect to the Notes and the Issuer Information, Etc. (*Hakkosha Tou Jouhou*) (as defined in Article 27-34 of the FIEA) with respect to the Issuer have been or will be made available for the Professional Investors, Etc. by way of such information being posted on the web-site maintained by the TOKYO PRO-BOND Market (http://www.tse.or.jp/rules/probond/index.html or any successor website), in accordance with Articles 210 and 217 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities of the Tokyo Stock Exchange; and

    (f) the Issuer Information, Etc. will be provided to the Noteholders or made public pursuant to Article 27-32 of the FIEA.

7. In this document, unless otherwise specified, references to "**Abu Dhabi**" herein are to the Emirate of Abu Dhabi; references to the "**Government**" herein are to the government of Abu Dhabi; and references

to the "**UAE**" herein are to the United Arab Emirates.

As used in this document, the term "**billion**" means one thousand million (1,000,000,000).

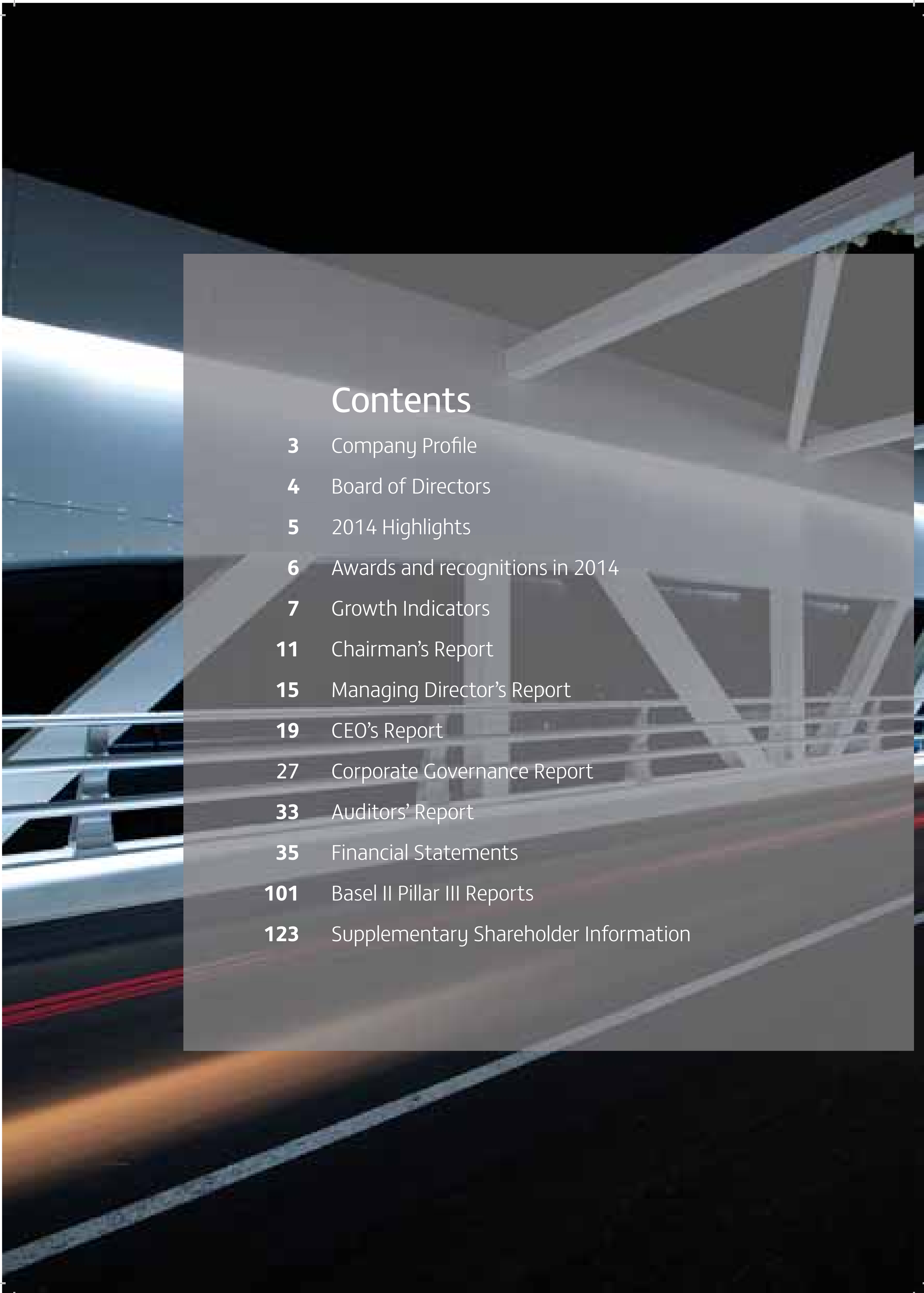
In this document, references to "**US$**" are to United States dollars being the legal currency for the time being of the United States of America; and references to "**AED**" are to U.A.E. dirham being the legal currency for the time being of the U.A.E. The dirham has been pegged to the U.S. dollar since 22 November 1980.

ANNUAL REPORT 2014

His Highness Sheikh Khalifa Bin Zayed Al Nahyan
President of the United Arab Emirates

His Highness General Sheikh Mohamed Bin Zayed Al Nahyan
Crown Prince of Abu Dhabi
Deputy Supreme Commander of the UAE Armed Forces

His Highness Sheikh Tahnoon Bin Zayed Al Nahyan
Chairman



Contents

3 Company Profile

4 Board of Directors

5 2014 Highlights

6 Awards and recognitions in 2014

7 Growth Indicators

11 Chairman’s Report

15 Managing Director’s Report

19 CEO’s Report

27 Corporate Governance Report

33 Auditors’ Report

35 Financial Statements

101 Basel II Pillar III Reports

123 Supplementary Shareholder Information

Company Profile

FGB is one of the leading banks in the United Arab Emirates. It is the number one bank in the UAE in net profits for 2014, for the second year in a row, and the number three by total assets.

The Bank offers a full range of financial products and services through its Wholesale & International, Consumer and Treasury & Global Markets businesses and is focused on achieving its mission to be the 'First' choice for customers.

Internationally, FGB operates through branches in Singapore and Qatar, representative offices in India, Hong Kong, South Korea and the UK, and a subsidiary in Libya.

In 2014, FGB was named the 'Best Bank in the United Arab Emirates' and 'Best Wealth Management Firm' at the Banker Middle East Industry Awards. It was also ranked as the 8th most powerful company in the Arab World in Forbes' 'Top 500 companies in the Arab World' list. FGB was also recently recognised as an "Employer of Choice" at the GCC Best Employer Brand Awards 2014, and has been honoured in the SME Banking Sector category of the inaugural Enterprise Agility Awards.

FGB is committed to the development of the UAE and its people and supports initiatives that have a positive and sustainable impact on the communities it operates in.

FGB is rated among the strongest financial institutions in the Middle East: A2 by Moody's, A+ by Fitch, A+ by Capital Intelligence and AAA by RAM Ratings of Malaysia.

Established in 1979, FGB has been listed on the Abu Dhabi Securities Exchange (ADX) since 2002.

Board of Directors

H.H. Sheikh Tahnoon Bin Zayed Al Nahyan	Chairman
Ahmed Ali Al Sayegh	Vice Chairman
Abdulhamid Mohammed Saeed	Board Member & Managing Director
Khaldoon Khalifa Al Mubarak	Board Member
Sultan Khalfan Al Ktebi	Board Member
Mohamed Saif Al Suwaidi	Board Member

Geographic footprint

21 Branches in the UAE
2 Branches overseas
4 Rep Offices
1 Subsidiary

2014 Financial highlights

Net Profit year-on-year growth	**18.5%**
Cost-to-Income ratio	**23.1%**
Return on Average Equity	**17.3%**
Return on Average Assets	**2.8%**
Capital Adequacy Ratio	**17.5%**
Market Capitalization (as of December 31st, 2014)	**AED 66.3Bn**

2014 Operational highlights

Number of employees as of Dec 31st, 2014	**1,454**
Number of Branches as of Dec 31st, 2014	**21**

Awards and recognitions in 2014

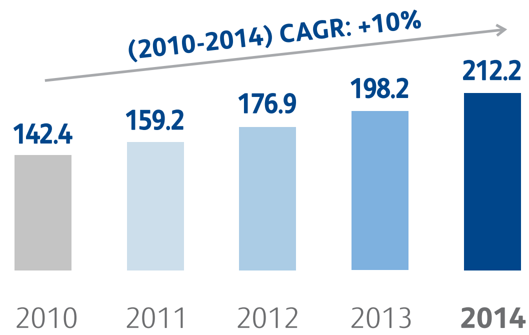
Award	By
Best Investor Relations by CFO in the Middle East Best Company for Corporate Access in the Middle East	Middle East Investor Relations Society (ME-IRS) Conference and Awards
SME Banking Sector Category Award at the Enterprise Agility Awards	Entrepreneur Middle East
Best Practice Investor Relations – UAE Commercial Bank of the Year – UAE	International Banker Middle East and Africa - 2014 Awards
Best Bank Award for Trade Finance and Corporate Banking	Cash Management Matters - 2014
“Employer of Choice” at the GCC Best Employer Brand Awards 2014	GCC Best Employer Brand Awards 2014
“New Market Trailblazer of the Year” For Bancassurance	MENA Insurance Awards
Best Premium Banking Service Best Bancassurance Product	Banker Middle East Product Awards UAE 2014
Best Bank in United Arab Emirates Best Wealth Management firm	Banker Middle East Industry Awards
Ranked 8th on the “Top 500 Companies in the Arab World” list 2014 (4th leading bank and 2nd leading UAE bank)	Forbes Middle East

Long term credit ratings

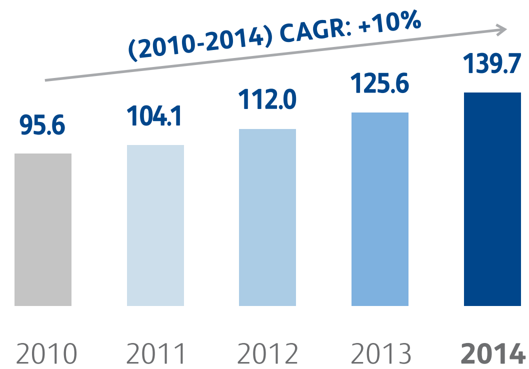
Agency	Long term rating	Outlook
Moody’s	**A2**	**Stable**
Fitch Rating	**A+**	**Stable**
Capital Intelligence	**A+**	**Stable**

Growth Indicators 2014

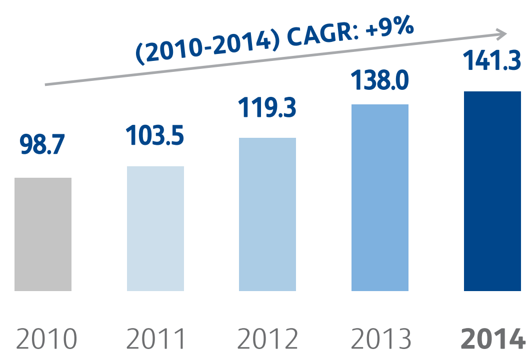
Total Assets
(in AED bn)



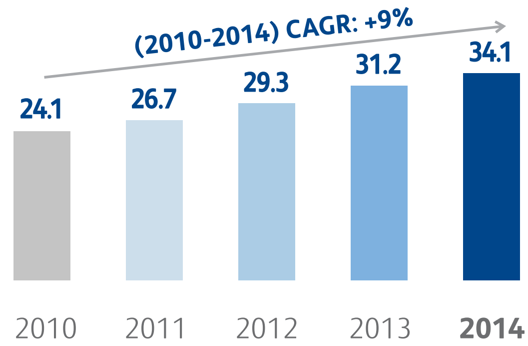
Loans and advances
(in AED bn)



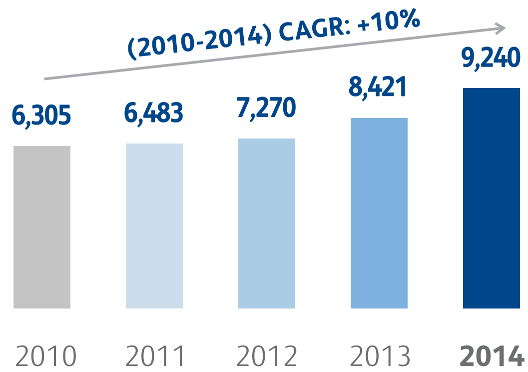
Customer Deposits
(in AED bn)



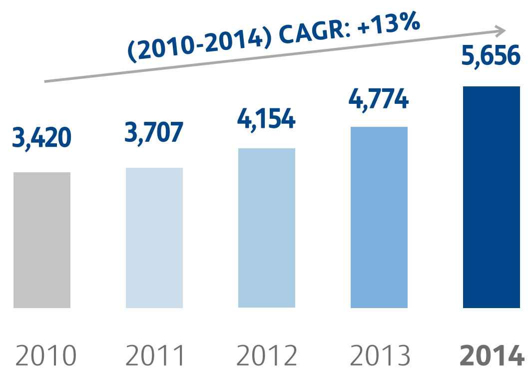
Shareholders' equity
(in AED bn)



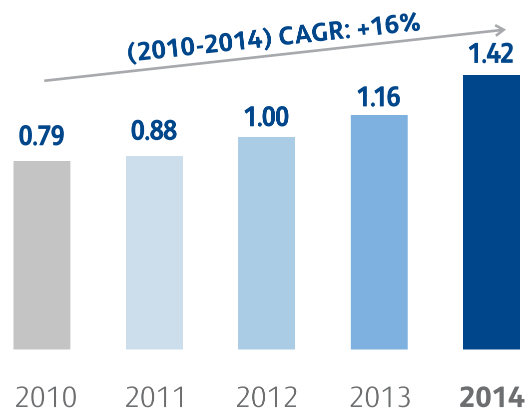
Revenues
(in AED mn)



Net Profit
(in AED mn)



Earnings Per Share
(in AED)



"Our success is founded upon the strength of our partnerships – with our shareholders, customers and correspondent banks – and we would like to thank in particular the UAE Central Bank."

Tahnoon Bin Zayed Al Nahyan
Chairman

Chairman's Report

On behalf of the Board of Directors, I am pleased to present to our shareholders the Audited Financial Statements of FGB for the year ended 31 December 2014, reflecting our continued success by delivering record profits. Notably, the year 2014 marked our 35th anniversary as we continued to make significant progress towards achieving our long term strategic plans.

The nation's favorable operating environment again contributed to our strong performance. The United Arab Emirates (UAE) 2014 GDP grew by 4.7% on the back of continued government spending and positive trends in the tourism, transport and trade sectors. For the UAE economy, the early part of 2014 was a period of consolidation as core economic sectors continued to perform well amidst challenging regional and global conditions. In the second half of the year, oil prices dropped to five-year lows, creating a testing environment that sees the UAE again display its resilience as continued economic diversification, comfortable reserves and a solid regulatory framework help it carry on with its development plans.

According to the International Monetary Fund (IMF), lower oil-related revenues would translate to real GDP growth of 3.5% in the UAE for both 2015 and 2016, driven by the sustained and ongoing strength of non-oil economic growth.

In a global context, the UAE continues to stand out as an unrivaled and highly competitive regional hub, as evidenced by its position as the only Arab country in the top 20 of the World Economic Forum's Global Competitiveness Index Report.

Looking at the UAE banking industry, private sector credit growth continued to strengthen during 2014. This, combined with ample liquidity, robust capital levels and improving asset quality indicators, contributed to support earnings growth throughout the year.

Against the background of a positive UAE economic outlook, FGB will remain focused on enhancing capabilities within core banking businesses, optimising synergies across the FGB group and maintaining prudent international expansion. Our customer driven enhancements will continue at pace, and we will maintain our disciplined and sustainable growth focus.

I am pleased to report that FGB achieved a full year net profit of AED 5.66 billion in 2014, an increase of 18% compared to AED 4.77 billion in 2013. We have strengthened our position as one of the leading banks in the UAE, validated by the numerous industry awards won in 2014, including "UAE Bank of the Year" from 'The Banker' for a second year in a row.

In light of our strong financial performance, the Board of Directors recommended the distribution of 100% cash dividends and 15.38% bonus shares. This implies total cash dividends of AED 3.9 billion for the year 2014, compared with AED 3.0 billion in 2013. Once again, FGB's dividend distribution was the highest among the UAE's leading banks in 2014.

I would like to express my gratitude, as well as that of our Board, to the President of the United Arab Emirates, Sheikh Khalifa Bin Zayed Al Nahyan for his leadership and inspiration to our nation.

We also thank His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister and the Ruler of Dubai, His Highness Sheikh Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and their Highnesses and all members of the Supreme Council for their support and guidance.

Our success is founded upon the strength of our partnerships – with our shareholders, customers and correspondent banks – and we would like to thank in particular the UAE Central Bank.

Finally, I would like to express my gratitude to our employees, whose dedication and contribution were at the heart of our success, and I look forward to our future achievements together.

Tahnoon Bin Zayed Al Nahyan
Chairman

“We would like to take this opportunity to thank our shareholders for their support in 2014 and we look forward to the future with excitement and optimism.”

Abdulhamid Mohammed Saeed
Managing Director

Managing Director's Report

FGB achieved a number of key milestones in 2014 that strengthen our position as one of the leading banks in the region. In this message, I am proud to highlight the progress we made in 2014 towards achieving our strategic ambitions, and to set out our plans for 2015 and beyond.

I will start with FGB's new brand identity and the 'Be First' positioning, which we proudly unveiled last year. Beyond the identity change, we reviewed our corporate values ensuring that our guiding principles drive and complement our long term strategic ambitions.

This further demonstrates our strong determination to take the FGB growth story to the next level, both in the UAE and abroad. Our solid performance in 2014 was a direct result of a strengthened business model where greater emphasis was put on building specialisation and optimising synergies within the Group. With this, we are able to serve our customers better, offering them a seamless experience across businesses and geographies, while supporting the diversification of our revenue streams. Thanks to these important initiatives and our firm commitment to customer-centricity, FGB is in a unique position to harness its full potential and compete effectively in an ever-evolving and challenging operating environment.

Today, FGB has three solid core businesses; the Wholesale and International Banking Group (WBG), the Consumer Banking Group (CBG) and the Treasury & Global Markets Group (T&GM). Each one of these businesses has undergone considerable changes during 2014:

The Wholesale & International Banking Group adopted a new operating model by establishing four distinct product platforms: Debt Markets, Global Transaction Services, Wholesale Islamic Finance and Corporate Finance. Within the Consumer Banking Group, a heightened focus on innovation, technology and customer-centricity were the key drivers of a strong performance, allowing FGB to maintain its leading position as one of the top retail banking franchises in the UAE. The Treasury & Global Markets Group has transitioned from a traditional treasury business, managing the liquidity of the bank, into a diversified revenue-generating product engine. Today, we have a world class T&GM platform which is being leveraged across all businesses to ensure comprehensive client coverage. Last but not least, we ensured seamless integration of our new subsidiaries Dubai First and Aseel Islamic Finance, as they perfectly complement and add value to the FGB Group's existing operations.

Our client-focused strategy is enabling us to play to our strengths. While remaining deeply rooted in the UAE, we are also selectively expanding our franchise internationally to service our chosen clients in specific markets. Accordingly, during 2014 we were proud to open new representative offices in London and Seoul and we started offering our Global Wealth Management Services out of our Singapore branch.

We strengthened our liquidity profile during the year with an enhanced focus on diversifying sources of funding. Notably, five issuances in four different currencies totaling AED 1.7bn were completed during 2014, and FGB was the first MENA issuer on the Tokyo Pro-Bond market.

Looking to the future, we remain committed to generating solid and sustainable growth while putting customers first. This relies on our own people to deliver the FGB brand promise and we strive to recruit, develop and retain a talented workforce in alignment with our values. Key to this, our Business School continues to enhance employee growth, and I am proud that our Nujoom graduate programme successfully nurtured 18 talented young UAE nationals who graduated from the course last year, adding to the new talent joining the Bank to enhance our institutional knowledge, experience and ambitions.

This investment in our people, coupled with our continued focus on business efficiencies through technology enhancements, is critical to support future scalability and performance, as well as to provide differentiation in a highly competitive environment.

We would like to take this opportunity to thank our shareholders for their support in 2014, and we look forward to the future with excitement and optimism.

Abdulhamid Mohammed Saeed
Managing Director

“Our focus remains on continuing to grow our balance sheet in a controlled manner, diversifying our sources of income, and expanding our product and client base in addition to our geographical presence.”

André Sayegh
Chief Executive Officer

CEO's Report

Dear Stakeholders,

I am very pleased to announce that in 2014, we witnessed another successful year, marking 15 years of steady asset growth and increasing profitability for FGB. Among other factors, our continued and consistent success is due to our special focus on balance sheet management and planned business growth, as well as to a committed and determined leadership. Our robust performance in 2014 was driven by positive forward momentum across all lines of business, ongoing revenue diversification, continued cost control and a disciplined risk approach.

2014 in Review

At the close of 2014, our net profit amounted to AED 5.66 billion, representing an 18% increase on 2013 figures. Growth was attained for all business groups - each of the Wholesale & International Banking Group and the Consumer Banking Group generated 38% of revenues, while the Treasury & Global Markets Group contributed 13%. The remaining 11% of revenues was generated by subsidiaries and associates.

We were very pleased with the steady progress of WBG's international operations, which contributed 5.6% of our overall revenues. With plans to expand into China in the near future, in addition to our recent expansion activities in South Korea and London and upgrading our presence in India, we are expecting increased future revenue from our overseas operations.

During 2014, revenues increased by 10% to AED 9.24 billion. Net Interest and Islamic Financing income grew by 8% to AED 6.47 billion. As predicted, surplus liquidity in the UAE banking system and increasing competition continued to put pressure on Net Interest Margins (NIMs) in the last quarter of the year. Nevertheless, NIMs only reduced by 10 basis points Year-on-Year to 3.6% as of December-end 2014.

Total Shareholders' Equity amounted to AED 34.1 billion as of December-end 2014, up 9% compared to the same period last year. The bank's capital base remained robust, with a Capital Adequacy Ratio of 17.5% and a Tier 1 capital of 16.2% after dividend distribution. Earnings per Share increased by 22% Year-on-Year to AED 1.42.

Our liquidity, measured by our loan to deposit ratio, remained strong throughout the year landing at 98.9% as of December-end 2014. Due to FGB policy, which is built on strong Credit and Risk acceptance criteria, our asset quality remained healthy with the ratio of non-performing loans improving to 2.5% in 2014, down from 3.3% in 2013, with an enhanced provision coverage ratio at 126.7%.

Our success in 2014 came to confirm that the repositioning of our businesses, which started in 2013, focusing on three core pillars (namely Wholesale & International Banking, Consumer Banking and Treasury & Global Markets), is leading us towards attaining our stated objectives.

Furthermore, aligned with our efforts to refocus on our core business areas, we signed a Share Purchase Agreement with Integrated Financial Group (IFG), a subsidiary of Abu Dhabi Financial Group (ADFG), for the sale of the bank's 45% stake in the brokerage firm First Gulf Financial Services.

With regards to our international activities, we enacted our first issuance in the Australian market through our debut 'Kangaroo' 5-year bond, which has proven to be very successful garnering a high level of interest from international investors. In Singapore, we concluded a Negotiable Certificate of Deposit (NCD) programme, the first by a Middle Eastern bank in the Asia Pacific (APAC) market. We had also concluded a 5-year JPY10 billion bond as part of the USD 1 billion Tokyo Pro-Bond Market programme registered by the bank.

FGB is determined to maximise value for its client groups, and our shareholders' trust and confidence over the years has led us to become the second largest UAE bank by market capitalisation, recorded as AED 66.3 billion as of December-end 2014. In addition, our stock is receiving even more interest from international institutional investors and EM portfolio managers since we were included in the MSCI Emerging Market index in June 2014.

Reflecting our culture and drive for success, our new 'FGB' brand identity and our 'Be First' slogan, supported by our strong set of values, provide a solid platform for growing our business. The FGB brand supports our strategy – to focus on ensuring that the customer sits at the heart of everything we do, driving specialisation, diversifying product portfolios and enhancing performance.

Our successes and innovative spirit did not go unnoticed. In 2014, we received numerous awards and recognitions, including securing runner-up position in the 'Best Trade Finance Bank in the Middle East & North Africa' category of the Global Trade Review's 2014 'Leaders in Trade Awards'. FGB scooped the title despite facing stiff competition from a host of banks operating across the MENA region, and is the top local bank in this category.

We were also named 'New Market Trailblazer of the Year' at the prestigious 2014 MENA Insurance Awards ceremony, won two Banker Middle East

UAE Product Awards 2014 in the 'Best Premium Banking Service' and 'Best Bancassurance Products' categories, and two 2014 Banker Middle East Industry Awards, including 'Best Bank in United Arab Emirates', for the second year running, and 'Best Wealth Management Firm'. Furthermore, Forbes Middle East magazine ranked FGB as the 8th most powerful company in the Arab World in its 'Top 500 companies in the Arab World' rankings.

The Business Groups:

Wholesale and International Banking Group

Our success and growth this year is a clear endorsement of our 'client first' strategy, and a particular focus within our group to grow both our expertise and breadth of operations.

The WBG group ended the year recording AED 3.48 billion in revenues, a 7% increase from last year. Total assets recorded a 13% increase from last year to AED 91.3 billion. We have made a number of remarkable achievements in several areas. Notably, and despite growing competition in the sector, FGB took the number one spot in the UAE syndicated loan league table (up from 10th in 2013). In addition, we ranked 2nd on the 2014 MENA Loan Mandated Arranger League tables, up from 34th position last year. Also, and for the very first time, FGB's Debt Markets Platform was involved as book runner in a number of key transactions, such as the EMAAR Malls bond and the Mubadala GE 144A bond.

Diversification is still a key theme, and we worked on applying it to our clients, products and geographies, making important advances in each of those areas, where we successfully broadened many of our funding sources.

On the international front, we have enhanced our global presence in two important markets, Seoul and London, in addition to refocusing our Financial Institutions Coverage Group so that we can support our clients in countries where they are active. Our international growth strategy was validated by global locations, providing 15% to WBG Revenues during 2014. We continue to seek further expansion in the near future as we evolve to meet clients' needs, particularly in Asia.

We have also invested in new product capabilities across four key streams; Global Debt, Global Transaction Services, Wholesale Islamic Finance, and the recently launched Corporate Finance business. In addition, we made significant investments in platforms necessary to deliver the cash and trade business across four main areas; cash management, trade finance, channels and client services.

Another key highlight is the ongoing upgrade of our Global Transaction Services business in order to move from "plain vanilla", traditional cash and trade offerings, to include more structured trade finance propositions to customers in the UAE and abroad.

In 2014 we grew our presence in the airline sector, most notably in aircraft financings related to Boeing 787, Airbus A320, and Airbus A380 deliveries for Etihad Airways, providing a funding package for the acquisition of Boeing 777-300ER aircrafts on behalf of Emirates Airlines, and participating in a club finance lease related to Airbus A320 deliveries for Air Arabia.

With a clear strategy in place, new talent and expertise within the team, and greater growth plans for the coming year, we are optimistic that we will maintain strong results in 2015 as we continue to work on enhancing our unique offering and refining our competitive edge. Our aim is to build on the key achievements of 2014 and to continue to enhance WBG offerings and develop further synergies and efficiencies with the rest of the organisation to ensure the group's long-term competitiveness.

Consumer Banking Group

Our Consumer Banking Group continued to present a solid performance throughout 2014, returning positive growth revenues of AED 3.53 billion, representing a 4% increase from 2013. Growth was registered for both Assets, which expanded by 7% to AED 49.9 billion, and Customer Deposits which expanded by 10% to AED 37 billion. We are proud to have made important achievements across all businesses in the UAE. Our international footprint now includes the recent establishment of our booking centre in Singapore, to provide wealth customers with greater access to opportunities in the Asia Pacific region, while connecting customers in Singapore to the UAE.

Our customers lead everything we do as a bank; we always strive to put them first. We have rolled out several customer centric products and services across the consumer banking sector. The diverse range of CBG's products was recognised by the industry with two Banker Middle East UAE Product Awards 2014 in the 'Best Premium Banking Service' and 'Best Bancassurance Products' categories. For the second year in a row, FGB was also named the 'Best Wealth Management Firm' at the 2014 Banker Middle East Industry Awards.

FGB have focused on enhancing our Customer Care Unit operations for the swift resolution of any customer issues that arise. Significant improvements were made to our existing digital & online capabilities and the ATM network. These new e-services offer more channels through which customers can reach us thereby expanding our accessibility whilst ensuring that we keep up to date digitally to make sure that our services are genuinely innovative and competitive.

FGB will remain focused on driving our business forward through our proven Consumer Centric model, to enhance our customers' experiences, and broaden our products & services, with a strong focus on Revenue, Customer Growth and Profits.

Treasury and Global Markets Group

We entered 2014 with a clear goal; growing our Treasury function into a fully-fledged Global Markets business. In order to achieve this, we have invested in creating stronger partnerships between the Treasury and Global Markets Group and the bank's other businesses. This approach has been applied to all our operations and, even against a backdrop of highly volatile global and regional markets, we are beginning to reap the benefits of a much more efficient business approach as a result.

Our T&GM group performed solidly over the past year. By the end of 2014, the group had contributed AED 1,227 billion to FGB's overall revenue, achieving 10% year-on-year growth. Five issuances in four different currencies totaling AED 1.7bn were completed during 2014, and FGB was the first MENA issuer on the Tokyo Pro-Bond market as we continued to apply our strategy of diversifying our income sources from the Middle East, Europe, Australia and Asia.

To enhance customer benefit, we have been expanding our product range through adding commodities and risk management solutions to our offerings, and by expanding our international reach in areas such as Singapore. We have also increased our operating hours and launched a new informational portal for our clients – FGB Insight.

Moving forward, we will continue to operate in line with our successful 2014 strategy. We will continue to sustainably expand our global footprint, looking into new emergent markets and grow our client base, not just from other FGB businesses, but also from sectors we have not yet penetrated. We will ensure that we are in line with all current and potential Central Bank regulations, such as the forthcoming Basel III glide-path on the Liquidity Coverage Ratio, which we are now compliant with.

Aseel Islamic Finance

We welcomed Aseel Islamic Finance into our FGB family with the acquisition of the entity as a fully owned subsidiary of FGB. With a strategic direction to offer a wider range of Sharia-compliant products in the UAE, Aseel announced a number of product launches in 2014.

A key focus for operations was the SME segment, where we identified a clear gap in funding options that were being provided to this group. We released our Business Finance Solutions for small and medium-sized enterprises to help them in managing their cash-flow requirements, in addition to our Aseel Business Credit Card, which assists SME owners in tracking their expenses. The product offers users a grace payment period up to 51 days to support their business cycles and operations. We continued to support the UAE's real estate sector, which was our core area prior to the acquisition.

Moving into 2015, we will stay true to our brand promise of providing fully-fledged Sharia-complaint banking solutions to UAE residents. We will continue to grow our product and client portfolio, and will work towards creating strategic alliances with key parties to offer our customers innovative services.

Dubai First

Dubai First is continually looking at ways to incorporate Dubai's most important trends into its operations, such as developing products that support the tourism, trade and real estate sectors of the Emirate. We also believe that we need to support the growing SME market, which will be a focus during 2015.

Looking forward, we aim to work towards enhancing our corporate governance framework, increasing our market visibility and increasing our product suite.

Business Support:

Human Resources

Our team is at the heart of our success, and we are committed to enhancing our employees' capabilities to enable our business and our people to grow together.

The FGB Business School continues to provide staff members with innovative banking, managerial and functional courses and over 90% of employees enrolled in our different programmes in 2014. We also implemented a bank-wide education programme, Service First, to help us in meeting our customers' requirements and ambitions in line with our 'Be First' brand.

We remain committed to increasing the number of Emiratis employed in the financial and banking sector, and are continuing to invest in our UAE national employees, notably via our Al Masar programme, which focuses on preparing our junior Emirati talent for more senior roles. Furthermore, we are overseeing the career progress of 24 Nujoom graduates (our fast-track management trainee programme) who are currently working in different divisions in the bank.

The bank's efforts on this front have been recognised internally and externally. Our annual engagement survey showed, once again, that our employees exhibited strong commitment to the organisation. FGB also received the 'Employer of Choice' title at the GCC Best Employer Awards 2014, which is organised by the Employer Branding Institute and endorsed by the Asian Confederation of Businesses.

Information Technology

During 2014, our Information Technology department's new leadership team strategically focused on providing a work environment that is efficient, products that meet customer needs, and on enhancing people's IT skills across the company.

We have developed a roadmap to transform the current technological infrastructure and to support the implementation of FGB's key strategic themes. We have also launched various tools to promote employee productivity and multiple business solutions to enhance customer experience.

Moving forward, IT will continue to work on various initiatives such as implementing our new Customer Relationship Management (CRM) system, and on taking active steps towards the digital transformation of our bank's operations.

Enterprise Risk Management

We have established a robust Enterprise Risk Management (ERM) framework to manage and optimise risks across the FGB Group in an integrated manner. The system focuses on supporting the strategic alliance and solid co-operation of all the bank's business groups, maintaining solid capital and liquidity rates and a robust portfolio, in addition to applying diligent risk management practices, whilst abiding with all the Central Bank's policies and other regulatory requirements.

Our ERM strategy was developed in line with international best practices, allowing for a holistic, unified risk management approach across the bank's operations.

We are proud of the key achievements that we've made throughout the year. In addition to formalising our Risk Appetite framework across the group, we updated our Corporate Governance policy and held a thorough review of our Compliance and Information Security framework by benchmarking it against global examples.

Looking ahead, we will continue to build on our ERM framework, in all areas, whilst placing an increased emphasis on Legal and Fraud risk management frameworks.

Looking Ahead

Our strategy in 2014 has proven to be very successful, and we will continue to work along the same principles throughout 2015.

Our focus remains on continuing to grow our balance sheet in a controlled manner, diversifying our sources of income, and expanding our product and client base, in addition to our geographical presence. Customers will continue to be at the heart of all our operations, our values and our brand.

Over the next three years, we will remain focused on enhancing and specialising our core business activities, in addition to capitailsing on synergies between our business groups. The important milestones achieved in 2014, coupled with our medium term strategic roadmap, will help ensure that FGB's success story is a sustainable one as the bank continues to turn challenges into opportunities in an ever-evolving operating environment. We will continue to be creative and innovative in the sector, consistently setting ourselves apart from our peers.

I would like to thank the staff and management of FGB for their contributions and efforts in 2014, which have placed us in the solid position we are in today.

I would also like to thank the Central Bank for its continued guidance and support, and to thank our shareholders for their continued trust in their bank.

André Sayegh
Chief Executive Officer

Corporate Governance Report

Corporate governance is the system by which companies are directed and controlled and its purpose is to facilitate effective and prudent management that can deliver the long-term success of a company. Good corporate governance is about effective management and behaviour. A well-considered and established corporate governance framework provides improved decision making within an organization and also helps establish better relations with its stakeholders through improved transparency and better quality disclosures. First Gulf Bank Group (FGB) recognizes the importance of corporate governance and has implemented a clear corporate governance framework based on international best practices and applicable regulatory guidelines, including those of the Central Bank of the UAE (CBUAE). Development of the framework is closely aligned with FGB's strategic objectives of international expansion, strict regulatory compliance and high levels of individual and collective accountability within the organisation. The framework also defines a code of conduct with which all the employees within the organisation must comply.

The Corporate Governance framework at FGB serves as a guide for employees, management and the Board for the corporate governance principles and practices to be followed at FGB Group. The framework aims to create an organisation maximising value for shareholders and stakeholders in a fair manner and create confidence among depositors, investors and other stakeholders, ensuring FGB Group's commitment to work in a fair and transparent manner. It has been reviewed and approved by the Board of FGB Group and provides a clear responsibility and accountability structure for the Board, Board members, Board Committees, Management Committees and control functions within the organisation. The framework has been documented in the form of a Corporate Governance manual which is reviewed and updated on an annual basis.

FGB's Articles of Association (AoA) set out the requirements for the numeric composition of the Board. The shareholders are responsible for electing the Board for a determined term. The Bank's Board must have at least 3 and up to 15 members as per the company's AoA. The Board Remuneration and Nomination Committee (REMCO) identifies and nominates candidates to ensure appropriate succession planning and makes appropriate recommendations to the Board. The composition of the Board is guided by the following principles:

1. The Board should have Independent Directors so that it can exercise objective judgment on affairs relating to FGB. The Board's decision making should not be dominated by any particular individual or small group of individuals. The number of Independent Directors in the Board should at least be one third of total Directors (the majority should be Non-Executive Directors) and can be raised to a majority in line with best practices;
2. The Chairman of the Board is a Non-Executive Director of the Bank. The Bank should consider appointment of one of the Independent Directors as a lead Independent Director to bring in independent leadership on the Board if the Chairman is not independent;
3. The position of the Chairman of the Board and that of the Managing Director (MD) or Chief Executive Officer (CEO) of FGB may not be held by the same person;
4. The Board comprises of Directors with a broad range of expertise, skills and experience from a diverse range of backgrounds including sufficient skills, knowledge and experience appropriate to the Bank's business.

Current Board membership includes the following Board members:
H.H Sheikh Tahnoon Bin Zayed Al Nahyan (Chairman of Board of Directors, Non-Executive)
Ahmed Ali Al Sayegh (Vice Chairman and Board member, Non-Executive)
Abdulhamid Mohammed Saeed (Managing Director and Board member, Executive)
Khaldoon Khalifa Al Mubarak (Board member, Non-Executive)
Sultan Khalfan Al Ketbi (Board member, Non-Executive)
Mohamed Saif Al Suwaidi (Board member, Non-Executive)

In accordance with FGB's approved Corporate Governance framework, the Board of Directors have overall responsibility for FGB including approving and overseeing the implementation of its strategic objectives, risk strategy, corporate governance framework and corporate values. The Board is also responsible for providing oversight and challenge of Senior Management across a range of matters including its execution of the agreed strategy. The following section lists the broad responsibilities of the Board of Directors and the Board Chairman at FGB Group.

Roles and responsibilities of Board of Directors:

1. Appreciation of legitimate interests of shareholders, depositors and other stakeholders;
2. Approving the overall strategy of FGB Group and safeguarding its interests;
3. Ensuring fair and timely release of material information to the market;
4. Ensuring that all material policies are duly revised, documented and approved;
5. Ensuring there is clear organisation structure in terms of authority and responsibility for the Board Members and Senior Management;
6. Ensuring smooth succession planning for Board and Senior Management;
7. Ensuring a strong corporate governance framework for FGB;
8. Ensuring a strong control framework for FGB including risk management and audit, and
9. Guarding against any conflict of interest in dealings with FGB.

Roles and responsibilities of Board Chairman:

1. Timely distribution of relevant background information to all Directors ahead of Board meetings;
2. Ensuring effective implementation of Board decisions;
3. Ensuring effective communications with shareholders;
4. Overseeing the regular assessment of the effectiveness of the Board's performance;
5. Ensuring constructive relations between members of the Board;
6. Addressing development needs of individual Directors and the Board as a whole;
7. Succession planning for Board appointments with the help of REMCO; and
8. Ensuring that the Board has relevant knowledge of banking along with financial and accounting expertise.

Board Committees

To implement the strategy in an efficient manner and to support the Board, specialised board committees have been formed to fulfill specified responsibilities. The number and nature of such committees may vary from time to time, depending on the nature of the activities of FGB and its risk profile. Currently, FGB Group has four Board level committees:

1. **Remuneration and Nomination Committee:** The Remuneration and Nomination Committee (REMCO) comprises three members of the Board, including the MD. The members of the REMCO hold office until the next AGM and are eligible for re-appointment. REMCO has the overall responsibility of setting the criteria and processes for identification of candidates for the BOD, Board level committees and Senior Management. The committee recommends the appointment or termination of any Director to the Board and ensures a smooth succession of Board and Senior Management. The committee takes care of the performance assessment of the Board and key management personnel. Along with the Board members, the REMCO also comprises CEO of FGB and Head of Human Resources. The committee approves and oversees reward design and ensures that the reward is appropriate and consistent with the Bank's culture, business and risk strategy, performance and control environment, as well as with any legal or regulatory requirements. REMCO also oversees the bank's HR policies and rewards policy framework. The composition, guiding principles and detailed roles and responsibilities are covered in the REMCO charter.

2. **Executive Committee:** The Executive Committee (EC) comprises three members of the Board, including the Managing Director. The members of the EC hold office until the next AGM and are eligible for reappointment. The EC, on behalf of the Board is responsible for overseeing the regular business of the FGB Group. Along with the Board members, the EC also comprises the CEO of FGB. The EC oversees the bank's overall management and ensures that the bank's business policies and practices are in line with the bank's business interests and are in alignment with sound corporate governance and compliance standards, including the provisions of the UAE Central Bank. The composition, guiding principles and detailed roles and responsibilities are covered in the EC charter.

3. **Risk and Compliance Management Committee:** The Risk and Compliance Management Committee (RCMC) comprises three members of the Board, including the Managing Director. The members of

the RCMC hold office until the next AGM and are eligible for reappointment. Along with other Board members, the RCMC also comprises of the Group Chief Risk Officer (GCRO). Under authority delegated by the Board, the RCMC plays a key role in the fulfillment of corporate governance standards and overall risk management by assisting the Board in the formulation of strategy for enterprise-wide risk management, evaluation of overall risks faced by the Group, alignment of risk policies with business strategies and determination of the level of risks which will be in the best interest of the bank through risk based capital planning. The RCMC, by virtue of powers delegated to it by the BOD, also approves changes in risk management policies as and when required. The composition, guiding principles and detailed roles and responsibilities are covered in the RCMC's charter.

4. **Audit Committee:** The Audit Committee (AC) comprises 3 three members of the Board, including the Managing Director of the Bank. Along with other Board members, the AC also comprises the Head of the Internal Audit function of the bank. The members of the AC hold office until the next AGM and are eligible for reappointment. This committee is principally responsible for reviewing the internal audit program, considering the major findings of each internal audit review, making appropriate investigations and responses and ensuring coordination between the internal and external auditors, and keeping under review the effectiveness of internal control systems, and in particular reviewing the external auditor's management letter and management's response. The composition, guiding principles and detailed roles and responsibilities are covered in the Audit Committee's charter.

The charter of each of the Board Committees is included in the Corporate Governance manual of FGB. The Committee charters provide necessary details of roles and responsibilities of each of the committees, along with the frequency of meetings, quorum for each committee, membership details and the Chairman, Vice Chairman and Secretary of the Committee.

The membership details for the Board Committees are set out in the table below:

Board Committees		REMCO	EC	RCMC	AC
H. H. Sheikh Tahnoon Bin Zayed Al Nahyan	Chairman	✓			
Ahmed Ali Al Sayegh	Vice Chairman	✓	✓		✓
Abdulhamid Mohammed Saeed	Board Member & MD	✓	✓	✓	✓
Khaldoon Khalifa Al Mubarak	Board Member		✓	✓	
Sultan Khalfan Al Ketbi	Board Member			✓	
Mohamed Saif Al Suwaidi	Board Member				✓
FGB Management		+2	+1	+1	+1

Management Committees:

In addition to the Board and Board Committees, FGB has ten management level committees. The committee structure drives senior level decision making within FGB across a range of matters, including the management of strategic, financial, capital, risk and operational issues affecting FGB. More details on the remit of the committees are given below:

1. **Executive Management Committee:** The Executive Management Committee (EMCO) is FGB's most senior management level committee, and it operates under a delegated authority from the FGB Board. The EMCO also supports the CEO to determine and implement the Bank's strategy, as approved by the Board. The key responsibilities of EMCO include decisions on the bank's strategy, annual budgets, capital management and risk management and FGB's more material policies and procedures. The composition, guiding principles and detailed roles and responsibilities of EMCO are set out in the EMCO's charter.

2. **Wholesale Banking Credit Committee:** The Wholesale Banking Credit Committee (WBCC) assists the Board and Board Committees to put into operation the wholesale credit risk strategy and policies and procedures pertaining to the wholesale banking business. The primary objective of the WBCC is to assist in the development and implementation of wholesale banking business' credit strategy and policies and procedures. The composition, guiding principles and detailed roles and responsibilities of the WBCC are set out in the WBCC's charter.

3. **Consumer Banking Credit Committee:** The Consumer Banking Credit Committee (CBCC) assists the Board and Board Committees to put into operation the consumer banking credit strategy and policies and procedures. The primary objectives of the CBCC include approving the consumer banking credit criteria, and setting portfolio level limits in line with the defined business and the credit risk strategy of the bank. The composition, guiding principles and detailed roles and responsibilities of the CBCC are set out in the CBCC's Charter.

4. **Asset and Liability Committee:** The Asset and Liability Committee (ALCO) assists the Board and Board Committees in fulfilling their responsibility to oversee the bank's asset and liability management (ALM) related responsibilities. The objective of the ALCO is to identify, manage and control FGB's balance sheet risks in executing its business strategy while ensuring it has adequate levels of liquidity. The composition, guiding principles and detailed roles and responsibilities of the ALCO are set out in the ALCO's charter.

5. **Investment Management Committee:** The Investment Management Committee (IMCO) oversees and provides guidance on the bank's trading and investment activities. The IMCO ensures effective management of market risks in accordance with the principles laid down in the FGB market risk management policy. The IMCO provides approval of investment limits and individual investment proposals within those limits. Its objective is to ensure that investment decisions conform to the investment policy and are within the overall limits approved by the Board. The composition, guiding principles and detailed roles and responsibilities of the IMCO are set out in in the IMCO's charter.

6. **Compliance Committee:** The Compliance Committee (CC) assists the Board and Board Committees in fulfilling their objective of overseeing the Bank's compliance responsibilities. The committee oversees the bank's compliance with respect to legal and regulatory requirements and relevant policies and procedures, including a code of ethics and matters relating to operating and non-operating financial risk. It also ensures the bank's compliance with Anti Money Laundering (AML) and other relevant legislation issued by the UAE Central Bank and/or Securities and Commodities Authority and/or other regulatory authorities, as applicable. The composition, guiding principles and detailed roles and responsibilities of the Compliance Committee are set out in the Compliance Committee charter.

7. **Operational Risk Committee:** The Operational Risk Committee (ORC) assists the Board and Board Committees in fulfilling their objective of overseeing bank's Operational Risk Management, Business Continuity and Information Security responsibilities. Responsibility areas for ORC include management

and reporting of the bank's operational risk profile, ratifying information security policy and procedures, integrating the business continuity management policy and business recovery strategy of the Bank. The composition, guiding principles and detailed roles and responsibilities of the ORC are set out in the ORC's charter.

8. **Technology Steering Committee:** The Technology Steering Committee (TSC) assists the Board and Board Committees in fulfilling their responsibilities related to setting Information Technology (IT) related strategic goals, and for the successful implementation of the strategic IT objectives. The TSC ensures alignment of IT strategy with the bank's business strategy and successful implementation of its IT strategy. The composition, guiding principles and detailed roles and responsibilities of the TSC are set out in the TSC's charter.

9. **Human Resources Steering Committee:** The Human Resources Steering Committee (HRSC) assists the Board in fulfilling its responsibilities related to the human resource policies applicable to the bank's staff. The objectives of the committee include implementation of recommendations made by the REMCO regarding compensation, benefits, rewards, working environment, employee contracts, terms and conditions and other issues that form part of the Human Resources (HR) strategy. HRSC also has the responsibility to put in place an appropriate whistle blowing policy to enable employees to raise concerns in a responsible and effective manner with a sense of protection. The composition, guiding principles and detailed roles and responsibilities of the HRSC are set out in the HRSC's charter.

10. **Real Estate Committee:** The Real Estate Committee (RECO) assists the Board in its responsibilities pertaining to overseeing and approving the bank's real estate investment and management activities in line with effective market and liquidity risk management practices and policies. The RECO is responsible for providing oversight, guidance and strategic input on the action plans for the Group's real estate investment, review real estate budgets and provide oversight and guidance for real estate investment limits and risk appetite. The composition, guiding principles and detailed roles and responsibilities of the RECO are set out in the RECO's charter.

The membership and the meeting details for the Management committees have been provided in the tables given below:

Membership	EMCO	WBCC	CBCC	ALCO	IMCO	RECO	ORMC	CC	TSC	HRSC
Managing Director				✓	✓					
CEO	✓	✓	✓	✓	✓	✓		✓		✓
CFO	✓			✓	✓	✓	✓	✓	✓	✓
CRO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CCO	✓	✓		✓	✓				✓	✓
COO	✓			✓		✓	✓	✓	✓	✓
HOWBG	✓	✓		✓	✓		✓		✓	✓
HOCBG	✓		✓	✓			✓		✓	✓
HOTGM	✓			✓	✓		✓		✓	✓
HOCSG	✓								✓	✓
HOHR	✓						✓	✓		✓
Others		+1	+2	+1	+1	+1	+2	+2	+1	

Independent Auditors' Report to the Shareholders of First Gulf Bank PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of First Gulf Bank PJSC and its subsidiaries (the "Bank"), which comprise the consolidated balance sheet as at 31 December 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Bank and the UAE Commercial Companies Law of 1984 (as amended) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended), Union Law no.10 of 1980 and the articles of association of the Bank; proper books of account have been kept by the Bank; and the contents of the Chairman's Report relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or the articles of association of the Bank have occurred during the year which would have had a material effect on the business of the Bank or on its financial position.

Ernst & Young

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

28 January 2015
Abu Dhabi

Consolidated Balance Sheet

As at 31 December 2014

	Notes	**2014 AED 000**	2013 AED 000	**2014 US$ 000**	2013 US$ 000
Assets					
Cash and balances with Central Banks	3	**21,541,399**	15,944,554	**5,864,796**	4,341,017
Due from banks and financial institutions	25	**14,907,509**	22,864,465	**4,058,674**	6,225,011
Loans and advances	4	**139,708,657**	125,594,434	**38,036,661**	34,193,965
Investments	5	**16,707,823**	17,113,420	**4,548,822**	4,659,249
Investment in associates	6	**155,675**	147,145	**42,384**	40,061
Investment properties	7	**8,469,563**	8,044,163	**2,305,898**	2,190,080
Other assets	8	**9,510,667**	7,692,123	**2,589,346**	2,094,234
Property and equipment	9	**1,167,208**	809,997	**317,781**	220,527
Total assets		**212,168,501**	198,210,301	**57,764,362**	53,964,144
Liabilities					
Due to banks	10	**12,590,527**	5,204,642	**3,427,859**	1,417,000
Customers' deposits	11	**141,271,750**	137,953,532	**38,462,224**	37,558,816
Term loans	12	**11,674,347**	11,729,095	**3,178,423**	3,193,328
Sukuk financing instruments	13	**4,223,950**	4,223,950	**1,150,000**	1,150,000
Other liabilities	14	**7,670,965**	7,328,611	**2,088,474**	1,995,267
Total liabilities		**177,431,539**	166,439,830	**48,306,980**	45,314,411
Equity					
Equity attributable to equity holders of the Bank					
Share capital	16	**3,900,000**	3,000,000	**1,061,802**	816,771
Capital notes	17	**4,000,000**	4,000,000	**1,089,028**	1,089,028
Legal reserve	18	**8,780,110**	8,780,110	**2,390,446**	2,390,446
Special reserve	18	**1,950,000**	1,500,000	**530,901**	408,386
General reserve	18	**120,000**	120,000	**32,671**	32,671
Revaluation reserve	9	**305,851**	87,554	**83,271**	23,837
Proposed bonus shares	16	**600,000**	900,000	**163,354**	245,031
Proposed cash dividends	18	**3,900,000**	3,000,000	**1,061,802**	816,771
Retained earnings		**10,074,510**	9,592,434	**2,742,856**	2,611,607
Cumulative changes in fair values		**519,091**	263,999	**141,327**	71,876
Foreign currency translation reserve		**146**	(13,149)	**40**	(3,580)
		34,149,708	31,230,948	**9,297,498**	8,502,844
Non-controlling interests		**587,254**	539,523	**159,884**	146,889
Total equity		**34,736,962**	31,770,471	**9,457,382**	8,649,733
Total equity and liabilities		**212,168,501**	198,210,301	**57,764,362**	53,964,144

Chairman

Managing Director

Chief Executive Officer

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Income Statement

Year ended 31 December 2014

	Notes	2014 AED 000	2013 AED 000	2014 US$ 000	2013 US$ 000
Interest income and income from Islamic financing	19	**8,249,137**	7,868,599	**2,245,885**	2,142,281
Interest expense and Islamic financing expense	20	**(1,779,357)**	(1,875,037)	**(484,442)**	(510,492)
NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING		**6,469,780**	5,993,562	**1,761,443**	1,631,789
Share of profit (loss) of associates	6	**8,710**	(1,020)	**2,371**	(278)
Other operating income	21	**2,761,753**	2,428,019	**751,907**	661,045
OPERATING INCOME		**9,240,243**	8,420,561	**2,515,721**	2,292,556
General and administrative expenses	22	**(2,130,228)**	(1,766,052)	**(579,970)**	(480,820)
PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE		**7,110,015**	6,654,509	**1,935,751**	1,811,736
Provision for impairment of loans and advances	23	**(1,361,419)**	(1,760,927)	**(370,656)**	(479,425)
Impairment of available for sale investments		**(11,000)**	(58,993)	**(2,995)**	(16,061)
PROFIT FOR THE YEAR BEFORE TAXATION		**5,737,596**	4,834,589	**1,562,100**	1,316,250
Income taxes		**(32,561)**	(32,619)	**(8,865)**	(8,881)
PROFIT FOR THE YEAR		**5,705,035**	4,801,970	**1,553,235**	1,307,369
Profit attributable to:					
Equity holders of the Bank		**5,655,605**	4,774,374	**1,539,777**	1,299,856
Non-controlling interests		**49,430**	27,596	**13,458**	7,513
		5,705,035	4,801,970	**1,553,235**	1,307,369
Basic and diluted earnings per share	24	**AED 1.42**	AED 1.16	**US $ 0.39**	US $ 0.32

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	2014	2013	**2014**	2013
	AED 000	AED 000	**US$ 000**	US$ 000
PROFIT FOR THE YEAR	**5,705,035**	4,801,970	**1,553,235**	1,307,369
OTHER COMPREHENSIVE INCOME (LOSS):				
Items that will not be reclassified to the consolidated statement of income:				
Revaluation of property and equipment during the year (note 9)	**218,297**	-	**59,433**	-
Board of directors remuneration	**(42,500)**	(31,500)	**(11,571)**	(8,576)
	175,797	(31,500)	**47,862**	(8,576)
Items that may be reclassified subsequently to the consolidated statement of income				
Gain (loss) on available for sale investments, net	**250,017**	(86,049)	**68,069**	(23,428)
Net unrealised gains (losses) on cash flow hedges	**10,255**	(43,756)	**2,792**	(11,913)
Share of changes recognised directly in associates' equity	**(180)**	565	**(49)**	154
Foreign exchange translation	**11,596**	6,151	**3,157**	1,675
	271,688	(123,089)	**73,969**	(33,512)
Other comprehensive income (loss) for the year	**447,485**	(154,589)	**121,831**	(42,088)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,152,520**	4,647,381	**1,675,066**	1,265,281
Total comprehensive income attributable to:				
Equity holders of the Bank	**6,104,789**	4,622,738	**1,662,071**	1,258,573
Non-controlling interests	**47,731**	24,643	**12,995**	6,708
	6,152,520	4,647,381	**1,675,066**	1,265,281

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 AED 000	2013 AED 000	2014 US$ 000	2013 US$ 000
OPERATING ACTIVITIES					
Profit for the year before taxation		**5,737,596**	4,834,589	**1,562,100**	1,316,250
Adjustments for:					
Depreciation		**80,800**	62,897	**21,998**	17,124
Amortisation of intangible assets	32	**25,433**	-	**6,924**	-
Provision for impairment of available for sale investments		**11,000**	58,993	**2,995**	16,061
Gain on exchange of investment properties	21	-	(185,979)	-	(50,634)
Gain on bargain purchase arising on business combination		-	(628)	-	(171)
Loss on sale of property and equipment	21	**12,992**	3,772	**3,537**	1,027
Impairment of property and equipment	21	**8,591**	**-**	**2,339**	**-**
Provision for impairment of loans and advances	23	**1,361,419**	1,760,927	**370,656**	479,425
Gain on revaluation of investment properties	7	**(113,309)**	(125,192)	**(30,849)**	(34,084)
Gain on sale of investment properties	21	**(167,521)**	(73,801)	**(45,609)**	(20,093)
Gain from investments		**(153,084)**	(179,264)	**(41,678)**	(48,806)
Share of (gain) loss from associates	6	**(8,710)**	1,020	**(2,371)**	278
Operating profit before changes in operating assets and liabilities:		**6,795,207**	6,157,334	**1,850,042**	1,676,377
Deposits with banks		**(3,041,387)**	(133,396)	**(828,039)**	(36,317)
Mandatory cash reserve with UAE Central Bank		**(1,146,728)**	(918,969)	**(312,204)**	(250,196)
Loans and advances		**(15,470,387)**	(12,003,643)	**(4,211,921)**	(3,268,076)
Other assets		**(1,843,975)**	427,544	**(502,035)**	116,402
Due to banks		**7,385,885**	938,744	**2,010,859**	255,580
Customers' deposits		**3,318,218**	18,064,961	**903,408**	4,918,312
Other liabilities		**268,620**	(338,817)	**73,134**	(92,246)
Cash (used in) from operations		**(3,734,547)**	12,193,758	**(1,016,756)**	3,319,836
Directors' remuneration paid		**(31,500)**	(28,000)	**(8,576)**	(7,623)
Net cash (used in) from operating activities		**(3,766,047)**	12,165,758	**(1,025,332)**	3,312,213
INVESTING ACTIVITIES					
Purchase of investments		**(8,339,399)**	(6,387,127)	**(2,270,461)**	(1,738,940)
Proceeds from redemption and sale of investments		**9,137,095**	6,586,194	**2,487,638**	1,793,137
Purchase of property and equipment	9	**(251,614)**	(244,517)	**(68,504)**	(66,571)
Deposits with UAE Central Bank		**(3,570,517)**	-	**(972,098)**	-
Capital injected in an associate	32	-	(300,000)	-	(81,677)
Acquisition of subsidiary		-	(915,942)	-	(249,372)
Additions to investment properties	7	**(617,182)**	(249,909)	**(168,032)**	(68,039)
Proceeds from sale of investment properties		**472,611**	300,017	**128,672**	81,683
Proceeds from sale of property and equipment		**10,320**	55	**2,810**	15
Net cash used in investing activities		**(3,158,686)**	(1,211,229)	**(859,975)**	(329,764)
FINANCING ACTIVITIES					
Dividends paid	18	**(2,964,828)**	(2,468,720)	**(807,195)**	(672,126)
Interest on capital notes		**(186,029)**	(240,000)	**(50,648)**	(65,342)
Drawdown of term loans		**4,248,031**	3,639,125	**1,156,556**	990,778
Repayment of term loans		**(4,302,779)**	(5,310,801)	**(1,171,462)**	(1,445,903)
Net cash used in financing activities		**(3,205,605)**	(4,380,396)	**(872,749)**	(1,192,593)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(10,130,338)**	6,574,133	**(2,758,056)**	1,789,856
Cash and cash equivalents at 1 January		**23,903,638**	17,320,401	**6,507,933**	4,715,598
Net changes in foreign currency translation reserve		**11,596**	9,104	**3,157**	2,479
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	**13,784,896**	23,903,638	**3,753,034**	6,507,933
Operating cash flows from interest and Islamic financing					
Interest and Islamic financing income received		**8,072,732**	7,647,316	**2,197,858**	2,082,035
Interest and Islamic financing expense paid		**1,821,713**	1,715,568	**495,974**	467,075

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to equity holders of the Bank													
	Share capital	*Capital notes*	*Legal reserve*	*Special reserve*	*General reserve*	*Revaluation reserve*	*Proposed bonus shares*	*Proposed cash dividends*	*Retained earnings*	*Cumulative changes in fair values*	*Foreign currency translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
	AED 000	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*
As of 1 January 2013	3,000,000	4,000,000	8,780,110	1,262,083	120,000	87,554	-	2,500,000	9,227,477	393,239	(22,253)	29,348,210	514,880	29,863,090
Total comprehensive income for the year	-	-	-	-	-	-	-	-	4,742,874	(129,240)	9,104	4,622,738	24,643	4,647,381
Transfer to special reserve (note 18)	-	-	-	237,917	-	-	-	-	(237,917)	-	-	-	-	-
Transfer to dividends payable	-	-	-	-	-	-	-	(2,500,000)	-	-	-	(2,500,000)	-	(2,500,000)
Interest on capital notes (note 17)	-	-	-	-	-	-	-	-	(240,000)	-	-	(240,000)	-	(240,000)
Proposed cash dividends (note 18)	-	-	-	-	-	-	-	3,000,000	(3,000,000)	-	-	-	-	-
Proposed bonus shares (note 18)	-	-	-	-	-	-	900,000	-	(900,000)	-	-	-	-	-
As of 1 January 2014	**3,000,000**	**4,000,000**	**8,780,110**	**1,500,000**	**120,000**	**87,554**	**900,000**	**3,000,000**	**9,592,434**	**263,999**	**(13,149)**	**31,230,948**	**539,523**	**31,770,471**
Total comprehensive income for the year	-	-	-	-	-	218,297	-	-	5,618,105	255,092	13,295	6,104,789	47,731	6,152,520
Transfer to special reserve (note 18)	-	-	-	450,000	-	-	-	-	(450,000)	-	-	-	-	-
Transfer to dividends payable	-	-	-	-	-	-	-	(3,000,000)	-	-	-	(3,000,000)	-	(3,000,000)
Interest on capital notes (note 17)	-	-	-	-	-	-	-	-	(186,029)	-	-	(186,029)	-	(186,029)
Proposed cash dividends (note 18)	-	-	-	-	-	-	-	3,900,000	(3,900,000)	-	-	-	-	-
Bonus shares issued (note 18)	900,000	-	-	-	-	-	(900,000)	-	-	-	-	-	-	-
Proposed bonus shares (note 18)	-	-	-	-	-	-	600,000	-	(600,000)	-	-	-	-	-
As of 31 December 2014	**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**

The attached notes 1 to 33 form part of these consolidated financial statements.

Notes to the consolidated financial statements

31 December 2014

1 ACTIVITIES

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

The registered head office of the Bank is at PO Box 6316, Abu Dhabi, United Arab Emirates (UAE). The principal activities of the Bank are described in note 29.

The consolidated financial statements of the Bank were authorised for issue by the Board of Directors on 28 January 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB) and the applicable requirements of UAE Federal Law No.8 of 1984 (as amended).

The consolidated financial statements have been prepared under the historical cost convention except for investment securities (other than held to maturity investments), derivative financial instruments, investment properties and land included in property and equipment which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The consolidated financial statements of the Bank are prepared in United Arab Emirates Dirhams (AED) which is the functional currency of the Bank. The consolidated balance sheet, consolidated income statement and consolidated statement of cash flows in US Dollar (US$) are presented solely for the convenience of the readers of the consolidated financial statements. The AED amounts have been translated at the rate of AED 3.673 to US$ 1 (2013: AED 3.673 to US$ 1) and all values are rounded to the nearest thousand AED, except where otherwise indicated.

Changes in accounting policies and disclosures

The Bank’s accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2013, except for the following amendments to IFRS effective as of 1 January 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Bank, since none of the entities in the Bank qualifies to be an investment entity under IFRS 10.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Changes in accounting policies and disclosures *continued*

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Bank, since none of the entities in the Bank has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Bank as the Bank has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Bank.

Acceptances
During the year ended 31 December 2014, the Bank changed its policy in respect of accounting for (i) acceptances issued to clients from disclosing those as part of commitments and contingencies to recognising them within other assets and other liabilities and (ii) discounted acceptances from classifying them under loans and advances to including them under other assets. As a result of the change in accounting policy, the comparative figures as at 31 December 2013 for other assets, other liabilities and loans and advances were adjusted for consistency purposes and accordingly, other assets and other liabilities were increased by AED 4,525,016 thousand and AED 3,177,931 thousand, respectively, and loans and advances were decreased by AED 1,347,085 thousand.

New standards not yet adopted

The following new standards / amendments to standards which were issued up to 31 December 2014 and are not yet effective for the year ended 31 December 2014 have not been applied while preparing these consolidated financial statements:

IFRS 9: Financial Instruments introduces new requirements for classification and measurement, impairment, and hedge accounting. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

The Bank is yet to assess IFRS 9's full impact.

IFRS 14: Regulatory Deferral Accounts 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 other comprehensive income. The standard requires disclosures on 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, this standard would not apply.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

New standards not yet adopted *continued*

IFRS 15: Revenue from Contracts with Customers was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Bank does not expect that IFRS 15 will have any significant impact on the consolidated financial statements.

IFRS 11: Joint Arrangements (Amendment) 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 principles for business combinations 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 while 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 are not expected to have any impact on the Bank.

IAS 16 and IAS 38: (Amendment) clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is 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 are not expected to have any impact on the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

IAS 16 and IAS 41: (Amendment) changes the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank as the Bank does not have any bearer plants.

IAS 27: Separate Financial Statements (Amendment) 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 its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in their separate financial statements, they 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 will not have any impact on the Bank's consolidated financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2015 consolidated financial statements. The Bank does not expect these amendments to have any significant impact on the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Basis of consolidation

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

	Activity	*Country of incorporation*	*Percentage of holding* ***2014***	*2013*
Mismak Properties Co. LLC (Mismak)	Real estate investments	United Arab Emirates	**100%**	100%
Radman Properties Co. LLC (subsidiary of Mismak)	Real estate investments	United Arab Emirates	**80%**	80%
First Merchant International LLC	Merchant banking services	United Arab Emirates	**100%**	100%
FGB Sukuk Company Limited	Special purpose vehicle	Cayman Islands	**100%**	100%
FGB Sukuk Company II Limited	Special purpose vehicle	Cayman Islands	**100%**	100%
First Gulf Libyan Bank	Banking services	Libya	**50%**	50%
First Gulf Properties LLC	Management and brokerage of real estate properties	United Arab Emirates	**100%**	100%
Aseel Finance PJSC	Islamic finance	United Arab Emirates	**100%**	100%
Dubai First PJSC	Credit card finance	United Arab Emirates	**100%**	100%
First Gulf Information Technology LLC*	Information Technology Services	United Arab Emirates	**100%**	-

*First Gulf Information Technologies LLC ("FGIT") was established in October 2013 as a limited liability company in accordance with the UAE Commercial Companies Law of 1984 (as amended).

The principal activities of FGIT are: information technology network services, management and operation of computer network, computer infrastructure establishment, installation and maintenance, computer system and software designing, computer software consultancy, computer devices and equipment domain consultancy and information technology consultancy including all activities as are related or ancillary thereto.

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 year 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.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Basis of consolidation *continued*

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.

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are consolidated from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Bank are eliminated in full on consolidation.

Non-controlling interests represent the portion of the profit and net assets in subsidiaries not held by the Bank and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the Bank shareholders' equity.

Due from banks

Due from banks are stated at amortised cost using the effective interest rate less any amounts written off and provision for impairment.

Trading investments

These are initially recognised at cost, being the fair value of the consideration given and subsequently remeasured at fair value. All related realised and unrealised gains or losses are included in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Investments

These are classified as follows:

- Held to maturity
- Available for sale
- Investments carried at fair value through income statement

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges (except for investments carried at fair value through the income statement) associated with the investment. Premiums and discounts on investments (excluding those carried at fair value through income statement) are amortised using the effective interest rate method and taken to interest income.

Held to maturity

Investments which have fixed or determinable payments and are intended to be held to maturity, are carried at amortised cost, less provision for impairment in value.

Available for sale

After initial recognition, investments which are classified "available for sale" are remeasured at fair value. Fair value changes which are not part of an effective hedging relationship are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition, the cumulative gain or loss previously reported as "cumulative changes in fair value" within equity is included in the consolidated income statement.

Investments carried at fair value through income statement

Investments are classified as fair value through income statement if the fair value of the investment can be reliably measured and the classification as fair value through income statement is as per the documented strategy of the Bank. Investments classified as "Investments at fair value through income statement" upon initial recognition are subsequently remeasured at fair value with all changes in fair value being recorded in the consolidated income statement.

Investment in associates

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

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.
The Bank's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Bank's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Bank's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Bank recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Investment in associates *continued*

The aggregate of the Bank's share of profit or loss of an associate is shown on the face of the consolidated statement of income. The financial statements of the associate are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Bank determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Repurchase and reverse repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date ("Repo") are not derecognised. The counterparty liability for amounts received under these agreements is included in due to banks, customers' deposits and term loans in the consolidated balance sheet, as appropriate. The difference between the sale and repurchase price is treated as interest expense which is accrued over the life of the repo agreement using the effective interest rate.

Conversely, securities purchased under agreements to resell at a specified future date ("Reverse Repos") are not recognised on the consolidated balance sheet. The corresponding cash paid, including accrued interest, is included in loans and advances. The difference between the purchase price and resale prices is treated as interest income which is accrued, using the effective interest rate, over the life of the Reverse Repos.

Loans and advances

These are stated at amortised cost, adjusted for effective fair value hedges and stated net of interest suspended less any amounts written off and provision for impairment. Impaired loans are written off only when all possible courses of action to achieve recovery have proved unsuccessful. Amortised cost is calculated using the effective interest rate method.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Bank elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Bank acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Business combinations and goodwill *continued*
Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate standards. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Bank re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Islamic financing
Islamic financing comprise principally of floating profit-rate Ijara and Murabaha contracts which are stated at cost less any provisions for impairment.

Ijara
A lease contract whereby the Bank (the Lessor) leases to a customer (the Lessee) a service or the usufruct of an owned or rented physical asset which either exists currently or to be constructed in future (forward lease) for a specific period of time at specific rental instalments. The lease contract could be ended by transferring the ownership of a leased physical asset through an independent mode to the lessee.

Murabaha
A sale contract, in which the Bank sells to a customer a physical asset, goods, or shares already owned and possessed (either physically or constructively) at a selling price which consists of the purchasing cost plus a mark-up profit.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement.

Impairment is determined as follows:

(a) For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate.
(b) For assets carried at fair value, impairment is the difference between cost and fair value.
(c) For assets carried at cost, impairment is based on the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For available for sale equity investments, reversals of impairment losses are recorded as increases in cumulative changes in fair value through equity.

In addition, a provision is made to cover collective impairment for specific groups of assets carried at amortised cost, where there is a measurable decrease in estimated future cash flows.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the Bank receives non-monetary grants with no conditions attached thereto, the asset and grant are recorded at fair value and the grant is recognised in the consolidated income statement in the period in which it is received. In the case of other non-monetary grants, the grant is set up as deferred income at its fair value and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

Property and equipment

Property and equipment are initially recorded at cost. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount and, where carrying values exceed the recoverable amount, assets are written down. Land is measured at fair value based on valuations performed by independent professional valuers.

Any revaluation surplus is credited to the revaluation reserve included in the equity section of the consolidated statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated income statement, in which case the increase is recognised in the consolidated income statement. A revaluation deficit is recognised in the consolidated income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

Notes to the consolidated financial statements

31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Property and equipment *continued*

Depreciation is provided on a straight-line basis on all property and equipment, other than freehold land which is determined to have an indefinite life.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	20 years
Motor vehicles	3 years
Furniture, fixtures and equipment	4 years
Computer hardware and software	4 years

Capital work-in progress is initially recorded at cost, and upon completion is transferred to the appropriate category of property and equipment and thereafter depreciated.

Intangible assets

The Bank's intangible assets other than goodwill include intangible assets acquired in business combinations. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

The estimated useful lives of the intangible assets for the calculation of amortisation are as follows:

Dubai First Brand	20 years
Credit card customer relationships – Royale Card	15 years
Other credit card customer relationships	7.5 years
Core deposit intangibles: corporate deposits	2.5 years
Core deposit intangibles: margin deposits	15 years

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Deposits

All money market and customer deposits are carried at amortised cost less amounts repaid.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Treasury shares
Own equity instruments which are acquired (treasury shares) are deducted from the equity and accounted for at weighted average cost. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancelation of the Bank's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. If treasury shares are distributed as part of a bonus share issue, the cost of the shares is charged against retained earnings. Voting rights relating to treasury shares are nullified for the Bank and no dividends are allocated to them respectively.

Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these consolidated financial statements.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available for sale investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Revenue recognition

Dividend income

Revenue is recognised when the Bank's right to receive the payment is established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded in hedging transactions.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the income statement in 'Other operating income'.

Income and expense from Islamic financing

Income and expense from Islamic financing is recognised on a time-proportion basis based on principal amounts outstanding.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into AED at rates of exchange prevailing at the balance sheet date. Any gains and losses are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of foreign operations are translated into the Bank's presentation currency at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in the equity relating to a particular foreign operation is recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash, balances with UAE Central Bank and due from banks and other financial institutions with original maturities of less than three months.

Employees' pension and end of service benefits

The Bank provides end of service benefits for its employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Bank makes contributions to the relevant government pension scheme calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Leases

Finance leases, which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the shorter of the lease term or the estimated useful life of the asset.

Derivatives

The Bank enters into derivative financial instruments including forwards, swaps, futures, options and swaptions in the foreign exchange and capital markets. Derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated balance sheet.

Hedges

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognised immediately in the consolidated income statement. The hedged item is adjusted for fair value changes relating to the risk being hedged and the difference is recognised in the consolidated income statement.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in equity and the ineffective portion is recognised in the consolidated income statement. The gains or losses on effective cash flow hedges recognised initially in equity are either transferred to the consolidated income statement in the period in which the hedged transaction impacts the consolidated income statement or included in the initial measurement of the cost of the related asset or liability.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken to the consolidated income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, in the case of a cash flow hedge, any cumulative gains or losses on the hedging instrument initially recognised in equity remains in equity until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gains or losses initially recognised in equity are transferred to the consolidated income statement.

In the case of a fair value hedge, for hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Settlement date accounting

Purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Bank settles the purchase or sale of an asset.

Offsetting

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

Taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Bank operates and generates taxable income. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Financial guarantees

Financial guarantees are defined as contracts whereby an entity undertakes to make specific payments for a third party if the latter does not do so. Financial guarantees are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on loans and advances. If a specific provision is required for financial guarantees, the related unearned commissions recognised under other liabilities in the consolidated balance sheet are reclassified to the appropriate provision.

De-recognition of financial assets and liabilities

The Bank de-recognises all or part of a financial asset when the contractual rights to the cash flows on the asset expire or when the Bank has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to the ownership of the asset. The Bank derecognises all or part of a financial liability when the liability is extinguished in full or in part.

Fair value measurement

The Bank measures financial instruments and non-financial assets such as assets held for sale, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Fair value measurement *continued*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as assets held for sale. External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Bank's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Bank's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and ask prices are used for liabilities. The fair value of investments in mutual funds, private equity funds or similar investment vehicles are based on the last net asset value published by the fund manager. For other investments, a reasonable estimate of the fair value is determined by reference to the price of recent market transactions involving such investments, current market value of instruments which are substantially the same, or is based on the expected discounted cash flows.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The fair value of forward exchange contracts is calculated by reference to forward exchange rates with similar maturities. For other derivatives without quoted prices in an active market, fair value is determined based on quotations received from counter party financial institutions or established third party valuation models.

The fair value of unquoted investments is determined by reference to discounted cash flows, pricing models, net asset base of investee companies or broker over-the-counter quotes.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Repossessed collateral

Repossessed collateral against settlement of customers' debts are stated within the consolidated statement of financial position under "Other assets" at their acquisition date fair value net of allowance for impairment.

According to the instructions of the Central Bank of the UAE, the Bank should dispose of any land and properties acquired against settlement of debts within a period not exceeding three years from the date of acquiring the assets.

Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Classification of investment properties under construction

Management decides for each property whether it should be classified as investment property, property and equipment or as properties held for sale.

Properties acquired by the Bank are recorded as investment properties if these were acquired for rental purposes or capital appreciation.

Properties held for own-use are recorded as property and equipment.

Properties are recorded as held for sale, at cost, if their carrying amounts will be recovered through a sale transaction.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through income statement, or available for sale.

For those deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and in particular the Bank has the intention and ability to hold these to maturity.

The Bank classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through income statement.

All other investments are classified as available for sale.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Significant accounting judgements and estimates *continued*

Impairment of investments

The Bank treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgement for which management takes into consideration, amongst other factors, share price volatility and the underlying asset base of the investee companies.

Impairment losses on loans and advances

The Bank reviews its problem loans and advances on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Collective impairment provisions on loans and advances

In addition to specific provisions against individually significant loans and advances, the Bank also makes a collective impairment provision against loans and advances which although not specifically identified as requiring a specific provision have a greater risk of default than when originally granted. The amount of the provision is based on the guidelines issued by the Central Bank of the UAE.

3 CASH AND BALANCES WITH CENTRAL BANKS

	2014	*2013*
	AED 000	*AED 000*
Cash on hand	**427,684**	370,393
Balances with Central Banks	**21,113,715**	15,574,161
	21,541,399	15,944,554

Balances with UAE Central Bank include AED 5,529,441 thousand (2013: AED 4,382,713 thousand) representing mandatory cash reserve deposits and AED 10,570,518 thousand (2013: AED 7,000,000 thousand) representing certificates of deposit. These are not available for use in the Bank's day-to-day operations.

Notes to the consolidated financial statements

31 December 2014

4 LOANS AND ADVANCES

The composition of loans and advances portfolio is as follows:

	2014	*2013*
	AED 000	*AED 000*
Economic Sector		
Agriculture	**1,280,254**	1,130,700
Energy	**1,641,336**	1,808,678
Trading	**7,922,632**	7,694,459
Construction	**6,185,143**	5,665,029
Transport	**2,530,944**	764,311
Personal – Retail loans and credit cards	**33,574,853**	30,834,483
Personal – Retail mortgages	**3,352,679**	3,460,035
Personal – Retail mortgages - National Housing Loans (note 11)	**17,195,646**	14,863,912
Personal – Others	**4,148,374**	4,064,063
Government	**168,542**	157,933
Share financing	**1,073,470**	1,440,629
Real estate	**15,065,848**	17,345,310
Financial services	**8,845,794**	6,767,069
Other services	**21,807,446**	17,955,068
Public sector	**12,355,070**	10,757,951
Manufacturing	**7,036,069**	4,722,023
Others	**2,603**	67,872
Total	**144,186,703**	129,499,525
Less provision for impaired loans and advances	**(4,478,046)**	(3,905,091)
Total	**139,708,657**	125,594,434
Representing:		
Conventional loans and advances	**130,925,986**	119,062,698
Islamic financing	**8,782,671**	6,531,736
Total	**139,708,657**	125,594,434

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

At 1 January	**3,905,091**	3,751,751
Amounts written off	**(629,971)**	(1,588,028)
Recoveries (note 23)	**(77,218)**	(100,108)
Charge for the year (note 23)	**1,438,637**	1,861,035
Acquired in business combination (note 32)	**-**	77,140
Notional interest on impaired loans and advances (note 19)	**(158,493)**	(96,699)
At 31 December	**4,478,046**	3,905,091

Analysis of the provision for impairment is as follows:

Specific provision	**1,975,295**	2,150,874
Collective provision	**2,502,751**	1,754,217
At 31 December	**4,478,046**	3,905,091

4 LOANS AND ADVANCES *continued*

At 31 December 2014, the provision for impaired loans and advances includes an amount of AED nil (2013: AED 112.5 million) in respect of loans and advances to subsidiaries of Dubai Holding ("DH Group") of AED 467 million (2013: AED 456 million), which have been restructured. At 31 December 2014, accounts classified as impaired amounted to AED 3,533 million, including DH Group balances of AED nil (2013: AED 4,287 million, including DH Group balances of AED 456 million).

In certain cases, the Bank continues to carry classified doubtful debts and delinquent accounts on its books even after making 100% provision for impairment. Where appropriate, interest is recorded and suspended on these accounts for legal considerations. Interest income on impaired loans is recognised in accordance with IAS 39: Financial Instruments: Recognition and Measurement. The notional interest on impaired loans and advances charged during the year amounted to AED 158,493 thousand (2013: AED 96,699 thousand).

During 2014, National Housing Loans increased by AED 3,106,989 thousand (2013: AED 3,122,977 thousand), which was partially offset by the waiver of AED 775,255 thousand (2013: AED 773,676 thousand) representing a discount of 25% (2013: 25%) granted to nearly 1,555 borrowers (2013: 1,551 borrowers) on the completion of their houses as directed by the Private Housing Loans Authority for Nationals. The amount waived was reduced from the corresponding Abu Dhabi Government deposit (note 11). This is a non-cash transaction which has been excluded from the statement of cash flows.

5 INVESTMENTS

		2014	2013
		AED 000	AED 000
Carried at fair value through income statement			
Investments in managed funds		**211,139**	184,520
Investments in equities	- Quoted	**58,606**	112,369
	- Unquoted	**20,198**	20,198
Debt securities		**68,688**	7,165
		358,631	324,252
Available for sale investments			
Investments in equities	-Quoted	**14,082**	26,184
	-Unquoted	**139,609**	79,148
Investments in private equity funds		**1,289,959**	1,372,356
Debt securities	- Quoted	**9,890,145**	7,296,614
	- Unquoted	**330,330**	347,197
Structured debt notes	- Unquoted	-	550,950
		11,664,125	9,672,449
Held to maturity investments			
Debt securities	- Quoted	**3,773,959**	6,098,535
	- Unquoted	**911,108**	1,018,184
		4,685,067	7,116,719
Total		**16,707,823**	17,113,420

5 INVESTMENTS *continued*

	2014	*2013*
	AED 000	*AED 000*
Analysis of debt securities:		
Fixed rate	**13,975,926**	13,612,600
Floating rate	**998,304**	1,706,045
	14,974,230	15,318,645
Geographic analysis of investments is as follows:		
UAE	**7,369,589**	7,969,591
Other Arab Countries	**2,930,856**	2,291,491
Asia	**3,543,539**	3,069,656
Europe	**2,023,924**	1,989,615
USA	**716,271**	1,196,258
Rest of the world	**123,644**	596,809
	16,707,823	17,113,420

Investments in managed funds represent investments made in managed hedge funds which invest in equities, debt securities and derivatives with the objective of generating superior returns on a risk-adjusted basis using a diversified portfolio approach.

Investments in private equity funds represent investments made in funds and limited partnerships to fund primary investment commitments in target companies with the objective of generating returns outperforming the public equity markets.

Investments in equities amounting to AED 1,665 thousand (2013: AED 2,855 thousand) are held in the name of third parties with the beneficial interest assigned to the Bank.

Debt securities represent bonds with maturities ranging up to 10 years from the balance sheet date. Of the debt securities at 31 December 2014, 48% (2013: 53%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

At 31 December 2014, the Bank's largest holding of debt securities issued by a single issuer accounted for 6% (2013: 7%) of total debt securities.

At 31 December 2014, debt securities with a carrying value of AED 2,154,566 thousand (2013: AED 1,662,564 thousand) were pledged under repurchase agreements with overseas financial institutions and banks with a principal value of AED 2,124,097 thousand (2013: AED 1,607,932 thousand).

The fair value of held to maturity investments at 31 December 2014 amounted to AED 4,896,964 thousand (2013: AED 7,370,168 thousand).

All unquoted available for sale equities are recorded at fair value except for investments amounting to AED 2,254 thousand (2013: AED 2,282 thousand) which are recorded at cost since their fair values cannot be reliably estimated. There is no active market for these investments and the Bank intends to hold them for the long term.

6 INVESTMENT IN ASSOCIATES

The Bank has the following investments in associates:

	Percentage of holding	
	2014	*2013*
First Gulf Financial Services LLC	**45%**	45%
Green Emirates Properties PJSC	**40%**	40%
Midmak Properties LLC	**16%**	16%

First Gulf Financial Services LLC ("FGFS") is a limited liability company which is incorporated in the Emirate of Abu Dhabi and provides equity brokerage services in the United Arab Emirates.

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.

Summarised financial information on investment in associates is set out below:

	2014	*2013*
	AED 000	*AED 000*
Share of associates' balance sheets		
Current assets	**132,245**	145,102
Non-current assets	**35,587**	34,027
Total assets	**167,832**	179,129
Current liabilities	**11,962**	31,795
Non-current liabilities	**195**	189
Total liabilities	**12,157**	31,984
Net assets	**155,675**	147,145
Carrying amount of investment in associates	**155,675**	147,145
Share of associates' revenue, profit and losses:		
Revenue	**11,648**	46,677
Profit (loss) for the year	**8,710**	(1,020)

As of 31 December 2014, the Bank's share of contingent liabilities of associates amounted to AED 78,595 thousand (2013: AED 249,607 thousand).

7 INVESTMENT PROPERTIES

	2014	2013
	AED 000	AED 000
Balance at 1 January	**8,044,163**	7,771,812
Additions	**617,182**	249,909
Acquired in business combination (note 32)	**-**	97,986
Disposals	**(305,091)**	(226,216)
Gain from fair value adjustment (note 21)	**113,309**	125,192
Properties disposed of as part of property exchange (i)	**-**	(71,941)
Properties acquired as part of property exchange (i)	**-**	107,600
Transfer to other assets (ii)	**-**	(10,179)
At 31 December	**8,469,563**	8,044,163

Amounts recognised in the consolidated statement of income in respect of investments properties are as follows:

Rental income derived from investment properties	**148,513**	133,580
Operating expenses	**(47,856)**	(60,955)
Net rental income from investment properties	**100,657**	72,625

Investment properties are stated at fair value which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under prevailing market conditions at the measurement date.

The Bank's investment properties consist of land, buildings and properties under development in Abu Dhabi and Dubai. Management determined that these investment properties consist of two classes of commercial and retail assets, based on the nature, characteristics and risks of each property.

As at 31 December 2014 and 2013, the fair values of the properties are based on the valuations performed by third party valuers. The valuers are accredited with recognised and relevant professional qualification and with recent experience in the location and category of investment properties being valued. The fair values have been determined based on varying valuation models depending on the intended use of the investment properties; in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards.

During 2013, a subsidiary of the Bank (the "Subsidiary") entered into two agreements with property developers (the "Developers") to exchange certain plots of lands the Subsidiary had purchased, with other plots in different locations. Details of the agreements are as follows:

(i) The first agreement resulted in the Subsidiary acquiring properties in exchange of a property earlier recorded by the Subsidiary. The acquired properties were recorded at their fair values on the date of exchange. The exchange transaction resulted in a gain of AED 35,659 thousand. This non-cash transaction has been excluded from the consolidated statement of cash flows.

(ii) The second agreement resulted in the Subsidiary disposing of an earlier recorded property along with all related liabilities, in exchange for a property to be delivered in the future upon completion of the master plan related to the project in which the new property is located. As a result, the earlier recorded carrying value of the property of AED 10,179 thousand, was transferred to other assets. The exchange transaction resulted in a gain of AED 150,320 thousand, which includes the waiver of liabilities related to the exchanged property. This non-cash transaction has been excluded from the consolidated statement of cash flows.

7 INVESTMENT PROPERTIES *continued*

The following table shows the analysis of investment properties recorded at fair value by level of the fair value hierarchy:

	Level 1 *AED 000*	*Level 2* *AED 000*	*Level 3* *AED 000*	*Total* *AED 000*
31 December 2014	**-**	**130,486**	**8,339,077**	**8,469,563**
31 December 2013	-	130,486	7,913,677	8,044,163

Reconciliation of fair value for investment properties is as follows:

	Investment properties		
	Land & buildings *AED 000*	*Under-development* *AED 000*	*Total* *AED 000*
Opening balance	**4,691,199**	**3,352,964**	**8,044,163**
Additions	**15,640**	**601,542**	**617,182**
Disposals	**(305,091)**	**-**	**(305,091)**
Fair value adjustment	**159,545**	**(46,236)**	**113,309**
Closing balance	**4,561,293**	**3,908,270**	**8,469,563**
Unrealised gains/(losses) for the year included in profit or loss (recognised in other operating income)	**159,545**	**(46,236)**	**113,309**

Description of valuation techniques used and key inputs to valuation on investment properties as at 31 December 2014 and 2013:

	Valuation technique	*Significant unobservable inputs*
Buildings	Comparable and Residual Method	Comparable transactions
Land	Comparable and Residual Method	Cost of construction Developer's profit Financing cost
Properties under development	Discounted cash flow method	Discount rate Cash inflows Cash outflows

8 OTHER ASSETS

	2014 *AED 000*	*2013* *AED 000*
Interest receivable	**1,161,403**	1,143,491
Prepayments	**72,385**	70,522
Positive fair value of derivatives (note 28)	**1,526,250**	628,218
Receivable from sale of investment properties	**36,195**	21,666
Goodwill on acquisition of a subsidiary (note 32)	**36,869**	36,869
Intangible assets (note 32)	**176,567**	202,000
Advances against purchase of properties	**68,145**	78,324
Acceptances	**4,871,345**	4,525,016
Others	**1,561,508**	986,017
Total	**9,510,667**	7,692,123

9 PROPERTY AND EQUIPMENT

	Land AED 000	Buildings AED 000	Capital work-in progress AED 000	Motor vehicles AED 000	Furniture, fixtures and equipment AED 000	Computer hardware and software AED 000	Total AED 000
2014							
Cost or valuation:							
At 1 January 2014	318,255	506,956	13,213	2,440	126,237	264,988	1,232,089
Revaluation	218,297	-	-	-	-	-	218,297
Impairment loss during the year (note 21)	(8,591)	-	-	-	-	-	(8,591)
Additions during the year	25,305	125,823	29,672	140	15,109	55,565	251,614
Cost of disposals	(10,353)	(692)	-	(125)	(4,644)	(15,134)	(30,948)
At 31 December 2014	**542,913**	**632,087**	**42,885**	**2,455**	**136,702**	**305,419**	**1,662,461**
Depreciation:							
At 1 January 2014	-	134,825	-	1,840	102,322	183,105	422,092
Provided during the year	-	36,204	-	356	10,302	33,938	80,800
Disposals	-	(591)	-	(46)	(3,771)	(3,231)	(7,639)
At 31 December 2014	**-**	**170,438**	**-**	**2,150**	**108,853**	**213,812**	**495,253**
Net book value:							
At 31 December 2014	**542,913**	**461,649**	**42,885**	**305**	**27,849**	**91,607**	**1,167,208**
2013							
Cost or valuation:							
At 1 January 2013	264,018	397,102	-	2,347	112,719	198,337	974,523
Acquired in business combination (note 32)	-	3,561	-	330	8,012	20,656	32,559
Additions during the year	54,237	110,015	13,213	-	18,866	48,186	244,517
Cost of disposals	-	(1,511)	-	-	(4,179)	(2,191)	(7,881)
Written off	-	(2,211)	-	(237)	(9,181)	-	(11,629)
At 31 December 2013	318,255	506,956	13,213	2,440	126,237	264,988	1,232,089
Depreciation:							
At 1 January 2013	-	108,632	-	1,302	97,305	141,641	348,880
Acquired in business combination (note 32)	-	812	-	131	7,713	17,343	25,999
Provided during the year	-	27,481	-	492	9,985	24,939	62,897
Disposals	-	(1,258)	-	-	(4,066)	(818)	(6,142)
Written off	-	(842)	-	(85)	(8,615)	-	(9,542)
At 31 December 2013	-	134,825	-	1,840	102,322	183,105	422,092
Net book value:							
At 31 December 2013	318,255	372,131	13,213	600	23,915	81,883	809,997

Revaluation of land

The revaluation reserve of AED 305,851 thousand (2013: AED 87,554 thousand) is related to land included under property and equipment.

The revalued land is located in the United Arab Emirates. Management determined that these constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the property.

Fair value of the land was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, adjusted for differences in the nature, location or condition of the specific property.

As at the date of revaluation, which was performed in October 2014, the fair value of the land was based on a valuation performed by an accredited independent valuer who has valuation experience with similar properties in the United Arab Emirates.

10 DUE TO BANKS

	2014 AED 000	2013 AED 000
Current and demand deposits	**1,009,825**	97,213
Deposits maturing within one year	**11,580,702**	5,107,429
Total	**12,590,527**	5,204,642

As of 31 December 2014, deposits maturing within one year amounting to AED 1,891,097 thousand (2013: AED 1,115,465 thousand) are held against the sale of debt securities with a carrying value of AED 1,918,249 thousand (2013: AED 1,126,282 thousand) with arrangements to repurchase them at a fixed future date.

11 CUSTOMERS' DEPOSITS

	2014 AED 000	2013 AED 000
Current accounts	**27,273,140**	25,615,919
Saving accounts	**1,901,435**	2,117,987
Time deposits	**88,066,542**	89,985,412
Call and other deposits	**24,030,633**	20,234,214
Total	**141,271,750**	137,953,532

As of 31 December 2014, time deposits include deposits of AED 24,741 thousand (2013: AED 32,975 thousand) from overseas financial institutions held against the sale of debt securities, with a carrying value of AED 24,556 thousand (2013: AED 32,829 thousand), with arrangements to repurchase them at a fixed future date.

In December 2006, the Bank received an initial deposit of AED 5 billion from the Government of Abu Dhabi (the "Government") to fund an interest-free housing loans scheme for UAE Nationals, which is recorded in call and other deposits. The scheme is being administered by the Bank based on various terms and conditions agreed with the Government. As of 31 December 2014, the Government's time deposit amounted to AED 17,688 million (2013: AED 15,067 million) and housing loans (note 4) amounted to AED 17,196 million (2013: AED 14,864 million). Interest is payable on this Government deposit at market rates based on the principal amount net of loan disbursements made.

During the year, the Abu Dhabi Government deposit increased by AED 3,106,989 thousand (2013: AED 3,122,976 thousand). The increase was partially offset by the waiver of AED 775,255 thousand (2013: AED 773,676 thousand) representing a discount of 25% (2013: 25%) granted to nearly 1,555 borrowers (2013: 1,551 borrowers) as further discussed in note 4. This is a non-cash transaction which has been excluded from the statement of cash flows.

As of 31 December 2014, the top 5 depositors accounted for 29% of total customer deposits (2013: 30%).

12 TERM LOANS

	2014	2013
	AED 000	AED 000
Syndicated loan	**3,305,700**	3,305,700
Bank loans	**183,650**	1,469,200
Euro Medium Term Notes	**5,750,845**	4,846,298
Medium term bonds	**2,225,893**	1,648,405
Repurchase agreements	**208,259**	459,492
	11,674,347	11,729,095

Syndicated loan:

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

Bank loans:

Bank loans comprise of several borrowings obtained from other commercial banks as follows:

Loan no.	*Year obtained*	*2014 Loan amount AED 000*	*2013 Loan amount AED 000*	*Maturity*	*Interest*
1	2012	-	734,600	April 2014	Libor + 150 bps
2	2013	-	550,950	December 2014	Libor + 100 bps
3	2013	183,650	183,650	March 2016	Libor + 130 bps
		183,650	1,469,200		

During the year, loans 1 and 2 matured and were fully settled by the Bank.

Euro Medium Term Notes:

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

(i) On 9 October 2012, the Bank issued a Medium Term Note (EMTN) of US$ 650 million (equivalent to AED 2,387 million). The notes are due in October 2017 and carry a coupon rate of 2.862% per annum payable semi-annually in arrears.

(ii) On 8 August 2013, the Bank issued a Euro Medium Term Note (EMTN) of HKD 400 million (equivalent to AED 189 million). The notes are due in August 2023 and carry a coupon rate of 4.18% per annum payable annually in arrears.

12 TERM LOANS *continued*

Euro Medium Term Notes: *continued*

(ii) On 15 August 2013, the Bank issued a Euro Medium Term Note (EMTN) of HKD 400 million (equivalent to AED 189 million). The notes are due in August 2023 and carry a coupon rate of 4.18% per annum payable annually in arrears.

(iv) On 19 September 2013, the Bank issued a Euro Medium Term Note (EMTN) of JPY 4,700 million (equivalent to AED 144 million). The notes are due in September 2016 and carry a coupon rate of 1.00% per annum payable semi-annually in arrears.

(v) On 14 November 2013, the Bank issued a Euro Medium Term Note (EMTN) of US$ 500 million (equivalent to AED 1,826 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 446 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 307 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 60 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 0.91% per annum payable quarterly in arrears.

Medium Term Bonds:

On 16 February 2011, the Bank issued 5 year bonds of CHF 200 million (equivalent of AED 740 million). The bonds are due in February 2016 and carry a coupon rate of 3% per annum payable annually in arrears.

On 27 November 2012, the Bank issued CHF 100 million bonds (equivalent of AED 371 million). The bonds are due in January 2016 and carry a coupon at the rate of 3 months CHF LIBOR plus a margin of 1.15% per annum payable quarterly in arrears.

On 23 April 2013, the Bank issued CHF 100 million bonds (equivalent of AED 371 million). The bonds are due in April 2015 and carry a coupon at the rate of 3 months CHF LIBOR plus a margin of 0.60% per annum payable quarterly in arrears.

On 1 April 2014, the Bank issued AUD 250 million bonds (equivalent of AED 744 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.

12 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 31 December 2014, the carrying value of debt securities sold under these arrangements amounted to AED 236,317 thousand (2013: AED 503,453 thousand). The amount and maturity of outstanding transactions are as follows:

No.	**2014** Amount US$ 000	**2014** Amount AED 000	*2013* Amount US$ 000	*2013* Amount AED 000	Maturity
1	**-**	**-**	54,900	201,648	8-April-2014
2	**-**	**-**	13,500	49,585	8-October-2014
3	**40,500**	**148,756**	40,500	148,756	25-October-2017
4	**7,200**	**26,446**	7,200	26,446	1-August-2018
5	**9,000**	**33,057**	9,000	33,057	8-April-2019
	56,700	**208,259**	125,100	459,492	

The Bank has not had any defaults of principal, interest or other breaches with regard to all borrowings during the year ended 31 December 2014 and year ended 31 December 2013.

13 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.

14 OTHER LIABILITIES

	2014 **AED 000**	*2013* *AED 000*
Interest payable	**483,329**	518,599
Accrued expenses	**330,017**	269,804
Provisions for staff benefits (note 15)	**327,653**	291,660
Accounts payable and sundry creditors	**1,568,137**	1,205,469
Advances received on sale of investment properties	**1,100,240**	982,418
Payable in respect of acquisition of investment properties	**113,168**	136,383
Negative fair value of derivatives (note 28)	**1,888,659**	708,825
Acceptances net of discounting	**1,697,427**	3,177,931
Others	**162,335**	37,522
Total	**7,670,965**	7,328,611

15 PROVISION FOR STAFF BENEFITS

The movement in the provision was as follows:

	2014	*2013*
	AED 000	*AED 000*
At 1 January	**291,660**	251,689
Arising during the year	**267,090**	224,296
Acquired in business combination (note 32)	**-**	1,340
Utilised	**(231,097)**	(185,665)
At 31 December	**327,653**	291,660

16 SHARE CAPITAL

	Authorised, issued and fully paid	
	2014	*2013*
	AED 000	*AED 000*
Ordinary shares of AED 1 each	**3,900,000**	3,000,000

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

In its meeting held on 28 January 2015, the Board of Directors of the Bank proposed to distribute 600 million shares amounting to AED 600 million to shareholders of the Bank as bonus shares. The resolution is subject to the approval of the shareholders of the Bank in the forthcoming Annual General Meeting.

17 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 non-cumulative 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 year, interest payments amounted to AED 186 million (2013: AED 240 million).

18 APPROPRIATIONS

Legal reserve

In accordance with the UAE Commercial Companies Law No. 8 of 1984 (as amended) and the Articles of Association of the Bank, 10% of profit for the year of the Bank shall be transferred to the legal reserve until it reaches 50% of the nominal value of the paid up share capital. The early conversion of the mandatory convertible bonds during 2011 resulted in an increase to the legal reserve by AED 3,475 million. As the legal reserve exceeds 50% of the share capital, no further transfers from the net profit are made to the legal reserve. The legal reserve is not available for distribution.

Special reserve

As required by Article 82 of Union Law No 10 of 1980, 10% of the profit for the year shall be transferred to the special reserve until the reserve equals 50% of the nominal value of the paid up share capital. As at 31 December 2014, AED 450,000 thousand was transferred to the special reserve due to an increase in share capital, which resulted from a bonus share issue amounting to AED 900,000 thousand. The special reserve is not available for distribution.

General reserve

Transfers to the general reserve are made upon the recommendation of the Board of Directors. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholders.

No transfers are proposed by the Board of Directors from the profit for the year to the general reserve (2013: nil).

Dividends

	2014	*2013*
	AED 000	*AED 000*
Cash dividends proposed in respect of 2014: AED 1 (2013: Declared AED 1)	**3,900,000**	3,000,000
Bonus shares proposed in respect of 2014: AED 0.15 (2013: AED 0.30)	**600,000**	900,000
Dividend on ordinary shares paid during the year	**2,964,828**	2,468,720

19 INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING

	2014	*2013*
	AED 000	*AED 000*
Interest income		
Loans and advances	**6,987,693**	6,785,675
Deposits with banks and financial institutions	**199,643**	165,099
Investment securities	**561,378**	539,915
Notional interest on impaired loans and advances (note 4)	**158,493**	96,699
Total	**7,907,207**	7,587,388
Income from Islamic financing	**341,930**	281,211
Interest income and income from Islamic financing	**8,249,137**	7,868,599

20 INTEREST EXPENSE AND ISLAMIC FINANCING EXPENSE

	2014	2013
	AED 000	AED 000
Interest expense		
Customers' deposits	**1,065,065**	1,217,424
Bank deposits	**118,059**	60,151
Term loans	**282,857**	246,292
Total	**1,465,981**	1,523,867
Islamic financing expense	**313,376**	351,170
Interest expense and Islamic financing expense	**1,779,357**	1,875,037

21 OTHER OPERATING INCOME

	2014	2013
	AED 000	AED 000
Investment income:		
Gains on disposal of available for sale investments	**125,482**	128,110
Gains on disposal of investments carried at fair value through income statement	**15,293**	39,598
Change in fair value of investments carried at fair value through income statement	**12,310**	16,556
Other investment income	**16,266**	6,654
Total investment income	**169,351**	190,918
Commission income	**574,767**	527,053
Fee income	**748,536**	612,522
Fees and commissions on credit cards	**571,524**	409,458
Brokerage and fund management fee income	**13,724**	14,862
Foreign exchange income	**75,768**	87,475
Derivatives income	**118,825**	54,670
Gain on revaluation of investment properties (note 7)	**113,309**	125,192
Gain on sale of investment properties	**167,521**	73,801
Loss on sale of property and equipment	**(12,992)**	(3,772)
Impairment of property and equipment	**(8,591)**	-
Rental income, net	**110,980**	72,625
Gain on exchange of investment properties (note 7)	**-**	185,979
Other income	**119,031**	77,236
Total	**2,761,753**	2,428,019

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
	AED 000	AED 000
Staff costs	**875,705**	812,335
Depreciation (note 9)	**80,800**	62,897
Amortisation of intangible assets (note 32)	**25,433**	-
Other general and administrative expenses	**1,148,290**	890,820
Total	**2,130,228**	1,766,052
Number of employees	**1,454**	1,452

23 PROVISION FOR IMPAIRMENT OF LOANS AND ADVANCES

	2014	2013
	AED 000	AED 000
Provision for impaired loans and advances (note 4)	**1,438,637**	1,861,035
Recoveries (note 4)	**(77,218)**	(100,108)
	1,361,419	1,760,927

24 BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

	2014	2013
Profit for the year attributable to ordinary equity holders (AED 000)	**5,655,605**	4,774,374
Deduct: interest on capital notes (AED 000)	**(103,368)**	(240,000)
Profit attributable to ordinary equity holders (AED 000)	**5,552,237**	4,534,374
Weighted average number of ordinary shares in issue (000's)	**3,900,000**	3,900,000
Basic and diluted earnings per share (AED)	**1.42**	1.16

25 CASH AND CASH EQUIVALENTS

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

	2014 AED 000	*2013 AED 000*
Cash and balances with Central Banks	**21,541,399**	15,944,554
Due from banks and financial institutions	**14,907,509**	22,864,465
	36,448,908	38,809,019
Less: Balances with UAE Central Bank maturing after three months of placement	**10,570,518**	7,000,000
Less: Mandatory cash reserve with UAE Central Bank	**5,529,441**	4,382,713
Less: Due from banks and financial institutions maturing after three months of placement	**6,564,053**	3,522,668
Cash and cash equivalents	**13,784,896**	23,903,638

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

	2014 AED 000	*2013 AED 000*
UAE	**20,594,743**	21,336,781
Other Arab Countries	**7,061,868**	3,663,588
Asia	**8,778**	3,900,714
Europe	**7,977,127**	6,417,180
USA	**464,025**	3,313,141
Rest of the world	**342,367**	177,615
	36,448,908	38,809,019

26 RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Bank enters into transactions with related parties, comprising directors, major shareholders, key management and their related concerns, at commercial interest and commission rates. The Bank obtains collateral, including charges over real estate properties and securities, the extent of which is dependent on the Bank's assessment of the credit risk of the related party. All loans and advances to related parties are performing advances and are free of any provision for impaired loans and advances.

The following transactions have been entered into with related parties:

	2014 AED 000	*2013 AED 000*
Board members, key management personnel and associated companies		
Loans and advances	**4,199,809**	6,074,645
Customers' deposits	**6,827,314**	5,726,987
Finance lease payable	**120,117**	120,558
Commitments and contingent liabilities	**2,366,953**	1,728,405
Interest and commission income	**189,899**	138,695
Interest expense and Islamic financing expense	**116,842**	91,668

26 RELATED PARTY TRANSACTIONS *continued*

	2014 **AED 000**	*2013* *AED 000*
Associates		
Loans and advances to customers	**-**	1,196
Customers' deposits	**240,719**	161,077
Commitments and contingent liabilities	**175,233**	555,260
Interest and commission income	**819**	5,590
Interest expense and Islamic financing expense	**2,501**	916
Compensation of key management personnel:		
Short term employee benefits	**106,122**	101,541
Post-employment benefits	**11,333**	10,804

In addition to the amounts disclosed above, Board of Directors remuneration amounting to AED 42,500 thousand (2013: AED 31,500 thousand) has been included in the consolidated statement of comprehensive income and is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

27 COMMITMENTS AND CONTINGENT LIABILITIES

The Bank has the following commitments and contingent liabilities at 31 December:

	2014 **AED 000**	*2013* *AED 000*
Contingent liabilities:		
Letters of credit	**26,036,754**	29,468,971
Guarantees	**46,593,496**	50,010,780
	72,630,250	79,479,751
Commitments:		
Commitments to extend credit maturing within one year	**9,423,662**	5,875,627
Commitments for future capital expenditure	**930,266**	1,538,662
Commitments for future private equity investments	**663,237**	775,172
	11,017,165	8,189,461
Total commitments and contingent liabilities	**83,647,415**	87,669,212

Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act such as the export or import of goods or upon the failure of the customer to perform under the terms of a contract. These contracts would have market risk if issued or extended at a fixed rate of interest. However, these contracts are primarily made at a floating rate.

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the Bank's customers. These commitments represent contractual irrevocable commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

28 DERIVATIVES

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by term to maturity. The notional amount is the amount of a derivative's underlying asset and liabilities, 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 year end and are neither indicative of the market risk nor credit risk.

	Positive fair value AED 000	*Negative fair value AED 000*	*Notional amount Total AED 000*	***Notional amounts by term to maturity*** *Within 3 months AED 000*	*3-12 months AED 000*	*1-5 years AED 000*	*More than 5 years AED 000*
At 31 December 2014							
Derivatives held for trading:							
Forward foreign exchange contracts	**397,509**	**465,164**	**46,948,394**	**32,193,173**	**13,137,975**	**1,617,246**	**-**
Interest rate swaps, caps and collars	**656,287**	**690,950**	**23,287,133**	**948,030**	**2,105,301**	**10,607,168**	**9,626,634**
Credit default swaps	**1,447**	**97**	**311,983**	**120,498**	**154,755**	**36,730**	**-**
Commodity linked swaps	**40,167**	**25,880**	**916,923**	**734,600**	**-**	**-**	**182,323**
Equity swaps	**-**	**-**	**153,544**	**-**	**-**	**153,544**	**-**
Swaptions	**5,958**	**6,602**	**1,167,159**	**-**	**-**	**1,167,159**	**-**
Options	**332,664**	**325,439**	**14,605,686**	**1,645,668**	**8,074,790**	**4,885,228**	**-**
Futures	**4,086**	**1,203**	**3,467,437**	**3,467,437**	**-**	**-**	**-**
	1,438,118	**1,515,335**	**90,858,259**	**39,109,406**	**23,472,821**	**18,467,075**	**9,808,957**
Derivatives held for hedging:							
Interest rate swaps	**15,172**	**70,087**	**3,146,043**	**-**	**583,650**	**740,055**	**1,822,338**
Cross currency swaps	**72,960**	**303,237**	**4,539,760**	**-**	**370,641**	**2,969,118**	**1,200,001**
	88,132	**373,324**	**7,685,803**	**-**	**954,291**	**3,709,173**	**3,022,339**
Total	**1,526,250**	**1,888,659**	**98,544,062**	**39,109,406**	**24,427,112**	**22,176,248**	**12,831,296**
At 31 December 2013							
Derivatives held for trading:							
Forward foreign exchange contracts	174,461	211,312	39,939,567	14,942,540	23,481,795	1,515,232	-
Interest rate swaps, caps and collars	248,953	308,981	13,137,725	-	2,373,471	4,845,772	5,918,482
Commodity linked swaps	-	16,120	734,600	-	-	734,600	-
Equity swaps	-	-	160,132	-	-	160,132	-
Swaptions	2,810	2,810	1,469,200	-	-	1,469,200	-
Options	39,028	38,831	9,314,711	349,754	3,251,380	5,713,577	-
Futures	1,410	793	38,347	38,347	-	-	-
	466,662	578,847	64,794,282	15,330,641	29,106,646	14,438,513	5,918,482
Derivatives held for hedging:							
Interest rate swaps	34,896	28,384	3,363,951	-	-	1,053,087	2,310,864
Cross currency swaps	126,660	101,594	3,206,570	-	-	2,422,528	784,042
	161,556	129,978	6,570,521	-	-	3,475,615	3,094,906
Total	628,218	708,825	71,364,803	15,330,641	29,106,646	17,914,128	9,013,388

Derivative product types

In the ordinary course of business the Bank enters into various types of transactions that involve financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments, which the Bank enters into, include forwards, options and swaps, futures and swaptions.

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

28 DERIVATIVES *continued*

Derivative product types *continued*

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency. For currency swaps, fixed or floating interest payments as well as notional amounts are exchanged in different currencies.

Credit default swaps transfer the credit exposure of debt securities between parties. The buyer of a credit default swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. Accordingly, the risk of default is transferred from the holder of the debt security to the seller of the swap.

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity or financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Bank. The Bank enters into derivative contracts with a number of financial institutions of good credit rating.

Derivatives held for trading purposes

Most of the Bank's derivative trading activities relate to offering products to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks and manage their market positions with the expectation of making profit from favourable movements in prices or rates.

Derivatives held for hedging purposes

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to reduce its exposure to interest rate risks.

Total loss on interest rate swaps held as fair value hedges amounted to AED 246,692 thousand (2013: gain of AED 75,344 thousand). A corresponding amount has been adjusted against the carrying value of the related hedged item.

29 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 operating 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.

29 SEGMENTAL INFORMATION *continued*

Operating segment information *continued*

Treasury and Global Markets, 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 - 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 of the Head Office, include unallocated costs, subsidiaries and associates other than above categories.

Operating segmental information for the year ended 31 December 2014 was as follows:

	Wholesale Banking Group						
	UAE Operations	***International Banking***	***Treasury &Global Markets***	***Consumer Banking***	***Real Estate***	***Other Operations***	***Total***
	AED 000	***AED 000***	***AED 000***	***AED 000***	***AED 000***	***AED 000***	***AED 000***
Assets	**73,503,360**	**17,844,404**	**48,271,979**	**49,869,678**	**10,457,456**	**12,221,624**	**212,168,501**
Liabilities	**114,869,376**	**8,155,035**	**9,562,319**	**37,037,570**	**1,414,671**	**6,392,568**	**177,431,539**
Operating income excluding associates	**2,956,654**	**521,932**	**1,227,313**	**3,530,780**	**460,367**	**534,487**	**9,231,533**
Net interest income and income from Islamic financing	**1,947,615**	**308,359**	**872,295**	**2,813,307**	**-**	**528,204**	**6,469,780**
Share of profit from associates	**-**	**-**	**-**	**-**	**7,649**	**1,061**	**8,710**
Provision for impairment of loans and advances and available for sale investments	**(391,372)**	**(156,567)**	**(11,000)**	**(609,066)**	**-**	**(204,414)**	**(1,372,419)**
Profit attributable to equity holders of the Bank	**2,151,885**	**191,876**	**1,106,328**	**2,041,990**	**404,925**	**(241,399)**	**5,655,605**
Other segment information							
Investment in associates	**-**	**-**	**-**	**-**	**129,940**	**25,735**	**155,675**
Capital expenditure	**-**	**-**	**-**	**-**	**618,456**	**250,340**	**868,796**
Depreciation	**-**	**-**	**-**	**-**	**985**	**79,815**	**80,800**

29 SEGMENTAL INFORMATION *continued*

Operating segment information for the year ended 31 December 2013 was as follows:

	Wholesale Banking Group						
	UAE Operations	*International Banking*	*Treasury & Global Markets*	*Consumer Banking*	*Real Estate*	*Other Operations*	*Total*
	AED 000	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*	*AED 000*
Assets	68,556,042	12,387,080	52,368,689	46,660,838	9,873,699	8,363,953	198,210,301
Liabilities	114,577,711	6,283,282	4,182,216	33,696,653	1,332,461	6,367,507	166,439,830
Operating income excluding associates	2,791,402	473,215	1,114,941	3,385,715	482,111	174,197	8,421,581
Net interest income and income from Islamic financing	1,955,462	219,885	782,194	2,782,180	-	253,841	5,993,562
Share of profit from associates	-	-	-	-	(14,523)	13,503	(1,020)
Provision for impairment of loans and advances and available for sale investments	(538,852)	(70,612)	(34,026)	(625,619)	-	(550,811)	(1,819,920)
Profit attributable to equity holders of the Bank	1,889,419	271,291	996,607	1,867,816	414,576	(665,335)	4,774,374
Other segment information							
Investment in associates	-	-	-	-	124,805	22,340	147,145
Capital expenditure	-	-	-	-	251,799	242,627	494,426
Depreciation	-	-	-	-	1,903	60,994	62,897

The Bank's operations in UAE contribute the majority of its revenues. Also, the Bank's non-current assets in UAE represent a significant portion of its total non-current assets.

30 RISK MANAGEMENT

30.1 Introduction

The core business of a bank is to manage risk and provide returns to the shareholders in line with the accepted risk profile. In the course of its regular business, the Bank gets exposed to multiple risks notably credit risk, market risk, liquidity risk, interest rate risk, operational risk and other risks like compliance risk, strategic risk and reputation risks. A well-established risk governance and ownership structure ensures oversight and accountability of the effective management of risk at the Bank. This tone is set right at the top from the Board of Directors ("BOD") and gets implemented through a well-defined risk management structure and framework.

Composition of Board

The BOD is responsible for the overall direction, supervision and control of the Bank. The day-to-day management of the Bank is conducted by the BOD committees, the Managing Director ("MD") and the Chief Executive Officer ("CEO"). The BOD has overall responsibility for the Bank including approving and overseeing the implementation of its strategic objectives, risk strategy, corporate governance and corporate values within the agreed framework in accordance with relevant statutory and regulatory structures. The BOD currently comprises six members. Each Director holds his position for three years, which may then be renewed for a further three year term. The Board of Directors of the Bank's subsidiaries have the same responsibilities towards their respective entities as the Bank's Directors have towards the Bank.

30 RISK MANAGEMENT *continued*

30.1 Introduction *continued*

Corporate Governance Framework:

The Bank has a comprehensive corporate governance framework that puts in place rules, processes, policies and practices by which the Bank is managed by its BOD and Senior Management. The BOD drives the implementation of the corporate governance standards and is the custodian of the corporate governance manual. The Bank's corporate governance standards bind its signatories to the highest standards of professionalism and due diligence in the performance of their duties. The Group Chief Risk Officer ("GCRO") is the custodian of the charters for the management committees. These charters are subject to annual review that is driven by the governance function and is approved by the BOD.

Risk Management Structure

The BOD approves risk management plans for the Bank, its subsidiaries, its associates and international offices including representative offices and overseas branches. Under authority delegated by the BOD, Board level risk committee - Risk and Compliance Management Committee ("RCMC") through its separately convened risk management meetings formulates high-level enterprise risk management policy, exercises delegated risk authorities and oversees the implementation of risk management framework and controls. The GCRO functionally reports to this committee.

Board Level Committees within the FGB Group

Remuneration and Nomination Committee

The Remuneration and Nomination Committee ("REMCO") comprises of three members of the BOD (including the MD) and some members from the Senior management. REMCO has the overall responsibility of setting the criteria and processes for identification of candidates for the BOD, Board level committees and Senior Management. The committee recommends the appointment or termination of any director to the Board and ensures a smooth succession of Board and Senior Management. The committee takes care of the performance assessment of the Board and key management personnel. The committee approves and oversees reward design and ensures that the reward is appropriate and consistent with the Bank's culture, business and risk strategy, performance and control environment as well as with any legal or regulatory requirements. REMCO also oversees the Bank's HR policies and rewards policy framework. The composition, guiding principles and detailed roles and responsibilities are covered in REMCO's charter.

Executive Committee

Executive Committee ("EC") comprises of three members of the BOD (including the MD) and the CEO. EC oversees the implementation of the Bank's policies, BOD's resolutions and practices the competencies granted to it by the BOD. The EC oversees the Bank's overall management and ensures that the Bank's business policies and practices are in line with the Bank's business interests and are in alignment with sound corporate governance and compliance standards including provisions of the UAE Central Bank. The composition, guiding principles and detailed roles and responsibilities are covered in the EC charter.

Risk and Compliance Management Committee

The Risk and Compliance Management Committee ("RCMC") comprises three members of the BOD (including MD) and the GCRO. Under authority delegated by the BOD, RCMC plays a key role in the fulfilment of corporate governance standards and overall risk management by assisting the BOD in formulation of strategy for enterprise-wide risk management, evaluation of overall risks faced by the Bank, alignment of risk policies with business strategies, determination of the level of risks which will be in the best interest of the Bank through risk based capital planning. The RCMC, by virtue of powers delegated to it by the BOD, also approves changes in risk management policies as and when required. The composition, guiding principles and detailed roles and responsibilities are covered in the RCMC's charter.

30 RISK MANAGEMENT *continued*

30.1 Introduction *continued*

Audit Committee

This committee is principally responsible for reviewing the internal audit program, considering the major findings of each internal audit review, making appropriate investigations and responses and ensuring coordination between the internal and external auditors and keeping under review the effectiveness of internal control systems, and in particular reviewing the external auditor's management letter and management's response. Members of this committee include three members of the BOD including the MD along with the Head of Internal Audit. The composition, guiding principles and detailed roles and responsibilities are covered in the Audit Committee's charter.

Management Level Committees within the Bank

Executive Management Committee

The Executive Management Committee ("EMCO") is a senior management level committee appointed by the EC that has been entrusted with the role of supporting the CEO to determine and implement the Bank's strategy as approved by the BOD. The key responsibilities of EMCO include decisions on the Bank's strategy, annual budgets, capital management and policies and procedures for the entire Bank. The composition, guiding principles and detailed roles and responsibilities of EMCO are covered in the EMCO's charter.

Wholesale Banking Credit Committee

The Bank has a management level Wholesale Banking Credit Committee ("WBCC") which assists the BOD and Board Committees to put into operation the wholesale credit risk strategy and policies and procedures pertaining to the wholesale banking business. The primary objective of the WBCC is to assist in the development and implementation of wholesale banking business credit strategy and policies and procedures. The composition, guiding principles and detailed roles and responsibilities of WBCC are covered in the WBCC's charter.

Consumer Banking Credit Committee

The Bank has a management level Consumer Banking Credit Committee ("CBCC") which assists the BOD and Board Committees to put into operation the consumer banking credit strategy and policies and procedures. The primary objective of the CBCC is to finalize the consumer banking credit criteria and set portfolio level limits, in line with the defined business and credit risk strategy of the Bank. The composition, guiding principles and detailed roles and responsibilities of CBCC are covered in the CBCC's Charter.

Asset Liability Committee

The Bank has a management level Asset Liability Committee (ALCO) to assist the BOD and Board Committees in fulfilling its responsibility to oversee the Bank's asset and liability management (ALM) related responsibilities. The objective of ALCO is to maintain constant oversight of interest rate risk and liquidity risk with the primary goal of achieving optimal return while ensuring adequate levels of liquidity within an effective risk control framework. The composition, guiding principles and detailed roles and responsibilities of ALCO are covered in the ALCO's charter.

Investment Management Committee

The Bank has a management level Investment Management Committee (IMCO) for overseeing and providing guidance to treasury's trading and investment activities. IMCO has to ensure effective management of market risks in accordance with the principles laid down in the market risk management policy. IMCO provides approval of investment limits and individual investment proposals within those limits. Its objective is to ensure that investment decisions conform to the investment policy and are within the overall limits approved by the BOD. The composition, guiding principles and detailed roles and responsibilities of IMCO are covered in the IMCO's charter.

30 RISK MANAGEMENT *continued*

30.1 Introduction *continued*

Management Level Committees within the Bank *continued*

Compliance Committee

The Bank has a management level Compliance Committee to assist the BOD and Board Committees in fulfilling their objective of overseeing the Bank's compliance related responsibilities. The committee oversees the Bank's compliance with respect to legal and regulatory requirements and relevant policies and procedures including code of ethics and matters relating to operating and non-operating financial risk and also ensures the Bank's compliance with Anti Money Laundering ("AML") and other relevant legislation issued by UAE Central Bank and / or Securities and Commodities Authority and / or other regulatory authorities, as applicable. The composition, guiding principles and detailed roles and responsibilities of Compliance Committee are covered in the Compliance Committee charter.

Operational Risk Committee

The Bank has a management level Operational Risk Committee (ORC) to assist the BOD and Board Committees in fulfilling their objective of overseeing the Bank's Operational Risk Management, Business Continuity and Information Security responsibilities. Responsibility areas for ORC include management and reporting of operational risk profile, ratifying information security policy and procedures, integrated business continuity management policy and business recovery strategy of the Bank. The composition, guiding principles and detailed roles and responsibilities of ORC are covered in the ORC's charter.

Technology Steering Committee

The Bank has a management level Technology Steering Committee (TSC) to assist the BOD and Board Committees in fulfilling their responsibilities related to setting of Information Technology (IT) related strategic goals and for successful implementation of the IT objectives. TSC ensures the alignment of the IT strategy with the Bank's business strategy and a successful implementation of the IT strategy. The composition, guiding principles and detailed roles and responsibilities of TSC are covered in the TSC's charter.

Human Resources Steering Committee

The Bank has a management level Human Resources Steering Committee ("HRSC") to assist the BOD in fulfilling its responsibilities related to the human resource policies applicable to the Bank's staff. The objectives of the committee include implementation of recommendations made by the REMCO regarding compensation, benefits, rewards, working environment, employee contracts' terms and conditions and other issues that form part of the Human Resources ("HR") strategy. HRSC also has the responsibility to put in place an appropriate whistle blowing policy to enable employees to raise concerns in a responsible and effective manner with a sense of protection. The composition, guiding principles and detailed roles and responsibilities of HRSC are covered in the HRSC's charter.

Real Estate Committee

The Bank has a management level Real Estate Committee ("RECO") to assist the BOD with overseeing and approving the Bank's real estate investment activities in line with effective market and liquidity risk management practices in accordance with the Bank's risk policy. RECO is responsible for providing oversight, guidance and strategic input on the action plans for the Group's real estate investment, review real estate budgets and provide oversight and guidance for real estate investment limits and risk appetite. The composition, guiding principles and detailed roles and responsibilities of RECO are covered in the RECO's charter.

30.2 Enterprise Risk Management Framework and Structure

Enterprise Risk Management Group

The Bank has a centralized risk management function led by the GCRO. The Head of Enterprise Risk Management Group reports to the GCRO. The function comprises Credit Risk Management Unit (CRMU), Market Risk Management Unit (MRMU), ALM Risk Management Unit (ALMRMU), Operational Risk Management Unit (ORMU), Information Security, Business Continuity Management, Compliance unit and Basel II unit.

30 RISK MANAGEMENT *continued*

30.2 Enterprise Risk Management Framework and Structure *continued*

Enterprise Risk Management Policy Framework

The Bank's Enterprise Risk Management Policy (ERMP) framework aims to accomplish its core values and purpose of being a world class organization maximizing its risk adjusted returns for all stakeholders by establishing an enterprise wide risk management framework across the Bank including local and international branches, subsidiaries, associates and foreign representative offices. Core objective of ERMP is to provide a reasonable degree of assurance to the BOD that the risks threatening the Bank's achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management system. The ERMP framework consists of specific policy documents covering all material risks across the Bank; which include ERM policy, wholesale banking credit risk policy, consumer banking credit risk policy, market risk policy, operational risk policy, ALM risk policy, AML and Compliance risk policy, IT and Information security risk policy, Internal Capital Adequacy Assessment Process ("ICAAP") policy, new products approval policy and Model governance policy. In addition to these risk management policies, the Bank has also put in place detailed operational policies, procedures and programs wherever needed. Other relevant risks such as reputation risk and strategy risk are covered under the ERM policy.

30.3 Overview of Enterprise Risk Management Process

30.3.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Counterparty credit risk arising from derivative financial instruments is limited to those with positive fair values, as recorded in the balance sheet. Credit risk exposure also emerges from off balance sheet exposures like letters of guarantee, guarantees and committed lines of credit which may require the Bank to make payments to customers or on their behalf.

Credit risk identification and assessment at FGB Group is carried out through a comprehensive mechanism comprising three levels of defence. The first level of defence lies with the business units along with the credit analysis unit that assesses risk on a customer and facility level. The second level of defence is in the form of credit risk management unit that assesses credit risk on a portfolio basis and maintains credit risk policies and credit risk rating models up to date. Internal Audit acts as a third level of defence with regular reviews of credit analysis and the risk functions to check the compliance with policies and procedures of the Bank. The unit also reviews the policy documents on a regular basis.

As a part of credit risk monitoring and control framework, the Bank undertakes regular risk monitoring and provides senior management and BOD assurance that established controls in the form of exposure limits are functioning properly. Risk monitoring is carried out at both individual and portfolio levels by appropriate authorities along several parameters which include credit quality, provisioning levels, exposure limits across several dimensions, financial and operating performance, account conduct, end use of funds, adequacy of credit risk mitigants, adherence to financial and non-financial covenants, recovery performance, rating system performance among others.

The Bank has set up a framework for credit risk mitigation as a means towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance. The types of Credit Risk Mitigation (CRM) include netting agreements, collaterals, guarantees, credit derivatives, Stand By Letter of Credit (SBLC) and Comfort Letters. The Bank ensures that all documentation used in collateralized transactions and for documenting on and off-balance sheet netting, guarantees, credit derivatives and collateral is binding on all parties and is legally enforceable in all relevant jurisdictions. The Bank also ensures that all the documents are reviewed by appropriate authority and have appropriate legal opinions to verify and ensure its enforceability.

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.1 Credit risk *continued*

The Bank has put in place a comprehensive risk reporting mechanism that provides a wide array of risk related information to concerned audience. Credit risk reporting includes the monthly snapshots for each of the business segments and sub units, a 360 degree view of the credit risk exposures and monthly credit risk pack with granular information on sensitive, watch list accounts, non-performing loans, excesses, restructured and rescheduled accounts.

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

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Notes	**Gross maximum exposure 2014 AED 000**	*Gross maximum exposure 2013 AED 000*
Balances with Central Banks	3	**21,113,715**	15,574,161
Due from banks and financial institutions	25	**14,907,509**	22,864,465
Loans and advances	4	**139,708,657**	125,594,434
Investments		**14,974,230**	15,318,645
Other assets	8	**9,224,846**	7,382,732
Total		**199,928,957**	186,734,437
Derivatives held for trading			
Forward foreign exchange contracts	28	**397,509**	174,461
Interest rate swaps, caps and collars	28	**656,287**	248,953
Credit default swaps	28	**1,447**	-
Swaptions	28	**5,958**	2,810
Commodity Linked Swap	28	**40,167**	-
Options	28	**332,664**	39,028
Futures	28	**4,086**	1,410
		1,438,118	466,662
Derivatives held for hedging:			
Interest rate swaps	28	**15,172**	34,896
Cross currency swaps	28	**72,960**	126,660
Total		**88,132**	161,556
Contingent liabilities	27	**72,630,250**	79,479,751
Commitments	27	**9,423,662**	5,875,627
Total		**82,053,912**	85,355,378
Total credit risk exposure		**283,509,119**	272,718,033

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.1 Credit risk *continued*

Credit risk concentration

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

The Bank assesses credit concentration risk on a regular basis through regular monitoring and reporting of credit portfolio. Credit concentration risk is monitored and controlled through a comprehensive limits framework in the form of exposure limits at both individual and portfolio levels across several dimensions like single name, industry, geography. The Bank mitigates this risk through its constant efforts on diversifying its exposures across a wider customer base, industries and geographies.

Concentration of risk is managed by customer, counterparty, by geographical region and by industry sector. The funded and non-funded credit exposure to the top 5 borrowers as of 31 December 2014 is AED 21,992,269 thousand (2013: AED 24,050,138 thousand) before taking account of collateral or other credit enhancements and AED 15,050,793 thousand (2013: AED 19,383,624 thousand), net of such protection.

The distribution of the Bank's financial assets by geographic region and industry sector is as follows:

	2014	*2013*
	AED 000	*AED 000*
UAE	**153,436,973**	142,704,717
Other Arab countries	**10,394,738**	10,462,757
Asia	**16,137,218**	18,080,940
Europe	**16,823,595**	10,379,129
USA	**586,895**	3,593,432
Rest of the world	**2,549,538**	1,513,462
Financial assets subject to credit risk	**199,928,957**	186,734,437
Other assets	**12,239,544**	11,475,864
Total assets	**212,168,501**	198,210,301
Industry sector		
Commercial and business	**87,815,769**	79,948,674
Personal	**53,286,185**	47,958,928
Government	**24,631,360**	17,711,304
Banks and financial institutions	**33,422,982**	38,584,694
Others	**772,661**	2,530,837
Financial assets subject to credit risk	**199,928,957**	186,734,437
Other assets	**12,239,544**	11,475,864
Total assets	**212,168,501**	198,210,301

Further geographical analysis of cash and balances with Central Banks, due from banks and financial institutions and investments are set out in notes 5 and 25 to the consolidated financial statements.

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.1 Credit risk *continued*

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- For repurchase and reverse repurchase transactions, cash or securities,
- For commercial lending, charges over real estate properties, inventory, trade receivables and securities,
- For personal lending, assignment of salaries in favour of the Bank.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries, but the benefits are not included in the above table.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and assesses the market value of collateral obtained during its review of the adequacy of the provision for impairment losses.

It is the Bank's policy to dispose of repossessed assets, other than investment properties, in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank also makes use of master netting agreements with counterparties.

At 31 December 2014, the fair value of collateral that the Bank holds relating to loans individually determined to be impaired amounts to AED 1,876,645 thousand (2013: AED 1,703,481 thousand). The collateral consists of cash, securities, letters of guarantee and properties.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset, based on the Bank's credit rating system. The amounts presented are gross of impairment provisions.

	Neither past due nor impaired			
	Pass grade AED 000	*Watch grade AED 000*	*Past due or individually impaired AED 000*	*Total AED 000*
2014				
Cash and balances with Central Banks	**21,113,715**	**-**	**-**	**21,113,715**
Due from banks and financial institutions	**14,907,509**	**-**	**-**	**14,907,509**
Loans and advances	**131,814,301**	**5,217,738**	**7,154,664**	**144,186,703**
Other assets	**9,224,846**	**-**	**-**	**9,224,846**
Investments	**14,974,230**	**-**	**187,098**	**15,161,328**
Total	**192,034,601**	**5,217,738**	**7,341,762**	**204,594,101**
2013				
Cash and balances with Central Banks	15,574,161	-	-	15,574,161
Due from banks and financial institutions	22,864,465	-	-	22,864,465
Loans and advances	116,192,038	5,977,999	7,329,488	129,499,525
Other assets	7,382,732	-	-	7,382,732
Investments	15,318,645	-	176,098	15,494,743
Total	177,332,041	5,977,999	7,505,586	190,815,626

Past due loans and advances include those that are only past due by a few days. An analysis of past due loans, by age, is provided below.

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.1 Credit risk *continued*
Aging analysis of past due but not impaired loans

	Less than 30 days AED 000	*31 to 60 days AED 000*	*61-90 days AED 000*	*More than 91 days AED 000*	*Total AED 000*
31 December 2014					
Past due but not impaired loans and advances	**1,709,750**	**612,880**	**628,860**	**670,076**	**3,621,566**
Past due and impaired loans and advances					**7,154,664**
Less:					
Past due but not impaired loans and advances					**(3,621,566)**
Impaired loans and advances (note 4):					
Loans and advances under restructuring					**-**
Other loans and advances					**3,533,098**
Impaired loans and advances					**3,533,098**
31 December 2013					
Past due but not impaired loans and advances	1,598,592	588,707	318,853	535,943	3,042,095
Past due and impaired loans and advances					7,329,488
Less:					
Past due but not impaired loans and advances					(3,042,095)
Impaired loans and advances (note 4):					
Loans and advances under restructuring					456,459
Other loans and advances					3,830,934
					4,287,393
Impaired loans, excluding loans and advances under restructuring					3,830,934

See note 4 for more detailed information with respect to the provision for impairment losses on loans and advances.

Renegotiated loans
The total carrying amount of loans and advances whose terms have been renegotiated as of 31 December 2014 amounted to AED 3,250,982 thousand (2013: AED 3,164,698 thousand).

Impairment assessment
The Bank uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- Significant financial difficulty of the borrower;
- A breach of contract such as default of payment;
- If it becomes probable that the customer will enter bankruptcy or other financial reorganization; and
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.2 Liquidity risk and funding management

Liquidity risk is defined as the risk to earnings and capital arising from the Bank's inability to meet its obligations when they become due, without incurring unacceptable losses. Liquidity risk often results in risks related to reputation, legal and business continuity as it impacts the ability to fulfill financial obligations and often have a systemic impact.

The Bank monitors several indicators for identification of liquidity risks on its portfolio. These indicators include frequency of treasury accessing money market for funds, illiquidity of trading positions, margin calls on unsettled positions requiring cash outflow, downgrading by external rating agencies, lowering of counterparty limits by other banks, widening of bid-offer spread in case of traded instruments signaling lower liquidity among others.

The Bank has system capabilities to measure the liquidity gaps considering the contractual, as well as the behavioral maturity of various products. These gaps are monitored against certain internal benchmarks for ascertaining sufficiency of liquidity. Apart from undertaking liquidity gap analysis, stress testing is also undertaken on a periodic basis to assess the impact of liquidity risk on the position of the balance sheet. Besides, Basel III and regulatory liquidity ratios are also monitored on a regular basis. Risk management function presents all these risk reports to ALCO for review on a monthly basis for review and deliberations.

The sufficiency of net liquid assets to cover the short term negative gaps based on behavioral maturity is ascertained and remedial actions required, if any, are undertaken. To guard against liquidity risk, the Bank acts actively to diversify its funding sources and maintains a healthy balance of cash and cash equivalents, and readily marketable securities. In addition, the Bank has committed lines of credit that it can access to meet liquidity needs and also maintains mandatory cash reserve deposits with the Central Bank of UAE equal to 1% of customer time deposits and 14% of customer current, call and savings accounts. Also, for extreme cases of stress on liquidity, a contingency funding plan has been put in place.

The Bank has put in place a comprehensive risk reporting mechanism that provides wide array of risk related information to diverse audience. The ALM risk reporting includes the monthly currency wise and geography wise gap reports for liquidity risk presented to ALCO for review.

Analysis of financial assets and financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial assets and liabilities at 31 December 2014 based on contractual maturities.

	Less than 3 months AED 000	*3 months to 1 year AED 000*	*1 year to 5 years AED 000*	*Over 5 years AED 000*	*Total AED 000*
ASSETS					
Cash and balances with Central Banks	**14,291,399**	**6,250,000**	**1,000,000**	**-**	**21,541,399**
Due from banks and financial institutions	**13,680,019**	**1,227,490**	**-**	**-**	**14,907,509**
Loans and advances, net	**30,767,789**	**16,175,207**	**49,916,565**	**42,849,096**	**139,708,657**
Investments	**1,148,809**	**832,408**	**9,950,904**	**4,775,702**	**16,707,823**
Other assets	**9,224,846**	**-**	**-**	**-**	**9,224,846**
Financial assets	**69,112,862**	**24,485,105**	**60,867,469**	**47,624,798**	**202,090,234**
Non-financial assets					**10,078,267**
Total assets					**212,168,501**
LIABILITIES					
Due to banks	**12,204,805**	**385,722**	**-**	**-**	**12,590,527**
Customers' deposits	**94,801,169**	**28,032,222**	**1,217,713**	**17,220,646**	**141,271,750**
Term loans	**-**	**3,676,340**	**7,173,564**	**824,443**	**11,674,347**
Sukuk financing instruments	**-**	**-**	**4,223,950**	**-**	**4,223,950**
Other liabilities	**7,670,965**	**-**	**-**	**-**	**7,670,965**
Total liabilities	**114,676,939**	**32,094,284**	**12,615,227**	**18,045,089**	**177,431,539**

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.2 Liquidity risk and funding management *continued*

The maturity profile of the financial assets and liabilities at 31 December 2013 was as follows:

	Less than 3 months AED 000	*3 months to 1 year AED 000*	*1 year to 5 years AED 000*	*Over 5 years AED 000*	*Total AED 000*
ASSETS					
Cash and balances with Central Banks	8,944,554	7,000,000	-	-	15,944,554
Due from banks and financial institutions	20,446,568	2,417,897	-	-	22,864,465
Loans and advances, net	31,043,981	17,572,650	42,842,120	34,135,683	125,594,434
Investments	1,626,665	3,366,992	6,900,734	5,219,029	17,113,420
Other assets	7,692,123	-	-	-	7,692,123
Financial assets	69,753,891	30,357,539	49,742,854	39,354,712	189,208,996
Non-financial assets					9,001,305
Total assets					198,210,301
LIABILITIES					
Due to banks	4,805,618	399,024	-	-	5,204,642
Customers' deposits	92,240,250	28,313,440	2,510,880	14,888,962	137,953,532
Term loans	-	1,536,783	7,956,801	2,235,511	11,729,095
Sukuk financing instruments	-	-	4,223,950	-	4,223,950
Other liabilities	7,328,611	-	-	-	7,328,611
Total liabilities	104,374,479	30,249,247	14,691,631	17,124,473	166,439,830

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2014 and 2013 based on contractual undiscounted repayment obligations, including cash flows pertaining to principal repayment and interest payable to maturity.

	Less than 3 months AED 000	3 months to 1 year AED 000	1 year to 5 years AED 000	Over 5 years AED 000	Total AED 000
2014					
LIABILITIES					
Due to banks	**12,212,185**	**387,765**	**-**	**-**	**12,599,950**
Customers' deposits	**94,980,674**	**28,410,084**	**1,261,041**	**17,270,735**	**141,922,534**
Term loans	**65,180**	**3,878,705**	**7,823,823**	**967,994**	**12,735,702**
Sukuk financing instruments	**82,478**	**82,478**	**4,426,059**	**-**	**4,591,015**
Other liabilities	**7,670,965**	**-**	**-**	**-**	**7,670,965**
Total liabilities	**115,011,482**	**32,759,032**	**13,510,923**	**18,238,729**	**179,520,166**
2013					
LIABILITIES					
Due to banks	4,810,509	401,013	-	-	5,211,522
Customers' deposits	92,488,424	28,785,958	2,602,388	14,914,290	138,791,060
Term loans	53,663	1,691,886	8,560,284	2,344,878	12,650,711
Sukuk financing instruments	82,478	82,478	4,591,015	-	4,755,971
Other liabilities	7,328,611	-	-	-	7,328,611
Total liabilities	104,763,685	30,961,335	15,753,687	17,259,168	168,737,875

The disclosed financial instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net.

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.2 Liquidity risk and funding management *continued*

The following table reflects the future cash flows of derivatives.

	Less than 3 months AED 000	3 months to 1 year AED 000	1 year to 5 years AED 000	Over 5 years AED 000	Total AED 000
2014					
Inflows	**282,593**	**687,256**	**946,798**	**324,000**	**2,240,647**
Outflows	**(382,643)**	**(780,365)**	**(1,052,316)**	**(349,948)**	**(2,565,272)**
Net	**(100,050)**	**(93,109)**	**(105,518)**	**(25,948)**	**(324,625)**
2013					
Inflows	93,982	252,538	767,337	441,037	1,554,894
Outflows	(130,849)	(353,604)	(774,942)	(367,331)	(1,626,726)
Net	(36,867)	(101,066)	(7,605)	73,706	(71,832)

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

	Less than 3 months AED 000	3 months to 1 year AED 000	1 to 5 years AED 000	Over 5 years AED 000	Total AED 000
2014					
Contingent liabilities	**50,785,151**	**10,801,308**	**11,043,791**	**-**	**72,630,250**
Commitments	**266,172**	**9,992,641**	**758,352**	**-**	**11,017,165**
Total	**51,051,323**	**20,793,949**	**11,802,143**	**-**	**83,647,415**
2013					
Contingent liabilities	55,363,699	11,189,473	12,926,578	-	79,479,750
Commitments	257,308	6,640,496	1,291,658	-	8,189,462
Total	55,621,006	17,829,970	14,218,236	-	87,669,212

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

30.3.3 Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss to bank's earnings as well diminution in the value of bank's capital due to adverse changes in interest rates.

The Bank follows a globally accepted approach of recognising all interest bearing / interest sensitive assets and liabilities - both on- and off- balance sheet in order to assess the impact of interest rate risk on its portfolio. Further, the types of interest rate risk are identified (repricing risk, basis risk, yield curve risk) for sound management of interest rate risk. Special care is taken in the identification of risk associated with interest rate derivatives or structured products, where sensitivity to interest rates are often in conjunction with some other underlying risk factors. Positions in such structured products and derivatives are broken down into underlying factors for identification of the interest rate risk type.

The Bank has system capabilities to measure the interest rate sensitive gaps across tenors considering the repricing nature of all its assets and liabilities. The sensitivity analysis i.e. the impact of a parallel shift in the interest rate curves on the Net Interest Income (NII) and Equity is ascertained and presented to ALCO for review on a monthly basis. Hedging decisions required to mitigate this risk, if any, are decided / approved by ALCO and executed by Treasury.

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.3 Interest rate risk in the banking book *continued*

The following table estimates the sensitivity to a reasonable possible change in interest rates on the Bank's income statement. The sensitivity of the income statement is the effect of the assumed changes (whether increase or decrease) in interest rates on the net interest income for one year, based on the interest rate sensitive assets and financial liabilities, denominated in various currencies, held at 31 December 2014 and 2013, with all other variables held constant.

Currency	*AED*	*USD*	*EUR*	*GBP*	*Others*
Assumed change in interest rates	0.50%	0.50%	0.50%	0.50%	0.50%
Impact on net interest income from increase in interest rates:					
2014 (AED 000)	**38,728**	**18,903**	**(1,581)**	**761**	**8,446**
2013 (AED 000)	44,079	57,581	(2,057)	(368)	(830)
Impact on net interest income from decrease in interest rates:					
2014 (AED 000)	**(38,728)**	**(18,903)**	**1,581**	**(761)**	**(8,446)**
2013 (AED 000)	(44,079)	(57,581)	2,057	368	830

(Amounts in brackets reflect decreases in net interest income)

The sensitivity of equity is calculated by revaluing interest rate sensitive available for sale financial assets, including the effect of any associated hedges, and swaps designated as cash flow hedges, for the effects of the assumed changes in interest rates. At 31 December 2014 and 2013, the effect of the assumed changes in interest rates on equity is as follows:

Currency	*USD*	*EUR*	*KWD*	*GBP*	*SGD*	*AED*
Assumed change in interest rates	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Impact on equity from increase in interest rates:						
2014 (AED 000)	**(169,363)**	**(955)**	**(426)**	**-**	**(1,198)**	**(111)**
2013 (AED 000)	(132,275)	(1,350)	(488)	(891)	(1,492)	(108)
Impact on equity from decrease in interest rates:						
2014 (AED 000)	**169,363**	**955**	**426**	**-**	**1,198**	**111**
2013 (AED 000)	132,275	1,350	488	891	1,492	108

30.3.4 Market risk

Market risk is the risk that the fair value and future cash flows of financial instruments will fluctuate due to changes in market variables such as foreign exchange rates (currency risk), equity, bonds and prices for other investment instruments (equity price risk).

Market risk is managed through an effective control framework with three levels of defence. The first level is the Treasury Group that carries out the business in line with comprehensive limit structure on exposures across products and desks (exposure limits), sensitivities (risk limits) as well as stop loss limits. The second level of defence is the Market Risk management unit that establishes this limits framework and monitors these limits on a daily basis. Internal Audit department forms the third level of defence and reviews both the Treasury Group and the Market Risk Management Group on a regular basis for all their functions to check the compliance with documented policies and also check whether the policies are up to date.

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.4 Market risk *continued*

For market risk, exposure, risk and stop loss limits are monitored on a daily basis which allows the identification of level of exposure across asset classes, risk factors etc. These limits are checked for adherence prior to sanctioning of any fresh limits and enhancement of existing limits. Monitoring of these limits is undertaken across several dimensions: limit utilization versus the set exposure and delta limits, concentration of exposures, frequency of breaches of limits, size of breaches over the set exposure and stop loss limits, etc. The necessary decisions of exiting from the position or holding are made on the basis of these limits. From a risk control perspective these limits play a crucial role in controlling risk at a transaction level; at the same time FGB Group uses all necessary strategies pertaining to hedging, diversification, reshuffling of portfolio for a portfolio wide risk control.

As part of its market risk management, the Bank uses derivatives and other instruments to manage its market risk exposures. The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate personnel within the Bank. The effectiveness of hedges is assessed and monitored on a regular basis.

A comprehensive risk reporting mechanism has been put in place that provides a wide array of risk related information to concerned audience. These reports reflect daily risk dashboards with detailed desk wise information on exposures / limit / P&L monitoring and monthly risk reports.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2014 and 2013 on its monetary assets and liabilities and its forecast cash flows. The analysis estimates the effect of a reasonably possible movement of AED against other currencies, with all other variables held constant on the consolidated income statement.

Currency	*USD*	*EUR*	*GBP*	*Libyan Dinar*
Assumed change in exchange rates	1%	1%	1%	1%
Impact on net interest income from increase in exchange rates:				
2014 (AED 000)	**(53,905)**	**(889)**	**(108)**	**(3,672)**
2013 (AED 000)	(42,279)	35	66	(3,698)
Impact on net interest income from decrease in exchange rates:				
2014 (AED 000)	**53,905**	**889**	**108**	**3,672**
2013 (AED 000)	42,279	(35)	(66)	3,698

(Amounts in brackets reflect decreases in net interest income)

At 31 December 2014 and 2013, the effect of the assumed changes in exchange rates on equity is insignificant.

Notes to the consolidated financial statements

31 December 2014

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.4 Market risk *continued*

Equity price risk

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

The following table estimates the sensitivity to a possible change in equity markets on the Bank's income statement. The sensitivity of the income statement is the effect of the assumed change in the reference equity benchmark on the fair value of investments carried at fair value through the income statement.

	Assumed level of change %	***Impact on net income 2014 AED 000***	*Impact on net income 2013 AED 000*
Investments carried at fair value through the income statement			
Reference equity benchmarks:			
Abu Dhabi Securities Exchange Index	5%	**501**	373
Dubai Financial Market Index	5%	**135**	94
Net asset value of managed funds	5%	**10,544**	9,226
Other equity exchanges	5%	**2,307**	5,151
Unquoted	5%	**1,010**	1,010

The effect on equity as a result of a change in the fair value of equity instruments held as available for sale at 31 December 2014 and 2013, due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Assumed level of change %	***Impact on equity 2014 AED 000***	*Impact on equity 2013 AED 000*
Available for sale investments			
Reference equity benchmarks:			
Net asset value of private equity funds	5%	**64,498**	68,618
Other equity exchanges	5%	**704**	1,309
Unquoted	5%	**6,980**	3,957

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

The effect on profit for one year, assuming 10% of repayable financial instruments were to prepay at the beginning of the year, with all other variables held constant, is estimated at AED 502,030 thousand (2013: AED 417,347 thousand).

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.5 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, information technology and information security related risks but excludes strategic and reputation risk.

The Bank adopts the methodology of 'Self-Assessment' by various units on a bottom up approach for identification of operational risk. The assessment includes risks assessment on various processes across business and support units as well as setting of Key Risk Indicators (KRIs). The Bank is in the process of undertaking a Risk and Control Self-Assessment exercise wherein all business and support units would be assessing their risks and controls. An internal loss database that stores details pertaining to operational losses is also maintained.

The Bank monitors and controls operational risk across its processes through a framework comprising risk policies, manuals and detailed processes which serve as control points against operational risk, a proper delegation of authority and governance in the form of various committees, three lines of defence for risk management (Businesses, Risk and Audit). The Bank has adopted the "four-eye principle" that advocates the need for a maker and checker for all key transactions performed to limit and control operational risks in bank-wide activities. As a part of the operational risk mitigation process, risk mitigation plans are drawn up for every mismatch noticed in the risk assessment process as well as for breaches in the KRI thresholds.

30.3.6 Country risk

Country risk is the likelihood of economic, social, and political events in a foreign country negatively influencing the willingness or ability of state owned and/or privately owned customers in that country to pay their debts on time.

The Bank undertakes a detailed qualitative analysis pertaining to country risk as a part of the business decision process (credit risk modelling). These factors include economic, social and political stability in each country, the monetary policy, the foreign exchange control measure, the transparency of information, the financial and market structure, banking regulations and supervision, the legal system, and the accounting standards among others. Country risks are monitored and controlled using country limits set by the Bank; these limits are in accordance with overall business strategy, capital adequacy and provisions for potential risks, risk rating of each country, acceptable level of risk, and business opportunities in each country.

30.3.7 Strategic risk

Strategic risk refers to the risk of current or prospective impact on the Bank's earnings, capital, reputation or standing arising from changes in the environment the bank operates in and from adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economic or technological changes. It is a function of compatibility of Bank's strategic goals, strategies developed to achieve those goals, resources deployed to meet those goals and the quality of implementation.

The Bank uses several factors to identify and assess impact of strategic risk on its books including level of integration of risk management policies and practices in the strategic planning process, aggressiveness of strategic goals and compatibility with developed business strategies, capital support for the strategic initiatives to take care of earnings volatility, effectiveness of communication and consistency of application of strategic goals, objectives, corporate culture, and behaviour throughout the FGB Group, effectiveness of MIS to support strategic direction and initiatives among others.

Strategic risks are monitored and controlled as part of the strategic planning process wherein the Bank reviews the progress on strategic initiatives vis-à-vis the plan and considers whether the progress is in line with the plan and the external business environment. The strategic plan is periodically reviewed and updated subject to an approval process which is also a part of the strategic planning process.

30 RISK MANAGEMENT *continued*

30.3 Overview of Enterprise Risk Management Process *continued*

30.3.8 Compliance risk

Compliance Risk refers to the risk to earnings or capital or reputation or continued business existence arising from violations of or non-conformance with laws, rules, regulations, prescribed practices, or ethical standards.

The Bank, on a continuous basis, identifies and assesses such risks inherent in all new and existing "material" products, activities, processes and systems. The assessment includes risks assessment on non-conformance with laws, rules, regulations, prescribed practices, or ethical standards. The Enterprise Risk Management function has a group wide compliance unit that develops internal controls to manage such risks and it is supported by the Internal Audit and Legal functions.

In order to monitor compliance and anti-money laundering risks, the Bank has set in place the due diligence processes, reviews of policies and procedures across the Bank, implementation of an integrated compliance and AML system which manages name clearance, transaction monitoring and payment monitoring activities, assessment through compliance check-lists etc.

Compliance risk is largely mitigated by way of focused policies and procedures, extensive checklist based and on-spot due diligence and regular training sessions.

30.3.9 Reputation risk

Reputation risk is the risk to earnings or capital arising from negative public opinion. This can be due to external or internal events.

The Bank identifies and assesses reputation risk by clearly defining types of risks to be captured, establishing key sources of reputation risk it may be exposed to, based on individual circumstances, describing the risks identified in terms of the nature of risk and the potential consequences that the risks may bring to its reputation. The Bank also refers to other relevant information for risk identification purposes. Such information may be sourced from media reports, stakeholder analysis reports, internal audit and compliance reports, management exception reports, or other early warning indicators.

For reputation risks, apart from the regular monitoring of external and internal events that can result in possible reputation risks the Bank also has processes to track risks that may affect its reputation. These processes allow the BOD and senior management to take prompt corrective actions to address any anticipated reputation event in advance.

In order to manage reputation risks, the Bank has set in place a mechanism that entails drawing up action plans to identify reputation risk events and facilitate subsequent monitoring of the progress made; for those risks that may be very difficult or too costly to eliminate entirely the mechanism requires development of contingency plans as response actions.

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

While the Bank prepares its 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 11, that are not carried at fair value in the 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.

31 FAIR VALUE OF FINANCIAL INSTRUMENTS *continued*

The carrying value of unquoted investments stated at cost and fair value of held to maturity investments are disclosed in note 5. 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 11.

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

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

31 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:

		Level 1 2013 AED 000	*Level 2 2013 AED 000*	*Level 3 2013 AED 000*	*Total 2013 AED 000*
FINANCIAL ASSETS					
INVESTMENTS					
Carried at fair value through income statement					
Investments in managed funds		-	184,520	-	184,520
Investments in equities	- Quoted	112,369	-	-	112,369
	- Unquoted	-	-	20,198	20,198
Debt securities		7,165	-	-	7,165
Available for sale investments					
Investments in equities	- Quoted	26,184	-	-	26,184
	- Unquoted	-	2,256	76,892	79,148
Investments in private equity funds		-	-	1,372,356	1,372,356
Debt securities	- Quoted	7,296,614	-	-	7,296,614
	- Unquoted	-	347,197	-	347,197
Structured debt notes	- Unquoted	-	550,950	-	550,950
For disclosure purposes - Held to maturity investments					
Debt securities	- Quoted	6,098,535	-	-	6,098,535
	- Unquoted	-	1,018,184	-	1,018,184
		13,540,867	2,103,107	1,469,446	17,113,420
DERIVATIVES - Positive fair value					
Derivatives held for trading					
Forward foreign exchange contracts		-	174,461	-	174,461
Interest rate swaps, caps and collars		-	248,953	-	248,953
Swaptions		-	2,810	-	2,810
Options		-	39,028	-	39,028
Futures		1,410	-	-	1,410
Derivatives held as fair value hedge					
Interest rate swaps		-	34,896	-	34,896
Cross currency swaps		-	126,660	-	126,660
		1,410	626,808	-	628,218
DERIVATIVES - Negative fair value					
Derivatives held for trading					
Forward foreign exchange contracts		-	211,312	-	211,312
Interest rate swaps, caps and collars		-	308,981	-	308,981
Swaptions		-	2,810	-	2,810
Options		-	38,831	-	38,831
Futures		793	-	-	793
Commodity linked swaps		-	16,120	-	16,120
Derivatives held as fair value hedge					
Interest rate swaps		-	28,384	-	28,384
Cross currency swaps		-	101,594	-	101,594
		793	708,032	-	708,825

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

31 FAIR VALUE OF FINANCIAL INSTRUMENTS *continued*

Investments carried at fair value through income statement

Investments carried at fair value through income statement are listed equities in local as well as international exchanges, and hedged funds. Equity valuations are based on market prices as quoted in the exchange while funds are valued on the basis on Net Asset Value (NAV) statements received from fund managers

Available for sale investments

AFS investments, revaluation gain / loss of which is recognised through equity, comprises long term strategic investments in companies, private equity funds and Eurodollar or AED denominated debt securities. For companies and funds, the consolidated financial statements provide the valuations of these investments which are arrived primarily by discounted cash flow analysis. For debt securities, the applied valuation is quoted prices by key market players.

Derivatives

Derivatives are mainly interest rate and currency swaps, asset swaps, options on equities, swaptions and FX forward contracts. The valuation techniques used are models which use observable market data like FX forward rates, interest rate curves of different currencies, the deduced zero curves and forward rates and volatilities of the underlying factors

Transfers between categories

During the reporting periods ending 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets recorded at fair value:

	2014	*2013*
	AED 000	*AED 000*
At 1 January	**1,469,446**	1,486,647
Transfers into level 3	**-**	-
Total loss recorded in income statement	**(5,240)**	(34,026)
Total gain (loss) recorded in equity	**67,141**	81,307
Additions	**48,000**	100,555
Disposals	**(131,810)**	(165,037)
At 31 December	**1,447,537**	1,469,446

32 BUSINESS COMBINATIONS

Acquisition of Aseel Finance PJSC

During the year ended 31 December 2013, the Bank acquired an additional stake of 60% in Aseel Finance PJSC (“Aseel”) for a consideration of AED 367 million. The Bank obtained control over Aseel on 31 July 2013 (“Acquisition date”). Aseel is a company based in UAE specializing in providing Islamic finance.

The Bank performed a purchase price allocation exercise and determined that the carrying values of Aseel’s identifiable assets and liabilities approximate their fair values at the Acquisition date. No significant intangible assets had been identified at the Acquisition date.

32 BUSINESS COMBINATIONS *continued*

Acquisition of Aseel Finance PJSC *continued*

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Aseel as at the Acquisition date were:

	Fair value recognised on acquisition date AED 000
Assets	
Cash and balances with Central Banks	**868**
Loans and advances	**1,341,450**
Investments properties	**97,986**
Other assets	**35,158**
Property and equipment	**2,790**
	1,478,252
Liabilities	
Due to banks	**(270,400)**
Customers' deposits	**(285,723)**
Other liabilities	**(7,374)**
Provision for staff benefits	**(1,340)**
	(564,837)
Total identifiable net assets at fair value, after capital injection	**913,415**
Less: capital injected before Acquisition date	**(300,000)**
Total identifiable net assets at fair value on Acquisition date	**613,415**
Total identifiable net assets at fair value acquired	**368,049**
Gain on bargain purchase	**(628)**
Purchase consideration transferred	**367,421**

Analysis of cash flows on Acquisition date:

	AED 000
Purchase consideration transferred	**(367,421)**
Net cash acquired with Aseel	**868**
Net cash outflow on acquisition (included in cash flows from investing activities)	**(366,553)**

Prior to the Acquisition date, the Bank transferred AED 300 million to Aseel to further increase its share capital. The amount has been excluded from the calculation of the total identifiable net assets on Acquisition date as it was not a component of net assets when determining the consideration for the net assets of Aseel.

32 BUSINESS COMBINATIONS *continued*

Acquisition of Dubai First Finance PJSC:

During the year ended 31 December 2013, the Bank acquired 100% of Dubai First PJSC ("Dubai First") for a consideration of AED 601 million. The Bank obtained control over Dubai First on 6 November 2013 ("Acquisition date"). Dubai First is a company based in the UAE specializing in providing credit card finance.

Based on the fair valuation and purchase price allocation exercise ("PPA") performed by an external consultant during 2014 in line with IFRS 3 guidelines for business combinations, the Bank recognised AED 202,000 thousand as intangible assets and AED 36,869 thousand as goodwill. As a result of the PPA, comparative figures as at 31 December 2013 for goodwill under other assets were adjusted, whereby the balance of goodwill was reduced from AED 238,869 thousand to AED 36,869 thousand, and intangible assets amounting to AED 202,000 thousand were recognised (note 8).

For the year ended 31 December 2014, amortisation expense relating to intangible assets acquired amounting to AED 25,433 thousand has been recognised in the consolidated income statement (note 22).

Impairment testing of goodwill

No impairment losses on goodwill were recognised during the year ended 31 December 2014 (2013: AED Nil).

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Dubai First as at the Acquisition date were:

	Fair value recognised on acquisition date AED 000
Assets	
Cash and balances with Central Banks	**51,611**
Loans and advances	**712,874**
Other assets	**13,100**
Property and equipment	**3,770**
	781,355
Liabilities	
Due to banks	**(76,000)**
Customers' deposits	**(298,214)**
Other liabilities	**(45,010)**
	(419,224)
Total identifiable net assets at fair value on Acquisition date	**362,131**
Goodwill arising on acquisition	**36,869**
Intangible assets acquired	**202,000**
Purchase consideration transferred	**601,000**

32 BUSINESS COMBINATIONS *continued*

Analysis of cash flows on Acquisition date:

	AED 000
Purchase consideration transferred	**(601,000)**
Net cash acquired with Dubai First	**51,611**
Net cash outflow on acquisition (included in cash flows from investing activities)	**(549,389)**

33 CAPITAL MANAGEMENT

Capital measurement and allocation

Central Bank of the UAE is the supervisor of the Bank and, in this capacity, receives information on capital adequacy and sets minimum capital requirements for banking groups incorporated in the UAE. Moreover, overseas branches and overseas banking subsidiaries are also regulated by their respective regulators, which set and monitor their capital adequacy requirements.

As per Circular No. 27/2009 dated 17 November 2009 issued by the Central Bank of the UAE, banks operating in the UAE are required to calculate their capital adequacy ratio in accordance to the Basel II guidelines as implemented by the Central Bank of the UAE. Banks in the UAE are required to maintain a minimum capital adequacy ratio of 12% as per Central Bank's Notice number 4004 / 2009.

Bank's regulatory capital comprising of Tier I and Tier II capital is measured in accordance to the Basel II guidelines as implemented by the Central Bank of the UAE.

Capital management

The primary objective of the Bank's capital management is to ensure that the Bank maintains healthy capital ratios in order to support its business to maximise shareholder value and to ensure that the Bank complies with externally imposed capital requirements.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

33 CAPITAL MANAGEMENT *continued*

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:

	2014	2013
	AED'000	AED'000
Tier I Capital		
Equity attributable to equity holders of the Bank	**34,149,708**	31,230,948
Less: Positive cumulative changes in fair values	**(519,091)**	(263,999)
Less: Foreign currency translation reserve	**(146)**	-
Less: Revaluation reserve	**(305,851)**	(87,554)
Less: Proposed cash dividends	**(3,900,000)**	(3,000,000)
Total	**29,424,620**	27,879,395
Non-controlling interests	**587,254**	539,523
Less: Goodwill and intangible assets	**(213,436)**	(238,869)
Investment in associates	**(23,222)**	(22,340)
Total (a)	**29,775,216**	28,157,709
Tier II Capital		
Collective impairment allowance on loans and advances	**2,103,375**	1,754,217
Cumulative changes in fair values	**233,591**	118,800
Total	**2,336,966**	1,873,017
Eligible Tier II Capital (b)	**2,336,966**	1,873,017
Total capital base (a) + (b)	**32,112,182**	30,030,726
Risk-weighted assets:		
Credit risk	**168,269,963**	158,767,840
Market risk	**962,829**	1,059,375
Operational risk	**14,388,077**	12,613,624
Total risk-weighted assets (c)	**183,620,869**	172,440,839
Capital adequacy ratio {(a) + (b) / (c) x 100}	**17.5%**	17.4%

Basel II Pillar III Reports

	Name of the Report
1	Information on Subsidiaries & Significant Investments
2	Consolidated Capital Structure
3	Capital Adequacy
4(a)	Qualitative Disclosures - Risk Management
4(b)	Gross Credit Exposure by Currency
4(c)	Gross Credit Exposure by Geographical Distribution
4(d)	Gross Credit Exposure by Industry Segment
4(e)	Gross Credit Exposure by Residual Contract Maturity
4(f)	Impaired Loans by Industry Segment
4(g)	Impaired Loans by Geographical Distribution
4(h)	Reconciliation of changes in Provisions for Impaired Loans
4(i)	Basel II Portfolio as per Standardized Approach
5	Basel II Portfolio as per Standardized Approach (Rated / Unrated)
6	Credit Risk Mitigation - Disclosures for Standardized Approach
7	Counterparty Credit Risk Exposure
8	Market Risk - Capital Requirements under Standardized Approach
9	Equity Position
10	Interest Rate Risk in the Banking Book

1 Information on Subsidiaries & Significant Investments

	Country of Incorporation	% Ownership	Description	Accounting Treatment
Subsidiaries				
Aseel Finance PJSC	UAE	100%	Islamic Financing	Full Consolidation
Dubai First PJSC	UAE	100%	Credit Card Finance	Full Consolidation
First Merchant International LLC	UAE	100%	Merchant Banking	Full Consolidation
First Gulf Properties LLC	UAE	100%	Management and Brokerage of Real Estate Properties	Full Consolidation
Mismak Properties Company LLC (Mismak)	UAE	100%	Real Estate Investments	Full Consolidation
Radman Properties Company LLC (Subsidiary of Mismak)	UAE	80%	Real Estate Investments	Full Consolidation
First Gulf Libyan Bank	Libya	50%	Banking Services	Full Consolidation
FGB Sukuk Company Limited	Cayman Islands	100%	Special Purpose Vehicle	Full Consolidation
FGB Sukuk Company II Limited	Cayman Islands	100%	Special Purpose Vehicle	Full Consolidation
First Gulf Information Technology LLC	UAE	100%	Information Technology Services	Full Consolidation
Significant Investments				
First Gulf Financial Services LLC	UAE	45%	Equity Brokerage	Deduction
Green Emirates Properties PJSC	UAE	40%	Real Estate Management / Investments	Deduction
Midmak Properties LLC	UAE	16%	Real Estate Management / Investments	Deduction

2 Consolidated Capital Structure

All numbers in AED 000s

	Summary Terms & Conditions of main features of all Capital Instruments	Amount
Tier 1 Capital		
1. Paid up share capital / common stock	Note 16 of the Financial Statements for 2014	4,500,000
2. Reserves		
a. Statuatory Reserve	Note 19 of the Financial Statements for 2014	8,780,110
b. Special Reserve	Note 19 of the Financial Statements for 2014	1,950,000
c. General Reserve	Note 19 of the Financial Statements for 2014	120,000
d. Retained Earnings		10,074,510
3. Minority Interest in the Equity of Subsidiaries		587,254
Deferred Tax equity		
4. Innovative Capital Instuments		
5. Other Capital Instruments		
a. Mandatory Convertible Bonds		-
b. Interest Paid Convertible Bonds		-
c. Subordinated Perpetual Notes	Note 18 of the Financial Statements for 2014	4,000,000
6. Surplus Capital from Insurance Companies		
Sub Total		**30,011,874**
Less: Deductions from Regulatory Calculation		(213,436)
Less: Deductions from Tier 1 Capital	Foreign Currency Translation Reserve	-
Tier 1 Capital after deductions		**29,798,438**
Tier 2 Capital	Note 33 of the Financial Statements for 2014 Cumulative Changes in the Fair Value and General Provisions	**2,336,966**
Less: Other deductions from Capital	Note 6 of the Financial Statements for 2014	(23,222)
Tier 3 Capital		**-**
Total eligible Capital after all deductions		**32,112,182**

3 Capital Adequacy

All numbers in AED 000s

Capital Requirements		RWA	Capital Charge
	1. Credit Risk		
	a. Standardized Approach	168,269,963	20,192,396
OR	b. Foundation IRB		
OR	c. Advanced IRB		
	2. Market Risk		
	a. Standardized Approach	962,829	115,539
OR	b. Models Approach		
	3. Operation Risk		
	a. Basic Indicator Approach		
OR	b. Standardised Approach/ASA	14,388,077	1,726,569
OR	c. Advanced Measurement Approach		
	Total Risk Weighted Assets	**183,620,868**	
	Total Capital Charge		**22,034,504**
	Capital Ratios		
	a. Total for Top Consolidated Group		**17.5%**
	b. Tier 1 Ratio only for Top Consolidated Group		**16.2%**
	c. Total for each significant Bank Subsidiary		

4(a) Qualitative Disclosures - Risk Management

Definition of past due and impaired (for accounting purposes)

The Bank considers any overdue payment as "Past due" and follows the UAE Central Bank circular 28/2010 on regulations regarding classification of loans and their provisions for the definition of "impaired loans".

Description of approaches followed for specific and general allowances and statistical methods

Specific

The Bank reviews its impaired loans and advances on a regular basis to assess the amount of specific provision for impairment to be recorded in the consolidated income statement. Provisions for impaired assets are based on UAE Central Bank circular 28/2010. The wholesale banking loan portfolio is categorized across 5 grades as per the circular and specific provisions are taken for "Substandard", "Doubtful" and "Loss" grades as per the circular. For retail and consumer loans, the Bank takes specific provisions based on number of days past due as per the circular. All the regulations in the circular including regulations pertaining to calculation of provisions and collateral value, interest suspension on past due loans, interest suspension on overdraft facilities, provisioning for off balance sheet items, write-backs of provisions and write-off of loans and advances are consistently followed.

General

As per the UAE Central Bank circular 28/2010, general provisions requirement is assessed based on the risk weighted assets calculation for total unclassified loans & advances. The Bank takes general provisions for grades "Normal" and "Watch list" as per the circular. The provisions requirement of 1.5% of total Credit Risk Weighted Assets (CRWA) for unclassified assets is being built up as per the circular. CRWA is calculated using the Basel II standardized approach.

Discussion of Bank's credit risk management policy

First Gulf Bank has put in place an Enterprise Risk Management Policy framework which aims to accomplish Bank's core values and purpose of being a world-class organization maximizing its risk adjusted returns for all stakeholders by establishing an enterprise wide risk management framework across the First Gulf Bank group including its local and international branches, subsidiaries, associates and foreign representative offices. Core objective of the policy framework is to provide a reasonable degree of assurance to the Board of Directors that the risks threatening the bank's achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management system covering credit risk, market risk, operational risk including IT / IS risks and legal risk, interest rate risk, liquidity risk and other material risks including AML and compliance risk, strategic risk, reputation risk, etc. This entire framework of risk policies was externally validated and updated in 2014. In addition to these risk management policies, First Gulf Bank has also put in place detailed credit policies and procedures in the Wholesale and Consumer banking areas. This framework is cascaded in a hierarchy of policy manuals throughout the First Gulf Bank group and communicates standards, instructions and guidance to employees.

Partial adoption of Foundation IRB / Advanced IRB

Approach	**Description of exposures**	**Plans and timing of migration to implement fully higher approach**
Standardized Approach	As per Basel II categorization	FGB is already on Standardized approach.
Foundation IRB	As per Basel II categorization	First Gulf Bank is already working on transition towards IRB; the bank has developed the necessary credit risk models across its wholesale and consumer banking portfolios and has carried out the necessary validation process vis-a-vis the Basel II minimum requirements for transition to IRB. This includes use-testing and external validation of credit risk models. In the wholesale banking portfolio, First Gulf Bank has developed several PD models which include industry specific corporate models, FI model, High Networth Individual model, Sovereign model, Non Banking Financial Institutions model, Corporate SME model and Specialized Lending models. Independent external validation of part of these models has already been carried out and the validated models are being used in the credit process. Detailed documentation pertaining to model development, testing, validation, use-testing and governance has been prepared to aid the IRB application process. In the consumer banking portfolio, First Gulf Bank has developed several product specific scorecard and rating models; these include scorecards for Credit cards, and Personal Loans and rating models for Consumer SME Loans, Auto Loans, Residential Mortgage Loans, etc. Independent external validation of part of these models has already been carried out and the validated models are being used for parallel use testing. Detailed documentation pertaining to model development, testing and validation, has been prepared to aid the IRB application process. First Gulf Bank has already undertaken IRB calculations for a part of the wholesale banking portfolio and has shared the results with supervisory authorities.
Advanced IRB	Planned as per Basel II categorization	FGB has developed generic models for LGD and EAD for the wholesale banking portfolio and consumer banking portfolio. These are yet to be validated and use tested.

4(b) Gross Credit Exposure by Currency

All numbers in AED 000s

Currency	Loans	Debt Securities	Other Exposures	Total Funded	Commitments		OTC Derivatives			Other Off Balance Sheet exposures		Total Non Funded (Credit Risk exposure)	Total
					without ccf	with ccf	Notional Amount	Positive Fair Value	Credit Risk Exposure	without ccf	with ccf		
Foreign Currency	60,859,841	14,680,519	17,420,514	92,960,874	7,734,819	1,546,963	77,525,355	1,437,787	2,815,863	41,677,768	19,047,007	23,409,833	116,370,707
AED	83,326,862	293,711	27,825,556	111,446,129	1,688,843	337,769	21,018,707	88,463	276,266	30,952,482	14,426,886	15,040,921	126,487,050
Provisions	(4,478,046)	-	-	(4,478,046)	-	-							(4,478,046)
Total	**139,708,657**	**14,974,230**	**45,246,070**	**199,928,957**	**9,423,662**	**1,884,732**	**98,544,062**	**1,526,250**	**3,092,129**	**72,630,250**	**33,473,893**	**38,450,754**	**238,379,711**

4(c) Gross Credit Exposure by Geographical Distribution

All numbers in AED 000s

Geographical Region	Loans	Debt Securities	Other Exposures	Total Funded	Commitments		OTC Derivatives			Other Off Balance Sheet Exposures		Total Non Funded (Credit Risk Exposure)	Total
					without ccf	with ccf	Notional Amount	Positive Fair Value	Credit Risk exposure	without ccf	with ccf		
United Arab Emirates	123,900,692	6,662,954	27,265,193	157,828,839	5,836,776	1,167,355	41,601,883	1,009,715	1,667,783	48,817,044	22,539,337	25,374,475	183,203,314
GCC excluding UAE	3,119,155	2,769,865	816,370	6,705,390	244,385	48,877	2,641,745	61,065	85,297	657,144	279,614	413,788	7,119,178
Arab League excluding GCC	592,036	-	2,793,231	3,385,267	8,688	1,738	1,487	-	15	1,918,712	636,690	638,443	4,023,710
Asia	9,304,103	3,543,539	3,348,959	16,196,601	1,924,744	384,949	1,487,112	27,717	47,101	17,663,922	8,430,329	8,862,379	25,058,980
Africa	1,188,147	212,873	9,077	1,410,097	73,877	14,775	-	-	-	202,666	41,601	56,376	1,466,473
North America	92,872	118,403	559,206	770,481	-	-	1,197,691	13,159	19,574	230,775	120,700	140,274	910,755
South America	367	38,190	652	39,209	-	-	-	-	-	-	-	-	39,209
Caribbean	493,187	-	2,462	495,649	7,029	1,405	397,001	9,656	15,611	21,591	8,389	25,405	521,054
Europe	5,095,060	1,628,406	10,102,410	16,825,876	1,145,408	229,082	49,995,133	381,797	1,219,151	2,885,758	1,299,688	2,747,921	19,573,797
Australia	401,084	-	348,510	749,594	182,755	36,551	1,222,010	23,141	37,597	232,638	117,545	191,693	941,287
Provisions	(4,478,046)	-	-	(4,478,046)	-	-	-	-	-	-	-	-	(4,478,046)
Total	**139,708,657**	**14,974,230**	**45,246,070**	**199,928,957**	**9,423,662**	**1,884,732**	**98,544,062**	**1,526,250**	**3,092,129**	**72,630,250**	**33,473,893**	**38,450,754**	**238,379,711**

4(d) Gross Credit Exposure by Industry Segment

All numbers in AED 000s

Industry Segment	Loans	Debt Securities	Other Exposures	Total Funded	Commitments		OTC Derivatives			Other Off Balance Sheet Exposures		Total Non Funded (Credit Risk Exposure)	Total
					without ccf	with ccf	Notional Amount	Positive Fair Value	Credit Risk Exposure	without ccf	with ccf		
Agriculture, Fishing & Related activities	1,280,254	-	354,788	1,635,042	412,192	82,438	2,394,817	156,802	254,587	717,331	297,625	634,650	2,269,692
Crude Oil, Gas, Mining & Quarrying	1,641,336	701,698	353,194	2,696,228	7,853	1,571	-	-	-	976,054	807,082	808,653	3,504,881
Manufacturing	7,036,069	86,404	540,893	7,663,366	719,885	143,977	183,650	2,866	5,620	2,615,221	1,240,983	1,390,580	9,053,946
Electricity & Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate & Construction	21,250,991	682,517	380,173	22,313,681	878,921	175,784	1,298,858	21,276	36,068	28,110,361	13,771,920	13,983,772	36,297,453
Trade	7,922,632	-	1,813,667	9,736,299	938,565	187,713	2,817,111	145,080	208,732	8,593,210	4,620,733	5,017,178	14,753,477
Transport, Storage & Communication	2,530,944	53,728	3,623	2,588,295	400,384	80,077	2,132,280	175,648	250,200	192,709	50,230	380,507	2,968,802
Financial Services	8,845,794	6,952,922	16,036,375	31,835,091	1,444,297	288,859	78,642,406	458,717	1,580,155	8,774,032	3,037,967	4,906,981	36,742,072
Other Services	21,807,446	2,099,606	213,315	24,120,367	2,837,165	567,433	3,988,158	58,211	97,041	9,321,190	5,090,660	5,755,134	29,875,501
Government including Public Sector	12,523,613	4,397,355	21,542,328	38,463,296	1,784,400	356,880	6,817,904	503,944	654,676	13,042,200	4,290,458	5,302,014	43,765,310
Retail / Consumer Banking	54,123,178	-	537,466	54,660,644	-	-	11,166	287	343	284,494	264,345	264,688	54,925,332
All Others	5,224,446	-	3,470,248	8,694,694	-	-	257,712	3,419	4,707	3,448	1,890	6,597	8,701,291
Provisions	(4,478,046)	-	-	(4,478,046)	-	-	-	-	-	-	-	-	(4,478,046)
Total	**139,708,657**	**14,974,230**	**45,246,070**	**199,928,957**	**9,423,662**	**1,884,732**	**98,544,062**	**1,526,250**	**3,092,129**	**72,630,250**	**33,473,893**	**38,450,754**	**238,379,711**

4(e) Gross Credit Exposure by Residual Contract Maturity

All numbers in AED 000s

Residual Maturity	Loans	Debt Securities	Other Exposures	Total Funded	Commitments		OTC Derivatives			Other Off Balance Sheet Exposures		Total Non Funded (Credit Risk Exposure)	Total
					without ccf	with ccf	Notional Amount	Positive Fair Value	Credit Risk Exposure	without ccf	with ccf		
Less than 3 months	30,767,789	1,148,809	36,768,580	68,685,178	-	-	39,109,406	1,526,250	2,003,864	50,785,151	25,493,388	27,497,252	96,182,430
3 months to one year	16,175,207	832,408	7,477,490	24,485,105	9,423,662	1,884,732	24,427,112		298,310	10,801,308	3,613,409	5,796,451	30,281,556
One to five years	49,916,565	9,950,904	1,000,000	60,867,469	-	-	22,176,248		545,908	11,043,791	4,367,096	4,913,004	65,780,473
Over five years	47,327,142	3,042,109		50,369,251	-	-	12,831,296		244,047	-	-	244,047	50,613,298
Provisions	(4,478,046)	-		(4,478,046)		-	-		-	-	-	-	(4,478,046)
Grand Total	**139,708,657**	**14,974,230**	**45,246,070**	**199,928,957**	**9,423,662**	**1,884,732**	**98,544,062**	**1,526,250**	**3,092,129**	**72,630,250**	**33,473,893**	**38,450,754**	**238,379,711**

4(f) Impaired Loans by Industry Segment

All numbers in AED 000s

Industry Segment	Overdue / Impaired Assets			IIS	Provisions		Adjustments	
	Overdue	Impaired Assets	Total Funded		Specific	General	Write Offs	Write Backs
Agriculture, Fishing & Related activities	-	-	-	-	-	-	-	-
Crude Oil, Gas, Mining & Quarrying	100	-	100	-	-	-	-	-
Manufacturing	16,425	163,173	179,598	19,847	31,711	-	-	-
Electricity & Water	-	-	-	-	-	-	-	-
Real Estate & Construction	315,322	510,567	825,889	117,260	112,901	-	262	-
Trade	97,015	159,732	256,747	36,053	44,566	-	9,685	-
Transport, Storage & Communication	2,373	-	2,373	-	-	-	-	-
Financial Services	17,699	608,481	626,180	67,213	264,433	-	-	-
Other Services	218,569	190,397	408,966	56,054	39,200	-	-	-
Government (including Public Sector)	-	-	-	-	-		-	-
Retail / Consumer Banking	2,299,267	1,694,589	3,993,856	157,904	1,264,443	400,219	619,789	-
All Others	654,795	740,283	1,395,078	79,790	218,042	2,102,533	235	
Total	**3,621,566**	**4,067,221**	**7,688,787**	**534,122**	**1,975,295**	**2,502,752**	**629,971**	**-**

The collateral held against the past due and impaired loans totalled AED 1,876,645 thousand in the form of under lien fixed deposits, cash margins, equities, bank guarantees, machinery & equipment, mortgaged properties, motor vehicles , shipping vessels, aircrafts etc.

4(g) Impaired Loans by Geographical Distribution

All numbers in AED 000s

Geographical Region	Overdue / Impaired Assets			IIS	Provisions		Adjustments	
	Overdue	Impaired Assets	Total Funded		Specific	General	Write Offs	Write Backs
United Arab Emirates	3,596,815	3,798,321	7,395,136	509,473	1,841,955	2,284,496	629,971	-
GCC excluding UAE	-	161,002	161,002	16,667	87,565	26,976	-	-
Arab League excluding GCC	7,401	22,665	30,066	2,221	4,500	2,454	-	-
Asia	17,001	84,021	101,022	5,761	41,260	188,826	-	-
Africa	-	-	-	-	-	-	-	-
North America	349	-	349	-	-	-	-	-
South America	-	-	-	-	-	-	-	-
Caribbean	-	-	-	-	-	-	-	-
Europe	0	1,211	1,211	-	15	-	-	-
Australia	-	-	-	-	-	-	-	-
Total	**3,621,566**	**4,067,221**	**7,688,787**	**534,122**	**1,975,295**	**2,502,752**	**629,971**	**-**

4(h) Reconciliation of changes in Provisions for Impaired Loans

All numbers in AED 000s

	Description	
	Opening Balance of Provisions for Impaired Loans	**3,905,091**
Add:	Charge for the year	
	• Corporate, Retail Specific provisions	796,238
	• Corporate, Retail and International Division General provisions	642,399
Less:	Write-off of impaired loans	(629,971)
Less:	Recovery of loan loss provisions	
Less:	Recovery of loans previously written-off	(77,218)
Less:	Notional Interest on Impaired Loans & Advances	(158,493)
Less:	Write-back of provisions for loans	
	Adjustments of loan loss provisions (acquired in business combination)	
	Closing Balance of Provisions for Impaired Loans	**4,478,046**

4(i) Basel II Portfolio as per Standardized Approach

All numbers in AED 000s

ASSET CLASS	ON BALANCE SHEET			OFF BALANCE SHEET	EXPOSURE BEFORE CRM AFTER CCF*	CREDIT RISK MITIGATION (CRM)				RISK WEIGHTED ASSETS
See Basel II, June 2006, Para 50 to 81, and Central Bank National Discretions	GROSS OUTSTANDING	INTEREST IN SUSPENSE AND SPECIFIC PROVISIONS	NET OUTSTANDING	NET EXPOSURE AFTER CREDIT CONVERSION FACTORS (CCF)		CRM	CRM AFTER CCF	EXPOSURE AFTER CRM AND CCF	REDUCTION IN RWA THROUGH GUARANTEES HELD AS CRM	
CLAIMS ON SOVEREIGNS	22,096,628	-	22,096,628	1,771,749	23,868,376	-	-	23,868,376	-	2,552,644
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	385,616	-	385,616	4,185	389,801	-	-	389,801	-	-
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	-	-	-	-	-	-	-	-	-	-
CLAIMS ON BANKS	27,148,098	-	27,148,098	2,738,001	29,886,099	134,898	76,129	29,809,969	-	13,838,908
CLAIMS ON SECURITIES FIRMS	791,105	-	791,105	169,943	961,048	-	-	961,048	-	884,169
CLAIMS ON CORPORATES	89,204,183	-	89,204,183	31,986,598	121,190,781	11,579,268	8,798,475	112,392,306	520,903	109,481,478
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	33,010,960	1	33,010,958	251,558	33,262,517	3,714,266	3,708,185	29,554,332	2,501,054	24,635,140
CLAIMS SECURED BY RESIDENTIAL PROPERTY	20,243,564	-	20,243,564	-	20,243,564	17,195,646	17,195,646	3,047,918	13,091,961	2,004,472
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	3,725,308	-	3,725,308	-	3,725,308	187,499	187,499	3,537,809	32,586	3,558,540
PAST DUE LOANS	4,737,297	2,091,816	2,645,481	-	2,645,481	416,520		2,645,481	18,200	2,580,708
HIGHER-RISK CATEGORIES	1,289,959	-	1,289,959	663,237	1,953,196	-	-	1,953,196	-	2,929,795
OTHER ASSETS	14,547,952	417,600	14,130,353	1,528,721	15,659,073	-	-	15,659,073	-	5,804,110
CLAIMS ON SECURITISED ASSETS	-	-	-	-	-	-	-	-	-	-
CREDIT DERIVATIVES (Banks Selling protection)	-	-	-	-	-	-	-	-	-	-
TOTAL CLAIMS	**217,180,670**	**2,509,417**	**214,671,253**	**39,113,992**	**253,785,244**	**33,228,098**	**29,965,934**	**223,819,311**	**16,164,704**	**168,269,963**

CRM includes collateral in the form of cash, equities and financial guarantees

5 Basel II Portfolio as per Standardized Approach (Rated / Unrated)

All numbers in AED 000s

ASSET CLASS	ON BALANCE SHEET				OFF BALANCE SHEET			EXPOSURE BEFORE CRM			CRM AFTER CCF	EXPOSURE AFTER CRM			REDUCTION IN RWA THROUGH GUARANTEES HELD AS CRM	RWA		
	GROSS	NET			NET EXPOSURE AFTER CREDIT CONVERSION FACTORS (CCF)													
	Total	Rated	Unrated	Total	Rated	Unrated	Total	Rated	Unrated	Total	Total	Rated	Unrated	Total	Total	Rated	Unrated	Total
CLAIMS ON SOVEREIGNS	22,096,628	19,619,174	2,477,454	22,096,628	1,771,749	-	1,771,749	21,390,922	2,477,454	23,868,376	-	21,390,922	2,477,454	23,868,376	-	75,199	2,477,445	2,552,644
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	385,616	112,843	272,773	385,616	-	4,185	4,185	112,843	276,958	389,801	-	112,843	276,958	389,801	-	-	-	-
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CLAIMS ON BANKS	27,148,098	24,765,023	2,383,075	27,148,098	2,707,898	30,104	2,738,001	27,472,920	2,413,178	29,886,099	76,129	27,472,920	2,337,049	29,809,969	-	12,738,070	1,100,838	13,838,908
CLAIMS ON SECURITIES FIRMS	791,105	153,758	637,346	791,105	-	169,943	169,943	153,758	807,290	961,048	-	153,758	807,290	961,048	-	76,879	807,290	884,169
CLAIMS ON CORPORATES	89,204,183	11,710,632	77,493,551	89,204,183	375,273	31,611,324	31,986,598	12,085,905	109,104,876	121,190,781	8,798,475	12,085,905	100,306,401	112,392,306	520,903	8,875,902	100,605,577	109,481,478
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	33,010,960	-	33,010,958	33,010,958	-	251,558	251,558	-	33,262,517	33,262,517	3,708,185	-	29,554,332	29,554,332	2,501,054	-	24,635,140	24,635,140
CLAIMS SECURED BY RESIDENTIAL PROPERTY	20,243,564	-	20,243,564	20,243,564	-	-	-	-	20,243,564	20,243,564	17,195,646	-	3,047,918	3,047,918	13,091,961	-	2,004,472	2,004,472
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	3,725,308	-	3,725,308	3,725,308	-	-	-	-	3,725,308	3,725,308	187,499	-	3,537,809	3,537,809	32,586	-	3,558,540	3,558,540
PAST DUE LOANS	4,737,297	-	2,645,481	2,645,481	-	-	-	-	2,645,481	2,645,481	-	-	2,645,481	2,645,481	18,200	-	2,580,708	2,580,708
HIGHER-RISK CATEGORIES	1,289,959	-	1,289,959	1,289,959	-	663,237	663,237	-	1,953,196	1,953,196	-	-	1,953,196	1,953,196	-	-	2,929,795	2,929,795
OTHER ASSETS	14,547,952	155,601	13,974,751	14,130,353	1,277,975	250,746	1,528,721	1,433,577	14,225,497	15,659,073	-	1,433,577	14,225,497	15,659,073	-	-	5,804,110	5,804,110
CLAIMS ON SECURITISED ASSETS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CREDIT DERIVATIVES (Banks Selling protection)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	**217,180,670**	**56,517,031**	**158,154,222**	**214,671,253**	**6,132,894**	**32,981,097**	**39,113,992**	**62,649,925**	**191,135,319**	**253,785,244**	**29,965,934**	**62,649,925**	**161,169,385**	**223,819,311**	**16,164,704**	**21,766,050**	**146,503,913**	**168,269,963**

6 Credit Risk Mitigation - Disclosures for Standardized Approach

All numbers in AED 000s

Quantitative Disclosures		Exposures	Risk Weighted Assets
	Gross Exposure prior to Credit Risk Mitigation	253,785,244	
Less:	Exposure covered by on-balance sheet netting	-	
Less:	Exposures covered by Eligible Financial Collateral	11,008,627	
Less:	Exposures covered by Guarantees	18,957,306	
Less:	Exposures covered by Credit Derivatives	-	
	Net Exposures after Credit Risk Mitigation	**223,819,311**	**168,269,963**

7 Counterparty Credit Risk Exposure

All numbers in AED 000s

ASSET CLASS	FX and Gold			IRS			Equities			Precious Metal except Gold			Commodities			TRS			CDS		
	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure
CLAIMS ON SOVEREIGNS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CLAIMS ON PUBLIC SECTOR ENTITIES	3,288,179	168,486	217,784	1,288,316	67,898	77,376	-	-	-	-	-	-	663,976	196,532	269,018	-	-	-	-	-	-
CLAIMS ON MULTILATERAL DEVELOPMENT BANKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CLAIMS ON BANKS	43,851,610	218,254	757,980	19,540,263	147,278	308,810	-	-	-	-	-	-	655,007	28,124	98,189	-	-	-	18,365	-	1,837
CLAIMS ON SECURITIES FIRMS	3,209,991	2,448	83,765	3,849,108	48,187	86,178	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CLAIMS ON CORPORATE	7,613,812	332,353	501,745	6,082,624	130,042	189,425	-	-	-	-	-	-	771,110	168,168	251,116	153,544	-	15,354	-	-	-
REGULATORY & OTHER RETAIL EXPOSURE	54,972	2,008	2,558	91,903	475	915	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RESIDENTIAL RETAIL EXPOSURE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COMMERCIAL REAL ESTATE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAST DUE ASSETS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HIGH RISK CATEGORY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER ASSETS	3,535,650	6,855	42,211	2,182,945	-	1,245	-	-	-	-	-	-	1,399,069	7,694	155,814	-	-	-	293,618	1,447	30,809
CLAIMS ON SECURITISED ASSETS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CREDIT DERIVATIVES (Banks Selling Protection)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL	**61,554,214**	**730,403**	**1,606,044**	**33,035,160**	**393,881**	**663,949**	**-**	**-**	**-**	**-**	**-**	**-**	**3,489,161**	**400,519**	**774,137**	**153,544**	**-**	**15,354**	**311,983**	**1,447**	**32,645**

8 Market Risk - Capital Requirements under Standardized Approach

All numbers in AED 000s

Market Risk	Amount
Interest rate risk	21,615
Equity position risk	69,587
Foreign exchange risk	23,851
Commodity risk	-
Options Risk	487
Total Capital Requirement	**115,539**

9 Equity Position

All numbers in AED 000s

As at 31 December 2014, the bank›s total equity investment portfolio amounted to AED 1,734 M, 4.2% of which represents quoted investments. For details of the accounting policies and valuation methodology, please refer to Note 2 to the consolidated financial statements under “Significant Accounting Policies”. Details of cost, market and fair value are reported in Note 5 to the consolidated financial statements under “Investments”.

b) Quantitative Disclosures

1. QUANTITATIVE DETAILS OF EQUITY POSITION:

Type	Current Year		Previous Year	
	Publicly Traded	**Privately Held**	**Publicly Traded**	**Privately Held**
Equities	72,688	159,807	138,553	99,345
Collective investment schemes		1,501,098		1,556,877
Any other investment				
Total	**72,688**	**1,660,905**	**138,553**	**1,656,222**

2. REALISED, UNREALISED AND LATENT REVALUATION GAINS (LOSSES) DURING THE YEAR:

Gains (Losses)	Amount
Realised gains (losses) from sales and liquidations	120,556
*Unrealised gains (losses) recognised in the balance sheet but not through profit and loss account	61,393
**Latent revaluation gains (losses) for investment recorded at cost but not recognised in balance sheet or profit and loss account	
Total	**181,949**

3. ITEMS IN (2) ABOVE INCLUDED IN TIER 1/TIER 2 CAPITAL:

Tier Capital	Amount
Amount included in Tier I capital	120,556
Amount included in Tier II capital	27,627
Total	**148,183**

4. CAPITAL REQUIREMENTS BY EQUITY GROUPINGS:

Grouping	Amount
Strategic investments	
Available for sale	250,636
Held for trading	46,391
Total capital requirement	**297,026**

10 Interest Rate Risk in the Banking Book

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of interest rate sensitive assets and interest rate sensitive liabilities and off balance sheet instruments that mature or reprice in a given period. Interest rate risks in the Bank are managed under a framework comprising Risk Governance and Risk Appetite. The Risk Governance includes the ALM policy (approved by the Board) within the ambit of ERM policy framework. The Bank uses a combination of duration gap analysis and scenario analysis pertaining to impact of changes in interest rates on Net Interest Income and Value of Equity to manage these risks which are reviewed and monitored by ALCO.

Interest rate risk is also assessed by measuring the impact of defined movements in interest yield curves on the Bank's net interest income. The following impact on the net interest income and regulatory capital is for the year in case of an immediate and permanent movement in interest yield curves.

		All numbers in AED 000s
Shift in Yield Curves	**Net Interest Income**	**Regulatory Capital**
+200 basis point	261,027	(427,185)
- 200 basis point	(261,027)	427,185

Supplementary Shareholder Information

A. 2014/2015 Financial Calendar

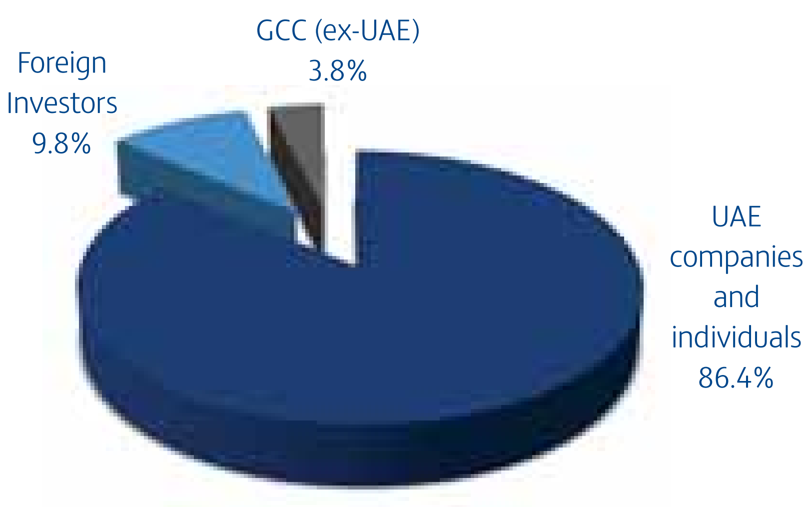
Date	Event
23/04/2014	Q1'2014 Results Publication
22/07/2014	H1'2014 Results Publication
27/10/2014	9M'2014 Results Publication
19/11/2014	FGB Analyst & Investor Day 2014 (Abu Dhabi)
28/01/2015	2014 Full Year Results Publication
25/02/2015	2014 Annual General Meeting
05/03/2015	Ex-Dividend Date

B. FGB Share Information

Listing date	2002
Exchange	Abu Dhabi
Symbol	FGB
ISIN	AEF000201010
Number of shares outstanding	3,900,000,000
Closing Price as of Dec 31st, 2014	AED 17.0
Market cap as of Dec 31st, 2014	AED 66.3Bn (USD 18.0Bn)
Foreign Ownership Limit	25%

C. Ownership Structure as of December-end 2014

As of 31 December 2014, FGB's share capital stood at AED 3,900,000,000 divided into 3,900,000,000 shares at AED 1 each.



*FGB's Foreign Ownership Limit (FOL) is at 25%

D. Key Shareholder Data

	2014	2013	2012	2011	2010[1]
Net Profit (AED Mn)	**5,656**	4,774	4,154	3,707	3,420
Cash Dividend (AED Mn)	**3,900**	3,000	2,500	1,500	900
Cash Dividend (% of capital)	**100%**	100%	83%	100%	60%
Bonus Shares (% of capital)	**15.38%**	30%	-	100%	-
Dividend Payout Ratio (% of net profit)	**69%**	63%	60%	40%	26%
Basel II Capital Adequacy after Dividend Distribution[2]	**17.5%**	17.4%	18.7%	18.0%	19.5%

[1] Shares bought back in 2010: 5% of capital
[2]CAR adjusted from Tier 2 MoF Loan

E. FGB 5-year Share Price Performance vs. ADSMI

Source: Bloomberg

	1 year	3-year CAGR	5-year CAGR
FGB	18%	23%	14%
ADX	6%	-4%	-8%

Source: Bloomberg