Issuer Filing Information

First Gulf Bank P.J.S.C.

ISSUER FILING INFORMATION

Type of Information:	Issuer Filing Information
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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 listed or to be listed on the TOKYO PRO-BOND Market should be aware that when they offer to purchase the Notes, they shall be required to (i) enter into and agree the terms of a transfer restriction agreement with the Issuer and/or the person making a solicitation, or (ii) (in the case of a solicitation of an offer to acquire the Notes to be newly issued) agree to comply with the terms of a transfer restriction. The terms of such transfer restriction agreement or transfer restriction 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 (i) entering into an agreement providing for the restriction on transfer of the Notes as set forth in note 5 above, (x) 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 (y) 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), or (ii) agreeing to comply with the restriction on transfer of the Notes as set forth in note 5 above (in the case of a solicitation of an offer to acquire the Notes to be newly 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**" are to the Emirate of Abu Dhabi; references to the "**Government**" are to the government of Abu Dhabi; references to the "**UAE**" are to the United Arab Emirates, 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 UAE dirham being the legal currency for the time being of the UAE. The dirham has been pegged to the United States dollars since 22 November 1980.

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

ANNUAL REPORT 2015

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

Company Profile

As a major leading bank in the UAE, FGB had Shareholder Equity of AED 35.9 Billion as of December 31st, 2015 making it one of the largest equity based banks in the UAE. Established in 1979 and headquartered in Abu Dhabi, the bank offers a full range of financial services to business and consumer sectors through a network of branches across the UAE.

Internationally, FGB has branches in Singapore and Qatar, representative offices in India, Hong Kong, United Kingdom, Seoul- Korea and a subsidiary in Libya.

FGB is recognised as a world-class organisation committed to maximising value for shareholders, customers and employees as it focuses on delivering banking products and services that meet client needs and support the UAE's dynamic economy. In line with its commitment to excellence the Bank continues to invest significantly in people and technology to provide superior service standards.

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

"The Bank's good performance in a challenging operating environment is attributed to a continued focus on ensuring disciplined growth while leveraging the strengths of FGB's reshaped and enhanced business model."

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 2015, reflecting a year of resilience and positive achievements as we continue to put our customers at the heart of our activities.

With a backdrop of rising macro headwinds both on a global and regional level, significant progress continued to be made towards executing our medium term plans as we focused on expanding and diversifying our core businesses. Many domestic economies and governments are implementing economic and regulatory reforms, to minimise negative impacts as a result of current conditions.

The UAE undoubtedly continues to set itself apart from the region through its diversification strategy away from relying solely on oil, and by growing service industries, establishing a resilient and sustainable growth model. Against this challenging backdrop, the fundamentals of the UAE banking and financial services sector remained strong thanks to robust capital positions, solid balance sheets, and improved profitability levels. Furthermore, the UAE Central Bank released liquidity regulations in May this year, under the Basel III framework, ensuring compliance with best practice.

I am pleased to report that in 2015, FGB marked the 16th consecutive year of revenue and net profit growth with a full year net profit of AED 6.01 Billion in 2015, and an increase of 6% compared to 2014. The Bank's good performance in a challenging operating environment is attributed to a continued focus on ensuring disciplined growth while leveraging the strengths of FGB's reshaped and enhanced business model.

The Board is encouraged that given our optimised balance sheet, good business momentum and our efficient business model, FGB is well positioned to continue to deliver consistent and sustainable growth, maximising value for our stakeholders despite the challenges that the banking sector is facing.

In light of our strong financial performance, the Board of Directors recommended the distribution of 100% cash dividends for the financial year ended 31 December 2015. This implies total cash dividends of AED 4.5 Billion compared to AED 3.9 Billion in 2014.

On behalf of FGB's Board of Directors, I would like to take this opportunity to express my gratitude to the President of the United Arab Emirates, Sheikh Khalifa bin Zayed Al Nahyan for his guidance, 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, Rulers of the UAE, and members of the Supreme Council for their continued support.

We want to express our appreciation and thanks to our shareholders, customers and correspondent banks for helping us in achieving continued success. We also want to thank the UAE Central Bank for their continuous co-operation and support.

We are fortunate to employ strong teams of talented and dedicated people throughout the Group. On behalf of our Board of Directors, I would like to extend our sincere thanks to our employees for their continued commitment and loyalty. The progress made during the year, despite challenging operating conditions, is a credit to our employees' hard work and success.

Tahnoon bin Zayed Al Nahyan
Chairman

"I am proud of our achievements in executing our strategic vision and accelerating our revenue diversification programme. We continued to undertake a considered and disciplined approach to cost and risk management. Looking ahead, we will continue with our prudent strategy."

Abdulhamid Mohammed Saeed
Managing Director

Managing Director's Report

The bank delivered good progress in 2015, achieving a number of key milestones despite challenges in the evolving macroeconomic environment. Solidifying our position as one of the leading banks in the UAE, I am pleased to present another year of net profit growth, our 16th consecutive year of improved performance, reflecting the underlying strength of the fundamentals of the business. This year, we significantly improved our ratios and maintained a comfortable liquidity and capital position.

The global economy experienced increased volatility in 2015 as we witnessed a sustained weakness in oil prices, combined with a slowdown in global markets, as well as geopolitical discord in the region. The UAE economy, whilst overall resilient to economic headwinds due to its national diversification strategy and regulatory reform, slowed in 2015 leading to tightening liquidity conditions in our domestic operating environment.

However, FGB continued to demonstrate a strong and resilient business model, allowing us to deliver a solid financial performance and joint successes across the businesses. I am proud of our achievements in executing our strategic vision and accelerating our revenue diversification programme. We continued to undertake a considered and disciplined approach to cost and risk management and looking ahead we will continue with our prudent strategy.

In 2015, we made great strides to focus on improving our capabilities across the businesses and enhancing our core products and service offerings for our customers. Over the year, we adapted to the evolving digital environment by upgrading our online and mobile banking platform and updating our branches with new digital capabilities, as well as widening our social media presence and digital security features. These innovative multi-channel approaches remain key to our strategic ambitions, putting our customers at the heart of everything we do.

As part of our approach to embed specialisation across the Group and develop new financial products and services for our customers, last year FGB launched its Corporate Finance franchise offering a number of Corporate Finance solutions, including M&A and equity capital markets advisory. This year we were proud to execute our first landmark transaction, reflecting significant progress and achievements of our Corporate Finance business since its inception, which will generate an additional revenue stream to our bottom line as we continue to grow this business.

We established a Global Islamic Banking Centre of Excellence, which we expect to grow in 2016 and beyond, as we saw a significant demand in Islamic banking from customers. Our Consumer Banking Group developed a wide range of Shariah-compliant products and services to customers across our international offices, offering expertise from Islamic banking specialists, along with product execution capabilities.

Additionally, FGB continues to strengthen its position as one of the leading banks in the UAE, receiving a number of industry awards in 2015, including “Best Bank in the UAE” and “Best Bank in the Middle East” from The Banker. These achievements clearly demonstrate our continued commitment to foster innovation for all of our customers.

We will continue to support businesses and customers, as they are essential for fostering economic growth and innovation in the UAE. In 2015, FGB became the first bank in the country to facilitate access to a finance package for start-up businesses, providing a unique range of solutions for new companies and local entrepreneurs. We also hosted our third annual investment conference where we gathered wealth relationship managers from across the UAE, providing them with an opportunity to gain insight into the latest global financial market trends and practices as well as future developments and opportunities. We remain deeply committed to our customers here at home. In recognition of our Emirati employees, in 2015, we introduced the Idkhari programme; a savings plan designed exclusively for UAE National employees working within the bank. We also maintained our measured approach to selective regional and international expansion and will continue to focus on strengthening our market position and capabilities to additionally support further entry into new international markets over the coming years.

Our talented and high-performing employees are the driving force behind our success and over the last year we implemented our ‘Employee Value Proposition’ framework designed to develop, nurture and engage employees in alignment with our core values and strategic vision. We remain committed to investing in our people through our FGB Business School, enhancing employee growth through our innovative learning and development programmes and becoming an employer of choice for new talents.

As we enter 2016, we are confident that our solid fundamentals are positioning the business with a solid foundation to continue our success story. This would have not been possible without the continuous support of our shareholders and clients, and for their trust in our brand.

Abdulhamid Mohammed Saeed
Managing Director

"At FGB we are proud to have a talented, creative and dedicated team of experts who are continuously working towards growing our business, whilst ensuring that our brand and values are preserved in all that we do. Overall, it has been a very successful year for FGB, and we are confident in our ability to maintain our outstanding performance in 2016 and beyond."

André Sayegh
Chief Executive Officer

CEO's Report

Dear Stakeholders,

2015 was another successful year for us, marking 16 consecutive years of consistent asset growth and increasing profitability for FGB. Our enhanced, well considered strategy has enabled us to withstand challenging market conditions, which have seen global markets characterised by apprehension and caution. Our focus on cross-business synergies and revenue diversification ensured that we were able to face market challenges, and our customer-centric model led us to continued growth.

In 2015, we continued to invest in and develop our people who are the key drivers behind our operations. At FGB we are proud to have a talented, creative and dedicated team of experts who are continuously working towards growing our business, whilst ensuring that our brand and values are preserved in all that we do.

Overall, it has been a very successful year for FGB, and we are confident in our ability to maintain our outstanding performance in 2016 and beyond.

2015 in Review

At the close of 2015 our net profit amounted to AED 6.01 Billion, representing a 6% increase from 2014. We experienced growth across the business, where the Consumer Banking Group contributed 35% to Group revenues, Wholesale & International Banking group contributed 36% and the Treasury & Global Markets group 12%. Subsidiaries and associates including Dubai First and Aseel Islamic Finance generated 8% of FGB's total revenues, while real estate subsidiaries contributed 9%. The Group's international operations provided 5% of revenues in 2015.

FGB is an agile bank highlighted by our customer-centric philosophy, as well as our efficient distribution model and increasing focus on digital channels, which are especially important for us. This is why our Consumer Banking Group has invested in online and mobile banking platforms, adding a range of new features which have improved our customers' banking experience with us. Keeping customer-centricity in mind, the Group continued to create meaningful partnerships with leading entities and to launch innovative products based on consumer needs.

On the Wholesale side, the group participated in a number of key transactions throughout 2015, and continued to diversify and enhance its core business operations, providing a platform for solid performance. Investment in new products, competencies and technology was significant.

Our Treasury & Global Markets business saw solid growth through the year as high market volatility led to an increase in demand for risk management solutions, supported by an ability to price and warehouse risk. One of our major milestones in 2015 was the raising of over USD 2 billion in diversified wholesale funding, achieved at competitive pricing, placing FGB in a strong liquidity position in 2016 and beyond.

In 2015, we also hosted the second edition of our highly successful National Housing Loans exhibition, which ran over the course of four days. As the sole manager of Abu Dhabi's National Housing Loans programme in the UAE, we provided a unique opportunity for visitors to explore the services provided by the bank in this area, and to meet with exhibitors which included contractors, design companies, and other building-related specialists to help them in creating their dream houses. We had over 6,000 visitors and 195 exhibitors, and we are planning to make the event even bigger in its third cycle.

Our successes in 2015 did not go unnoticed. We received a range of accolades from industry leaders, including receiving the titles of "Best Bank in the UAE" and "Best Bank in the Middle East" during the 2015 Banker Middle East Industry Awards, "Bank of the Year" by the 2015 Arabian Business Achievement Awards, "Shariah-Compliant Window" by The Banker 2015 Islamic Banker of the Year Awards, "Best Wealth Management in the Middle East Award" and "Best Mortgage and Home Loan Product in the Middle East Award" by the Asian Banker 2015 Middle East and Africa Country Awards, "Project Finance Deal of the Year", "Structured Finance Deal of the Year" and "Syndicated Loan Deal of the Year" during the 2015 Bonds, Loans & Sukuk Middle East Awards, "SME Bank of the Year" in the 2015 Arabian Business Startup Awards, and "Most Impressive Middle East Borrower Award" during the 2015 Global Capital Bond Market Awards.

Not only that, but we received seven titles during the 2015 Banker Middle East UAE Product Awards, reflecting our innovation and continuously evolving customer-service strategy. The titles were: 'Best Call Centre", "Best Credit Card", "Best Personal Loan", "Best Wealth Management Service/Proposition", "Best Offshore Wealth Proposition", "Best Deposit Account Product" and "Best Bancassurance Product".

As our business was growing, we completed a milestone initiative for our staff by introducing our 'Growing Together to Be First' employer value proposition which sets out the core pillars for FGB and its staff to grow successfully. Such efforts brought recognition as we won the 'Innovation in Learning and Development' award and were runner up for the 'Employer of Year' at the 2015 Middle East HR Excellence Awards.

The Business Groups

Consumer Banking Group (CBG)

Our Consumer Banking Group delivered a solid performance throughout 2015, returning positive growth in revenues to AED 3.34 Billion, representing a 6% increase from 2014. CBG also continued to make great strides in enhancing our digital offering and this year, our Dubai Mall branch became FGB's first digitally enhanced branch offering a range of self-service technologies and touch screen, 'quick advice' tables for customers to view products and receive instant feedback. Customers can now receive information through their mobile phones via QR codes and we recently opened digitally enhanced branches in Al Ain Mall and Dragon Mart plus extended opening hours at Dubai mall from 10am to 10pm to improve the customer experience.

To close the year, CBG launched its 'Accelerator' programme, a banking ecosystem for customer's everyday banking activities and preferences that bundles FGB products and enables customers to maximise benefits they receive. Supported by an intuitive digital application, customers can at any time simply optimize their choice of product and selected benefits.

CBG's partnership story continued with an FGB-Du co-branded credit card offering significant telco and lifestyle benefits whilst we solidified our relationship with LIC International, offering a FGB LIC International credit card.

The year saw CBG become the first bank in the country to offer UAE small business start-ups a comprehensive financing package for their early development as they build up their core operation.

As a proudly local bank, we also remain firmly committed to providing UAE Nationals with the best banking services and products available. We continued to manage the National Housing Loans programme in 2015, in addition to introducing a very attractive new prize structure for our Emirati Al Awwal Islamic Certificate (EAAIC) scheme.

In 2015, our wealth management practice continued to be recognised by our industry and peers and notably we organised our third annual investment conference to share our expertise with wealth relationship managers from across the UAE and FGB, providing them an opportunity to gain insight into the latest global financial market trends, developments and practices.

Wholesale and International Banking Group (WBG)

WBG ended the year recording AED 3.42 billion in revenues, with a net profit of AED 2.51 billion, up 5% compared to 2014. Total assets recorded a 6% increase as well, to AED 97 billion. The Group continued to make investments in products and platforms across trade finance and cash management to increase its share of cross border flows into FGB network countries. We invested in our global operations, to ensure we can service clients in countries where FGB is present and where we are seeking further expansion in the future as we evolve to meet clients' needs, particularly in Asia.

In the local arena, we have also sought organic growth of our operations through improving on products and competencies. We introduced Commercial Banking (CMB) and contracting to complement our existing platform and brought further sector expertise and relevance to our clients in historically high growth segments. We have also continued to invest in technology, as illustrated by the roll out of TI+ back end trade platform and significant ongoing work on FGB Online, our global front end cash management and trade finance platform, which will be officially released in the next eighteen months.

The Wholesale Islamic Finance business also continued to expand its footprint and capabilities. The Corporate Finance business successfully advised on a number of transactions including NMC Health's acquisition of a 51% shareholding in Fakih IVF Group for USD 189 million.

FGB was also associated with other landmark transactions in the UAE and internationally, which has been recognised through various awards such as 'Syndicated Deal of the Year' for Aujan Coca-Cola Beverages by Islamic Finance News and 'Industrial Deal of the Year', MEA for Jazan ASU by Project Finance International.

Our international operations are now fully integrated into a global client coverage model, enabling us to help UAE clients grow internationally as well as help international clients grow into the Middle-East.

Treasury and Global Markets Group (TG&M)

Our T&GM Group saw strong growth through the year in our core client business as high market volatility led to an increase in clients requiring risk management solutions, supported by the business's ability to price and warehouse risk. By the end of 2015, T&GM contributed AED 1.14 billion to FGB's overall revenues with a net profit of AED 784 million. Total assets for T&GM grew to AED 54 billion, an increase of 12%.

Against a backdrop of liquidity challenges in 2015 in the region, our Group Funding Team continued to successfully build FGB's reputation as a globally sophisticated capital markets issuer with access to a diverse range of short term and long term funding sources. FGB raised USD 2.2 billion equivalent of senior term funding across six different currencies, in both bond and loan format, putting FGB in a strong liquidity position as we move into 2016. Further diversifying FGB's funding sources, a Euro Commercial Paper Programme (ECP) programme was established in June, with USD 775 million equivalent outstanding at the end of December. As a result of our funding diversification strategy, FGB was recognised as the 'Most Impressive Middle East Borrower' at the 2015 Global Capital Bond Market Awards in London.

The Global Markets Sales team achieved a 37% increase in revenues, realising our fourth consecutive year of increased cross-sell of T&GM solutions. This was achieved through continued strengthening of the FGB brand, close collaboration with our WBG and CBG partners, and further expansion of our product offering and distribution capabilities. The team delivered risk management and investment solutions to more clients in 2015 than ever before, resulting in a 182% increase in derivative deals. The expansion of our product offering into commodities, a focus on establishing closer partnerships with clients, and initiatives to boost cross-sell opportunities, all contributed to making 2015 a successful year of key achievements. Our teams in Singapore and the UAE partnered to deliver improved solutions to clients in Asia Pacific, which will continue to be a key area of focus in 2016.

The sustained growth in our Global Markets Sales team is as a result of the investments made over recent years in our Global Markets platform and the increased ability of the Global Markets Trading & Execution team to price and warehouse risk, which resulted in 126% increase in revenues for our trading and execution team as client flows increased. T&GM's Proprietary Investments desk ended the year with strong performance and a healthy investments book, reflecting successful reduction of geographic concentration and balanced decisions of risk appetite versus search for yield.

In Q3 2015, we achieved a major milestone in T&GM with the implementation of the Murex platform. The move to an integrated, end-to-end platform with sophisticated structuring, pricing and risk monitoring capabilities will result in improved client offering, scalability and internal efficiencies and controls. This important multi-year investment was a key component of the T&GM strategy and will have a lasting impact on the future of the business.

Going into 2016, T&GM is in a strong position to realise the opportunities made possible by strategic investment in infrastructure, people, cross-business synergies and FGB branding. Supported by ongoing investment in 2016, T&GM will continue to add breadth and depth to our platform capabilities and optimise synergies with WBG and CBG to make us the first choice for clients.

Aseel Islamic Finance

Aseel continued to deliver on its promise to cater to the Islamic financing needs of UAE consumers and corporates, particularly SME and mid-market businesses. In 2015, revenues were up by 22%, to AED 197Mn.

This was achieved through a range of initiatives, including the formation of a partnership with the UAE's largest telco, Etisalat, to offer small and medium businesses (SMB) in the UAE, 10GB free business data every month with a subscription to Aseel Platinum Business Cards.

Aseel received two awards from VISA, recognising the company as the first financial organisation to issue a Visa Platinum business credit card in the UAE and MENA region.

Dubai First

In 2015, Dubai First continued to record exceptional performance with an annual revenue growth of 40% (to AED 415Mn) and a net profit growth of 48% (AED 207Mn). In line with FGB Group values and its brand promise of 'Staying Ahead', Dubai First embodies the commitment to develop sustainable long term value to all its stakeholders, as well as the environment and community it operates in. This is built upon a solid foundation of sustainable thinking and core values that help Dubai First define and decide how it provides its products and services, how it serves its customers, how its treats its employees and finally how it engages with the community. Dubai First remains committed towards being a responsible corporate citizen of UAE and developing sustainable, long term value for its stakeholders.

FGP

In 2015, First Gulf Properties continued to operate in line with its strategy of providing excellent customer service to both its landlords and its tenants. FGP worked towards ensuring occupancy and sustainable revenues with proactive facility management to support our objectives.

The business continues to provide shareholders with robust, diverse and sustainable revenue of rental income and capital appreciation. Our strategy for FGB Real Estate, and more particularly Mismak, is to continue to monetise current lands through either development or disposal.

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. Over the past year, FGB has implemented a framework for its Employee Value Proposition through a series of programmes and initiatives. We also made notable strides in our Emiratisation strategy.

HR took part in leading career fairs, including Tawdheef, where FGB representatives met with potential recruits and introduced them to the bank, its operations and Emirati-specific initiatives. FGB's participation this year also entailed a number of workshop sessions on interview techniques and CV development. The bank also recently introduced its Idkhari programme, a savings plan designed exclusively for UAE National employees working within the bank to encourage enrollers to save. It involves employees contributing a percentage of their monthly salary, where they will then be paid out an amount determined by the agreed duration. All Emirati employees in FGB are eligible to participate in Idkhari.

Moving forward, we will continue to expand on our eight Emirati-specific initiatives to attract and retain UAE nationals and to further enhance our Business School offerings.

Information Technology

2015 saw FGIT embark on a three year transformation journey underpinned by the bank's strategic themes of 'customer-centricity' and a 'digitally-enabled organisation'. Specifically, the past 12 months have seen improvements in our customer experience, delivery against core infrastructure as well as the onboarding of key Intellectual Property and talent. Establishing FGIT as a standalone entity has delivered numerous benefits to FGB by having a more pro-active focus on efficiencies and capability building. The entrepreneurial nature of FGIT has also been a major draw card for attracting leadership talent globally.

Key highlights for 2015 include the launch of a new online and mobile platform for CBG customers, the transformation of FGB branches into next-generation banking centers and the establishment of FGB's presence on social media, across various platforms.

Realizing that security is of the utmost importance, FGB has introduced an enhanced security feature, SecurePass. This allows customers to easily generate and receive a secure "one-time password", which is required for login and transactions. Information security at FGB is based on the multiple IT security systems woven together to provide a layered security system. This combines with proactive security intelligence that syncs to generate real time information and allow tracking of any unauthorised activity or potential threat. The system enables us to keep our systems updated to avoid any breach or potential loss. Customer vigilance is an essential part of digital security, and we regularly update our customers with security advice to help safeguard them.

We have started 2016 with strong momentum. The focus throughout this year will be on the continued delivery of strategic initiatives and transformation of the underlying technology landscape to ensure faster time to market for future change. We will also focus on capability uplift – in how technology delivers more, faster, and in a more agile way with our business partners, whilst ensuring that the right levels of governance continue to be applied. FGIT will continue to evolve and refine its delivery in line with the bank's strategic direction, to ensure ongoing success.

Enterprise Risk Management

2015 has been a challenging year for the banking industry worldwide as well as in the region. These challenges stemmed from several macroeconomic risk factors including continued reduction in oil prices, anticipation of rise in interest rates, increase in geo-political instability and manifested in the form of high volatility in the capital markets and capital flows. This was compounded by reduced liquidity and increased cost of funds owing to reduction in systemic deposits and credit deterioration in certain economic sectors. While these had an effect on the income growth rate of UAE banking industry, the industry, backed by strong capitalisation levels and adequate provisions, remained unscathed.

FGB had another robust year of growth complemented by proactive management of diverse risks in an integrated manner. This was made possible by strictly adhering to the basic principles of enterprise risk management; sound fundamentals and strong risk bearing capacity to withstand macroeconomic risks; strategic alignment and enduring partnership with all businesses; integrated corporate and risk governance framework for effective oversight and robust risk infrastructure to manage enterprise wide risks in a holistic manner.

In 2015, we implemented several key risk management initiatives towards further enhancing the established Enterprise Risk Management (ERM) framework across FGB Group. These included: enhancements in the risk appetite framework so as to identify early warning risk indicators across businesses; implementation of group compliance framework; operationalization of AML center for efficient management of liquidity and interest rate risks. Revamp of legal and fraud risk management framework and the enhancement of information security risk framework.

Looking ahead, we will continue to build on our ERM framework, in all areas to address ever changing market dynamics.

Looking Ahead

In 2015, we saw a volatile economic environment, but despite all challenges we continue to demonstrate resilience with strong fundamentals and a solid balance sheet. This was in large part due to our enhanced business model and prudent risk management strategy, but also to the UAE's continued focus on diversifying sources of income, away from commodities, which has allowed it to continue to exhibit growth, despite current challenging conditions.

The UAE's economic environment in 2016 will continue to capitalize on its key competitive advantages to show further resilience in a volatile global economic backdrop. In addition, local authorities are working on enhancing the UAE model by implementing various regulations to safeguard the country's economy and maintain its growth, through the implementation of number of new initiatives, in line with IMF recommendations in regards to gradual fiscal consolidation.

Going forward, we will continue to look for opportunities for growth whilst ensuring that we maintain our speed and focus to safeguard our leading market positioning. With a solid business model, strong fundamentals and the right strategy in place, we will focus on enhancing capabilities and synergies across our business groups throughout 2016, as well as diversifying geographically and across product and service lines. We are also continuing to strengthen our channels of distribution through digitisation and investing in our people to support future growth.

We are fully confident that the Bank is in a solid position to capture future opportunities, support sustainable growth and continue to maximise shareholder value.

André Sayegh
Chief Executive Officer

FGB Corporate Sustainability – Building value for our stakeholders

Our Story

From Abu Dhabi origins to FGB's international presence, we put our stakeholders first in all areas of our business and deliver benefits to our clients through our customer centric strategy.

Today, we are recognised as a world-class organisation committed to maximising value for shareholders, customers and employees. We are focused on delivering banking products and services that meet market needs, while supporting the UAE's dynamic economy. And in line with our commitment to excellence, the bank continues to invest significantly in people and technology to provide superior service standards.

FGB's Global Footprint

UAE DISTRIBUTION NETWORK	WORKFORCE
21 branches	**1,436 employees**

Credit Ratings

AGENCY	RATING	OUTLOOK
Fitch Ratings	**A+** (Since 2007)	Stable
Moody's	**A2** (Since 2007)	Stable
Standard & Poor's Ratings Services	**A** (Since Feb'16)	Stable

Selected FGB Awards 2015

'Best Bank in the UAE' and 'Best Bank in the Middle East'

'Best Call Centre', 'Best Credit Card', 'Best Personal Loan', 'Best Wealth Management Service/Proposition', 'Best Offshore Wealth Proposition', 'Best Deposit Account Product' and 'Best Bancassurance Product'

'Shariah-Compliant Window'

'Best Islamic Trade Finance Bank EMEA'

'Best Wealth Management in the Middle East Award' and 'Best Mortgage and Home Loan Product in the Middle East Award'

'Most Impressive Middle East Borrower Award'

'Project Finance Deal of the Year', 'Structured Finance Deal of the Year and Syndicated Loan Deal of the Year categories'

'Bank of the Year'

'SME Bank of the Year'

'Innovation in Learning and Development' award and runner up as the 'Employer of the Year'

2015 Growth Indicators

Consistent growth in profitability for the 16th consecutive year thanks to FGB Group's focus on sustainable growth and value creation.

In 2015, FGB delivered a robust set of results, reconfirming the solid foundation of the Group's business model, the strength of our franchise and the relevance of our strategy centered on dynamism, specialisation, synergy, speed and diversification.

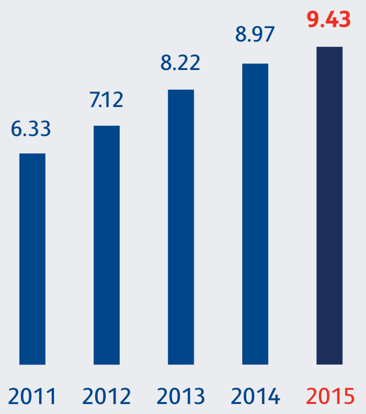
REVENUES
AED 9.43 Billion

GROUP NET PROFIT
AED 6.01 Billion

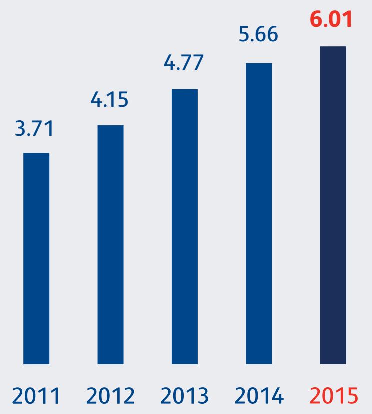
EARNINGS PER SHARE
AED 1.32

MARKET CAP
AED 56.9 Billion
as of Dec. 31st, 2015

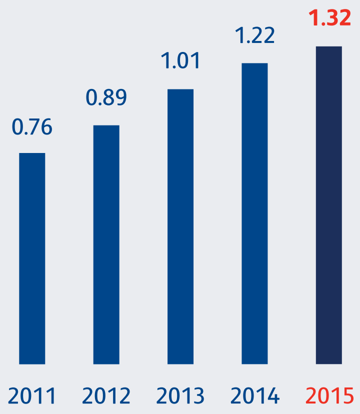
REVENUES
IN AED BN



NET PROFIT
IN AED BN



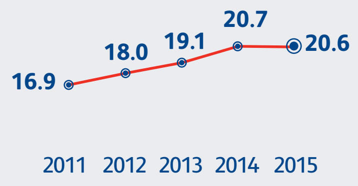
EARNINGS PER SHARE
IN AED



BALANCE SHEET (AED BN)	DEC'15	DEC'14	YOY
LOANS & ADVANCES	149.8	139.7	7%
CUSTOMER DEPOSITS	142.5	141.3	1%
TOTAL ASSETS	227.5	212.2	7%
SHAREHOLDERS' EQUITY	35.9	34.1	5%

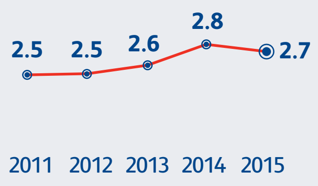
KEY RATIOS (%)	FY'15	FY'14
NET INTEREST MARGIN	3.3	3.6
COST-TO-INCOME	20.6	20.7
NON-PERFORMING LOANS (NPL)	2.8	2.5
PROVISION COVERAGE	102.9	126.7
REGULATORY ADVANCES-TO-DEPOSITS RATIO	87.2	83.5
RETURN ON AVERAGE EQUITY	17.1	17.3
RETURN ON AVERAGE ASSETS	2.7	2.8
CAPITAL ADEQUACY	17.5	17.5

COST-TO-INCOME RATIO %



RETURN ON AVERAGE EQUITY %

RETURN ON AVERAGE ASSETS %



An Impressive Journey Since 2000

Vision, Mission, and Strategy

OUR VISION

To be recognised as a world-class organization maximizing value for all stakeholders

Organic Growth of Core Banking Activities	Selective Regional and International Expansion	Synergies with Subsidiaries and Associates
Build deeper client relationships, providing solutions and high quality service	Geographic diversification through expansion of existing operations and penetration in key markets	Aseel Finance to provide innovative Islamic products to a broad base of customers and businesses
Continue to target large creditworthy UAE-based customers	Focus on trade and financial flows through the UAE into target international locations	Dubai First to provide specialist credit card propositions to the expanding UAE customer base
Develop and strengthen a customer-centric approach emphasizing on bespoke service quality and product range	Sourcing and distribution of trade and financing opportunities across the FGB network	Enhance fee income through comprehensive property management of residential and commercial real estate assets across the UAE

OUR MISSION

To be the “First Choice” for customers

OUR BRAND

Complementing our fresh and engaging FGB brand identity, we have a theme that runs through all of our actions and achievements — our desire and passion to BE FIRST. First in terms of the products we develop and offer our customers and clients, enabling them to achieve their own firsts. First in the service we provide. First is in our name. First reflects our performance. Ultimately, it’s putting our customers first that sits at the heart of our culture.

Investing in People

*At FGB, we work together to achieve the full potential of our people, customers and business. We have identified five core values that help us achieve this: **knowledge, adaptability, collaboration, enterprise** and **responsibility**. These values ensure that we are always putting you first – a goal that is reflected in the way that every staff member approaches each and every day.*

Investing in People

At FGB we aspire to grow both as individuals and as an organisation. This is why we have defined and launched an employee value proposition to communicate our unique and compelling culture and at the same time clearly set out our expectations from our employees. Being located in one of the most competitive countries in the Middle East obliges us to differentiate ourselves from our competitors to ensure our existing employees have clear reasons to work with us so that we can retain talented people, as well as attract new talent to FGB.

In line with this proposition, we continue to invest in growing the skills, knowledge and expertise of our people. The FGB Business School offers employees an extensive range of state of the art innovative technical skills and leadership development. Many of the programmes are now accessible via mobile technology. This is demonstrated through over 95% of employees having enrolled and participated in our different learning curricula during 2015. Reflecting our focus on customer centricity, we completed the bank-wide education programme, Service First, to help us better meet our customers' needs and aspirations in line with our 'Be First' brand promise. Between 2014 and 2015, over 7,000 employees participated in 400 workshops as part of this programme, generating over 200 service improvement ideas.

Our commitment to the development of Emiratis through building meaningful and lasting careers in the financial services and banking sector is evidenced through our various programmes we offer, most notably our Al Masar Development Programme, which prepares our Emirati talent for the next level of leadership at FGB. Furthermore, we are overseeing the career progress of 23 graduates participating in Nujoom, our fast-track management trainee programme who are currently working in different divisions across the bank. Since its inception in 2012 we have graduated 59 Nujooms to become the future leaders of FGB. We also recently introduced the Idkhari programme, a savings plan designed exclusively for UAE National employees working within the bank to encourage saving through employees contributing a percentage of their monthly salary which is matched by FGB. We continue to create a number of successful programmes to attract talent to FGB by developing relationships with leading universities to offer summer placements and internships to undergraduates. We also have initiated part-time opportunities to offer flexibility and choice for employees who wish to work flexibly due to their personal commitments outside work.

The bank's efforts in becoming an employer of choice have been recognised internally and externally. Our annual employee engagement survey showed, once again, that our employees exhibited exceptionally strong commitment to theorganisation and pride in working at FGB. We also won the "Innovation in Learning & Development" award and received a mark of excellence as "Employer of the Year" at the 2015 Middle East HR Excellence Awards.

CSR and Community

FGB has a responsibility to the community in which it operates and to its employees. It supports initiatives to make the UAE a better place for everyone and to position Abu Dhabi as an Emirate that holds the promise of a brighter future for all. FGB partners efforts to enhance the growth and development of the UAE, from providing care to its employees, nurturing opportunities for UAE nationals, and initiating community programs that aim to increase awareness on important issues including safety and family values.

FGB sponsors Al Ain Sports & Cultural Club to encourage sporting achievements and a healthy lifestyle in the UAE. It also curates a portfolio of small sponsorships that aid in building and promoting development in the Abu Dhabi community.

In line with its mission to 'Develop sustainable long term value for its stakeholders', Dubai First has taken the initiative to spread awareness on road safety to children. The child safety campaign, which was launched in April 2008, has been successful in reaching out to more than 15,000 children from 50 schools all over UAE and is the first full-fledged child road safety campaign to be ever launched in the UAE by any financial services company. The programme was recognised and awarded as the 'Best CSR Initiative - 2015, UAE' by International Finance Magazine, London.

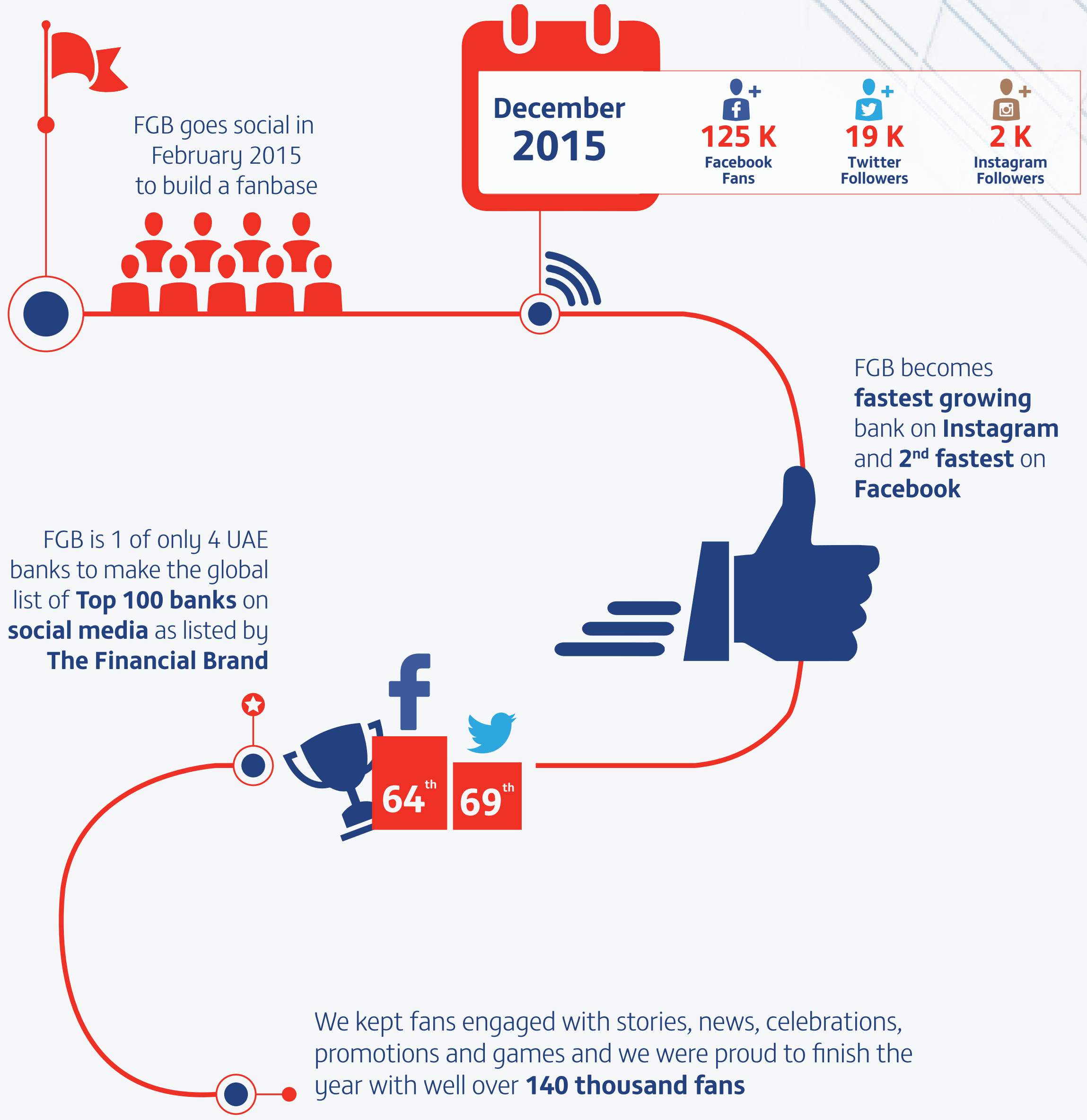
Dubai First was also the key sponsor for the Cervical Cancer Awareness Campaign- 'Smear Don't Fear' launched by Zulekha Hospital in May 2015. The prime objectives behind the new initiative was to increase awareness about the risks of cervical cancer among women, encourage women to have tests done on a regular basis and to raise awareness about early vaccination for younger girls that can protect women against cervical cancer. The campaign offered free consultation, free tests, and vaccines at cost price at Zulekha Hospitals Sharjah and Dubai. Over 475 women benefited from the campaign.

In 2015, First Gulf Properties carried out a range of social initiatives for its communities, covering the environment, health, safety and women empowerment. Activities included a celebration of Earth Hour and World Health Day, the Health Fiesta and "For Women by Women" events, and a celebration of the UAE's National Day.

FGB is committed to increasing its CSR programme in 2016 and will be initiating a variety of new activities that support Abu Dhabi's sustainable goals.

FGB in Social Media

In 2015 FGB launched across five social media channels: Facebook, Twitter, Instagram, You Tube and LinkedIn. FGB's new social presence provides the perfect platform to relate with communities and drive customer centricity. In addition to providing useful and timely information the channels have far exceeded industry norms for customer response and positive sentiment.



“We are fortunate to employ strong teams of talented and dedicated people throughout the Group...I would like to extend our sincere thanks to our employees for their continued commitment and loyalty. The progress made during the year, despite challenging operating conditions, is a credit to our employees’ hard work and success.”

Tahnoon bin Zayed Al Nahyan
Chairman

Corporate Governance Report

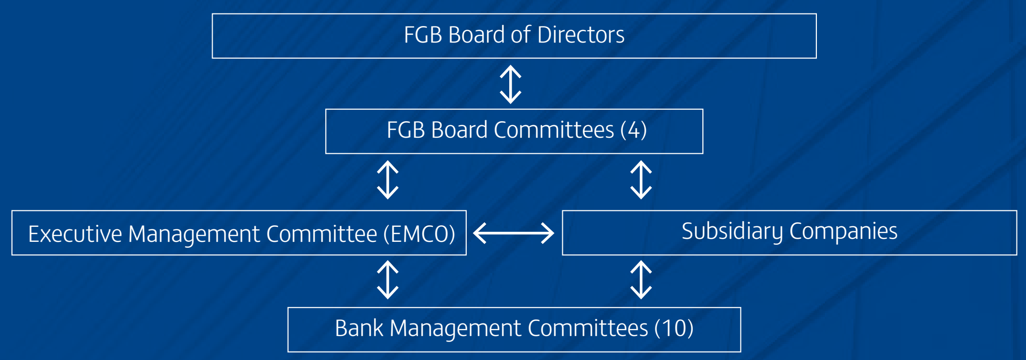
Introduction

First Gulf Bank Group ('FGB' or 'the company' or 'the bank') recognises that a well-considered and established corporate governance framework helps improve decision making and also helps ensure better relations with stakeholders through improved transparency and better quality disclosures. FGB is committed to high standards of corporate governance, business integrity and professionalism. Its developing corporate governance framework is aligned with the company's strategic objectives and reflects international best practice and applicable regulatory guidelines, including those of the Central Bank of the UAE (CBUAE). The framework includes a strong, ethical code of conduct which all employees of the company must be aware of and comply with.

FGB is governed by a framework of Board and committees. The FGB Board is the principal decision-making forum for the company and it has overall responsibility for directing, leading and controlling the company.

The company's corporate governance framework was reviewed and approved by the Board in 2015 and it sets out a clear responsibility structure for the Board and Board Directors; Board Committees; the Executive Committee and its supporting Management Committees; and the organisation's support and control functions. This framework has been documented in the company's Corporate Governance manual which is reviewed and updated at least annually.

High-level overview of the FGB corporate governance structure



*Indicates flow of information and not reporting lines

** The bank operates a Shariah Supervisory Board which advises all relevant parts of the FGB business on key aspects of its Islamic Banking activities (more details are included later in this report).

The Board of Directors

The current Board Directors of FGB are:

1. **H.H Sheikh Tahnoon bin Zayed Al Nahyan (Chairman of Board of Directors) (Non-Executive)**

   External Appointments:
   - Head of the National Security Council
   - Chairman of Amiri Flight
   - Chairman of Royal Group

2. **Ahmed Ali Al Sayegh (Vice Chairman and Board member) (Non-Executive)**

   External Appointments:
   - Chairman of Abu Dhabi Global Market
   - Managing Director of Dolphin Energy
   - Board member of UAE offsets group
   - Board member of ADWEA
   - Vice Chairman of Abu Dhabi Ship Building
   - Board member of Etihad Airways

3. **Abdulhamid Mohammed Saeed (Managing Director and Board member) (Executive)**

   External Appointments:
   - Board member of Emirates Investment Authority
   - Board member of Mubadala Development Company
   - Board member of Sky news Arabia

4. **Khaldoon Khalifa Al Mubarak (Board member) (Non-Executive)**

   External Appointments:
   - Chairman of Abu Dhabi Executive Affairs Authority
   - Group CEO and MD of Mubadala Development Company
   - Member of Abu Dhabi Executive Council
   - Member of Abu Dhabi Council for Economic Development

5. **Sultan Khalfan Al Ketbi (Board member) (Non-Executive)**

   External Appointments:
   - Vice Chairman of Al Ain Holdings

6. **Mohammed Saif Al Suwaidi (Board member) (Non-Executive)**

   External Appointments:
   - Director General of Abu Dhabi Fund for Development
   - Board Vice Chairman of Al Masraf (ARBIFT)
   - Chairman of Al Ain Farms for Livestock Production
   - Board Member of the Centre of Food Security of Abu Dhabi

Responsibilities of the Board of Directors

The Board of Directors is the principal decision-making forum for the company and its responsibilities include approving the company's strategy; setting its risk appetite and risk management strategy; monitoring financial performance; establishing the corporate governance framework; and approving the company's 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 and for Board and executive management succession planning. The Board met 4 times in 2015 and it met again in January 2016 to review a range of matters including the company's annual financial performance in 2015.

The role of Board Committees

Board Committees play a crucial part of the decision making process and they help support the Board in the execution of its responsibilities. These specialist committees help share the Board's workload and the detailed involvement of Board members allows them to get closer to the business, its activities and the bank's control framework. Relevant matters are referred by these committees to the Board. The company's Board Committees are:

- the Audit Committee;
- the Risk and Compliance Committee;
- the Executive Committee; and
- the Remuneration and Nominations Committee.

Board Committees

1. **Board Audit Committee:** FGB has an Audit Committee (AC) composed of 3 Board members including the Managing Director of the Bank. The majority of the members of the AC are independent directors including the Chairman of the committee. Along with other Board members, the AC also comprises the Head of the Internal Audit function of the Bank. AC is responsible for the review and audit of financial reporting process and related disclosures of FGB and oversight of the activities and effectiveness of the bank's internal and external auditors. The committee also reviews the effectiveness of the bank's internal control systems.

   During 2015, the committee reviewed the Audit Committee Charter, Internal Audit Charter and the bank's Group Internal Audit Manual and all were revised to better align with newer challenges and updates within the Internal Audit Domain and International Standards for the Professional Practice of Internal Auditing. The committee initiated an external Quality Assessment Review of the Internal Audit function in line with industry best practices and also endorsed bank's Risk Based Audit Plan, its operating model, budget and resource requirements.

   A range of internal and external factors including increased industry fraud risk and other threats were key contributors in shaping the focus of committee discussions. There was also regular coverage of asset quality matters, provisioning levels and monitoring of both the Wholesale Banking and Consumer Banking loan books. Increased cyber-security threats and new, tighter security regulations lead to the committee's focus on increased coverage of technology and information security audits. Additionally strong focus was maintained on increasing the coverage of international branches, subsidiaries and the bank's Treasury business in order to provide the committee with an acceptable level of assurance on overall controls, levels of compliance and the governance of these operations.

   The committee also met with the External Auditor to discuss the key findings and themes identified through its work; all relevant matters pertaining to the quantitative and qualitative aspects of the bank's financial results including financial statement disclosures; and other matters relevant to its engagement.

2. **Board Risk and Compliance Management Committee:** FGB has a Risk and Compliance Management Committee (RCMC) composed of 3 Board members including the Managing Director of the Bank. The majority of RCMC members are independent directors, including the Chairman of the committee and this helps ensure there is rigour in the committee's challenge to business management across a wide range of risk issues. Along with other Board members, the RCMC also comprises the FGB Chief Risk Officer (GCRO). RCMC is responsible for oversight of the effectiveness of the way in which risks are identified, controlled and managed on an enterprise wide basis and for ensuring the adequacy of the risk management system. The committee also ensures FGB's compliance with applicable laws and regulatory guidelines.

   It was a busy and demanding year for the committee, not least given the challenges, risks and opportunities posed by the impact of depressed oil revenues and a range of other global macroeconomic factors. These issues have been the subject of frequent discussion and debate by the committee and particularly their impact on the bank's approach to its risk management strategy, its risk appetite framework and the quantity and quality of its risk management staff. It also regularly reviewed and discussed a range of key risk indicators across the bank. The Committee considered a wide variety of other issues during the year including:

   - the bank's capital, liquidity and funding profile and performance against regulatory requirements and benchmarks;
   - the shape and construct of its liability portfolio; non-performing loans; and levels of credit provisions;
   - global and regional economic scenario and initiatives planned/undertaken by the bank to ensure alignment with strategic goals;
   - the bank's risk profile on an overall basis and the risk profile of various business lines and Group entities;
   - the bank's approach to asset and liability management;
   - the increased level of information security, cyber-risk and fraud threats facing the banking industry; and
   - imbedding and making fully operational, the bank's updated corporate governance framework.

3. **Board Executive Committee:** FGB Group has an Executive Committee (EC) composed of 3 Board members including the Managing Director of the Bank. The majority of the members of the EC are independent directors. The EC on behalf of the Board is responsible for overseeing the regular business of FGB Group. Along with the Board members, EC also comprises CEO of FGB. The EC oversees FGB's overall management and ensures that the business policies and practices are in line with Bank's business interests and are in alignment with sound corporate governance and compliance standards including provisions of the CBUAE.

   The committee's work during 2015 included regular oversight and monitoring of material credit exposures and satisfying itself that exposures operated within the bank's approved credit risk appetite framework. Working closely with the External Auditors, the EC also conducted a number of reviews of the bank's financial performance prior to referral of these to the bank's Board of Directors. The EC also considered the new 2015 UAE Commercial Companies Law and its impact on the bank; a range of matters related to the bank's international expansion agenda; plans and preparations for the company's Annual General Meeting; and a number of issues related to the bank's capital raising activities.

4. **Board Remuneration and Nomination Committee:** FGB has Remuneration and Nomination Committee (REMCO) composed of 3 Board members with a majority of the members being Independent directors including the Chairman of the committee. Along with other Board members, the REMCO also comprises the CEO and the Head of Human Resources. The committee is responsible for recommending to the Board the appointment/termination of directors and where appropriate senior management of FGB and to ensure that there is a smooth succession process. The Committee is also responsible for the oversight and approval of the rewards design methodology consistent with FGB's culture, values, business performance and risk strategy.

   The following key issues were considered by the Committee in 2015:

   - progress on the bank's Reward Strategy including the approach to Total Reward and the compensation positioning in the market vis-à-vis its various employee segments;
   - a review of variable compensation for the performance year 2014 along with a review of the bank's Balanced Scorecard performance;
   - a review of fixed compensation;
   - implementation of an Emirati Savings Scheme for relevant employees; and
   - the bank's succession plan in alignment with its talent management and leadership development programme.

Board Committee Charters

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

Board Committee Membership

Membership details of the Board Committees are set out below:

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

Board Remuneration:

As defined under the relevant UAE law, the annual remuneration of a Board of Directors can be up to 10% of a company's annual net profit. The remuneration of FGB's Board of Directors for 2015 was AED 45M which represented 0.75% of the bank's net profit in 2015. (Board of Directors remuneration paid in 2014 was AED 42.5M, which was also 0.75% of the bank's 2014 annual net profit). Board of Director remuneration for 2015 was approved by the bank's shareholders at its Annual General Meeting (AGM) in Abu Dhabi on Sunday 6th March 2016.

The role of executive management and management committees

There is a clear division of responsibilities at the head of the company between the running of the Board and the executive team's responsibility for day-to-day management of the bank's business. The role of the CEO and the executive management team is to execute the agreed business strategy within the agreed risk appetite. It is also the responsibility of the executive team to develop a mechanism by which the company's vision, values and behaviours are successfully shared, communicated and imbedded in the business. Much of this is achieved through the work of the Executive Management Committee and its Management Committees.

The executive management team is also responsible for timely and accurate reporting to the Board and Board Committees and for the escalation of appropriate information or items.

FGB's Executive Management team

Mr. André Sayegh – Chief Executive Officer

André Sayegh joined FGB as Chief Operating Officer in 1999, responsible for Corporate Banking, Credit, Risk and Legal, Operations and Human Resources. He was appointed CEO of FGB in 2006. Together with Abdulhamid Saeed, FGB's Managing Director, André transformed the organisation from a small BB+ rated bank to an A+ large diversified banking group. His previous experience includes senior positions at Citibank within the Corporate Banking, Consumer Banking and Private Banking Departments, at Arab Bank in Lebanon and Strategic Business Trends in Canada. André is fluent in Arabic, English and French. He holds a BBA in Finance and an MBA in Corporate Finance and Banking from the American University of Beirut, Lebanon.

Mr. Zulfiquar Ali Sulaiman -Chief Operating Officer

Zulfiqar Sulaiman is FGB's Chief Operating Officer responsible for managing FGB's support functions, including IT, Central Operations, Service Quality, Corporate Affairs and Administration. He brings more than 30 years of banking experience to the role.

Mr. Sulaiman previously held the position of Business Support Director at FGB, a role to which he was appointed in December 2004. Prior to joining FGB, he held a number of senior positions including Head of the Bank of Oman, Chief Financial Officer and Country Compliance and Control Head at Citibank.

Mr. Sulaiman holds a Bachelor of Commerce Degree from Karachi University, having majored in Accounting and Finance. He has also attended a wide variety of courses and seminars on leadership, credit and risk, accounting, compliance and control, technology, service quality and treasury cycle management.

Bringing his extensive banking experience in the Middle East, Africa and South Asia to FGB, Mr. Sulaiman plays a core role in shaping FGB's ongoing development and growth.

Mr. Arif Shaikh – Group Chief Risk Officer

Arif Shaikh is Senior Executive Vice President - Group Chief Risk Officer at FGB. He is part of the initial team at FGB which led the transformation of FGB leading position in the UAE today. Arif leads the Group Risk and Compliance function, Group Legal function, the Strategic Business Review function and the overall Corporate Governance of the bank. He established the Enterprise Risk Management function at FGB and has developed the current risk framework of the bank. Mr. Shaikh is a member of all the key bank committees and sits on the Board of Dubai First, Aseel Islamic Finance, First Gulf Libyan Bank and FGB real estate subsidiaries. He has over 30 years of work experience with large MNC banks, consultancy firms and FGB. Mr. Shaikh holds a Bachelor's Degree in Commerce, a Bachelor's Degree in Law and is also a member of the Indian Institute of Chartered Accountants and the Indian Institute of Bankers.

Mr. Karim Karoui – Chief Financial Officer

Karim Karoui is a key member of FGB's leadership team with over 23 years of banking experience, including 15 years at FGB and 8 years with Citibank. He sits on the majority of the group's management committees and has been a key contributor to the transformation of the organization and building of a strong reputation for FGB within the international investor and analyst community. Karim holds a Master's Degree in Accounting from IHEC Carthage (Tunisia) and is board member of three of FGB's subsidiaries: Aseel Islamic Finance as Vice Chairman; Dubai First as Vice Chairman; and First Gulf Libyan Bank (FGLB) where he is a Board Member.

Ms. Sara Al Binali – Head of Strategy & Planning

Sara Al Binali is the bank's Head of Strategy and Planning responsible for defining and developing the strategic direction of the bank. Prior to this role, Sara was a member of the International Business Group which oversaw the expansion of the bank overseas and successfully set up branches in Singapore and Qatar, representative offices in India, Hong Kong and Korea plus the joint venture in Libya. With over 15 years of experience in the financial services field, Sara is a graduate of Northwestern University, USA where she earned a Bachelor's Degree in Economics. Sara worked in various roles at Abu Dhabi Investment Authority (ADIA) for over 5 years before joining FGB in 2004. She is also a Chartered Financial Analyst. Sara is a Board Member of First Gulf Libyan Bank as well as Reem Finance.

Mr. Simon Penney, Head of Wholesale and International Banking Group

Simon Penney is Head of the Wholesale and International Banking Group at FGB, with the responsibility of servicing the bank's corporate and institutional clients through bank's Corporate Finance, Debt Markets & Syndications, Global Transaction Services and Islamic Finance teams. In this role, Simon is responsible for growing the bank's product offering and maintaining FGB's leading market position. Prior to joining FGB, Simon was CEO of The Royal Bank of Scotland for the Middle East and Africa. In this role, Simon developed strong relationships with the region's large companies and GREs, ensuring RBS maintained its leading position with high value clients, servicing both local and cross border investment banking needs. Before moving to the UAE, Simon was CEO of ABN AMRO (latterly acquired by RBS) in South Africa, with responsibility for growing the franchise across selected clients and markets. Prior to that, Simon was Head of DCM for Central and Eastern Europe and Africa, leading numerous sovereign and corporate bond transactions in the US and Euro markets.

Ms. Hana Al Rostamani - Head of Consumer Banking Group

Hana Al Rostamani has more than 20 years of experience in the financial services industry. She is the Head of the Consumer Banking Group at FGB since taking over in 2014, and leads the consumer bank vision towards customer centricity and digitisation. She is also the Chairperson of the Board of Aseel Islamic Finance, as well as Chairperson of Dubai First finance company. Hana serves as an independent Director of Emirates Integrated Telecommunication Company (DU) and is Vice Chairperson of the Emirates Institute for Banking and Financial Services (EIBFS).

Hana has a Master's Degree in Information Management from the George Washington University, Washington D.C., USA.

Christopher Wilmot - Head of Treasury & Global Markets

Chris Wilmot is Head of Treasury and Global Markets at FGB and he has responsibility for managing the bank's overall liquidity, wholesale funding strategy and proprietary investment activities. Chris is also responsible for the bank's growing Global Markets business which provides a number of asset classes including foreign exchange, interest rates, credit and commodities. He has over 25 years of treasury, investment and global markets experience, covering both conventional and Islamic banking disciplines. Prior to joining FGB, Chris was Group Treasurer at Ahli United Bank where, amongst his responsibilities he oversaw the Islamic conversion of the Group's Kuwait entity. Prior to this Chris was General Manager, Treasury and Investment Banking at Saudi Hollandi Bank (ABN Amro Group) where he opened the domestic debt capital markets with the inaugural Lower Tier II subordinated debt issuance.

Mr. Shirish Bhide - Chief Credit Officer

Shirish Bhide is a career banker with 25 years of experience in the industry. He commenced his career with Citibank in India and worked for almost 12 years in leadership roles across the Consumer and Corporate segments. He left India in early 2003 to head up Citibank's NPC & Corporate business across 32 countries in sub-Saharan Africa, based out of South Africa. He then moved to Uganda in 2006 to be Citibank Uganda's Chief Executive Officer. Shirish left Citi in 2009 to join The National Commercial Bank in Jeddah (Saudi Arabia) as it's Head of Risk Management and was in charge of overseeing risk for its international businesses, including its subsidiary in Turkey, for almost 4 years. At NCB, he had global risk oversight of Treasury Investments and Project Finance. Shirish has been at FGB since March 2013 as the Chief Credit Officer. He holds Post Graduate Degrees in Business Administration and Accounting & Finance from The London School of Economics and University of Poona (India).

Mr. Gareth Powell - Head of Human Resources

Gareth Powell is responsible for the delivery of the Group's human capital strategy and HR services across FGB. Prior to joining FGB in May 2011, Gareth worked at HSBC for 20 years in various international HR roles across Asia Pacific, UK, Middle East, USA and Latin America. Previously, he worked in a number of consultancy roles in Western and Eastern Europe.

Gareth was educated at King's College, University of London and is a Fellow of the Chartered Institute of Personnel and Development.

Mr. Jasim Al Ali- Head of Real Estate, FGB and Chief Executive Officer of First Gulf Properties (FGP) & Mismak Properties

Jasim Ali brings extensive experience in property management and development and a passion for service excellence, in his capacity as Head of Real Estate at FGB. Prior to joining FGB, Jasim worked in several leading Gulf real estate organisations including DP World, playing a key role within Dubai Properties Group's leadership team. He was Vice President for Dubai Asset Management in 2010 and Executive Director of Salwan from 2008-2010. Since joining FGB in 2010 Jasim has fulfilled his remit of establishing FGP as a leading entity offering exceptionally high caliber professional real estate solutions and services as well as initiating real estate business investment opportunities.

Mr. K K S Nurendra Perera – Head of Group Internal Audit

K K S Nurendra joined FGB in 2001 as Deputy Head of Internal Audit and has been Head of Group Internal Audit at the bank since 2007. He has 29 years of banking experience and was previously with the National Bank of Umm Al Quwain, Sampath Bank and Commercial Bank Plc in both the UAE & Sri Lanka. He has a Master's Degree in Business Administration with a specialisation in Finance and is a Certified Internal Auditor & Certified Financial Services Auditor holding the following certifications: CIA, CFSA and CRMA from IIA USA, CISA and CRISC from ISACA USA and CIB from the UK. Nurendra is a permanent invitee/observer to FGB's Executive Management Committee and sits on the bank's Board Audit Committee.

Bank Management Committees

FGB has 10 management committees, including and headed by the Executive Management Committee. This management committee structure helps drive senior level management decision making within the company across a range of matters including the management of strategic; financial; capital; risk; operational; and people issues affecting FGB. The composition, guiding principles and detailed roles and responsibilities of all FGB's management committees are set out in their respective charters. More details on the role and responsibilities of each of the management committees are set out 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. It reviews and debates relevant items before they are submitted to the FGB Board and relevant Board Committees. 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, risk management and FGB's more material policies and procedures. The Head of Internal Audit and the CEO, First Gulf Properties are permanent non-voting attendees at EMCO meetings. The Managing Director has free right of attendance and has Member voting rights.

   During 2015 the EMCO considered a range of issues including regular reviews of performance; a number of strategic initiatives; the bank's operating model and corporate governance structure; its people and leadership strategy; and business project governance. A performance evaluation of the EMCO was undertaken in December 2015 and the results of that work and a number of recommendations for improvement were presented to and approved by the Committee in January 2016. The EMCO formally met fourteen times in 2015 and these meetings were supported by a number of separate leadership and strategy sessions.

2. **Wholesale Banking Credit Committee**

   The Bank has a management level Wholesale Banking Credit Committee (WBCC) which assists the EMCO 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 committee met 10 times during 2015.

3. **Consumer Banking Credit Committee**

   The Bank has a management level Consumer Banking Credit Committee (CBCC) which assists the EMCO put into operation the consumer and small business banking credit strategy and policies and procedures. The primary objectives of the CBCC include approving the consumer and small business banking credit criteria, and set portfolio level limits in line with the defined business and the credit risk strategy of the Bank. The committee met 3 times during 2015.

4. **Asset and Liability Management Committee**

   The Bank has a management level Asset and Liability Management Committee (ALCO) to assist the EMCO in fulfilling its 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 committee met 12 times during 2015.

5. **Compliance Committee**

   The Bank has a management level Compliance Committee (CC) to assist the EMCO in fulfilling its objective of overseeing the Bank's regulatory and compliance 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. It 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 committee met 9 times during 2015.

6. **Operational Risk Committee**

The Bank has a management level Operational Risk Committee (ORC) to assist the EMCO in fulfilling its objective of overseeing the 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, integrated business continuity management policy and business recovery strategy of the Bank. The committee met 9 times during 2015.

7. **Investment Management Committee**

The Bank has a management level Investment Management Committee (IMCO) for overseeing and providing guidance in respect of the Bank's treasury's trading and investment activities. IMCO has to ensure effective management of market risks in accordance with the principles laid down in the FGB 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 Board. The committee met 7 times during 2015.

8. **Technology Steering Committee**

The Bank has a management level Technology Steering Committee (TSC) to assist the EMCO in fulfilling its responsibilities related to setting of Information Technology (IT) related strategic goals and for successful implementation of the strategic IT objectives. TSC ensures the alignment of the IT strategy with the Bank's business strategy and to support successful implementation of the IT strategy. The committee met 8 times during 2015.

9. **Human Resources Steering Committee**

The Bank has a management level Human Resources Steering Committee (HRSC) to assist the EMCO in fulfilling its responsibilities related to the material 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 committee met 8 times during 2015.

10. **Real Estate Committee**

The Bank has a management level Real Estate Committee (RECO) to assist the EMCO in overseeing and approving the Bank's real estate investment and management activities in line with effective market and liquidity risk management practices and in accordance with the Bank's strategic 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 committee met 6 times during 2015.

FGB also operates a **Business Portfolio Committee (BPC)** which has senior representatives from all business areas and functions and whose key responsibilities include the recommendation of business project initiation to the EMCO on a prioritised basis. This governance forum helps ensure that the right business projects and programmes are delivered within the portfolio and these are aligned with FGB's business strategy. The committee met 14 times during 2015 and evaluation of the effectiveness of theBPC was completed in 2015 and recommendations for improvement discussed with and approved by it.

Management Committee Memberships

The membership and the meeting details of the Management Committees are given in the tables below. The Head of Internal Audit is included in all committees as an invitee but is not a voting member.

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

Subsidiary company governance

Dubai First and Aseel Finance are regulated subsidiary companies of FGB and each operates within the company's overarching corporate governance framework. Dubai First and Aseel Finance operate corporate governance arrangements suitable for their business and both have their own Board of Directors and Board Committees. Dubai First has a Board Risk and Compliance Committee, a Board Audit Committee and Board Remuneration and Nominations Committee. Aseel Finance has a Board Risk and Compliance Committee, Board Audit Committee and Board Credit Oversight Committee. To assist guide, direct and challenge senior management of Dubai First and Aseel Finance, the Board Directors consist of senior professionals with substantial banking, finance and risk experience. The Board of Directors of both companies have a majority of UAE Nationals as required under the UAE Commercial Companies Law and FGB is committed to developing the leadership skills of Emiratis. The Board of Dubai First met 4 times in 2015 (as did each of the Board Committees) and the Board of Aseel Finance met 4 times in 2015.

Shariah Governance

Shariah Supervisory Board

FGB appointed a new Shariah Supervisory Board (SSB) in August 2015. The SSB is the bank's main Shariah body comprising of three prominent Shariah Scholars. The SSB operates in accordance with the requirements of the UAE Central Bank and exercises their supervisory authority in accordance with the Islamic Jurisprudence (Fiqh al Muamalat) to ensure that all Islamic banking operations and activities are conducted in line with appropriate Shariah standards. FGB's SSB Members are:

1. **Dr. Mohamed A. Elgari**

Dr. Elgari was a former Professor of Islamic Economic at King Abdulaziz University, Jeddah, Saudi Arabia and Former Director of the Center for Research in Islamic Economics at the same university. He is an Expert at the Islamic Jurisprudence Academy of the OIC and the Islamic Jurisprudence Academy of the Islamic World League and a member of the Shariah Council of AAOFI. He is member of editorial board of several academic publications in the field of Islamic Finance and Jurisprudence among them, Journal of the Jurisprudence Academy (of the IWL), Journal of Islamic Economic Studies (IDB), Journal of Islamic Economic (IAIE, London), and the advisory board of Harvard Series in Islamic Law, Harvard Law School. He authored several books in Islamic finance and published tens of articles on the subject both in Arabic and English.

2. **Professor Dr. Abdul Aziz Al Qassar**

Prof. Dr. Abdul Aziz Al Qassar is a Professor of Comparative Jurisprudence at the Faculty of Sharia and Islamic Studies at Kuwait University; he received a doctorate degree in comparative jurisprudence from the Faculty of Sharia and Law - Al-Azhar University , Cairo in 1997. As a faculty member at the Faculty of Sharia and Islamic Studies at Kuwait University from 1997 to this time, he served as Associate Dean for Academic Affairs and Graduate Studies and Research at the Faculty of Sharia and Islamic Studies at Kuwait University from the period 2001-2005. Dr Al Qassar is also a lecturer in Islamic finance and has written many research and religious studies items on Islamic jurisprudence and contemporary financial transactions.

3. **Dr. Mohd Daud Bakar**

Dr. Daud is the Founder and Group Chairman of Amanie Advisors, a global boutique Shariah advisory firm with offices spread across the globe. Prior to this, he was the deputy vice-chancellor at the International Islamic University Malaysia. He received his first degree in Shariah from University of Kuwait in 1988 and obtained his PhD from University of St. Andrews, Scotland in 1993. In 2002, he completed an external Bachelor of Jurisprudence at University of Malaya. Dr Daud is currently the chairman of the Shariah Advisory Council of the Central Bank of Malaysia, the SACSC and the Shariah Supervisory Council of Labuan Financial Services Authority. He is also a member of the Shariah Board of Dow Jones Islamic Market Index (New York), Oasis Asset Management (Cape Town, South Africa), The National Bank of Oman, Financial Guidance (USA), BNP Paribas (Bahrain), Morgan Stanley (Dubai), Jadwa-Russell Islamic Fund (Kingdom of Saudi Arabia), Bank of London and Middle East (London), Noor Islamic Bank (Dubai), Islamic Bank of Asia (Singapore), and in other financial institutions both local and abroad. Recently, Dr Daud has been honoured with "The Asset Triple A Industry Leadership Award" at The Asset Triple A Islamic Finance Award 2014 by The Asset magazine.

Articles of Association

The company's Articles of Association were revised and updated during 2015 to reflect the provisions of Federal Law Number 2 of 2015 concerning commercial companies issued on 31st March 2015. The updated Articles were approved by the bank's shareholders at its AGM on Sunday 6th March 2016 in Abu Dhabi.

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 (collectively referred to as the "Bank"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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 about 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' judgment, 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 in 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 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 consolidated financial position of the Bank as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and Articles of Association of the Bank;

iii) the Bank has maintained proper books of account;

iv) the consolidated financial information included in the Chairman's report is consistent with the books of account and records of the Bank;

v) investments in shares and stocks are included in note 5 to the consolidated financial statements and include purchases and investments made by the Bank during the year ended 31 December 2015;

vi) note 28 reflects the disclosures relating to related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened, during the financial year ended 31 December 2015, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2015.

Ernst & Young

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

31 January 2016
Abu Dhabi

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Notes	2015 AED 000	2014 AED 000	2015 US$ 000	2014 US$ 000
Assets					
Cash and balances with Central Banks	3	**21,075,886**	21,541,399	**5,738,058**	5,864,796
Due from banks and financial institutions	27	**13,597,837**	14,907,509	**3,702,106**	4,058,674
Loans and advances	4	**149,766,060**	139,708,657	**40,774,860**	38,036,661
Investments	5	**22,692,143**	16,707,823	**6,178,095**	4,548,822
Investment in associates	6	**39,551**	155,675	**10,768**	42,384
Investment properties	7	**8,242,190**	8,469,563	**2,243,994**	2,305,898
Other assets	8	**10,596,974**	9,510,667	**2,885,100**	2,589,346
Property and equipment	9	**1,485,732**	1,167,208	**404,501**	317,781
Total assets		**227,496,373**	212,168,501	**61,937,482**	57,764,362
Liabilities					
Due to banks	10	**17,883,112**	12,590,527	**4,868,803**	3,427,859
Customers' deposits	11	**142,462,563**	141,271,750	**38,786,432**	38,462,224
Euro Commercial Paper	12	**2,834,808**	-	**771,796**	-
Term loans	13	**15,857,504**	11,674,347	**4,317,317**	3,178,423
Sukuk financing instruments	14	**4,223,950**	4,223,950	**1,150,000**	1,150,000
Other liabilities	15	**7,930,365**	7,670,965	**2,159,097**	2,088,474
Total liabilities		**191,192,302**	177,431,539	**52,053,445**	48,306,980
Equity					
Equity attributable to equity holders of the Bank					
Share capital	17	**4,500,000**	3,900,000	**1,225,157**	1,061,802
Capital notes	18	**4,000,000**	4,000,000	**1,089,028**	1,089,028
Legal reserve	19	**8,780,110**	8,780,110	**2,390,446**	2,390,446
Special reserve	19	**2,250,000**	1,950,000	**612,578**	530,901
General reserve	19	**120,000**	120,000	**32,671**	32,671
Revaluation reserve	9	**280,601**	305,851	**76,395**	83,271
Proposed bonus shares	17	**-**	600,000	**-**	163,354
Proposed cash dividends	19	**4,500,000**	3,900,000	**1,225,157**	1,061,802
Retained earnings		**11,132,046**	10,074,510	**3,030,778**	2,742,856
Cumulative changes in fair values		**410,638**	519,091	**111,799**	141,327
Foreign currency translation reserve		**(69,763)**	146	**(18,994)**	40
		35,903,632	34,149,708	**9,775,015**	9,297,498
Non-controlling interests		**400,439**	587,254	**109,022**	159,884
Total equity		**36,304,071**	34,736,962	**9,884,037**	9,457,382
Total equity and liabilities		**227,496,373**	212,168,501	**61,937,482**	57,764,362

Chairman   Managing Director   Chief Executive Officer

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2015

	Notes	2015 AED 000	2014 AED 000	2015 US$ 000	2014 US$ 000
Interest income and income from Islamic financing	20	**8,289,779**	8,249,137	**2,256,950**	2,245,885
Interest expense and Islamic financing expense	21	**(1,860,328)**	(1,779,357)	**(506,487)**	(484,442)
NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING		**6,429,451**	6,469,780	**1,750,463**	1,761,443
Fees and commission income, net	22	**1,700,445**	1,634,513	**462,958**	445,008
Other operating income	23	**1,302,201**	853,202	**354,533**	232,290
Share of profit of associates	6	**1,568**	8,710	**427**	2,371
OPERATING INCOME		**9,433,665**	8,966,205	**2,568,381**	2,441,112
General and administrative expenses	24	**(1,947,403)**	(1,856,190)	**(530,194)**	(505,361)
PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE		**7,486,262**	7,110,015	**2,038,187**	1,935,751
Provision for impairment of loans and advances	25	**(1,407,176)**	(1,361,419)	**(383,114)**	(370,656)
Impairment of available for sale investments		**(46,576)**	(11,000)	**(12,681)**	(2,995)
PROFIT FOR THE YEAR BEFORE TAXATION		**6,032,510**	5,737,596	**1,642,392**	1,562,100
Income taxes		**(13,286)**	(32,561)	**(3,616)**	(8,865)
PROFIT FOR THE YEAR		**6,019,224**	5,705,035	**1,638,776**	1,553,235
Profit attributable to:					
Equity holders of the Bank		**6,006,116**	5,655,605	**1,635,207**	1,539,777
Non-controlling interests		**13,108**	49,430	**3,569**	13,458
		6,019,224	5,705,035	**1,638,776**	1,553,235
Basic and diluted earnings per share	26	**AED 1.32**	AED 1.22	**US $ 0.36**	US $ 0.33

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 AED 000	2014 AED 000	2015 US$ 000	2014 US$ 000
PROFIT FOR THE YEAR	**6,019,224**	5,705,035	**1,638,776**	1,553,235
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	**(45,000)**	(42,500)	**(12,252)**	(11,571)
	(45,000)	175,797	**(12,252)**	47,862
Items that may be reclassified subsequently to the consolidated statement of income				
(Loss) gain on available for sale investments, net	**(126,770)**	250,017	**(34,514)**	68,069
Net unrealised gains on cash flow hedges	**18,710**	10,255	**5,094**	2,792
Share of changes recognised directly in associates' equity	**(393)**	(180)	**(107)**	(49)
Foreign exchange translation	**(125,845)**	11,596	**(34,262)**	3,157
	(234,298)	271,688	**(63,789)**	73,969
Other comprehensive (loss) income for the year	**(279,298)**	447,485	**(76,041)**	121,831
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,739,926**	6,152,520	**1,562,735**	1,675,066
Total comprehensive income attributable to:				
Equity holders of the Bank	**5,782,754**	6,104,789	**1,574,395**	1,662,071
Non-controlling interests	**(42,828)**	47,731	**(11,660)**	12,995
	5,739,926	6,152,520	**1,562,735**	1,675,066

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 AED 000	2014 AED 000	2015 US$ 000	2014 US$ 000
OPERATING ACTIVITIES					
Profit for the year before taxation		**6,032,510**	5,737,596	**1,642,392**	1,562,100
Adjustments for:					
Depreciation		**102,083**	80,800	**27,793**	21,998
Amortisation of intangible assets	24	**21,918**	25,433	**5,967**	6,924
Provision for impairment of available for sale investments		**46,576**	11,000	**12,681**	2,995
Gain on sale of an associate		**(15,100)**	-	**(4,111)**	**-**
Loss on sale of property and equipment	23	**864**	12,992	**235**	3,537
Impairment of property and equipment	23	**-**	8,591	**-**	2,339
Provision for impairment of loans and advances	25	**1,407,176**	1,361,419	**383,114**	370,656
Gain on revaluation of investment properties	23	**(548,887)**	(113,309)	**(149,438)**	(30,849)
Gain on sale of investment properties	23	**(98,099)**	(167,521)	**(26,708)**	(45,609)
Gain from investments		**(134,550)**	(153,084)	**(36,632)**	(41,678)
Share of profit of associates	6	**(1,568)**	(8,710)	**(427)**	(2,371)
Operating profit before changes in operating assets and liabilities:		**6,812,923**	6,795,207	**1,854,866**	1,850,042
Deposits with banks		**6,564,053**	(3,041,387)	**1,787,110**	(828,039)
Mandatory cash reserve with UAE Central Bank		**82,673**	(1,146,728)	**22,509**	(312,204)
Loans and advances		**(11,400,434)**	(15,470,387)	**(3,103,848)**	(4,211,921)
Other assets		**(1,123,673)**	(1,843,975)	**(305,928)**	(502,035)
Due to banks		**5,292,585**	7,385,885	**1,440,943**	2,010,859
Customers' deposits		**1,190,814**	3,318,218	**324,207**	903,408
Other liabilities		**170,495**	268,620	**46,418**	73,134
Cash from (used in) operations		**7,589,436**	(3,734,547)	**2,066,277**	(1,016,756)
Directors' remuneration paid		**(42,500)**	(31,500)	**(11,571)**	(8,576)
Net cash from (used in) operating activities		**7,546,936**	(3,766,047)	**2,054,706**	(1,025,332)
INVESTING ACTIVITIES					
Purchase of investments		**(25,131,152)**	(8,339,399)	**(6,842,132)**	(2,270,461)
Proceeds from redemption and sale of investments		**19,177,524**	9,137,095	**5,221,216**	2,487,638
Purchase of property and equipment	9	**(409,638)**	(251,614)	**(111,527)**	(68,504)
Deposits with UAE Central Bank		**(1,300,255)**	(3,570,517)	**(354,004)**	(972,098)
Additions to investment properties	7	**(677,556)**	(617,182)	**(184,469)**	(168,032)
Proceeds from sale of investment properties		**1,396,032**	472,611	**380,079**	128,672
Proceeds from sale and capital reduction of associate		**113,275**	-	**30,840**	**-**
Proceeds from sale of property and equipment		**63**	10,320	**17**	2,810
Net cash used in investing activities		**(6,831,707)**	(3,158,686)	**(1,859,980)**	(859,975)
FINANCING ACTIVITIES					
Dividends paid	19	**(3,829,385)**	(2,964,828)	**(1,042,577)**	(807,195)
Interest on capital notes		**(128,830)**	(186,029)	**(35,075)**	(50,648)
Proceeds from issuance of Euro commercial paper		**2,834,808**	-	**771,796**	-
Drawdown of term loans		**4,105,309**	4,248,031	**1,117,700**	1,156,556
Repayment of term loans		**-**	(4,302,779)	**-**	(1,171,462)
Net cash from (used in) financing activities		**2,981,902**	(3,205,605)	**811,844**	(872,749)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,697,131**	(10,130,338)	**1,006,570**	(2,758,056)
Cash and cash equivalents at 1 January		**13,784,896**	23,903,638	**3,753,034**	6,507,933
Net changes in foreign currency translation reserve		**(125,845)**	11,596	**(34,262)**	3,157
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	27	**17,356,182**	13,784,896	**4,725,342**	3,753,034
Operating cash flows from interest and Islamic financing					
Interest and Islamic financing income received		**7,892,411**	8,072,732	**2,148,764**	2,197,858
Interest and Islamic financing expense paid		**2,215,387**	1,821,713	**603,155**	495,974

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

Attributable to equity holders of the Bank

	Share capital AED 000	*Capital notes* AED 000	*Legal reserve* AED 000	*Special reserve* AED 000	*General reserve* AED 000	*Revaluation reserve* AED 000	*Proposed bonus shares* AED 000	*Proposed cash dividends* AED 000	*Retained earnings* AED 000	*Cumulative changes in fair values* AED 000	*Foreign currency translation reserve* AED 000	*Total* AED 000	*Non-controlling interests* AED 000	*Total equity* AED 000
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 19)	-	-	-	450,000	-	-	-	-	(450,000)	-	-	-	-	-
Transfer to dividends payable	-	-	-	-	-	-	-	(3,000,000)	-	-	-	(3,000,000)	-	(3,000,000)
Interest on capital notes (note 18)	-	-	-	-	-	-	-	-	(186,029)	-	-	(186,029)	-	(186,029)
Proposed cash dividends (note 19)	-	-	-	-	-	-	-	3,900,000	(3,900,000)	-	-	-	-	-
Bonus shares issued (note 19)	900,000	-	-	-	-	-	(900,000)	-	-	-	-	-	-	-
Proposed bonus shares (note 19)	-	-	-	-	-	-	600,000	-	(600,000)	-	-	-	-	-
As of 1 January 2015	3,900,000	4,000,000	8,780,110	1,950,000	120,000	305,851	600,000	3,900,000	10,074,510	519,091	146	34,149,708	587,254	34,736,962
Total comprehensive income for the year	-	-	-	-	-	-	-	-	5,961,116	(108,453)	(69,909)	5,782,754	(42,828)	5,739,926
Transfer to special reserve (note 19)	-	-	-	300,000	-	-	-	-	(300,000)	-	-	-	-	-
Other movement	-	-	-	-	-	(25,250)	-	-	25,250	-	-	-	-	-
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(143,987)	(143,987)
Transfer to dividends payable (note 19)	-	-	-	-	-	-	-	(3,900,000)	-	-	-	(3,900,000)	-	(3,900,000)
Interest on capital notes (note 18)	-	-	-	-	-	-	-	-	(128,830)	-	-	(128,830)	-	(128,830)
Proposed cash dividends (note 19)	-	-	-	-	-	-	-	4,500,000	(4,500,000)	-	-	-	-	-
Bonus shares issued (note 17)	600,000	-	-	-	-	-	(600,000)	-	-	-	-	-	-	-
As of 31 December 2015	**4,500,000**	**4,000,000**	**8,780,110**	**2,250,000**	**120,000**	**280,601**	**-**	**4,500,000**	**11,132,046**	**410,638**	**(69,763)**	**35,903,632**	**400,439**	**36,304,071**

The attached notes 1 to 35 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

1 ACTIVITIES

First Gulf Bank PJSC is a public joint stock company with limited liability incorporated in Abu Dhabi in accordance with UAE Federal Law No. (8) of 1984 (as amended). First Gulf Bank PJSC, its branches and subsidiaries (the "Bank") carry on commercial and retail banking, investment and real estate activities in Abu Dhabi, Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Bank is currently assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on 30 June 2016.

The representative office of the Bank in Singapore has commenced operations from September 2007 and was upgraded to a wholesale bank in August 2009. The Bank has established a representative office in India in September 2009 and in Qatar in November 2009. The representative office in Qatar was upgraded to a branch in May 2011. In December 2012, the Bank established a representative office in Hong Kong. In April and June 2014, the Bank established representative offices in South Korea and United Kingdom, respectively.

The registered head office of the Bank is at PO Box 6316, Abu Dhabi, United Arab Emirates (UAE). The principal activities of the Bank are described in note 31.

The consolidated financial statements of the Bank were authorised for issue by the Board of Directors on 31 January 2016.

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 the laws of the United Arab Emirates.

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 (2014: 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

Fees and commission income

Fees and commission income, net of related expenses are now presented separately on the face of the consolidated income statement. In prior years they were included in other operating income and general and administrative expenses, respectively.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Changes in accounting policies and disclosures *continued*

The comparative financial statements were reclassified to conform with the current year presentation.

The Bank's other 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 2014, except for the following amendments to IFRS effective as of 1 January 2015. Although these new amendments are applied for the first time in 2015, they do not have a material impact on the consolidated financial statements of the Bank.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Bank, since none of the entities within the Bank has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 ***Share-based Payment*** applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Bank has applied these improvements for the first time in these consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Bank has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Bank had not granted any awards during the second half of 2014. Thus, these amendments did not impact the Bank's financial statements or accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Bank's current accounting policy and, thus, this amendment did not impact the Bank's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Changes in accounting policies and disclosures *continued*

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the revaluation adjustments recorded by the Bank during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Bank as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

This amendment had no impact on the Bank.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. This amendment had no impact on the Bank.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment had no impact on the Bank.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Standards issued but not yet adopted

The following new standards / amendments to standards which were issued up to 31 December 2015 and are not yet effective for the year ended 31 December 2015 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 complete version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

(a) Classification and measurement

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets:

a) amortised cost,
b) fair value through other comprehensive income (OCI); and
c) fair value through profit and loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

(b) Impairment

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis.

(c) Hedging

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Bank has 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

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Standards issued but not yet adopted *continued*

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.

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 2018 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.

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 2016 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 2015*	*2014*
Mismak Properties Co. LLC (Mismak)	Real estate investments	United Arab Emirates	**100%**	100%
Radman Properties Co. LLC (subsidiary of Mismak)*	Real estate investments	United Arab Emirates	**-**	80%
First Merchant International LLC	Merchant banking services	United Arab Emirates	**100%**	100%
FGB Sukuk Company Limited	Special purpose vehicle	Cayman Islands	**100%**	100%
FGB Sukuk Company II Limited	Special purpose vehicle	Cayman Islands	**100%**	100%
First Gulf Libyan Bank**	Banking services	Libya	**50%**	50%
First Gulf Properties LLC	Management and brokerage of real estate properties	United Arab Emirates	**100%**	100%
Aseel Finance PJSC	Islamic finance	United Arab Emirates	**100%**	100%
Dubai First PJSC	Credit card finance	United Arab Emirates	**100%**	100%
First Gulf Information Technologies LLC	Information technology services	United Arab Emirates	**100%**	100%

* During the year, the Bank placed its subsidiary Radman Properties Co. LLC (“Radman”) into liquidation. The accompanying consolidated income statement included a profit of AED Nil (2014: AED 92 million) relating to Radman. Legal formalities relating to the liquidation are pending at the consolidated balance sheet date.

**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.

Subsidiaries are all entities over which the Bank has control.

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, profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Basis of consolidation *continued*

- 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.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Islamic financing *continued*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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 cancellation 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

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Fee income earned from services that are provided over a certain period of time *continued*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Hedges *continued*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

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 33.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Fair value measurement *continued*

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.

Repossessed collateral

Repossessed collateral against settlement of customers' debts are stated within the consolidated balance sheet 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

Significant accounting judgements and estimates *continued*

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.

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.

31 DECEMBER 2015

3 CASH AND BALANCES WITH CENTRAL BANKS

	2015 AED 000	2014 AED 000
Cash on hand	**368,358**	427,684
Balances with Central Banks	**20,707,528**	21,113,715
	21,075,886	21,541,399

Balances with UAE Central Bank include AED 5,446,768 thousand (2014: AED 5,529,441 thousand) representing mandatory cash reserve deposits and AED 11,870,773 thousand (2014: AED 10,570,518 thousand) representing certificates of deposit. These are not available for use in the Bank's day-to-day operations.

4 LOANS AND ADVANCES

The composition of loans and advances portfolio is as follows:

	2015 AED 000	2014 AED 000
Economic Sector		
Agriculture	**1,330,563**	1,280,254
Energy	**2,398,723**	1,641,336
Trading	**8,876,394**	7,922,632
Construction	**6,267,869**	6,185,143
Transport	**1,147,316**	2,530,944
Personal – Retail loans and credit cards	**35,966,157**	33,574,853
Personal – Retail mortgages	**3,801,537**	3,352,679
Personal – Retail mortgages - National Housing Loans (note 11)	**19,260,516**	17,195,646
Personal – Others	**3,153,229**	4,148,374
Government	**1,393,301**	168,542
Share financing	**633,808**	1,073,470
Real estate	**12,800,038**	15,065,848
Financial services	**10,405,878**	8,845,794
Other services	**26,048,024**	21,807,446
Public sector	**13,787,409**	12,355,070
Manufacturing	**6,914,875**	7,036,069
Others	**-**	2,603
Total	**154,185,637**	144,186,703
Less provision for impaired loans and advances	**(4,419,577)**	(4,478,046)
Total	**149,766,060**	139,708,657

4 LOANS AND ADVANCES *continued*

	2015	2014
Representing:		
Conventional loans and advances	**137,724,119**	130,925,986
Islamic financing	**12,041,941**	8,782,671
Total	**149,766,060**	139,708,657

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

	2015	2014
At 1 January	**4,478,046**	3,905,091
Amounts written-off	**(1,371,175)**	(629,971)
Recoveries (note 25)	**(144,515)**	(77,218)
Charge for the year (note 25)	**1,551,691**	1,438,637
Notional interest on impaired loans and advances (note 20)	**(94,470)**	(158,493)
At 31 December	**4,419,577**	4,478,046

Analysis of the provision for impairment is as follows:

	2015	2014
Specific provision	**1,727,721**	1,975,295
Collective provision	**2,691,856**	2,502,751
At 31 December	**4,419,577**	4,478,046

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 94,470 thousand (2014: AED 158,493 thousand).

During 2015, National Housing Loans increased by AED 2,958,366 thousand (2014: AED 3,106,989 thousand), which was partially offset by the waiver of AED 893,496 thousand (2014: AED 775,255 thousand) representing a discount of 25% (2014: 25%) granted to nearly 1,792 borrowers (2014: 1,555 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

		2015 AED 000	2014 AED 000
Carried at fair value through income statement			
Investments in managed funds		**78,339**	211,139
Investments in equities	- Quoted	**40,113**	58,606
	- Unquoted	**19,180**	20,198
Debt securities		**435,333**	68,688
		572,965	358,631
Available for sale investments			
Investments in equities	-Quoted	**196**	14,082
	-Unquoted	**149,768**	139,609
Investments in private equity funds		**1,496,098**	1,289,959
Debt securities	- Quoted	**13,596,231**	9,890,145
	- Unquoted	**271,424**	330,330
		15,513,717	11,664,125
Held to maturity investments			
Debt securities	- Quoted	**5,421,705**	3,773,959
	- Unquoted	**1,183,756**	911,108
		6,605,461	4,685,067
Total		**22,692,143**	16,707,823

Analysis of debt securities:		
Fixed rate	**19,673,136**	13,975,926
Floating rate	**1,235,313**	998,304
	20,908,449	14,974,230

Geographic analysis of investments is as follows:		
UAE	**8,181,642**	7,369,589
Other Arab Countries	**3,080,505**	2,930,856
Asia	**5,642,964**	3,543,539
Europe	**1,775,665**	2,023,924
USA	**3,497,849**	716,271
Rest of the world	**513,518**	123,644
	22,692,143	16,707,823

5 INVESTMENTS *continued*

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 190 thousand (2014: AED 1,665 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 2015, 28% (2014: 48%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

At 31 December 2015, the Bank's largest holding of debt securities issued by a single issuer accounted for 12% (2014: 6%) of total debt securities.

At 31 December 2015, debt securities with a carrying value of AED 8,250,520 thousand (2014: AED 2,154,566 thousand) were pledged under repurchase agreements with overseas financial institutions and banks with a principal value of AED 8,313,565 thousand (2014: AED 2,124,097 thousand).

The fair value of held to maturity investments at 31 December 2015 amounted to AED 6,716,113 thousand (2014: AED 4,896,964 thousand).

All unquoted available for sale equities are recorded at fair value except for investments amounting to AED 1,448 thousand (2014: AED 2,254 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	
	2015	*2014*
First Gulf Financial Services LLC	**-**	45%
Green Emirates Properties PJSC	**40%**	40%
Midmak Properties LLC	**16%**	16%

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

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

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

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

	2015	*2014*
	AED 000	*AED 000*
Share of associates' balance sheets		
Current assets	**5,718**	132,245
Non-current assets	**34,996**	35,587
Total assets	**40,714**	167,832
Current liabilities	**1,136**	11,962
Non-current liabilities	**27**	195
Total liabilities	**1,163**	12,157
Net assets	**39,551**	155,675
Carrying amount of investment in associates	**39,551**	155,675
Share of associates' revenue, profit and losses:		
Revenue	**1,515**	11,648
Profit for the year	**1,568**	8,710

As of 31 December 2015, the Bank's share of contingent liabilities of associates amounted to AED 2,080 thousand (2014: AED 78,595 thousand).

7 INVESTMENT PROPERTIES

	2015	*2014*
	AED 000	*AED 000*
Balance at 1 January	**8,469,563**	8,044,163
Additions	**677,556**	617,182
Disposals	**(1,297,933)**	(305,091)
Gain from fair value adjustment (note 23)	**548,887**	113,309
Transfer on liquidation of subsidiary (note 2)	**(143,987)**	-
Transfer to property and equipment, net	**(11,896)**	-
At 31 December	**8,242,190**	8,469,563

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

Rental income derived from investment properties	**156,248**	148,513
Operating expenses	**(56,982)**	(47,856)
Net rental income from investment properties	**99,266**	100,657

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 2015 and 2014, 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.

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

	Level 1	***Level 2***	***Level 3***	***Total***
	AED 000	***AED 000***	***AED 000***	***AED 000***
31 December 2015	**-**	**39,754**	**8,202,436**	**8,242,190**
31 December 2014	-	130,486	8,339,077	8,469,563

7 INVESTMENT PROPERTIES *continued*

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	**4,528,793**	**3,940,770**	**8,469,563**
Additions	**283,929**	**393,627**	**677,556**
Disposals	**(1,297,933)**	**-**	**(1,297,933)**
Fair value adjustment	**662,163**	**(113,276)**	**548,887**
Transfers	**(143,987)**	**(11,896)**	**(155,883)**
Closing balance	**4,032,965**	**4,209,225**	**8,242,190**
Unrealised gains/(losses) for the year included in profit or loss (recognised in other operating income)	**662,163**	**(113,276)**	**548,887**

Description of valuation techniques used and key inputs to valuation on investment properties as at 31 December 2015 and 2014:

	Valuation technique	*Significant unobservable inputs*
Buildings	Comparable and Residual Method Sales Comparison Method	Comparable transactions Current market price of similar assets
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

	2015 AED 000	***2014 AED 000***
Interest receivable	**1,464,301**	1,161,403
Prepayments	**75,106**	72,385
Positive fair value of derivatives (note 30)	**1,920,189**	1,526,250
Receivable from sale of investment properties	**37,240**	36,195
Goodwill on acquisition of a subsidiary (note 34)	**36,869**	36,869
Intangible assets (note 34)	**157,649**	176,567
Advances against purchase of properties	**68,147**	68,145
Acceptances	**4,156,240**	4,871,345
Others	**2,681,233**	1,561,508
	10,596,974	9,510,667

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
2015							
Cost or valuation:							
At 1 January 2015	542,913	632,087	42,885	2,455	136,702	305,419	1,662,461
Additions during the year	-	172,778	32,324	569	22,288	186,442	414,401
Transfer to investment properties (note 7)	(27,650)	(30,400)	-	-	-	-	(58,050)
Transfer from investment properties (note 7)	-	-	53,608	-	-	-	53,608
Exchange difference	(3,550)	(590)	-	(20)	(273)	(209)	(4,642)
Cost of disposals	-	(1,582)	-	(500)	(3,614)	(354)	(6,050)
At 31 December 2015	**511,713**	**772,293**	**128,817**	**2,504**	**155,103**	**491,298**	**2,061,728**
Depreciation:							
At 1 January 2015	-	170,438	-	2,150	108,853	213,812	495,253
Provided during the year	-	44,353	-	409	13,763	43,558	102,083
Transfer to investment properties (note 7)	-	(16,338)	-	-	-	-	(16,338)
Exchange difference	-	48	-	4	25	44	121
Disposals	-	(661)	-	(500)	(3,598)	(364)	(5,123)
At 31 December 2015	**-**	**197,840**	**-**	**2,063**	**119,043**	**257,050**	**575,996**
Net book value:							
At 31 December 2015	**511,713**	**574,453**	**128,817**	**441**	**36,060**	**234,248**	**1,485,732**
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 23)	(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

Revaluation of land

The revaluation reserve of AED 280,601 thousand (2014: AED 305,851 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 external 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. In the opinion of management the fair value of the land as at 31 December 2015 approximates its carrying value.

10 DUE TO BANKS

	2015 ***AED 000***	*2014* *AED 000*
Current and demand deposits	**992,930**	1,009,825
Deposits maturing within one year	**16,890,182**	11,580,702
	17,883,112	12,590,527

As of 31 December 2015, deposits maturing within one year amounting to AED 8,073,653 thousand (2014: AED 1,891,097 thousand) are held against the sale of debt securities with a carrying value of AED 7,976,967 thousand (2014: AED 1,893,693 thousand) with arrangements to repurchase them at a fixed future date.

11 CUSTOMERS' DEPOSITS

	2015 ***AED 000***	*2014* *AED 000*
Current accounts	**26,923,895**	27,273,140
Saving accounts	**2,544,725**	1,901,435
Time deposits	**88,019,687**	88,066,542
Call and other deposits	**24,974,256**	24,030,633
	142,462,563	141,271,750

As of 31 December 2015, time deposits include deposits of AED 31,653 thousand (2014: AED 24,741 thousand) from overseas financial institutions held against the sale of debt securities, with a carrying value of AED 44,328 thousand (2014: AED 24,556 thousand), with arrangements to repurchase them at a fixed future date.

In December 2006, the Bank received an initial deposit of AED 5 billion from the Government of Abu Dhabi (the "Government") to fund an interest-free housing loans scheme for UAE Nationals, which is recorded in call and other deposits. The scheme is being administered by the Bank based on various terms and conditions agreed with the Government. As of 31 December 2015, the Government's time deposit amounted to AED 19,614 million (2014: AED 17,688 million) and housing loans (note 4) amounted to AED 19,261 million (2014: AED 17,196 million). Interest is payable on this Government deposit at market rates based on the principal amount net of loan disbursements made.

During the year, the Abu Dhabi Government deposit increased by AED 2,958,366 thousand (2014: AED 3,106,989 thousand). The increase was partially offset by the waiver of AED 893,496 thousand (2014: AED 775,255 thousand) representing a discount of 25% (2014: 25%) granted to nearly 1,792 borrowers (2014: 1,555 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 2015, the top 5 depositors accounted for 28% of total customer deposits (2014: 29%).

12 EURO COMMERCIAL PAPER

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

13 TERM LOANS

	2015 *AED 000*	*2014* *AED 000*
Syndicated loan	**3,673,000**	3,305,700
Bank loan	**183,650**	183,650
Euro Medium Term Notes	**10,000,750**	5,750,845
Medium term bonds	**1,791,845**	2,225,893
Repurchase agreements	**208,259**	208,259
	15,857,504	11,674,347

Syndicated Loan:

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

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

Bank Loan:

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

Euro Medium Term Notes:

During 2007, the Bank established a US$ 3.5 billion, Euro Medium Term Notes Programme (the "Programme"). In April 2015, the same Programme was upgraded to US$ 5.0 billion. The Bank issued the following notes under the Programme:

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

13 TERM LOANS *continued*

Euro Medium Term Notes: *continued*

(ii) On 8 August 2013, the Bank issued a Euro Medium Term Note (EMTN) of HKD 400 million (equivalent to AED 190 million). The notes are due in August 2023 and carry a coupon rate of 4.18% per annum payable annually in arrears.

(iii) On 15 August 2013, the Bank issued a Euro Medium Term Note (EMTN) of HKD 400 million (equivalent to AED 190 million). The notes are due in August 2023 and carry a coupon rate of 4.18% per annum payable annually in arrears.

(iv) On 19 September 2013, the Bank issued a Euro Medium Term Note (EMTN) of JPY 4,700 million (equivalent to AED 146 million). The notes are due in September 2016 and carry a coupon rate of 1.00% per annum payable semi-annually in arrears.

(v) On 14 November 2013, the Bank issued a Euro Medium Term Note (EMTN) of US$ 500 million (equivalent to AED 1,837 million). The notes are due in January 2019 and carry a coupon rate of 3.250% per annum payable semi-annually in arrears.

(vi) On 12 December 2013, the Bank issued a Euro Medium Term Note (EMTN) of US$ 25 million (equivalent to AED 92 million). The notes are due in December 2016 and carry a coupon of 3 months USD LIBOR plus a margin of 1.23% per annum payable quarterly in arrears.

(vii) On 1 July 2014, the Bank issued a Euro Medium Term Note (EMTN) of EUR 100 million (equivalent to AED 399 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 310 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 53 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.

(xi) On 17 February 2015, the Bank issued a Euro Medium Term Note (EMTN) of HKD 160 million (equivalent to AED 76 million). The notes are due in February 2020 and carry a coupon rate of 2.43% per annum payable annually in arrears.

(xii) On 24 February 2015, the Bank issued a Euro Medium Term Note (EMTN) of US$ 750 million (equivalent to AED 2,754 million). The notes are due in February 2020 and carry a coupon rate of 2.625% per annum payable semi-annually in arrears.

(xiii) On 26 February 2015, the Bank issued a Euro Medium Term Note (EMTN) of EUR 15 million (equivalent to AED 60 million). The notes are due in February 2018 and carry a coupon at the rate of 3 months EURIBOR plus a margin of 0.36% per annum payable quarterly in arrears.

13 TERM LOANS *continued*

Euro Medium Term Notes: *continued*

(xiv) On 9 April 2015, the Bank issued a Euro Medium Term Note (EMTN) of CNY 400 million (equivalent to AED 226 million). The notes are due in April 2018 and carry a coupon rate of 5.00% per annum payable annually in arrears.

(xv) On 11 May 2015, the Bank issued a Euro Medium Term Note (EMTN) of HKD 160 million (equivalent to AED 76 million). The notes are due in May 2020 and carry a coupon rate of 2.37% per annum payable annually in arrears.

(xvi) On 27 May 2015, the Bank issued a Euro Medium Term Note (EMTN) of CHF 200 million (equivalent to AED 737 million). The notes are due in May 2022 and carry a coupon rate of 0.625% per annum payable annually in arrears.

(xvii) On 15 June 2015, the Bank issued a Euro Medium Term Note (EMTN) of SGD 11 million (equivalent to AED 28 million). The notes are due in June 2018 and carry a coupon rate of 2.10% per annum payable semi-annually in arrears.

(xviii) On 7 July 2015, the Bank issued Euro Medium Term Note (EMTN) of USD 25 million (equivalent to AED 92 million). The notes are due in July 2045 and are multi-callable, zero-coupon, with a yield of 5.30% per annum.

(xix) On 18 August 2015, the Bank issued a Euro Medium Term Note (EMTN) of CNY 230 million (equivalent to AED 130 million). The notes are due in August 2018 and carry a coupon rate of 4.50% per annum payable annually in arrears.

(xx) On 30 December 2015, the Bank issued a Euro Medium Term Note (EMTN) of USD 20 million (equivalent to AED 73 million). The notes are due in December 2045 and are multi callable, and carry a fixed coupon rate of 4.70% per annum payable annually in arrears.

Medium Term Bonds:

On 16 February 2011, the Bank issued 5 year bonds of CHF 200 million (equivalent of AED 737 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 369 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 which carried a coupon at the rate of 3 months CHF LIBOR plus a margin of 0.60% per annum payable quarterly in arrears. The bonds were fully repaid in April 2015.

On 1 April 2014, the Bank issued AUD 250 million bonds (equivalent of AED 672 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.

13 TERM LOANS *continued*

Euro Medium Term Notes: *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 2015, the carrying value of debt securities sold under these arrangements amounted to AED 229,225 thousand (2014: 236,317 thousand). The amount and maturity of outstanding transactions are as follows:

No.	***2015*** Amount US$ 000	***2015*** Amount AED 000	*2014* Amount US$ 000	*2014* Amount AED 000	*Maturity*
1	**40,500**	**148,756**	40,500	148,756	25-October-2017
2	**7,200**	**26,446**	7,200	26,446	1-August-2018
3	**9,000**	**33,057**	9,000	33,057	8-April-2019
	56,700	**208,259**	56,700	208,259	

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

14 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.

15 OTHER LIABILITIES

	2015 AED 000	2014 AED 000
Interest payable	**838,388**	483,329
Accrued expenses	**239,246**	330,017
Provisions for staff benefits (note 16)	**265,936**	327,653
Accounts payable and sundry creditors	**1,390,653**	1,568,137
Advances received on sale of investment properties	**501,272**	1,100,240
Payable in respect of acquisition of investment properties	**109,757**	113,168
Negative fair value of derivatives (note 30)	**2,368,583**	1,888,659
Acceptances net of discounting	**2,129,105**	1,697,427
Others	**87,425**	162,335
Total	**7,930,365**	7,670,965

16 PROVISION FOR STAFF BENEFITS

The movement in the provision was as follows:

	2015 AED 000	2014 AED 000
At 1 January	**327,653**	291,660
Arising during the year	**201,263**	267,090
Utilised	**(262,980)**	(231,097)
At 31 December	**265,936**	327,653

17 SHARE CAPITAL

	Authorised, issued and fully paid 2015 AED 000	2014 AED 000
Ordinary shares of AED 1 each	**4,500,000**	3,900,000

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 was approved by the shareholders of the Bank in its Annual General Meeting held on 25 February 2015.

18 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 129 million (2014: AED 186 million).

19 APPROPRIATIONS

Legal reserve

In accordance with the UAE Commercial Companies Law No. 2 of 2015 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 2015, AED 300,000 thousand (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 600,000 thousand (2014: 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 (2014: nil).

Dividends

	2015 AED 000	2014 AED 000
Cash dividends proposed in respect of 2015: AED 1 (2014: Declared AED 1)	**4,500,000**	3,900,000
Bonus shares proposed in respect of 2015: AED nil (2014: AED 0.15)	**-**	600,000
Dividend on ordinary shares paid during the year	**3,829,385**	2,964,828

20 INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING

	2015 AED 000	2014 AED 000
Interest income		
Loans and advances	**7,041,722**	6,987,693
Deposits with banks and financial institutions	**122,675**	199,643
Investment securities	**604,260**	561,378
Notional interest on impaired loans and advances (note 4)	**94,470**	158,493
Total	**7,863,127**	7,907,207
Income from Islamic financing	**426,652**	341,930
Interest income and income from Islamic financing	**8,289,779**	8,249,137

21 INTEREST EXPENSE AND ISLAMIC FINANCING EXPENSE

	2015 AED 000	2014 AED 000
Interest expense		
Customers' deposits	**1,105,902**	1,065,065
Bank deposits	**156,726**	118,059
Term loans	**301,418**	282,857
Total	**1,564,046**	1,465,981
Islamic financing expense	**296,282**	313,376
Interest expense and Islamic financing expense	**1,860,328**	1,779,357

22 FEES AND COMMISSION INCOME, NET

	2015 AED 000	2014 AED 000
Fees and commission income		
Commission income	**496,176**	574,767
Fee income	**844,197**	748,536
Fees and commissions on credit cards	**650,103**	571,524
Brokerage and fund management fee income	**8,330**	13,724
Total fees and commission income	**1,998,806**	1,908,551
Fees and commission expenses	**(298,361)**	(274,038)
Fees and commission income, net	**1,700,445**	1,634,513

23 OTHER OPERATING INCOME

	2015 AED 000	2014 AED 000
Investment income:		
Gains on disposal of available for sale investments	**156,902**	125,482
(Loss) gain on disposal of investments carried at fair value through income statement	**(26,219)**	15,293
Change in fair value of investments carried at fair value through income statement	**4,019**	12,310
Other investment income	**4,113**	16,266
Total investment income	**138,815**	169,351
Foreign exchange and related derivative income	**200,325**	155,315
Other derivative income	**66,694**	39,278
Gain on sale of investment properties	**98,099**	167,521
Gain on revaluation of investment properties (note 7)	**548,887**	113,309
Gain on sale of an associate	**15,100**	-
Loss on sale of property and equipment	**(864)**	(12,992)
Impairment of property and equipment	-	(8,591)
Rental income, net	**107,560**	110,980
Management fees on leasing properties	**56,717**	54,328
Other income	**70,868**	64,703
Total	**1,302,201**	853,202

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2015 AED 000	2014 AED 000
Staff costs	**868,845**	875,705
Depreciation (note 9)	**102,083**	80,800
Amortisation of intangible assets (note 34)	**21,918**	25,433
Other general and administrative expenses	**954,557**	874,252
Total	**1,947,403**	1,856,190
Number of employees	**1,436**	1,454

25 PROVISION FOR IMPAIRMENT OF LOANS AND ADVANCES

	2015 AED 000	2014 AED 000
Provision for impaired loans and advances (note 4)	**1,551,691**	1,438,637
Recoveries (note 4)	**(144,515)**	(77,218)
	1,407,176	1,361,419

31 DECEMBER 2015

26 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:

	2015	*2014*
Profit for the year attributable to ordinary equity holders (AED 000)	**6,006,116**	5,655,605
Deduct: interest on capital notes (AED 000)	**(83,505)**	(148,694)
Profit attributable to ordinary equity holders (AED 000)	**5,922,611**	5,506,911
Weighted average number of ordinary shares in issue (000's)	**4,500,000**	4,500,000
Basic and diluted earnings per share (AED)	**1.32**	1.22

27 CASH AND CASH EQUIVALENTS

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

	2015	*2014*
	AED 000	*AED 000*
Cash and balances with Central Banks	**21,075,886**	21,541,399
Due from banks and financial institutions	**13,597,837**	14,907,509
	34,673,723	36,448,908
Less: Balances with UAE Central Bank maturing after three months of placement	**11,870,773**	10,570,518
Less: Mandatory cash reserve with UAE Central Bank	**5,446,768**	5,529,441
Less: Due from banks and financial institutions maturing after three months of placement	**-**	6,564,053
Cash and cash equivalents	**17,356,182**	13,784,896

27 CASH AND CASH EQUIVALENTS *continued*

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

	2015	*2014*
	AED 000	*AED 000*
UAE	**25,912,139**	20,594,743
Other Arab Countries	**2,391,863**	7,061,868
Asia	**1,060,177**	8,778
Europe	**3,347,308**	7,977,127
USA	**1,923,516**	464,025
Rest of the world	**38,720**	342,367
	34,673,723	36,448,908

28 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:

	2015	*2014*
	AED 000	*AED 000*
Board members, key management personnel and associated companies		
Loans and advances	**5,094,178**	4,199,809
Customers' deposits	**9,081,811**	6,827,314
Finance lease payable	**119,646**	120,117
Commitments and contingent liabilities	**6,041,661**	2,366,953
Interest and commission income	**272,411**	189,899
Interest expense and Islamic financing expense	**133,353**	116,842
Associates		
Customers' deposits	**24,485**	240,719
Commitments and contingent liabilities	**5,200**	175,233
Interest and commission income	**3**	819
Interest expense and Islamic financing expense	**1,237**	2,501
Compensation of key management personnel:		
Short term employee benefits	**90,782**	106,122
Post-employment benefits	**9,093**	11,333

28 RELATED PARTY TRANSACTIONS *continued*

In addition to the amounts disclosed, Board of Directors remuneration amounting to AED 45,000 thousand (2014: AED 42,500 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.

29 COMMITMENTS AND CONTINGENT LIABILITIES

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

	2015	*2014*
	AED 000	*AED 000*
Contingent liabilities:		
Letters of credit	**14,192,933**	26,036,754
Guarantees	**49,492,411**	46,593,496
	63,685,344	72,630,250
Commitments:		
Commitments to extend credit maturing within one year	**7,502,799**	9,423,662
Commitments for future capital expenditure	**552,308**	930,266
Commitments for future private equity investments	**769,398**	663,237
	8,824,505	11,017,165
Total commitments and contingent liabilities	**72,509,849**	83,647,415

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.

30 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 2015							
Derivatives held for trading:							
Forward foreign exchange contracts	**308,851**	**394,839**	**65,484,682**	**35,161,019**	**24,933,668**	**5,210,242**	**179,753**
Interest rate swaps, caps and collars	**760,344**	**741,990**	**46,038,951**	**1,776,216**	**8,075,135**	**22,978,302**	**13,209,298**
Credit default swaps	**1,242**	**1,093**	**203,236**	**-**	**36,731**	**166,505**	**-**
Commodity linked swaps	**87,783**	**63,407**	**1,757,210**	**-**	**-**	**1,016,800**	**740,410**
Equity swaps	**127**	**127**	**151,346**	**2,387**	**138,318**	**10,641**	**-**
Swaptions	**10,262**	**6,887**	**1,720,650**	**-**	**367,300**	**1,353,350**	**-**
Options	**526,008**	**560,556**	**19,047,003**	**3,896,600**	**7,670,971**	**7,479,432**	**-**
Futures	**84**	**68**	**843,164**	**567,689**	**275,475**	**-**	**-**
	1,694,701	**1,768,967**	**135,246,242**	**41,403,911**	**41,497,598**	**38,215,272**	**14,129,461**
Derivatives held for hedging:							
Interest rate swaps	**26,537**	**81,806**	**6,313,596**	**40,403**	**227,257**	**3,492,285**	**2,553,651**
Cross currency swaps	**198,951**	**517,810**	**7,356,650**	**1,106,004**	**452,040**	**2,485,939**	**3,312,667**
	1,920,189	**2,368,583**	**148,916,488**	**42,550,318**	**42,176,895**	**44,193,496**	**19,995,779**
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
	1,526,250	1,888,659	98,544,062	39,109,406	24,427,112	22,176,248	12,831,296

30 DERIVATIVES *continued*

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.

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 354,339 thousand (2014: loss of AED 246,692 thousand). A corresponding amount has been adjusted against the carrying value of the related hedged item.

Movements on cash flow and fair value hedges are excluded from the consolidated statement of cash flows.

31 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.

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

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

Real Estate Activities – principally the acquisition, leasing, brokerage, management and resale of properties carried out through its subsidiaries and associate companies.

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

31 SEGMENTAL INFORMATION *continued*

Operating segmental information for the year ended 31 December 2015 was as follows:

	WBG UAE Operations AED 000	WBG International Banking AED 000	T&GM AED 000	CBG AED 000	Real Estate AED 000	Other Operations AED 000	Total AED 000
Assets	**74,909,302**	**22,084,187**	**53,971,584**	**55,056,298**	**8,981,474**	**12,493,528**	**227,496,373**
Liabilities	**99,035,200**	**9,730,621**	**37,386,421**	**37,111,929**	**772,833**	**7,155,298**	**191,192,302**
Operating income excluding associates	**2,950,581**	**468,653**	**1,142,868**	**3,337,257**	**835,642**	**697,096**	**9,432,097**
Net interest income and income from Islamic financing	**1,942,039**	**265,922**	**748,687**	**2,752,051**	**-**	**720,752**	**6,429,451**
Share of profit from associates	**-**	**-**	**-**	**-**	**1,247**	**321**	**1,568**
Provision for impairment of loans and advances and available for sale investments	**83,284**	**(403,156)**	**(220,064)**	**(845,000)**	**(17,000)**	**(51,816)**	**(1,453,752)**
Profit attributable to equity holders of the Bank	**2,563,322**	**(53,938)**	**783,543**	**1,735,923**	**780,275**	**196,991**	**6,006,116**
Other segment information							
Investment in associates	**-**	**-**	**-**	**-**	**54,797**	**(15,246)**	**39,551**
Capital expenditure	**-**	**-**	**-**	**-**	**1,301,412**	**408,485**	**1,709,897**
Depreciation	**-**	**-**	**-**	**-**	**928**	**101,155**	**102,083**

31 SEGMENTAL INFORMATION *continued*

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

	WBG UAE Operations AED 000	WBG International Banking AED 000	T&GM AED 000	CBG AED 000	Real Estate AED 000	Other Operations AED 000	Total 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	3,020,961	511,724	1,215,700	3,150,780	460,367	597,963	8,957,495
Net interest income and income from Islamic financing	2,011,923	298,152	860,682	2,653,593	-	645,430	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	2,216,193	181,669	1,094,714	1,882,276	404,925	(124,172)	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

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

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.

32 RISK MANAGEMENT

32.1 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 risks 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.

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 Corporate Governance Manual.

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 Group

<u>Remuneration and Nomination Committee</u>

The Remuneration and Nomination Committee ("REMCO") comprises 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 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.

<u>Executive Committee</u>

Executive Committee ("EC") comprises three members of the BOD (including the MD) and the CEO. EC oversees the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

32 RISK MANAGEMENT *continued*

Board Level Committees within the Group *continued*

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.

<u>Risk and Compliance Management Committee</u>

The Risk and Compliance Management Committee ("RCMC") comprises three members of the BOD (including the 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.

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

<u>Executive Management Committee</u>

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.

<u>Wholesale Banking Credit Committee</u>

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.

<u>Consumer Credit Committee</u>

The Bank has a management level Consumer Credit Committee ("FGCC") 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 FGCC 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 FGCC are covered in the FGCC's Charter.

31 DECEMBER 2015

32 RISK MANAGEMENT *continued*

32.1 Introduction *continued*

Management Level Committees within the Bank *continued*

Asset Liability Management 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.

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

32 RISK MANAGEMENT *continued*

32.1 Introduction *continued*

Management Level Committees within the Bank *continued*

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.

32.2 Enterprise Risk Management Framework and Structure

Risk Management and Compliance Group

The Bank has a centralized risk management function led by the GCRO. The Head of Risk Management and Compliance 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.

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, Risk Appetite Policy, wholesale banking credit risk policy, consumer banking credit risk policy, market risk policy, operational risk policy, ALM risk policy, Compliance risk policy, AML and Sanctions Policy, IT and information security risk policy, BCP Policy, Internal Capital Adequacy Assessment Process ("ICAAP") policy, new products approval policy, model governance policy, etc. 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.

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.1 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 credit, 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.

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 TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.1 Credit Risk *continued*

	Notes	***Gross maximum exposure 2015 AED 000***	*Gross maximum exposure 2014 AED 000*
Balances with Central Banks	3	**20,707,528**	21,113,715
Due from banks and financial institutions	27	**13,597,837**	14,907,509
Loans and advances	4	**149,766,060**	139,708,657
Investments – debt securities	5	**20,908,449**	14,974,230
Other assets		**10,327,350**	9,224,846
Total		**215,307,224**	199,928,957
Derivatives held for trading			
Forward foreign exchange contracts	30	**308,851**	397,509
Interest rate swaps, caps and collars	30	**760,344**	656,287
Credit default swaps	30	**1,242**	1,447
Equity swaps		**127**	-
Swaptions	30	**10,262**	5,958
Commodity Linked Swaps	30	**87,783**	40,167
Options	30	**526,008**	332,664
Futures	30	**84**	4,086
		1,694,701	1,438,118
Derivatives held for hedging:			
Interest rate swaps	30	**26,537**	15,172
Cross currency swaps	30	**198,951**	72,960
Total		**225,488**	88,132
Contingent liabilities	29	**63,685,344**	72,630,250
Commitments	29	**7,502,799**	9,423,662
Total		**71,188,143**	82,053,912
Total credit risk exposure		**288,415,556**	283,509,119

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.

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.1 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 in 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 2015 is AED 16,338,240 thousand (2014: AED 21,992,269 thousand) before taking account of collateral or other credit enhancements and AED 15,598,866 thousand (2014: AED 15,050,793 thousand), net of such protection.

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

	2015	*2014*
	AED 000	*AED 000*
UAE	**165,579,656**	153,436,973
Other Arab countries	**11,967,258**	10,394,738
Asia	**19,188,893**	16,137,218
Europe	**11,702,916**	16,823,595
USA	**4,809,409**	586,895
Rest of the world	**2,059,092**	2,549,538
Financial assets subject to credit risk	**215,307,224**	199,928,957
Other assets	**12,189,149**	12,239,544
Total assets	**227,496,373**	212,168,501
Industry sector		
Commercial and business	**89,868,201**	87,815,769
Personal	**58,209,025**	53,286,185
Government	**27,833,471**	24,631,360
Banks and financial institutions	**35,768,070**	33,422,982
Others	**3,628,457**	772,661
Financial assets subject to credit risk	**215,307,224**	199,928,957
Other assets	**12,189,149**	12,239,544
Total assets	**227,496,373**	212,168,501

Further geographical analysis of cash and balances with Central Banks, due from banks and financial institutions and investments are set out in notes 3, 5 and 27 to the consolidated financial statements.

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.1 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 2015, the fair value of collateral that the Bank holds relating to loans individually determined to be impaired amounts to AED 1,631,408 thousand (2014: AED 1,876,645 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.

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.1 Credit Risk *continued*

	Neither past due nor impaired			
	Pass grade AED 000	*Watch grade AED 000*	*Past due or individually impaired AED 000*	*Total AED 000*
2015				
Cash and balances with Central Banks	**20,707,528**	**-**	**-**	**20,707,528**
Due from banks and financial institutions	**13,597,837**	**-**	**-**	**13,597,837**
Loans and advances	**142,321,004**	**3,542,437**	**8,322,196**	**154,185,637**
Other assets	**10,327,350**	**-**	**-**	**10,327,350**
Investments	**20,908,449**	**-**	**140,002**	**21,048,451**
Total	**207,862,168**	**3,542,437**	**8,462,198**	**219,866,803**
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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.1 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 2015					
Past due but not impaired loans and advances	**1,868,860**	**812,035**	**790,026**	**557,217**	**4,028,138**
Past due and impaired loans and advances					**8,322,196**
Less:					
Past due but not impaired loans and advances					**(4,028,138)**
Impaired loans and advances					**4,294,058**
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					3,533,098

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 2015 amounted to AED 1,596,459 thousand (2014: AED 3,250,982 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.

31 DECEMBER 2015

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.2 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.

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.2 Liquidity risk and funding management *continued*

Analysis of financial assets and financial liabilities by remaining contractual maturities

The maturity profile of the financial assets and liabilities at 31 December 2015 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	**12,125,886**	**6,450,000**	**2,500,000**	**-**	**21,075,886**
Due from banks and financial institutions	**13,597,837**	**-**	**-**	**-**	**13,597,837**
Loans and advances, net	**28,396,542**	**20,816,402**	**57,563,891**	**42,989,225**	**149,766,060**
Investments	**1,122,416**	**4,060,581**	**13,974,938**	**3,534,208**	**22,692,143**
Other assets	**10,327,350**	**-**	**-**	**-**	**10,327,350**
Financial assets	**65,570,031**	**31,326,983**	**74,038,829**	**46,523,433**	**217,459,276**
Non-financial assets					**10,037,097**
Total assets					**227,496,373**
LIABILITIES					
Due to banks	**11,115,103**	**6,768,009**	**-**	**-**	**17,883,112**
Customers' deposits	**84,450,156**	**29,194,998**	**9,556,893**	**19,260,516**	**142,462,563**
Term loans	**1,367,460**	**235,222**	**12,570,714**	**1,684,108**	**15,857,504**
Sukuk financing instruments	**-**	**2,387,450**	**1,836,500**	**-**	**4,223,950**
Euro Commercial paper	**2,325,754**	**509,054**	**-**	**-**	**2,834,808**
Other liabilities	**7,930,365**	**-**	**-**	**-**	**7,930,365**
Total liabilities	**107,188,838**	**39,094,733**	**23,964,107**	**20,944,624**	**191,192,302**

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.2 Liquidity risk and funding management *continued*

The maturity profile of the financial assets and liabilities at 31 December 2014 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	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

31 DECEMBER 2015

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.2 Liquidity risk and funding management *continued*

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2015 and 2014 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*
2015					
LIABILITIES					
Due to banks	**11,132,206**	**6,815,323**	**-**	**-**	**17,947,529**
Customers' deposits	**84,694,045**	**29,784,796**	**9,758,591**	**19,290,172**	**143,527,604**
Term loans	**1,471,768**	**511,586**	**13,452,886**	**1,896,937**	**17,333,177**
Sukuk financing instruments	**82,478**	**2,469,928**	**1,873,653**	**-**	**4,426,059**
Euro Commercial Paper	**2,326,239**	**510,111**	**-**	**-**	**2,836,350**
Other liabilities	**7,930,365**	**-**	**-**	**-**	**7,930,365**
Total liabilities	**107,637,101**	**40,091,744**	**25,085,130**	**21,187,109**	**194,001,084**
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

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

31 DECEMBER 2015

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.2 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*
2015					
Inflows	**339,755**	**807,023**	**1,890,464**	**775,277**	**3,812,519**
Outflows	**(430,785)**	**(835,511)**	**(2,222,978)**	**(831,193)**	**(4,320,467)**
Net	**(91,030)**	**(28,488)**	**(332,514)**	**(55,916)**	**(507,948)**
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)

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*
2015					
Contingent liabilities	**46,448,506**	**8,652,896**	**8,583,942**	**-**	**63,685,344**
Commitments	**219,281**	**7,756,388**	**848,836**	**-**	**8,824,505**
Total	**46,667,787**	**16,409,284**	**9,432,778**	**-**	**72,509,849**
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

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

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.3 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 and approved by ALCO and executed by Treasury.

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 2015 and 2014, 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:					
2015 (AED 000)	**30,872**	**35,810**	**1,956**	**(284)**	**(1,886)**
2014 (AED 000)	38,728	18,903	(1,581)	761	8,446
Impact on net interest income from decrease in interest rates:					
2015 (AED 000)	**(30,872)**	**(35,810)**	**(1,956)**	**284**	**1,886**
2014 (AED 000)	(38,728)	(18,903)	1,581	(761)	(8,446)

(Amounts in brackets reflect decreases in net interest income)

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.3 Interest rate risk in the banking book *continued*

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 2015 and 2014, the effect of the assumed changes in interest rates on equity is as follows:

Currency	*USD*	*EUR*	*KWD*	*SGD*	*AED*
Assumed change in interest rates	0.50%	0.50%	0.50%	0.50%	0.50%
Impact on equity from increase in interest rates:					
2015 (AED 000)	**(187,919)**	**(32,238)**	**(142)**	**(439)**	**(120)**
2014 (AED 000)	(169,363)	(955)	(426)	(1,198)	(111)
Impact on equity from decrease in interest rates:					
2015 (AED 000)	**187,919**	**32,238**	**142**	**439**	**(120)**
2014 (AED 000)	169,363	955	426	1,198	111

32.3.4 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 defense. 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 defense 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 defense 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.

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.

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.4 Market risk *continued*

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 2015 and 2014 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 income from increase in exchange rates:				
2015 (AED 000)	**(81,975)**	**6,122**	**249**	**(3,157)**
2014 (AED 000)	(53,905)	(889)	(108)	(3,672)
Impact on net income from decrease in exchange rates:				
2015 (AED 000)	**81,975**	**(6,122)**	**(249)**	**3,157**
2014 (AED 000)	53,905	889	108	3,672

(Amounts in brackets reflect decreases in net interest income)

At 31 December 2015 and 2014, the effect of the assumed changes in exchange rates on equity is insignificant.

31 DECEMBER 2015

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.4 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 2015 AED 000***	*Impact on net income 2014 AED 000*
Investments carried at fair value through the income statement			
Reference equity benchmarks:			
Abu Dhabi Securities Exchange Index	5%	**275**	501
Dubai Financial Market Index	5%	**263**	135
Net asset value of managed funds	5%	**3,914**	10,544
Other equity exchanges	5%	**1,470**	2,307
Unquoted	5%	**959**	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 2015 and 2014, 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 2015 AED 000***	*Impact on equity 2014 AED 000*
Available for sale investments			
Reference equity benchmarks:			
Net asset value of private equity funds	5%	**74,805**	64,498
Other equity exchanges	5%	**2**	704
Unquoted	5%	**7,488**	6,980

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 429,579 thousand (2014: AED 502,030 thousand).

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.5 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.

32.3.6 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.

32.3.7 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.

32 RISK MANAGEMENT *continued*

32.3 Overview of Enterprise Risk Management Process *continued*

32.3.8 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.

32.3.9 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.

33 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 and related interest-free National Housing loans referred to in note 4, 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.

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. Details of the National Housing loans are disclosed in note 4.

31 DECEMBER 2015

33 FAIR VALUE OF FINANCIAL INSTRUMENTS *continued*

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

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

33 FAIR VALUE OF FINANCIAL INSTRUMENTS *continued*

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

		Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total 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 for hedging					
Interest rate swaps		-	70,087	-	70,087
Cross currency swaps		-	303,237	-	303,237
		1,203	1,887,456	-	1,888,659

33 FAIR VALUE OF FINANCIAL INSTRUMENTS *continued*

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.

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 2015, 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:

	2015	*2014*
	AED 000	*AED 000*
At 1 January	**1,447,537**	1,469,446
Total loss recorded in income statement	**-**	(5,240)
Total gain recorded in equity	**55,292**	67,141
Additions	**260,961**	48,000
Disposals	**(100,192)**	(131,810)
At 31 December	**1,663,598**	1,447,537

34 BUSINESS COMBINATIONS

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.

For the year ended 31 December 2015, amortisation expense relating to intangible assets acquired amounting to AED 21,918 thousand (2014: AED 25,433 thousand) has been recognised in the consolidated income statement (note 24).

Impairment testing of goodwill

No impairment losses on goodwill were recognised during the year ended 31 December 2015 (2014: AED Nil).

35 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

35 CAPITAL MANAGEMENT *continued*

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:

	2015	*2014*
	AED 000	*AED 000*
Tier I Capital		
Equity attributable to equity holders of the Bank	**35,903,632**	34,149,708
Less: Positive cumulative changes in fair values	**(410,638)**	(519,091)
Less: Foreign currency translation reserve	**-**	(146)
Less: Revaluation reserve	**(280,601)**	(305,851)
Less: Proposed cash dividends	**(4,500,000)**	(3,900,000)
Total	**30,712,393**	29,424,620
Non-controlling interests	**400,439**	587,254
Less: Goodwill and intangible assets	**(194,517)**	(213,436)
Investment in associates	**-**	(23,222)
Total (a)	**30,918,315**	29,775,216
Tier II Capital		
Collective impairment allowance on loans and advances	**2,163,031**	2,103,375
Cumulative changes in fair values	**184,787**	233,591
Total	**2,347,818**	2,336,966
Eligible Tier II Capital (b)	**2,347,818**	2,336,966
Total capital base (a) + (b)	**33,266,133**	32,112,182
Risk-weighted assets:		
Credit risk	**173,042,446**	168,269,963
Market risk	**1,219,712**	962,829
Operational risk	**15,768,783**	14,388,077
Total risk-weighted assets (c)	**190,030,941**	183,620,869
Capital adequacy ratio {(a) + (b) / (c) x 100}	**17.5%**	17.5%

31 DECEMBER 2015

Basel II Pillar III Reports 31 December 2015

Name of the Report

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
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				
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

31 DECEMBER 2015

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 17 of the Financial Statements for 2015	4,500,000
2. Reserves		–
a. Statuatory Reserve	Note 19 of the Financial Statements for 2015	8,780,110
b. Special Reserve	Note 19 of the Financial Statements for 2015	2,250,000
c. General Reserve	Note 19 of the Financial Statements for 2015	120,000
d. Retained Earnings		11,132,046
3. Minority Interest in the Equity of Subsidiaries		400,439
4. Innovative Capital Instuments		–
5. Other Capital Instruments		–
a. Mandatory Convertible Bonds		–
b. Subordinated Perpetual Notes	Note 18 of the Financial Statements for 2015	4,000,000
6. Surplus Capital from Insurance Companies		–
Sub Total		**31,182,595**
Less: Deductions from Regulatory Calculation		(194,517)
Less: Deductions from Tier 1 Capital	Foreign Currency Translation Reserve	(69,763)
Tier 1 Capital after deductions		**30,918,315**
Tier 2 Capital	Note 35 of the Financial statements for 2015 (Cumulative Changes in the Fair Value and General Provisions)	**2,347,818**
Less: Other deductions from Capital		–
Total eligible Capital after all deductions		**33,266,133**

3 CAPITAL ADEQUACY

31 DECEMBER 2015

All numbers in AED 000s

	Capital Requirements	RWA	Capital Charge
	1. Credit Risk		
	a. Standardized Approach	173,042,446	20,765,094
OR	b. Foundation IRB		
OR	c. Advanced IRB		
	2. Market Risk		
	a. Standardized Approach	1,219,712	146,365
OR	b. Models Approach		
	3. Operation Risk		
	a. Basic Indicator Approach		
OR	b. Standardised Approach/ASA	15,768,783	1,892,254
OR	c. Advanced Measurement Approach		
	Total Risk Weighted Assets	**190,030,941**	
	Total Capital Charge		**22,803,713**
	Capital Ratios		
	a. Total for Top Consolidated Group		**17.5%**
	b. Tier 1 Ratio only for Top Consolidated Group		**16.3%**
	c. Total for each significant Bank Subsidiary		

31 DECEMBER 2015

4a 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 total Credit Risk Weighted Assets (CRWA) calculation. The provisions requirement of 1.5% of total Credit Risk Weighted Assets (CRWA) has been built up as guided by the circular. CRWA is calculated using the Basel II standardized approach. The Bank is in the process of transitioning towards provisions based on IFRS 9 accounting standards.
Discussion of Bank's credit risk management policy
FGB's Enterprise Risk Management Policy (ERMP) framework aims to accomplish its core values & 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 FGB Group including its local & international branches, subsidiaries, associates and foreign rep 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 covering credit, market, operational, interest rate, liquidity and all other material risks including Strategic risk, Country risk, Reputation risk, etc. FGB's ERMP framework covers specific policy documents on the following: Enterprise Risks including Strategic risk, Reputation risk, etc., ICAAP, Risk Appetite, Model Governance, New Product Approvals, Wholesale Banking Credit risk, Consumer Banking Credit risk, Market risk, Operational risk, Liquidity and Interest Rate risk, AML and Sanctions risk, Compliance risk, IT and IS risk Business Continuity risks, Fraud risk, etc. In addition to these risk management policies, detailed policies and procedures have also been put in place across all functional areas.

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	In addition to the RWA calculations as per the Standardized approach of Basel II, the Bank also undertakes RWA calculations as per IRB approach of Basel II; the Bank has developed necessary credit risk models across its wholesale and consumer banking portfolios and has carried out the model 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, the Bank has developed several PD models which include industry specific Corporate models, FI model, High Networth Individual model, 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, the Bank has developed several product specific scorecard and rating models; these include scorecards for Credit cards and Personal Loans and rating models for SME Loans, Auto Loans, Residential Mortgage Loans. Independent external validation 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.
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.

31 DECEMBER 2015

4b 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	69,130,353	20,590,103	12,727,162	102,447,618	7,408,381	1,481,676	129,571,262	1,873,730	4,151,879	35,634,111	17,107,368	22,740,923	125,188,541
AED	85,055,284	318,346	31,905,553	117,279,183	94,418	18,884	19,345,226	46,459	223,433	28,051,233	14,201,621	14,443,938	131,723,121
Provisions	(4,419,577)	–	–	(4,419,577)	–	–	–	–	–	–	–	–	(4,419,577)
Total	**149,766,060**	**20,908,449**	**44,632,715**	**215,307,224**	**7,502,799**	**1,500,560**	**148,916,488**	**1,920,189**	**4,375,312**	**63,685,344**	**31,308,989**	**37,184,861**	**252,492,085**

4c GROSS CREDIT EXPOSURE BY GEOGRAPHICAL DISTRIBUTION

31 DECEMBER 2015

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	127,023,030	7,902,120	35,328,652	170,253,802	4,249,329	849,866	57,035,474	1,261,449	2,217,577	49,452,352	25,062,807	28,130,250	198,384,052
GCC excluding UAE	4,530,490	2,821,568	964,944	8,317,002	68,190	13,638	7,484,508	57,696	198,786	2,475,209	1,048,227	1,260,651	9,577,653
Arab League (excluding GCC)	1,803,383	–	1,160,794	2,964,177	–	–	415,124	1,048	2,273	917,388	329,239	331,512	3,295,689
Asia	13,302,373	4,994,590	782,109	19,079,072	2,211,015	442,203	5,538,933	15,681	118,496	8,699,723	3,633,469	4,194,168	23,273,240
Africa	1,083,726	431,048	10,836	1,525,610	–	–	–	–	–	61,860	15,736	15,736	1,541,346
North America	53,369	2,870,879	1,959,997	4,884,245	–	–	–	–	–	43,540	21,795	21,795	4,906,040
South America	83,509	–	81	83,590	–	–	–	–	–	–	–	–	83,590
Caribbean	296,011	127,823	1,275	425,109	115,332	23,066	184,663	2,245	3,169	83	66	26,301	451,410
Europe	5,712,948	1,741,095	4,411,465	11,865,508	628,178	125,636	77,177,123	575,318	1,817,453	2,033,946	1,196,407	3,139,496	15,005,004
Australia	296,798	19,326	12,562	328,686	230,755	46,151	1,080,663	6,752	17,558	1,243	1,243	64,952	393,638
Provisions	(4,419,577)	–	–	(4,419,577)	–	–	–	–	–	–	–	–	(4,419,577)
Total	**149,766,060**	**20,908,449**	**44,632,715**	**215,307,224**	**7,502,799**	**1,500,560**	**148,916,488**	**1,920,189**	**4,375,312**	**63,685,344**	**31,308,989**	**37,184,861**	**252,492,085**

4d GROSS CREDIT EXPOSURE BY INDUSTRY SEGMENT

31 DECEMBER 2015

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	1,330,563	–	107,042	1,437,605	711,949	142,390	2,954,464	392,860	540,584	2,097,431	1,052,212	1,735,186	3,172,791
Crude Oil, Gas, Mining & Quarrying	4,765,743	1,028,922	64,042	5,858,707	659,243	131,849	672,443	2,147	11,900	383,191	177,925	321,674	6,180,381
Manufacturing	7,697,482	337,030	639,020	8,673,532	154,667	30,933	1,524,702	46,594	133,066	2,808,190	1,399,563	1,563,562	10,237,094
Electricity & Water	–	–	–	–	–	–	–	–	–	–	–	–	–
Real Estate & Construction	19,904,210	923,450	805,701	21,633,361	541,288	108,258	2,510,608	70,535	105,979	28,417,623	14,169,838	14,384,075	36,017,436
Trade	9,033,976	–	2,038,349	11,072,325	827,979	165,596	4,915,858	100,383	177,227	7,303,160	2,896,946	3,239,769	14,312,094
Transport, Storage & Communication	4,544,694	972,017	21,279	5,537,990	38,597	7,719	1,572,448	181,613	290,108	26,254	15,219	313,046	5,851,036
Financial Services	11,990,340	10,473,765	14,894,228	37,358,333	91,825	18,365	115,603,070	629,419	2,262,816	4,216,481	2,787,078	5,068,259	42,426,592
Other Services	28,454,623	920,512	431,955	29,807,090	2,323,624	464,725	12,395,266	121,692	344,514	9,236,640	4,952,829	5,762,068	35,569,158
Government (including public sector)	1,956,130	5,082,981	20,793,164	27,832,275	2,153,627	430,725	6,379,795	370,198	503,150	8,908,072	3,606,145	4,540,020	32,372,295
Retail / Consumer Banking	59,028,209	–	678,863	59,707,072	–	–	–	–	–	288,302	251,234	251,234	59,958,306
All Others	5,479,667	1,169,772	4,159,072	10,808,511	–	–	387,834	4,748	5,968	–	–	5,968	10,814,479
Provisions	(4,419,577)	–	–	(4,419,577)	–	–	–	–	–	–	–	–	(4,419,577)
Total	**149,766,060**	**20,908,449**	**44,632,715**	**215,307,224**	**7,502,799**	**1,500,560**	**148,916,488**	**1,920,189**	**4,375,312**	**63,685,344**	**31,308,989**	**37,184,861**	**252,492,085**

4e GROSS CREDIT EXPOSURE BY RESIDUAL CONTRACT MATURITY

31 DECEMBER 2015

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	28,396,542	1,122,416	35,682,715	65,201,673	–	–	42,550,318	1,920,189	2,385,419	46,448,506	23,924,753	26,310,172	91,511,845
3 months to one year	20,816,402	4,060,581	6,450,000	31,326,983	7,502,799	1,500,560	42,176,895	–	461,147	8,652,896	3,229,215	5,190,922	36,517,905
One to five years	57,563,891	13,974,938	2,500,000	74,038,829	–	–	44,193,496	–	1,097,745	8,583,942	4,155,021	5,252,766	79,291,595
Over five years	47,408,802	1,750,514	–	49,159,316	–	–	19,995,779	–	431,001	–	–	431,001	49,590,317
Provisions	(4,419,577)	–	–	(4,419,577)	–	–	–	–	–	–	–	–	(4,419,577)
Total	**149,766,060**	**20,908,449**	**44,632,715**	**215,307,224**	**7,502,799**	**1,500,560**	**148,916,488**	**1,920,189**	**4,375,312**	**63,685,344**	**31,308,989**	**37,184,861**	**252,492,085**

4f IMPAIRED LOANS BY INDUSTRY SEGMENT

31 DECEMBER 2015

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	7,816	–	7,816	–	–	–	–	–
Crude Oil, Gas, Mining & Quarrying	833	718,564	719,397	11,154	151,356	–	–	–
Manufacturing	92,604	61,405	154,009	10,397	14,396	–	4,207	–
Electricity & Water	–	–	–	–	–	–	–	–
Real Estate & Construction	281,022	687,633	968,655	135,203	144,633	–	64,848	–
Trade	289,360	371,548	660,908	55,312	103,129	–	8,202	–
Transport, Storage & Communication	531	–	531	–	–	–	–	–
Financial Services	24,568	389,492	414,060	79,479	101,871	–	169,025	–
Other Services	493,112	155,461	648,573	27,359	142,157	–	42,954	–
Government (including Public Sector)	5,596	–	5,596	1,195	–	–	–	–
Retail / Consumer Banking	2,696,515	2,401,606	5,098,121	153,408	1,018,087	457,744	884,768	–
All Others	136,181	1,418	137,599	19,562	52,092	2,234,112	197,171	–
Total	**4,028,138**	**4,787,127**	**8,815,265**	**493,069**	**1,727,721**	**2,691,856**	**1,371,175**	–

The collateral held against the past due and impaired loans totalled AED 1,631,408 thousand in the form of under lien fixed deposits, cash margins, equities, bank guarantees, machinery & equipment, mortgaged properties, motor vehicles, shipping vessels, aircrafts etc.

4g IMPAIRED LOANS BY GEOGRAPHICAL DISTRIBUTION

31 DECEMBER 2015

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	3,992,471	3,895,331	7,887,802	490,755	1,541,773	2,259,750	1,355,180	–
GCC excluding UAE	–	1,096	1,096	106	464	30,502	15,995	–
Arab League (excluding GCC)	–	34	34	2	16	10,548	–	–
Asia	35,667	872,748	908,415	6	183,747	363,664	–	–
Africa	–	2,058	2,058	–	–	–	–	–
North America	–	421	421	51	–	–	–	–
South America	–	–	–	–	–	–	–	–
Caribbean	–	–	–	–	–	–	–	–
Europe	–	15,439	15,439	2,149	1,721	27,392	–	–
Australia	–	–	–	–	–	–	–	–
Total	**4,028,138**	**4,787,127**	**8,815,265**	**493,069**	**1,727,721**	**2,691,856**	**1,371,175**	–

4h RECONCILIATION OF CHANGES IN PROVISIONS FOR IMPAIRED LOANS

31 DECEMBER 2015

All numbers in AED 000s

	Description	
	Opening Balance of Provisions for Impaired Loans	**4,478,046**
Add:	Charge for the year	
	• Corporate, Retail Specific provisions	1,004,427
	• Corporate, Retail and International Division General provisions	547,264
Less:	Write-off of impaired loans	(1,371,175)
Less:	Recovery of loan loss provisions	
Less:	Recovery of loans previously written-off	(144,515)
Less:	Notional Interest on Impaired Loans & Advances	(94,470)
Less:	Write-back of provisions for loans	
	Adjustments of loan loss provisions (acquired in business combination)	
	Closing Balance of Provisions for Impaired Loans	**4,419,577**

4i BASEL II PORTFOLIO AS PER STANDARDIZED APPROACH

31 DECEMBER 2015

All numbers in AED 000s

Asset Classes	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	25,826,560	–	25,826,560	919,848	26,746,408	–	–	26,746,408	–	2,620,362
Claims On Non-Central Government Public Sector Entities (PSEs)	547,531	–	547,531	–	547,531	–	–	547,531	–	–
Claims On Multi Lateral Development Banks	72	–	72	4,585	4,657	–	–	4,657	–	–
Claims On Banks	28,538,516	–	28,538,516	3,184,074	31,722,590	100	100	31,722,490	–	14,672,502
Claims On Securities Firms	883,078	–	883,078	446,682	1,329,760	–	–	1,329,760	–	1,130,831
Claims On Corporates	93,488,316	–	93,488,316	31,414,039	124,902,355	11,306,154	8,733,449	116,168,906	2,072,427	111,285,798
Claims Included In The Regulatory Retail Portfolio	35,148,095	–	35,148,095	293,245	35,441,340	5,208,958	5,208,958	30,232,382	1,680,054	25,686,934
Claims Secured By Residential Property	21,791,043	–	21,791,043	–	21,791,043	19,269,256	19,269,256	2,521,787	14,656,989	1,324,107
Claims Secured By Commercial Real Estate	3,661,640	–	3,661,640	–	3,661,640	259,531	259,531	3,402,109	–	3,402,109
Past Due Loans	5,344,346	2,142,400	3,201,946	–	3,201,946	269,484	269,484	2,932,462	52,441	3,287,915
Higher-Risk Categories	1,496,098	–	1,496,098	769,398	2,265,496	–	–	2,265,496	–	3,398,243
Other Assets	15,683,726	78,389	15,605,337	922,387	16,527,724	–	–	16,527,724	–	6,233,645
Claims On Securitised Assets	–	–	–	–	–	–	–	–	–	–
Credit Derivatives (Banks Selling Protection)	–	–	–	–	–	–	–	–	–	–
Total Claims	**232,409,021**	**2,220,789**	**230,188,232**	**37,954,258**	**268,142,490**	**36,313,483**	**33,740,778**	**234,401,712**	**18,461,911**	**173,042,446**

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

5 BASEL II PORTFOLIO AS PER STANDARDIZED APPROACH (RATED / UNRATED)

31 DECEMBER 2015

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	Risk Weighted Assets		
	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	25,826,560	24,762,426	1,064,134	25,826,560	295,640	624,208	919,848	25,058,066	1,688,342	26,746,408	–	25,058,066	1,688,342	26,746,408	–	1,556,238	1,064,124	2,620,362
Claims on Non-Central Government Public Sector Entities (PSEs)	547,531	301,089	246,442	547,531	–	–	–	301,089	246,442	547,531	–	301,089	246,442	547,531	–	–	–	–
Claims on Multi Lateral Development Banks	72	–	72	72	–	4,585	4,585	–	4,657	4,657	–	–	4,657	4,657	–	–	–	–
Claims on Banks	28,538,516	28,000,508	538,008	28,538,516	3,157,786	26,288	3,184,074	31,158,294	564,296	31,722,590	100	31,158,294	564,196	31,722,490	–	14,415,807	256,695	14,672,502
Claims on Securities Firms	883,078	333,758	549,320	883,078	64,098	382,584	446,682	397,856	931,904	1,329,760	0	397,856	931,904	1,329,760	–	198,928	931,903	1,130,831
Claims on Corporates	93,488,316	12,928,196	80,560,120	93,488,316	713,889	30,700,150	31,414,039	13,642,085	111,260,270	124,902,355	8,733,449	13,642,085	102,526,821	116,168,906	2,072,427	8,696,249	102,589,549	111,285,798
Claims Included in the Regulatory Retail Portfolio	35,148,095	–	35,148,095	35,148,095	–	293,245	293,245	–	35,441,340	35,441,340	5,208,958	–	30,232,382	30,232,382	1,680,054	–	25,686,934	25,686,934
Claims Secured by Residential Property	21,791,043	–	21,791,043	21,791,043	–	–	–	–	21,791,043	21,791,043	19,269,256	–	2,521,787	2,521,787	14,656,989	–	1,324,107	1,324,107
Claims Secured by Commercial Real Estate	3,661,640	–	3,661,640	3,661,640	–	–	–	–	3,661,640	3,661,640	259,531	–	3,402,109	3,402,109	–	–	3,402,109	3,402,109
Past Due Loans	5,344,346	–	3,201,946	3,201,946	–	–	–	–	3,201,946	3,201,946	269,484	–	2,932,462	2,932,462	52,441	–	3,287,915	3,287,915
Higher-Risk Categories	1,496,098	–	1,496,098	1,496,098	–	769,398	769,398	–	2,265,496	2,265,496	–	–	2,265,496	2,265,496	–	–	3,398,243	3,398,243
Other Assets	15,683,726	427,202	15,178,135	15,605,337	682,097	240,290	922,387	1,109,299	15,418,425	16,527,724	–	1,109,299	15,418,425	16,527,724	–	–	6,233,645	6,233,645
Claims on Securitised Assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Credit Derivatives (Banks Selling Protection)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**232,409,021**	**66,753,179**	**163,435,053**	**230,188,232**	**4,913,510**	**33,040,748**	**37,954,258**	**71,666,689**	**196,475,801**	**268,142,490**	**33,740,778**	**71,666,689**	**162,735,023**	**234,401,712**	**18,461,911**	**24,867,222**	**148,175,224**	**173,042,446**

6 CREDIT RISK MITIGATION - DISCLOSURES FOR STANDARDIZED APPROACH

31 DECEMBER 2015

All numbers in AED 000s

Quantitative Disclosures		Exposures	Risk Weighted Assets
	Gross Exposure prior to Credit Risk Mitigation	268,142,490	
Less:	Exposure covered by on-balance sheet netting	–	
Less:	Exposures covered by Eligible Financial Collateral	10,713,215	
Less:	Exposures covered by Guarantees	23,027,563	
Less:	Exposures covered by Credit Derivatives	–	
	Net Exposures after Credit Risk Mitigation	**234,401,712**	**173,042,446**

7 COUNTERPARTY CREDIT RISK EXPOSURE

31 DECEMBER 2015

All numbers in AED 000s

Asset Class	FX and Gold			IRS			Equities			Precious Metals 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	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	77,133	180	7,894
Claims on Public Sector Entities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Claims on Multilateral development banks	444,854	136	4,585	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Claims on Banks	57,363,821	162,823	875,948	34,580,350	308,499	559,119	75,673	32	4,678	–	–	–	2,132,743	19,130	266,323	–	–	–	75,091	485	7,994
Claims on Securities Firms	6,380,419	40,703	231,122	8,537,104	96,390	157,750	–	–	–	–	–	–	443,624	–	53,235	–	–	–	39,992	577	4,576
Claims on Corporate	13,038,376	622,456	994,564	13,371,808	131,595	244,302	–	–	–	–	–	–	2,328,872	522,928	799,297	–	–	–	11,019	–	1,102
Regulatory & Other Retail Exposure	1,346,769	4,407	22,818	1,236,702	–	2,624	75,673	96	4,743	–	–	–	76,674	5,286	14,357	–	–	–	–	–	–
Residential Retail Exposure	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Commercial Real Estate	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Past Due Assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
High Risk Category	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Assets	5,957,579	4,333	70,411	891,684	–	2,163	–	–	–	–	–	–	430,528	133	45,707	–	–	–	–	–	–
Claims on Securitised Assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Credit Derivatives (Banks selling protection)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**84,531,818**	**834,858**	**2,199,448**	**58,617,648**	**536,484**	**965,958**	**151,346**	**128**	**9,421**	**–**	**–**	**–**	**5,412,441**	**547,477**	**1,178,919**	**–**	**–**	**–**	**203,235**	**1,242**	**21,566**

8 MARKET RISK - CAPITAL REQUIREMENTS UNDER STANDARDIZED APPROACH

31 DECEMBER 2015

All numbers in AED 000s

Market Risk	Amount
Interest rate risk	40,330
Equity position risk	27,552
Foreign exchange risk	77,103
Commodity risk	–
Options Risk	1,380
Total Capital Requirement	**146,365**

9 EQUITY POSITION

31 DECEMBER 2015

All numbers in AED 000s

As at 31 December 2015, the bank's total equity investment portfolio amounted to AED 1,784 M, 2.3% 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".

QUANTITATIVE DISCLOSURES

1. QUANTITATIVE DETAILS OF EQUITY POSITION:

	Current Year		Previous Year	
Type	**Publicly Traded**	**Privately Held**	**Publicly Traded**	**Privately Held**
Equities	40,309	168,948	72,688	159,807
Collective investment schemes		1,574,437		1,501,098
Any other investment				
Total	**40,309**	**1,743,385**	**72,688**	**1,660,905**

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

Gains (Losses)	Amount
Realised gains (losses) from sales and liquidations	88,138
*Unrealised gains (losses) recognised in the balance sheet but not through profit and loss account	45,832
**Latent revaluation gains (losses) for investment recorded at cost but not recognised in balance sheet or profit and loss account	
Total	**133,970**

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

Tier Capital	Amount
Amount included in Tier I capital	88,138
Amount included in Tier II capital	20,624
Total	**108,762**

4. CAPITAL REQUIREMENTS BY EQUITY GROUPINGS:

Grouping	Amount
Strategic investments	
Available for sale	287,293
Held for trading	22,021
Total capital requirement	**309,314**

10 INTEREST RATE RISK IN THE BANKING BOOK

All numbers in AED 000s

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.

Shift in Yield Curves	Net Interest Income	Regulatory Capital
+200 basis point	265,872	(617,560)
-200 basis point	(265,872)	617,560

The above interest rate sensitivities are illustrative only and adopt simplified scenarios. The sensitivities do not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

Supplementary Shareholder Information

A. 2015/2016 Financial Calendar

Date	Event
22/04/2015	Q1'2015 Financial Results Announcement
26/07/2015	Q2/H1'2015 Financial Results Announcement
27/10/2015	Q3/9M'2015 Financial Results Announcement
15/09/2015	FGB Analyst & Investor Day 2015
31/01/2016	FY2015 Financial Results Announcement
06/03/2016	Annual General Meeting
15/03/2016	Ex-Dividend Date

B. FGB Share Information

Listing date	2002
Exchange	Abu Dhabi
Symbol	FGB
ISIN	AEF000201010
Number of shares outstanding	4,500,000,000
Closing Price as of Dec 31st, 2015	AED 12.7
Market cap as of Dec 31st, 2015	AED 56.9Bn (USD 15.5Bn)
Foreign Ownership Limit	25%

C. Ownership Structure as of December-end 2015

As of 31 December 2015, FGB's share capital stood at AED 4,500,000,000 divided into 4,500,000,000 shares at AED 1 each.

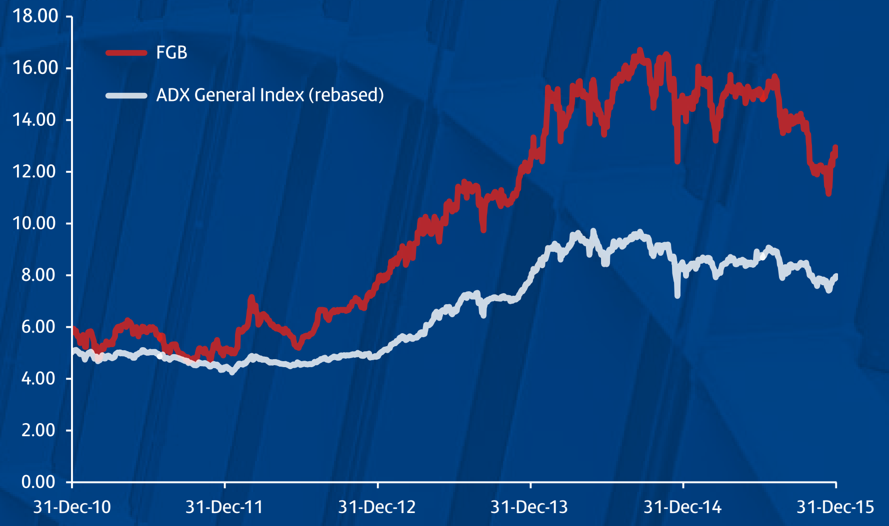
UAE Companies and Individuals 87.2%   Foreign Investors 10.8%   GCC (ex-UAE 2.0%)

D. Key Shareholder Data

	2015	2014	2013	2012	2011
Net Profit (AED Mn)	6,006	5,656	4,774	4,154	3,707
Cash Dividend (AED Mn)	4,500	3,900	3,000	2,500	1,500
Cash Dividend (% Of Capital)	100%	100%	100%	83%	100%
Bonus Shares (% of Capital)	-	15.38%	30%	-	100%
Dividend Payout Ratio (% Of Net Profit)	75%	69%	63%	60%	40%
Base II Capital Adequacy After Dividend Distribution[1]	17.5%	17.5%	17.4%	18.7%	18.0%

[1] CAR adjusted from Tier 2 MoF Loan of AED 4.5Bn which was repaid in 2013

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



Source: Euroland

	1 year	3-year CAGR	5-year CAGR
FGB	-14%	18%	17%
ADX	-5%	18%	10%

Source: Euroland