ADIB مصرف أبوظبي الإسلامي

ANNUAL REPORT 2015

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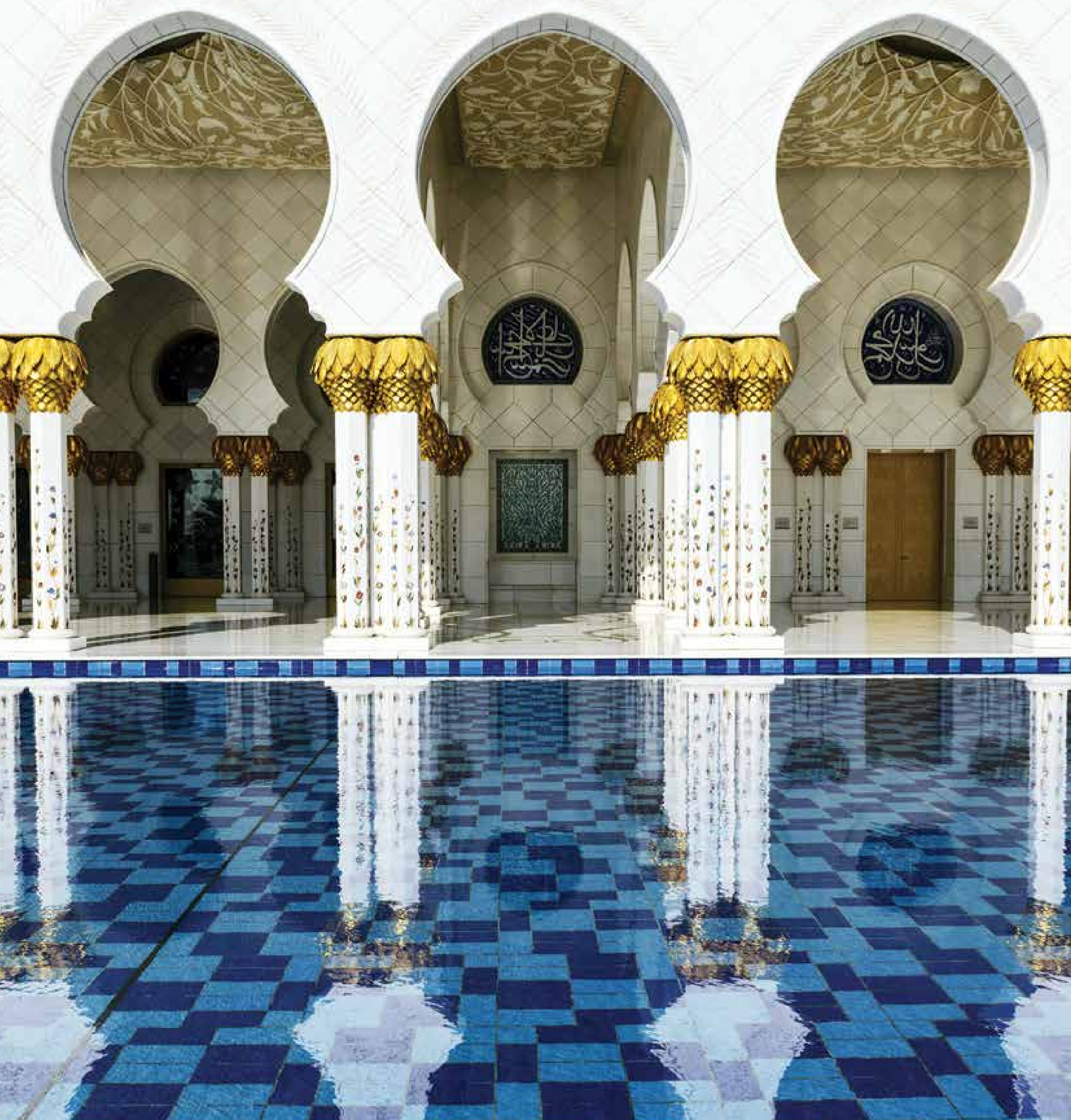


The late Sheikh Zayed bin Sultan bin Zayed bin Khalifa Al Nahyan
The first President of the United Arab Emirates
'Mercy be upon him'

His Highness Sheikh Khalifa Bin Zayed Al Nahyan
President of the United Arab Emirates
Ruler of Abu Dhabi
Supreme Commander of the UAE Armed Forces

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

Bank Overview, Mission, Vision and Values

Abu Dhabi Islamic Bank was established in 1997 through Emiri Decree and began commercial operations in 1998. All contracts, operations and transactions are carried out in accordance with Islamic Shari'a principles.

The Bank is a leading regional Islamic financial services group and has a wide distribution network, with 88 branches and more than 770 ATMs, and a presence in 6 other countries including Egypt, Iraq, the Kingdom of Saudi Arabia, Qatar, Sudan and the United Kingdom.

Our Mission

Islamic financial solutions for everyone.

Our Vision

To become a top tier regional bank.

Our Values

- We keep it Simple and Sensible
- We are Transparent
- We work for Mutual Benefit
- We nurture Hospitality & Tolerance
- We are Shari'a inspired

Bank Strategy

The Bank's overall strategy has three pillars:

Build market leadership within the UAE

- The key customer service units are Wholesale Banking, Retail Banking (Personal Banking and Business Banking), Private Banking and Community Banking supported by Cards, Transaction Banking, Treasury, Corporate Finance and Investment Banking and Wealth Management.
- ADIB's retail presence will continue to build towards market leadership.
- At the heart of ADIB's customer-centric approach is a bank-wide focus on customer service excellence.

Create an integrated financial services group

- ADIB continues to create a diversified Islamic financial services model.
- Currently ADIB provides customers access to real estate management agency and valuation (through MPM), takaful insurance (through Abu Dhabi National Takaful Company) brokerage (through ADIB Securities) and built its merchant acquiring business through ADIMAC and foreign exchange business through Arab Link.

Pursue international growth opportunities

- With the growing acceptance of Islamic banking worldwide, ADIB is increasingly turning its attention to replicating its business model through systematic geographic expansion.
- ADIB's international expansion began in Egypt with a joint venture structure, followed by the establishment of Iraq, UK, Saudi Arabia, Qatar and Sudan.
- ADIB is also in the process of applying for banking licences in a range of other countries.

Financial Highlights

AED 16.9

(billion) Capital Resources

AED 15.1

(billion) Equity

AED 118.4

(billion) Total Assets

82.6%

Customer Financing to Deposit Ratio

1,934

(million) Net Profit

5,134

(million) Total Revenues

Net Profit for 2015 increased by 10.5% to AED 1,934 million

Total Revenues for 2015 increased by 12.0% to AED 5,134 million

ADIB Group

Summary Income Statement	2015 AED mn	2014 AED mn	2013 AED mn	2012 AED mn	2011 AED mn
Net revenue from funding	**3,771.3**	3,505.0	3,066.4	2,905.3	2,841.2
Fees, Commissions and foreign exchange income	**965.0**	798.7	616.4	432.4	459.4
Investment and Other Revenues	**398.1**	279.3	248.5	227.9	125.2
Total Revenues	**5,134.4**	4,583.0	3,931.3	3,565.6	3,425.8
Operating profit (margin)	**2,760.3**	2,512.0	2,231.8	2,003.5	1,976.2
Credit Provisions and Impairment	**820.0**	757.8	780.4	802.3	821.1
Net Profit after Zakat & Tax	**1,934.0**	1,750.7	1,450.2	1,201.2	1,155.1
Summary Balance Sheet					
Total Assets in AED (Billion)	**118.4**	111.9	103.2	86.1	74.3
Customer Financing in AED (Billion)	**78.4**	73.0	61.7	51.2	48.8
Customer Deposits in AED (Billion)	**94.9**	84.8	75.5	61.3	55.2
Financial Ratios					
Customer Financing to Deposit Ratio	**82.59%**	86.12%	81.76%	83.48%	88.51%
Capital Adequacy Ratio - Basel II	**15.14%**	14.36%	16.86%	21.42%	17.39%
Cost Efficiency Ratio	**46.24%**	45.27%	43.26%	43.81%	42.30%

+12.0%

Total Revenues (AED mn)

2015	5,134
2014	4,583
2013	3,931
2012	3,566
2011	3,426

+9.9%

Operating Profit (Margin) (AED mn)

2015	2,760
2014	2,512
2013	2,232
2012	2,004
2011	1,976

+12.0%

Total Customer Deposits (AED mn)

2015	94,927
2014	84,776
2013	75,524
2012	61,326
2011	55,172

+7.4%

Total Customer Financing (AED mn)

2015	78,403
2014	73,006
2013	61,748
2012	51,197
2011	48,831

82.6%

Customer Financing to Deposit Ratio

2015	82.59%
2014	86.12%
2013	81.76%
2012	83.48%
2011	88.51%

15.1%

Capital Adequacy Ratio

2015	15.14%
2014	14.36%
2013	16.86%
2012	21.42%
2011	17.39%

Credit Ratings	Long term	Short term	Outlook
Moody's Investors Service	A2	P1	Stable
Fitch Ratings	A+	F1	Stable
RAM Ratings	AAA	P1	Stable

2015 Awards

Key Awards

Mohammed bin Rashid Al Maktoum Business Award

Best Overall Bank in the UAE in Customer Service for the 5th consecutive year by Ethos consultancy

Best Overall Bank in Customer Experience in the GCC for the 2nd consecutive year by Ethos Consultancy

Best Islamic Bank in the Middle East and UAE

Best Islamic Bank in the Middle East and the UAE by Euromoney

Best Islamic Bank in the UAE and in the Region by Banker Magazine

Most Popular Personal Finance by Souq Al Mal Website

Most Popular Home Finance by Souq Al Mal Website

Best Private Bank in the UAE by Global Finance

Best Private Bank in the Middle East for Islamic Finance by Private Banker International

Highest Number of Traded Accounts by Abu Dhabi Securities Exchange

Leading Arab Islamic Bank for 2015 by the World Union of Arab Bankers

Best Loyalty Card by Freddie Award

Best Islamic Bank for Treasury Management in 2015 by Islamic Finance News

Most Innovative Islamic Bank by Islamic Finance News

Corporate Finance Deal of the Year by Islamic Finance News

Key Awards

Cross Border Deal of the Year
by Islamic Finance News

UAE Deal of the Year 2015
by Islamic Finance News

Best Islamic Private Bank
in the UAE for 2015
by Islamic Finance News

Best Premium Banking Service
by Banker Middle East

Most Innovative Bank
in the Middle East
by EMEA Finance

Chairman's Statement

2015 was a year of investment for ADIB. We delivered on our strategy of offering the products and banking experience that our customers want by investing significantly in digital technology, new banking services and infrastructure.

+5.8%

Total Assets

Total assets increased by 5.8 % and deposits by 12 percent, while net customer financing grew by 7.4 percent. ADIB maintained its position as one of the most liquid banks in the UAE while simultaneously continuing to manage its cost of funding.

+10.5%

Net Profit

An increase of 10.5% in net profit to AED 1,934 million, underpinned by an increase of over 100,000 customers.

Dear Shareholders

On behalf of ADIB's Board of Directors, I am pleased to present our annual report for 2015. Despite the economic headwinds affecting the UAE's banking sector as a whole, we have done well to produce robust net profits together and growth in both our Financing assets and in our overall business. As always, I wish to express my thanks to the bank's management team and employees for their efforts in ensuring our continued success, together with my thanks to our much-valued Fatwa and Shari'a Supervisory Board for their expert advice and support.

Environment

The year as a whole was overshadowed by a continuation of lower oil revenues and an increasing sense that the low oil price scenario is likely to stay for longer. As a result, the impact on government spending and deposits across the region was higher than initially anticipated. While the region's non-oil economy appears relatively resilient, predictions by the IMF have been lowered from 3.2% in 2015 to 2.75% in 2016.

Nevertheless, the UAE's banking sector remains in good shape. Capital adequacy is well above the minimums required by Basel II, and the UAE Central Bank is playing a pivotal role, both in terms of minimising concentrated exposure and ensuring prudent management of assets. As a result, the UAE is still seen as a safe haven for investors and consumers, and the resulting inflows provide the stimulus for the economy to still perform better than many of its international counterparts.

That said, 2015 saw the beginning of a general slow down in credit growth, which is expected to continue through the coming year, particularly for corporates. However, the increasing demand for financing from retail customers is expected to make up much of the shortfall.

An area of the UAE's economy that felt the impact of the economic constraints more than most was the small to medium size enterprise segment. This accounts for a third of bank financing across banks in the UAE and up to 10% of it was subject to review or in default. ADIB saw tightening both in demand for credit as well as in the quality of existing assets with its SME clients. In response to this emerging trend, we were among a number of leading banks in conjunction with the UAE Banks Federation that led a joint approach for SME borrowers to provide support, protect their facilities and help them to stay in business.

Volatility in emerging markets meant that sukuk issuance was at the lower end of expectations in 2015, and latent demand for financing among large corporates/sovereigns was dampened.

Performance

2015 was a year of investment for ADIB. We delivered on our strategy of offering the products and banking experience that our customers want by investing significantly in digital technology, new banking services and infrastructure. As a result, our net profit grew 10.5% to AED 1,934 million, underpinned by an increase of over 100,000 customers.

Our total assets increased by 5.8% and deposits by 12%, while net customer financing grew by 7.4%. ADIB maintained its position as one of the most liquid banks in the UAE while simultaneously continuing to manage its cost of funding. The successful completion of a AED 504 million common equity right issue helped to ensure that ADIB's capital ratios continue to be well above the UAE Central Bank's prescribed minimums of 12% for capital adequacy and 8% for Tier 1.

Dividend

The Board fully recognises the importance of providing shareholders with a return that matches their faith and expectations in us. At the same time we need to invest in our future as well as demonstrate to our various other stakeholders that prudent management of our business lies at the heart of the company.

I am pleased therefore to report that the Board announced the distribution of 24.27% cash dividends for 2015. This represents 39.8% of full year net profits for 2015 and is equal to a total dividend payout of AED 769.0 million for 2015. This increase in dividend in comparison to last year's is an indication our confidence in the continuing growth and underlying strength of the bank and our gratitude to our shareholders for their continued support to the bank.

Recognition

Once again, ADIB has reaped a number of local and international awards for the quality of our services as well as excellence of performance. These include the "Best Islamic Bank in the UAE" award from EMEA Finance Magazine for the fifth year in a row, the "Employer of the Year" award from the UAE Higher Colleges of Technology, the "Mohammed bin Rashid Al Maktoum Business Award" for the second year, and the "Leading Arab Islamic Bank for 2015" award from the Union of Arab Banks. We place great significance on industry and country awards as they help us to demonstrate to our customers, our shareholders and our own employees the progress we are making in our endeavour to be seen as the UAE's best bank.

Ethical Banking

We believe that ethical banking is what our customers expect from us and this inspires the structure of our products, the delivery of our services and the principles that run throughout our business. However, we also strongly believe in doing everything we can to stimulate the growth and development of ethical finance globally. In October we announced the winners of our 3rd Ethical Finance Innovation Challenge Awards, which encourage and recognie innovation and an ethical mindset in finance. Our primary goal is to show that by being responsible guardians of our customers' financial well-being, everyone benefits.

Human Resources and Corporate Social Responsibility

In line with our 2020 strategic ambitions, ADIB continued to recruit the staff required to service its growing business while retaining a focus on performance management. As a result, the Bank's headcount in the UAE increased by 69 to 2,504 in 2015. We remain one of the leading banks in advocating the recruitment, development and promotion of local talent, and as at 31 December, we employed 1,177 UAE nationals, with an Emiratisation rate of 47%.

ADIB invests heavily in staff training programmes. This not only supports the skills of our people and the quality of the services we provide, but also reflects our commitment to ensure that the bank's services are properly and ethically structured and delivered. Meanwhile, our financial education program, 'Smartmoney', remains one of the UAE's outstanding bank sponsored initiatives for financial literacy, and specific services such as a debt relief product and a job loss protection scheme which avoid penalising customers at times of personal difficulty help to underline our ethical principles in practice.

We seek to contribute to the community we serve through a range of donations and projects, including our ongoing support for football in the UAE, community outreach programs and our sponsorship of humanitarian and cultural activities during the Holy Month of Ramadan.

Conclusion

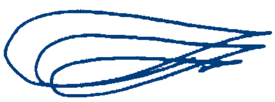
Despite the challenging economic conditions we expect to face as 2016 unfolds, we are confident that we have the momentum and ability to provide our shareholders with the returns they seek and deserve. We will also strive to further strengthen all areas of our business along ethical lines while observing conservative risk management practices.

We fully recognise the other principal challenge facing the banking industry. Market disruption is beginning to impact banks in the UAE through new digital solutions and non-bank entrants, and we will invest significantly in the coming year to bring on stream a further suite of offerings that will keep us in the forefront of cutting edge banking services.

I would like to extend my profound thanks to our outstanding management and staff as well as the Board of Directors. I would also like to express my gratitude and thanks to the leaders of the United Arab Emirates and in particular to His Highness Sheikh Khalifa bin Zayed Al Nahyan, the President of the UAE and Ruler of Abu Dhabi, may God protect him, and to His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Supreme Commander of the UAE Armed Forces.

I would also like to take this opportunity to offer our thanks to the Central Bank of the UAE for its unstinting support for both the UAE banking sector and for ADIB.

Thank you.



HE Jawaan Awaidha Suhail Al Khaili
Chairman

The ADIB Group Structure

Board of Directors

Financial Services Group

Banking:

Abu Dhabi Islamic Bank PJSC

Subsidiaries:

Abu Dhabi Islamic Securities Company LLC
ADIB (UK) Limited

Associates and Joint Ventures:

Abu Dhabi Islamic Bank – Egypt (S.A.E.)
Abu Dhabi National Takaful Company PJSC
Bosna Bank International D.D.
Saudi Finance Company CSJC
Arab Link Money Transfer PSC
Abu Dhabi Islamic Merchant Acquiring Company LLC

International Branches:

Qatar (QFC)
Iraq
Sudan

Non-Financial Services

Real Estate:

Burooj Properties LLC
MPM Properties LLC

Manpower:

Kawader Services Company LLC

Board of Directors and Chief Executive Officer

HE Jawaan Awaidha Suhail Al Khaili
Chairman

An appointment for the position of Vice Chairman will be made and announced in due course

Tirad Al Mahmoud
Group Chief Executive Officer

Abdulla Bin Aqueeda Al Muhairi
Board Member

Juma Khamis Mugheer Al Khaili
Board Member

Dr Sami Ali Al Amri
Board Member

Khamis Mohamed Buharoon
Board Member

Ragheed Najeeb Shanti
Board Member

ADIB Executive Management

Mr Tirad Al Mahmoud
Group Chief Executive Officer

Mr S Sarup
Global Head - Retail Banking

Mr A Usmani
Global Head - Wholesale Banking

Mr A Abdullah
Head of Strategic Clients & Community Banking

Mr W Al Khazraji
Head of Human Resources, UAE

Dr O Kilani
Global Head - Sharia

Mr B Belcher
Global Head - Risk Management

Mr A Z Alshehhi
Head - New Country Expansion

ADIB's management team is vastly experienced and together represents many years of banking expertise gained through academic qualifications and careers with highly-respected financial institutions.

Mr N Saliba
Global Head - International Banking

Mr A Kanan
Global Head - Audit and Risk Review

Mr A Qadir Khanani
Group Treasurer

Mr I Gore
Global Head - Human Resources

Mr S Mufti
Chief Operating Officer

Mr S Amir Zahidi
Chief of Staff and Group Governance

Mr G Mismar
Global Head - Legal Services and General Council

ADIB Subsidiaries, Associates and Joint Ventures Management

Ms N Loutfy
Chief Executive Officer & Managing Director, Egypt

Mr Walid Moncef Koubaa
CEO, Saudi Finance Company, ADIB Saudi Arabia

Mr Osama Abdeen
CEO, Abu Dhabi National Takaful Company PJSC

Mr Khaled Kurdieh
General Manager, ADIB Securities

Mr Masarrat Husain
CEO, ADIB UK

Mr Paul Maisfield
Board Member and CEO

Mr Amer Bukvicć
CEO, Bosna Bank International D.D.

Mr Pushpak Damania
CEO, Arab Link Money Transfer PSC

Mr Paul Taylor Hanlin
Head Abu Dhabi Islamic Merchant Acquiring Company LLC

Mr Paul Maisfield
Chairman and CEO

While we fully recognise the challenges that the market is currently facing, ADIB has maintained its focus on implementing a long-term growth strategy and delivering the levels of customer service that have become synonymous with its brand. It is therefore pleasing to report that over 100,000 new customers chose to bank with ADIB in 2015, taking their total number to over 875,000.

CEO's Report

ADIB delivered a strong and sustained level of financial performance in 2015, with the group's full-year net profit increasing by 10.5% to AED 1,934.0, million while total assets grew 5.8% against 2014 to AED 118.4 billion.

2015 Priorities

The Group's financial performance reflects the robustness of ADIB's 2020 ambition and related growth strategy, and our ability to adapt to the economic realities and competitive environment in which we operate. What is particularly pleasing is that we have done so without compromising on our commitment to provide best-in-market customer experience, evidenced by the fact that we now serve over 875,000 active customers across multiple client segments in the UAE.

Continued growth

ADIB delivered a strong and sustained level of financial performance in 2015. The Group's full-year net profit increased by 10.5% to AED 1,934.0 million, while total assets grew 5.8% to AED 118.4 billion compared to 2014 and net customer financing assets rose by 7.4% to AED 78.4 billion vs. 31 December 2014.

At its core ADIB is a customer centric organisation, but we recognise that being a top tier bank also means that we must also excel in meeting the needs and requirements of all our stakeholders, including regulators, shareholders and investors, our staff and the community at large. It is therefore of primary importance that ADIB continues to build the required level of capital - across all classes - that is appropriate for a bank with our ambition and profile. To underline this commitment, and on the back of the successful rights issue of 168 million shares in Q3 2015, ADIB increased total equity by 10.1% year-on-year to AED 15.1 billion, and the Group's capital adequacy ratio is now 15.14%.

Capital strength

After the successful completion of the common equity rights issue in Q3 2015, total equity (including Tier 1 capital instruments) was AED 15.1 billion as at 31 December 2015. This represents an increase of 10.1% year-on-year and a three-year compound growth rate of 6.0%. ADIB's capital adequacy ratio under Basel II principles now stands at 15.14%, with the Basel II Tier 1 capital ratio at 14.59%.

Notwithstanding the fact that ADIB's capital ratios continue to be significantly above the Central Bank of the UAE's current prescribed minimums of 12% for capital adequacy and 8% for Tier 1, ADIB intends to continue enhancing the Group's capital base through a series of specific actions. These will be aligned with the UAE Central Bank's expected adoption of Basel III in 2016, and will occur as and when market conditions are favourable and the cost benefits are in line with the Group's 2020 strategic ambition.

Achievements

Profit

ADIB has maintained its focus on implementing its long-term growth strategy and delivering the levels of customer service that have become synonymous with its brand. So it is therefore pleasing to report that over 100,000 new customers elected to bank with ADIB in. As a result, ADIB has continued to deliver a sustainable level of financial performance with the Group's full-year net profit increasing by 10.5% to AED 1,934.0 million for 2015 and total assets growing 5.8% against 31 December 2014 to AED 118.4 billion.

Commitment to excellence

ADIB is delighted to have once again been the recipient of numerous awards, since they recognise the bank's strategic commitment to delivering an award-winning customer experience across all segments. These accolades included: Best Bank in the UAE across both Islamic and conventional banks, Best Bank for Customer Service in the UAE for the fifth consecutive year and Best Overall Bank in Customer Experience across the GCC for the second year in a row.

Liquidity Management

ADIB maintained its position as one of the most liquid banks in the UAE. Customer deposits increased by 12.0% in the 2015 and stood at AED 94.9 billion as at 31 December 2015, with Central Bank placements at AED 6.8 billion and the net interbank position at AED 1.6 billion. Furthermore, the Group's strong liquidity position enabled it to repay the USD750 million five-year senior sukuk issued in Q4 2010 without having to return to the capital markets to raise new funding.

At the same time, a disciplined return on shareholders' equity combined with a capital conservation approach to asset growth reflected our reservations about the economic outlook and continued low credit spreads. Nevertheless, customer financing assets grow by 7.4% ahead of 2014 to reach AED 78.4 billion, and as a result, ADIB ended 2015 with a healthy customer financing to deposits ratio of 82.6%.

Risk Management

Total non-performing accounts decreased by 5.3% in 2015 to AED 3,135.1 million reflecting ADIB's continued application of best practice credit risk management and proactive remedial efforts. Notwithstanding this improvement in asset quality indicators, ADIB took an additional AED 431.8 million in 2015 in specific provisions while further increasing collective provisions by AED 338.8 million. These collective provisions reflect our conservative credit outlook and, excluding the AED 400 million credit risk reserve established in Q4 2012, now represent 2.30% of total customer risk weighted assets. This is well above the 1.5% required by the Central Bank of the UAE.

Total credit provisions net of write-offs now stand at AED 2,995.1 million. Specific and collective provisions, excluding the credit risk reserve, represent a healthy pre-collateral coverage ratio of 95.5% of the total non-performing portfolio and 111.4% of the impaired portfolio.

Other ADIB Group companies

ADIB Securities:

Increased economic uncertainty around Emerging Markets and the negative outlook of sectors associated with oil and gas fueled the bearish sentiment of the UAE and global equity markets. Our stock-brokerage subsidiary, ADIB Securities, consequently registered a decrease of 38.5% in net profits of AED 47.0 million in 2015. While we recognise the cyclical nature of this business and its importance to our Priority and Private Banking client value proposition, we remain committed to providing our clients with best in market execution capabilities while ensuring that the business is well positioned for the next upturn.

Real Estate

With the downturn in some aspects of the Real Estate market in the UAE we deemed it prudent to increase impairments relating to Burooj's historical activities by a further AED 5.2 million in 2015. This conservative approach is in line with our ongoing focus on the orderly reduction of the Group's exposure to proprietary Real Estate, when it makes good financial and business sense to do so, while simultaneously building a market leading customer focused Real Estate proposition across the Bank and its subsidiaries.

Outlook

We cannot ignore the economic realities of the markets in which we operate and thus remain cautious about the levels of growth forecast for 2016. Our concern is reinforced by the competitive pressure on credit spreads, together with increasing signs of credit stress in certain client segments and industry sectors.

Furthermore, while ADIB remains one of the most liquid banks in the region, the pressure on market liquidity levels is expected to continue. While we have the capacity and capability to carry out further capital market issuances, market conditions are difficult to forecast given the uncertain interest rate outlook. As a result we will continue to grow and diversify our customer deposit base as the Group's primary source of funding.

Finally, given ADIB's market best practice approach to raising and optimising capital, we will continue to act as necessary to ensure that the Group has the required capital base to support its 2020 growth strategy while being able to fully adopt Basel III as and when it is introduced in the UAE.

Tirad Al Mahmoud
Group Chief Executive Officer

ADIB مصرف أبوظبي الإسلامي

ولاء متعاملينا .. مكافأتنا

The loyalty of our customers is our reward.

adib.ae

Business Review

ADIB's vision of becoming the number one retail bank in the UAE remained on track during 2015 with the continued expansion into new customer segments, including the expatriates segment, whilst retaining focus on the core UAE National customer base.

Retail Banking

ADIB's vision of becoming the number one retail bank in the UAE remained on track during 2015 with the continued expansion into new customer segments, including the expatriates segment, whilst retaining focus on the core UAE National customer base. The successful acquisition and integration of the UAE retail business of Barclays gave ADIB a great opportunity to be a bigger player in the expatriates segment with the number of customers reaching 878K customers (40% Local, 60% Expat), which represented an increase of 13% year-on-year in total.

2015 was also a year of significant competitor activity, despite this ADIB produced a strong set of results with gains over 2014 in all key measures: total Retail Banking revenue was up by AED 403 million, exceeding AED 3 billion, operating profit increased by 15%, total financing assets increased by 12% and total deposits rose by a record 20%.

ADIB maintained its position as one of the largest retail banking networks in the UAE with the opening of its 88th retail branch, and a network of 769 ATMs. 2015 saw increased adoption of ADIB digital channels including the ADIB Banking mobile app; the ADIB mobile app allows customers to perform a variety of transactions and apply for a number of services. Customers voted the app as one of the most popular in the UAE. The application is now widely used by a large number of ADIB's customers.

ADIB invests heavily in staff training programs and 2015 saw the launch of the ADIB retail banking training academy with a curriculum specifically developed to strengthen the skills of the Retail Banking staff on customer service, product development, processes and procedures and policies. This not only supports the growth of its people and the quality of the services it provides, but also reflects its commitment to ensure that its services are properly and ethically structured and delivered. This is reinforced by its external facing financial education programme "smartmoney", which provides guidance to customers, students and the wider community.

This performance was reflected in the number of awards won by the Bank during the year: "Best Overall Bank for Customer Service in the UAE" for the fourth consecutive year and 'Best Overall Bank in Customer Service in the GCC" by the Ethos Consultancy and "Best Overall Islamic Retail Bank" by Global Finance. The bank's continued focus on providing leading products and superior customer service was recognised as it was named the most recommended bank for its car and home finance products by "Souqalmal.com".

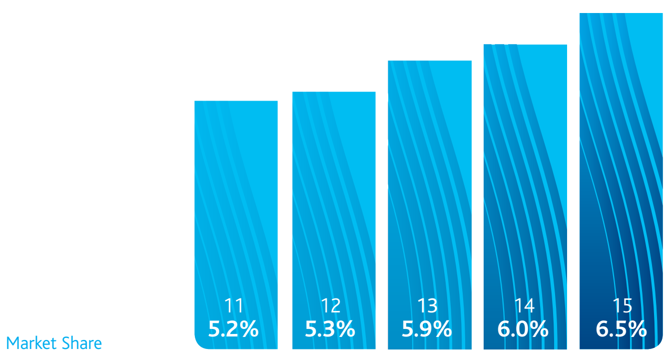
2016 will see continuation of our existing successful retail strategy and focus on enhancing our presence in the core UAE National segment. The expertise acquired from the successful integration of Barclays team will significantly complement ADIB's existing strengths and allow ADIB to serve targeted segments of the expatriate market. We will maintain our leading position in key products such as home finance and vehicle finance, enhance our focus on servicing and customer acquisition via digital channels.

Business Banking

ADIB Business further enhanced its one-stop-shop concept with the development of comprehensive credit programs for all of its business segments, and the launch of POS financing. The division also increased process automation and broadened the provision of alternative channels. SME sections in key branches were also launched to leverage the retail branch network and to enhance customer service for business customers.

In the coming year, Business Banking has identified a number of priority areas to further strengthen its business banking proposition and increase its share of the SME market in a conservative manner. These include a more focused segmental approach and greater emphasis on transactional banking and cash management services.

Growth in Customer Deposits



Wholesale Banking Group

During 2015, ADIB's Wholesale Banking Group continued with its 2020 strategy of becoming the best and most professional wholesale bank in the UAE.

We demonstrated our strong track record in financing and advising large and mid-size corporates on capital markets, M&A advisory, syndicated financing, cash management and global trade services. Our ability to deliver solutions for deals with complex and challenging risk profiles was our key differentiating factor compared to the competition.

The Wholesale Bank recorded top line revenue growth of 11% with an asset growth of more than 5%. This top line growth was augmented through strong cross sell in our Investment Banking, Treasury, Real Estate Services and Transaction Banking product suites. During the course of the year, a number of key strategic initiatives were executed including the:

- Launch of a Commercial Real Estate Advisory and Solutions Unit - comprised of a dedicated team of real estate finance professionals, offering a full range of Islamic financing and advisory services. This comprehensive offering was delivered in cooperation with an ADIB owned Real Estate Service Company.
- Enhancement in our relationship coverage model - through client segmentation based on geography and specialized industries. We are developing a strong customer centric culture within the Wholesale Banking Group.
- Building of our Corporate Finance and Investment Banking distribution capability – through the appointment of a dedicated Distribution Head
- Establishment of our credentials as a leading Regional bank in the Marine Industries and related sector - through execution of value added financing solutions for our clients operating in this sector.
- Launch of the Global Relationship Banking ('GRB') Business across the entire ADIB presence countries. In this regards, a senior and dedicated GRB Head was hired to establish this business for our Regional Clients operating in ADIB presence countries.
- Reinforcement of our strategic focus on Global Transaction Banking Services to leverage growth. This included hiring of a GTB Head and several other senior resources in 2015 to transform our Transaction Banking business model.
- Focus on enhancing customer experience within the Wholesale Banking Group. As an initial step towards achieving this goal, we dedicated additional resources, improved client interaction channels and undertook client surveys to improve customer experience.

Specifically, within our Product Groups, key performance highlights were as follows:

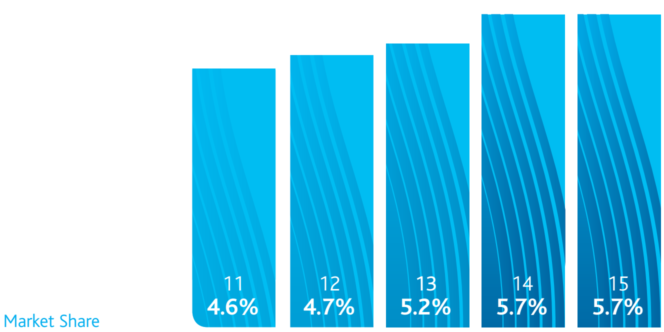
Corporate Finance and Investment Banking Unit

2015 was another strong year for CFIB despite the market backdrop. Overall, CFIB concluded over 24 landmark transactions across syndicated finance, Sukuk, advisory and Equity Capital Markets (ECM) products. A number of milestones were achieved in 2015 including kick starting the corporate advisory franchise with the conclusion of the first M&A deal – whereby, ADIB acted as the sell-side advisor to Egon Oldendorff – one of the largest bulk carriers in the world.

CFIB also made a strong foray into the ECM league tables, whereby CFIB team led ADIB's AED 504 million rights issue, the first tradable rights issue for a bank in UAE which was nearly 3x oversubscribed.

Additionally, CFIB was involved in arranging multibillion dollar in Sukuks and syndicated & structured finance deals on behalf of Government Related Enterprises (GREs), major Corporates and Financial Institutions (FIs). ADIB successfully concluded landmark syndicated finance transactions totaling more than US$ 5.5 billion in 2015 (as MLA & bookrunner), which positioned ADIB as a market leader across Islamic syndicated finance bookrunner league tables. ADIB maintained its No.1 ranking with 25% market share of Islamic syndicated finance in accordance with rankings published by Dealogic (a position maintained since 2010).

Growth in Customer Financing



During 2015, ADIB's Wholesale Banking Group continued with its 2020 strategy of becoming the best and most professional wholesale bank in the UAE.

The Specialized Finance unit under CFIB continued its leadership in the offshore and shipping finance businesses by structuring and arranging in excess of US$ 1.5 billion of asset finance transactions in the last 12 months. ADIB now stands out as the regional "Power House" in structuring, arranging and advising in the shipping & offshore sectors.

On the Capital Markets front, ADIB led - as JLM and bookrunner on a number of high profile Sukuk mandates on behalf of Emirates Airlines, Majid Al Futtaim, Sharjah Islamic Bank and Noor Bank. In addition, ADIB continued on the path of innovation in the Sukuk business by leading as JLM and bookrunner in the first privately placed Sukuk of AED 400 million for Mohebi Logistics.

Some of the notable Sukuk and Syndicated Finance deals for 2015 included:

- Majid Al Futtaim: US$ 500,000,000 Sukuk – JLM and bookrunner. One of the longest tenors achieved for a privately owned GCC corporate – deal closed in October 2015.
- Emirates Airlines: US$ 913,000,000 ECGD backed Sukuk – JLM and bookrunner. First UK Export credit agency backed Sukuk used to fund acquisition of aircrafts – deal closed in March 2015.
- Sharjah Islamic Bank: US$ 500,000,000 Sukuk – JLM and bookrunner. Deal closed in March 2015.
- IMG World of Adventure: AED 1,822,000,000 Syndicated Finance facility – sole bookrunner, Investment and Security Agent – deal closed in November 2015.
- Gulf Marine Services: US$ 620,000,000 Syndicated Finance facility – Sole bookrunner on this high profile syndication, affirming ADIB's leadership position in the Shipping and Offshore sectors – deal closed in November 2015.

Global Transaction Banking Services ('GTB')

Global Transaction Banking underwent reorganization whereby, a new GTB Head and a senior team were hired to take the business to the next level. We are working on a transformation process to build state of the art Regional Cash Management, Trade finance and online banking platform that meets the client needs.

In addition, during 2015, ADIB introduced dedicated corporate branches, host to host channels and enhanced mobile payments solutions for our valued corporate customers.

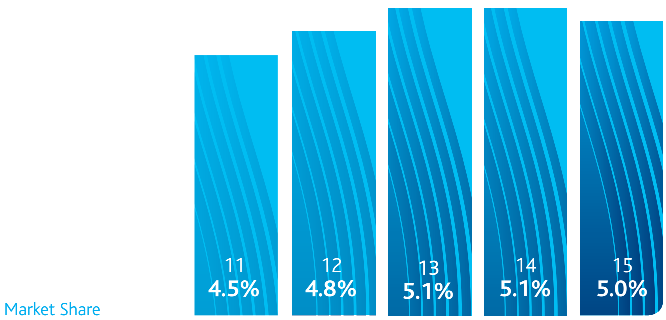
ADIB continues to invest in technology to address evolving customer needs - through development of the state of art systems, along with a dedicated professional team to serve our clients.

Future plan

While 2016 is likely to present a challenging macroeconomic environment – we remain committed in delivering to our clients a

- A strong customer centric culture.
- Comprehensive financing solutions, including syndications, project and structured finance.
- A 'one-stop shop' for IPOs, capital market issuances and M&A advisory.
- Customized Commercial Real Estate financing solutions and services.
- Comprehensive suite of flexible online financial solutions.
- Access to ADIB's ever expanding international footprint as well as global correspondent banking network.
- Lastly, we continue to provide a team of seasoned professionals with extensive industry, structuring and execution experience to meet the diverse needs of our clients.

Growth in Total Bank Assets



Private Banking Group

After the strategic repositioning of Private Bank Group in 2013, the business continued to execute on its strategy and launched series of initiatives in 2015 to further position ADIB as THE leading onshore-based Private Bank in the UAE and Qatar. The new products focused on delivering against the needs of high-net-worth clients in the local market, including Margin Trading against local UAE equities and offered through ADIB Securities; leveraging financial assets mainly in the Sukuk market, and offering bespoke structured products to meet clients' requests. The business continues to offer exceptional expertise in local real estate financing structuring and offering, have therefore expanded its financing business to cover financial assets as well. Our plan is, ultimately to build a portfolio-based approach to financing of private clients. The PB group has been successful not only in growing the business but also maintaining a very healthy financing portfolio while growing the wealth side of the business through increased levels of client investments and build-up of additional Assets Under Management (AUM) which have reached new record levels.

The group also offers credit advice and solutions; fixed income and equity investment advisory and execution capabilities; deposits and yield optimization; and banking transactional services. The business continues to expand and leverage access to the top names in our UAE market and expanded its offering to wealthy individuals and families in the GCC region.

The group demonstrated distinguished distribution and placement capabilities building on close client relationships. Last year was a strong year for the Private Bank Group at ADIB as it continues to be recognized by the industry as an important participant. For the second year in a raw, ADIB business, won for the 2nd year in a raw "The Best Private Bank in the UAE" award by two different institutions (Global Finance Magazine & Islamic Finance News).

The investment advisory team within the Private Bank Group has further enhanced their comprehensive range of solutions, and plays an important role both within private banking and other businesses within ADIB Group. Their ability to innovate in the Shari'a complaint Wealth Management and investment space drove the placement of a number of new capital market issues which resulted in a growth of clients assets under management (AUMs) of 32% over the previous year.

Treasury

ADIB Treasury continued its strong performance in 2015 led by its client centric strategy despite volatile market conditions. The overall Treasury revenue increased by 29% and overall customer flow business increased by 82% resulting from increased cross sell of Sukuk and alternative investment products to Priority customers and FX hedging solutions to Business Banking customers. ADIB Treasury has been able grow its product suite across asset classes supported by its in-house expertise to advice customers and offer tailored solutions on FX and profit rate exposure management as well as investments. This year ADIB Treasury developed Equity Convertible Wakala, Shari'a Complaint Alternative to FX Options and other FX based hedging solutions for its customers. ADIB Treasury continued with their ambition to be the Best Islamic Trading Bank by increasing their Sukuk Trading flow business with counterparties from Europe to Far East together with a dedicated Institutional Sales desk for FI Customers.

This year again ADIB Treasury was recognized by the market for Best Islamic Bank for Treasury Management by Islamic Finance News Awards as ADIB continues be one of the most liquid banks in the UAE.

Treasury's aim for 2016 remains to build on its strengths and constantly re-innovate themselves to support and guide the customers on exposure management in current and expected challenging economic environment while continuing to invest funds for the Bank's own account and manage the relevant market risk for the Bank.

Community Banking

Community Bank division continuous to manage & attract the pioneers of NPOs within the UAE since 2011. Since the inception of Community bank division and the continuous efforts placed in striving new-on-board clients within UAE to share our Mission and shared values, we have only shared one success story following the other.

In 2015 the division served more than 132 NPO customers, ranging from non-profit organizations to government and private companies that work to serve the UAE community.

Community Banking partnered in fund raising, donations, and charity causes, and utilized ADIB's non-competitive infrastructure within the UAE and globally. Sectors included Humanitarian, Social, Educational, Cultural, Environmental and Healthcare.

The division offers customized banking services, including current and savings Accounts, appropriate financing solutions, investment management such as Sukuk, endowment management options, business planning and advisory, transaction banking, cash management and a wide range of Shari'a compliant products and services.

Operations and Technology

The Operation and Technology Group at ADIB manages the infrastructure of the bank and its subsidiaries, and is a key enabler in supporting ADIB achieve its strategic objectives of being the top-tier Islamic bank for our customers, shareholders and staff.

Operation and Technology Group operates under a set of guiding principles, namely, customer centricity, simplicity & sensibility, strong controls and streamlined processes; delivered through focus on each principle in collaboration with the business strategy communicated to the team to ensure execution against them.

Throughout 2015, a significant part of management time was focused on strengthening compliance culture and institutionalizing controls across ADIB using people, process and technology as key enablers.

Several strategic initiatives were completed in 2015 including the rollout of a new branch automation solution to improve customer service, migration of technology infrastructure to a state of the art data center leading to enhanced performance and improved controls, business process improvements across business & operations leading to improved efficiencies, a safe and sound operating environment and a play-book for international expansion. Moreover, launch of ADIB digital studio and agile approach to technology was adopted to support ADIB's Digital strategy through innovative solutions. Finally, skill set and key processes were significantly enhanced in compliance to support ADIB's business needs.

Looking ahead to 2016, we are committed to continuing to deliver a superior customer experience. In so doing, Operations & Technology will continue to strengthen the performance of ADIB's network serving all our clients, expand ADIB's digital offerings, supporting launch of digital branches in key selected locations, strengthening its information security practices and upgrading talent as these are key to ADIB's growth strategy.

As ADIB continues to grow, the Operation and Technology team is committed to putting in place the needed capabilities to serve ADIB's clients locally, regionally and internationally as we work towards fulfilling our 2020 vision.

Human Resources

The Human Resources Division supports ADIB's leadership team by attracting, developing and retaining both UAE National and Expatriate talent in line with the needs of the business.

In 2015, the division implemented a number of initiatives particularly targeted at development of UAE Nationals in Banking positions and was recognized for this effort by Emirates Institute for Banking and Financial Studies (EIBFS) with the Human Resource Development Award, HCT Best Employer of the Year 2015, and First Place Islamic Products Design Award 2015 from the Retail Banking Academy. During 2015, 386 UAE Nationals were inducted into the bank and deployed in various divisions.

Investment in building skills and capabilities of employees continued in 2015 with a suite of world class training programs, including a program for the development of High Potential UAE Nationals and an accredited Leadership Development program in collaboration with Abu Dhabi University. The Division also offered other certified development programs resulting in the creation of significant development opportunities for existing employees.

Our ***Tamkeen*** program offered our high performing mid-level UAE National females development opportunities and the necessary leadership skills to enhance their careers.

Considerable effort was directed towards the development of staff, based on an analysis of training needs and overall business requirements. An average of more than five days training per person was achieved during 2015.

For 2016, our e-learning offering will be expanded, a facility for employees to self-assess their desired training needs is planned and more in-depth analysis of our existing Talent bench strength will be undertaken. We will also revamp our Talent Management process wherein successors for key senior roles are identified and groomed, reexamine our Management Associate Programs and look to introduce a very selective Executive Leadership Program for existing middle management.

International Operations

International Business Group

ADIB's International Business Group "(IBG) was formed in 2014 to oversee the Groups International branches and subsidiaries and to lead ADIB's initiative to develop its international presence. ADIB is uniquely positioned in key trade countries. IBG aims to strengthen its presence in the MENA region and position itself as a hub for Multi National Corporates, Financial Institutions and individuals undertaking business in and out of the region. In 2015, we continued to invest in human capital and technology across all markets. These businesses are manned by seasoned bankers who are familiar with the local markets and are working closely with our customers to establish end to end solutions to meet their needs.

Abu Dhabi Islamic Bank, Iraq

Adib started operating in Iraq with the opening of the Baghdad Branch in March 2013 which was followed by branches in Erbil in November 2013 and Basra in November 2015.

2015 was a turbulent year for the country and as a result we focused on risk management, building infrastructure, investing in technology and consolidating support for the business with the Abu Dhabi head office. Our actions were taken to ensure we are well positioned to meet our customers' needs as the environment stabilizes. We also invested heavily in our people through undertaking extensive training and the introduction of a management associates program to train young Iraqi graduate talent.

Our efforts are now reflected in ADIB Iraq being widely recognized as a 'Best in Class' Islamic bank in Iraq. It has in place a full range of business services and product offerings, including letters of credit issuances, import bills for collections, murabaha and istisnaa financing, stand-by letters of credit and well as bid and performance bonds.

Abu Dhabi Islamic Bank, UK

ADIB UK was established in 2012 to service the London needs of ADIB Group's existing relationship banking customers from GCC and MENA countries. Operating from a prestigious address of 1 Hyde Park in London and in the world's pre-eminent financial centre, ADIB UK has introduced a number of banking services and products to meet the specific needs of such clients.

During 2015 the Bank upgraded its internal capacity and added further talent to its key managerial functions to create a scalable growth platform and diversified its product offer to include mortgage financing to Group corporate and individual customers.

Abu Dhabi Islamic Bank, Qatar

Established under the jurisdiction of the Qatar Financial Centre, ADIB Qatar has succeeded in executing its2015 business plan by establishing a strong franchise covering both Corporate and Private Banking customers.

ADIB Qatar serves top tier Corporates and HNW group customers with high quality and dedicated services. In 2015 we entered in a number of important transactions for both of existing relationships as well acquiring new customers.

Abu Dhabi Islamic Bank, Sudan

Adib's Sudan branch had a very strong year in 2015 achieving profitability in only its second full year of operation. It achieved these results operating out of one branch in Khartoum and focused on corporate business supporting both local corporates and Adib group customers operating in Sudan.

The business operates to detailed compliance, governance and risk frameworks which have facilitated us in also working with the government in low risk structures that have financed strategic commodities and infrastructure projects such as a Dam in the Nile.

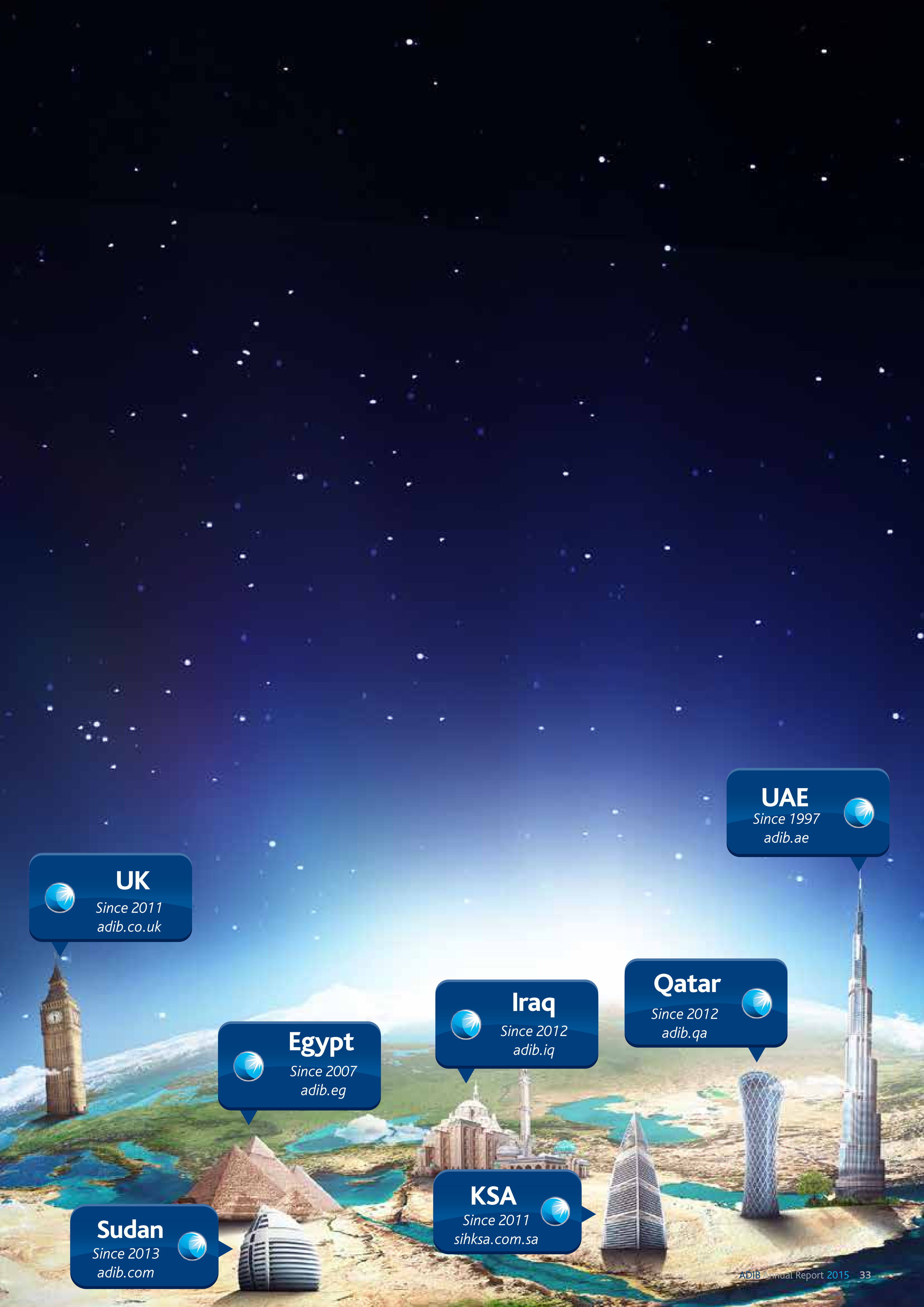
The foundations built in the first two years of operation have laid the foundations for sustained and controlled growth in 2016.

Saudi Finance Company

2015 was a year of consolidation during which the company was able to substantially increase its profitability through successfully leveraging prior investments in infrastructure and distribution. During the year the company successfully aligned its operating and business model to the new corporate governance and regulatory environment following SAMA taking over responsibility for regulating the activities of finance companies.

2015 also witnessed some significant milestones namely the conversion to IFRS, implementation of new accounting and human resources systems and importantly the implementation of a new finance origination system aimed at enhancing customer service and operational efficiency.

Saudi Finance Company optimized its footprint and presence in the Kingdom by relocating its branch in Khobar to Dammam City; positioning itself to serve a larger customer base and also closed its branch in Badiya. 2015 also witnessed challenges in the credit environment and we saw an increase in customer delinquencies on the back of economic slowdown and as a result we strengthened its collections capacity.


UAE
Since 1997
adib.ae
UK
Since 2011
adib.co.uk
Qatar
Since 2012
adib.qa
Iraq
Since 2012
adib.iq
Egypt
Since 2007
adib.eg
KSA
Since 2011
sihksa.com.sa
Sudan
Since 2013
adib.com

Branch Management

Mr S Awadallah

Mr N Al Abdool

Mr Y Ahli

Mr O Alrais

Mr A Al Dhaheri

Mr A Al Najar

Mr H Al Shamsi

Mr F Shami

Mr A Al Mulla

Mr A Al Melhi

Mr A Waheedi

Mr Y Jaafar

Mr Z Al Khazraji

Mr M Al Dhanhani

Mr H Kader

Mr F Al Rais

Mr M Abuzour

Mr K Al Hosani

Mr H Al Shateri

Mr A Al Nuami

Mr M Al Khoori

Mr M Barghouth

Mr A Al Hammadi

Mr H Al Hosani

Mr Y Al Hammadi

Mr A Al Balooshi

Mr A Al Boloshi

Mr H A Al Naqeeb

Mr I Al Baloushi

Mr M Zainal

Mr I Al Qasser

Mr S Al Ameri

Branch Management continued


Mr F Ibrahim


Mr M AlTunaiji


Mr A Zaabi


Mr S Al Shaali


Mr A Al Mutairi


Mr A Al Shehhi


Mr S Al Askar


Mr A Al Zubaidi


Mr S Qamer


Mr R Al Mutawwa


Mr A Al Mazrooi


Mr A Al Afifi


Ms M Al Darmaki


Mr H Mohamed


Mr M Al Mehairy


Mr S Al Dhaheri

Mr S Al Shehhi

Mr Y Al Nuaimi

Mr J Ali

Mr K Al Mahfoudhi

Mr M Al Ali

Mr M S Al Ali

Mr O Al Shehhi

Mr S Al Kaabi

Mr Y Al Suwaidi

Mr S Al Nuaimi

Mr S Al Marzouqi

Mr F Saeed

Mr M Al Marar

Mr A Al Baloushi

Mr S Kaoud

Mr S Al Naqbi

Branch Management continued


Mr M Abul Qadir


Ms P Gomez


Mr K Farhan


Mr M Ali


Mr O Thoban


Mr M Al Shabibi


Mr A A Al Marzooqi


Mr A Al Shahai


Mr A Al Mitwali


Mr F Al Naqbi


Mr M Abouzeid


Mr M H Al Ali


Mr S O Al Ghafli


Mr S Al Ghallabi


Mr T Chacko

Bank Branches’ Network

Abu Dhabi (Central Area)

1. Najda Street
2. Mushref
3. Khalidiya Ladies
4. Muroor
5. Abu Dhabi Municipality
6. Al Wahda Mall
7. Abu Dhabi Police GHQ

Abu Dhabi (Corniche Area)

8. Khalidiya Gents
9. Sheikh Khalifa Street
10. Sheikh Khalifa Energy Complex
11. Al Mina
12. Al Bateen
13. Abu Dhabi Immigration
14. Abu Dhabi Shari’a Court
15. ADIA Cash Office
16. Marina Mall
17. Abu Dhabi Chamber of Commerce Cash Office
18. Nation Towers
19. Emaar Square
20. Hamdan Street

Abu Dhabi (East + West Area)

21. Baniyas
22. Mussafah
23. Binal Jesrain
24. Abu Dhabi Airport
25. Al Rahba
26. Dalma Mall
27. Khalifa A City
28. Bawabat Al Sharq Mall
29. Shahama
30. Deerfields Townsquare
31. Yas Mall
32. Madinat Zayed
33. Al Ruwais
34. Madinat Zayed Immigration Cash Office
35. Al Sila
36. Al Marfaa
37. Delma Island
38. Liwa
39. Gayathi
40. Ruwais Mall

Al Ain

41. Al Ain
42. Al Jimi
43. Sinayia
44. Al Yahar
45. Al Murabbaa
46. Al Ain Municipality
47. Al Ain Immigration Cash Office
48. Al Wagan
49. Hili Mall
50. Oud Al Tobba Ladies
51. Al Bawadi Mall
52. Al Ain Court Cash Office

Dubai (Bur Dubai Area)

53. Sheikh Zayed Road
54. Dubai Mall
55. Arenco - DIC
56. Jumeirah
57. Al Barsha
58. Ibn Battuta Mall
59. Mankhool
60. Jumeirah Lake Towers (JLT)
61. JAFZA

Dubai (Deira Area)

62. Deira
63. Al Twar Branch
64. Nad Al Hamar
65. Al Mamzar
66. Al Regah
67. Oud Metha
68. Al Warqaa
69. Al Mohaisnah
70. DAFZA

North Emirates

71. Sharjah
72. Ajman
73. Wasit Street
74. Umm Al Qaiwain
75. Sahara Centre
76. Al Buhairah
77. Ajman Corniche
78. Al Qarayen
79. Al Hamriya Free Zone
80. Fujairah
81. Ras Al Khaimah
82. Dibba
83. Khor Fakkan
84. Al Dhaid
85. RAK Airport Road
86. Kalba
87. Al Hamra Mall
88. Fujairah City Centre

Financial Services Business Review

ADIB Securities

Our stock-brokerage subsidiary, ADIB Securities, ranked amongst the top 5 brokerage houses in the UAE at the end of 2015 and raised its market share from 5.5% in 2014 to 8.4%.

ADIB Securities registered a net profit of AED 47.0 million in 2015, down by 38% from the previous year despite a 52% drop in trading volumes on the local stock exchanges during the year. ADIB Securities continued to attract new customers winning their trust through its state-of-art trading platforms and superb client services. ADIB Securities continues to be a market leader in sharia compliant equities trading thus ranking 1st in UAE in terms of Islamic brokerage volumes.

Key priorities for 2016 are continuing the investment in improving infrastructure and network capabilities and offer investors access to selective regional and global equity markets.

Abridged Balance Sheet

31 December	2014 AED Million	2015 AED Million
ASSETS		
Bank balances and cash	699.1	687.5
Investment in equities	0.1	-
Account recievables and prepayments	102.8	127.3
Property and equipment	1.2	2.0
Total Assets	803.2	816.7
LIABILITIES		
Accounts payable and accruals	39.3	9.3
Total Liabilities	39.3	9.3
EQUITY		
Share capital	30.0	30.0
Unconditional Shareholders Advance	600.0	600.0
Retained earnings and other reserves	133.9	177.4
Total Equity	763.9	807.4
Total Liabilities and Equity	803.2	816.7

The above financial results are consoldiated line by line in the Abu Dhabi Islamic Bank's Consolidated Financial Statements as required by *International Financial Reporting Standard 10 - Consolidated Financial Statements*

Abridged Income Statement

For the year ended 31 December	2014 AED Million	2015 AED Million
Commission Income	85.7	52.2
Other revenues	8.7	11.5
Total Revenues	94.4	63.7
Total expenses	(18.1)	(16.7)
Profit for the year	76.3	47.0

Non-Financial Services Business Review

Burooj Properties

The repositioning of ADIB's Real Estate subsidiary, Burooj Properties, to better reflect the Group's investment and development property portfolio, continued in 2015. With the downturn in some aspects of the Real Estate market in the UAE we deemed it prudent to increase the impairments relating to Burooj's historical activities by a further AED 5.2 Mn in 2015. In addition the sale of the trading assets has completed in 2015.

Abridged Balance Sheet

	31 December	
	2014 AED Million	**2015 AED Million**
ASSETS		
Bank balances and cash	137.0	**212.7**
Investment in properties	1,136.7	**1,083.5**
Investments in equities	22.8	**18.9**
Advance against purchase of properties	1,030.5	**1,059.1**
Property and equipment	146.8	**142.9**
Other receiavbles	35.8	**40.6**
Total Assets	2,509.7	**2,557.7**
LIABILITIES		
Mudaraba payable	1,997.5	**1,997.5**
Other payables	1,032.9	**1,067.8**
	3,030.4	**3,065.3**
EQUITY		
Share capital	500.0	**500.0**
Retained earnings and other reserves	(1020.7)	**(1007.6)**
	(520.7)	**(507.6)**
Total Liabilities and Equity	2,509.7	**2,557.7**

The above financial results are consoldiated line by line in the Abu Dhabi Islamic Bank's Consolidated Financial Statements as required by *International Financial Reporting Standard 10 - Consolidated Financial Statements*

Abridged Income Statement

	For the year ended 31 December	
	2014 AED Million	**2015 AED Million**
Investment revenues	19.1	**52.0**
Fees and commissions	11.3	**-**
Other revenues	0.6	**1.0**
Total Revenues	31.0	**53.1**
Total expenses	(39.8)	**(31.5)**
Provision for impairment	(74.9)	**(5.2)**
	(114.7)	**(36.7)**
Loss for the year	(83.7)	**16.4**

MPM Properties

MPM Properties became a stand-alone subsidiary of the Bank in 2014. The primary focus for bringing MPM's customer service levels up to the same standards as those of the Bank in the UAE. MPM's new business model as an integrated real estate services company focused on property management, valuations, sales and leasing and real estate advisory has started to contribute positvely, therefore net profit for 2015 was AED 10.6 Mn. MPM now manages over 22,000 units and continues to expand its business beyond Abu Dhabi into Dubai and the Northern Emirates.

Abridged Balance Sheet

31 December	2014 AED Million	2015 AED Million
ASSETS		
Bank balances and cash	78.4	35.2
Investment in associate	1.0	0.9
Property and equipment	3.7	5.8
Accounts receivables and prepayments	46.6	72.0
Total Assets	129.6	113.9
LIABILITIES		
Accounts payables and accruals	72.4	90.2
	72.4	90.2
EQUITY		
Share capital	1.0	1.0
Retained earnings and other reserves	56.2	22.7
	57.2	23.7
Total Liabilities and Equity	129.6	113.9

The above financial results are consoldiated line by line in the Abu Dhabi Islamic Bank's Consolidated Financial Statements as required by *International Financial Reporting Standard 10 - Consolidated Financial Statements*

Abridged Income Statement

For the year ended 31 December	2014 AED Million	2015 AED Million
Fees and commissions	45.6	65.3
Other income (loss)	0.3	-
Total Revenues	45.9	65.3
Total expenses	(76.9)	(54.7)
	(76.9)	(54.7)
Profit (loss) for the year	(31.0)	10.6

Corporate Social Responsibility

We continue to promote a responsible approach to finance to our customers and society at large through our education programs, and have developed new business units and products to assist clients facing financial distress.

As a leading Islamic financial institution, the principle of pursuing mutual benefit comes naturally to us, and we share the conviction that banking can be a force for good in the wider community.

We believe positive change starts at home, and as a UAE-based bank, have made contributions to the development of the country's economy and financial industry a top priority.

Our drive to recruit and develop talented UAE nationals continues to go from strength to strength, with more efforts to reach out to graduates of local universities and offer clear paths of opportunity in the financial sector.

We have also introduced several new initiatives to support local families facing difficulties as living costs, and consequently financial obligations, rise, and we have forged new partnerships to bring our unique and practical financial education programs to a broader audience.

We continue to promote a responsible approach to finance to our customers and society at large through our education programs, and have developed new business units and products to assist clients facing financial distress.

By extending our branch network and mobile banking platform, we are giving consumers more convenience and power when it comes to financial decision-making. We have also launched new research initiatives to ensure we are aware of and responsive to customer needs, now and in future.

ADIB has contributed to youth development by supporting new programs for the sports stars of tomorrow, such as through the cricket National School League and UAE football league.

The environment remains a major one of our focus area for ADIB, and we continue to assess and reduce our environmental impact through steps like reducing paper consumption energy consumption. We are also asking our suppliers to place the same importance on CSR that we do, and stand ready to help them in this regard. And we have looked to strengthen the community's religious and cultural fabric by staging Islamic art exhibitions and sponsoring the building of new mosques.

Importantly, our CSR endeavors have not gone unnoticed by our customers and peers, and we are increasingly perceived as a model for other institutions to follow. In 2015 we were proud to sponsor high-profile events such as the World Islamic Economic Forum and Ethical Finance Innovation Challenge & Awards (EFICA), and received several commendations of our own, including most recommended Debt settlement product in the UAE by Souqalmal.com.

Financial Education:

Education in terms of financial best practices has frequently been ignored in the UAE amidst the country's rapid growth and rise in personal wealth. To combat this, and given the underlying corporate values of ADIB, the Bank has adopted a strong focus on financial education and in this regard a number of key initiatives were carried out:

- The Bank's flagship financial education campaign was first launched with the introduction of the Smart Money initiative in 2011. Since then, the initiative has been ongoing with the launch of several financial education roadshows in schools and universities; including Zayed University, Canadian University, AUS, AUD, HCT and schools across UAE.
- The Bank has also entered into a strategic partnership with Emirates Foundation to enable ADIB to expand the reach of the programme to a wider number of audience from the youth segment, especially from the students.

Tejori Financial Literacy initiative

- ADIB, in collaboration with the Ministry of Social Affairs, initiated Tejori, an initiative which aims to educate the youth on money management. This initiative accords with one of the pillars of the youth segment; financial education. This initiative throughout 2015 in Dubai and the Northern Emirates targeting students aged 4 to 22 years. The programme trained approximately 1,400 students across 38 schools across Dubai, Sharjah and Northern Emirates.
- ADIB partnered with Club 5 Sports Management as a title partner to increase youth development through the improvement of their technical, tactical and motor skills following high standards of quality and to create an attractive sports environment through football training. The Club is also managing the Juventus Club in UAE. 'The JUVE fan club' is amongst the largest in Italy and worldwide, including in the UAE.
- In 2015 we were present at their inauguration in September, celebrated 2 months of birthdays (October and November) and the National Day in December where the footfall of the students was a total of 100 (85 registered participants and 15 complementary) and an additional of 25 adults as parents. We had 3 parents who signed up for Banoon Accounts and two teens who signed up for our ADIB ISIC cards.
- For the new session that kicked off in January 2016, the total number of students were 120 (105 registered students and 15 complementary) and an additional of 30 parents.
- The launch of ADIB Financial Health Check, an easy-to-use financial assessment tool enables clients to assess their own

money management practices and financial health, from budgeting, savings, managing debt and investments to preparing for their retirement. Customers are able to take this Financial Health Check online through www.adib.ae.

- Complementing its financial educational efforts, the Bank played a key role in the debt relief discussions for UAE Nationals with the regulators and other stakeholders, leading the industry effort to present viable client relief mechanisms to policy makers. During 2014 & 2015, through our Al Khair Debt Assist Program, ADIB helped UAE Nationals consolidate their debt. The Program, which was launched in September 2012, offers free debt consolidation assistance to UAE nationals, whose monthly installments exceed 50% of their income, thus significantly reducing their monthly payments and enabling them to regain a healthy financial footing.

Dewan Project

- For the SME sector, ADIB launched Business Pulse; a unique portal aimed at providing advice and support to small and medium-sized businesses in the UAE. Launched in association with Zawya, Business Pulse was designed and produced by some of the most influential and successful regional finance and technology organizations in the SME sector. The collective thinking of these organizations helped create a new platform that provides essential information, success stories, networking opportunities and advice to UAE-based SMEs. 2 main workshops were held in 2015 benefiting 150 participants providing essential information.
- Developed by ADIB Banking Academy, our SME Associate program has been rolled out to develop future SME bankers. A group of 17 trainees completed structured on the job training, e-learning, and learning workshops covering Islamic Banking, case studies, Credit, products, and soft skills development. They have now been placed successfully with Business Banking

Investing in our employees

We recognize that our people are our most valuable asset. We aspire to be the employer of choice by providing a platform where we can train, develop and motivate our employees.

We complemented our external 'good citizen' efforts with an internal program that recognizes the value of our employees. This included, for example:

Learning and development

It is important that our employees have both, the access and the opportunity for refining their skills and acquiring new knowledge throughout their careers at ADIB. Employees are encouraged to discuss their training needs with their line managers during their annual performance appraisal, with the aim of choosing relevant training courses. Employees are also encouraged to further their studies in higher education relevant to their field of work and they are provided study leave and reimbursement of costs to support this goal.

Diversity of the team

The diversity of our employees is our strength. In 2015 ADIB's work force comprised of more than 54 nationalities. The value of such diversity is reflected in innovative and creative thinking and better ways of doing business. At the same time, it provides us with a better understanding of our clients' needs, enabling us to better serve them.

Development of UAE Nationals

ADIB has always been a strong supporter of fostering local talent, a thrust that was recognized again with an award by the Emirates Institute of Banking and Financial Studies (EIBFS) recognizing the efforts of the Bank's Head of Emiratisation as the distinguished Emirati Woman in Banking and Finance.

In addition, a number of agreements were signed with different universities and colleges, including: American University of Dubai; EIBFS; Al Hosn University; Higher Colleges of Technology (HCT); and Abu Dhabi University to sponsor students and participate in the development of academic programs, with the intention of increasing employment opportunities for UAE Nationals within the Islamic finance sector. ADIB also participated in a number of career events and fairs for UAE Nationals.

At the end of 2015, ADIB employed the Emiratisation rate reached 48%.

Breast Cancer Awareness Campaign

Believing in the importance of our staff's health and in line with the UAE Government directives, ADIB initiated an awareness campaign to screen Bank staff aged more than 35 offering them free breast cancer checkup and awareness campaigns on how to protect and reduce the chances of having breast cancer.

Environment

In line with the UAE government's target of reducing its carbon footprint by 20% by 2015, and given the Bank's growing commitment to environmental responsibility, the new ADIB head office currently under construction in Abu Dhabi has applied best practice design principles aimed at minimizing both energy and

Ramadan CSR Campaign

Number of fatoor boxes distributed	20,000
Number of mosques reached	18
Number of orphanges/hospitals reached	5
Number of taxi companies reached	7
Number of labour camps reached	1
Number of volunteers from ADIB	15
Number of brand visibility hours	270
Number of ice-creams distributed	10,104
Number of gifts distributed	1,201

The ADIB Truck Distributed 20000 Iftar Meals to Mosques and Labor Camps.
In addition, a charity iftar was organised in Iraq and more than 11,000 meals were distributed across the country.

water inputs and waste outputs, and maximizing recycling and environmental quality. As a result, the project received the LEED Pre-Certification for Gold Rating from the US Green Building Council and is also focusing on receiving the appropriate categorization under the UAE's Estidama program.

Further successful environmental initiatives are underway focusing on systems for the reduction of paper usage, recycling, and energy savings through better air-conditioning and lighting management.

Developing the Islamic banking industry

ADIB is focusing its efforts on demonstrating and driving the universality of Islamic banking – an industry grounded in ethics and a 'back to basics' approach – to people of all faiths and backgrounds. Some key activities on this front included:

Ethical Finance Innovation and Challenge Awards (EFICA)
ADIB collaborated with Thomson Reuters to launch awards that rewarded ethical solutions to socio-economic challenges, and innovation in Islamic finance. The annual awards, which commanded prizes of up to $100,000, attracted over 200 entries from all over the world in 2015.

Commitment to our Community

Community issues continued to be the foundation of ADIB's CSR strategy throughout 2015.

Ramadan activities
Building on the success of the 2014 educational approach during the Holy Month of Ramadan, ADIB organized the second Ramadan exhibition entitled "Tolerance in Islam". The event was ideal to exhibit to staff and the principles of tolerance of the Islamic culture.

In addition, ADIB was the sole supporter of a book entitled "Art and science in the Muslim world" aimed at familiarizing both its local and overseas audiences with the richness of Islamic civilization and culture.

During Ramadan, the Bank continued its traditional annual goodwill gesture of deferring the installment payment for the month for all personal finance customers, to help them deal with the additional expenses typically associated with this important time of the year.

ADIB Staff participated in the Bank's Ramadan CSR initiative where volunteers from the Bank distributed Iftar boxes at major mosques, orphanages and taxi companies across the UAE.

Future Champions League (FCL 2015)
In 2015 ADIB continued its sponsorship of the UAE Professional Football League, continuing its partnership as the official bank of the league. Through this sponsorship, fans were able to participate in competitions to win highly sought-after prizes.

Additionally, the bank organized the UAE's first Future Champions League which gave over 2,000 children the opportunity to play football in a competitive tournament.

Other key community initiatives continued in 2015

- **Blood donation Camp:** included hosting of several blood donation campaigns covering Dubai, Abu Dhabi and Al Ain (8 camps and more than 740 registered volunteers from ADIB staff. The campaigns collected 260 liters of blood.
- **The Marriage Fund:** ADIB continued to support the Emirati's Mass Wedding providing support to more than 200 new families. The purpose of this partnership is to address a societal issue facing newlyweds and promoting positive social change by providing a platform to eliminate food wastage in weddings.
- **International Day for Older Persons:** ADIB representatives visited Ajman Elderly Centre and Dubai Al Mamzar Community Centre for the Elderly and staff were accompanied by local school students. The team enjoyed memorable afternoons of games, lunch and the distribution of gifts.
- **Emirates Traffic Safety Society:** understanding the importance of UAE traffic and street safety, ADIB participated at the international conference on Traffic Safety (ICOTS) to raise awareness of the public about the importance of safety on the roads.
- **Partnership with UAE Red Crescent:** ADIB has supported this well-known organization in itscharitable activities towards the needy and the poor families. The initiatives included supporting the Ataya exhibition, the Sacrifice Campaign and celebrating the 44th UAE National day.

Celebrating UAE's 44th National Day
In line with efforts to support the cultural events in the country and celebrate one of the most important events in the country, ADIB held a large celebration at its Headquarters followed by a special event at the Heritage village in Abu Dhabi for ADIB staff and their families. the celebrations included an Emirati food buffet, live performances by Emirati traditional artists , UAE schools and UAE military band, and speeches by senior executives of the Bank.

Corporate Governance Report

Corporate Governance Report

Effective corporate governance remains central to the culture and business practices of Abu Dhabi Islamic Bank ("ADIB") and its Group companies. ADIB endeavours to continually upgrade and adopt best practices in the areas of governance, transparency, ethics, management and oversight of risk, audit and compliance.

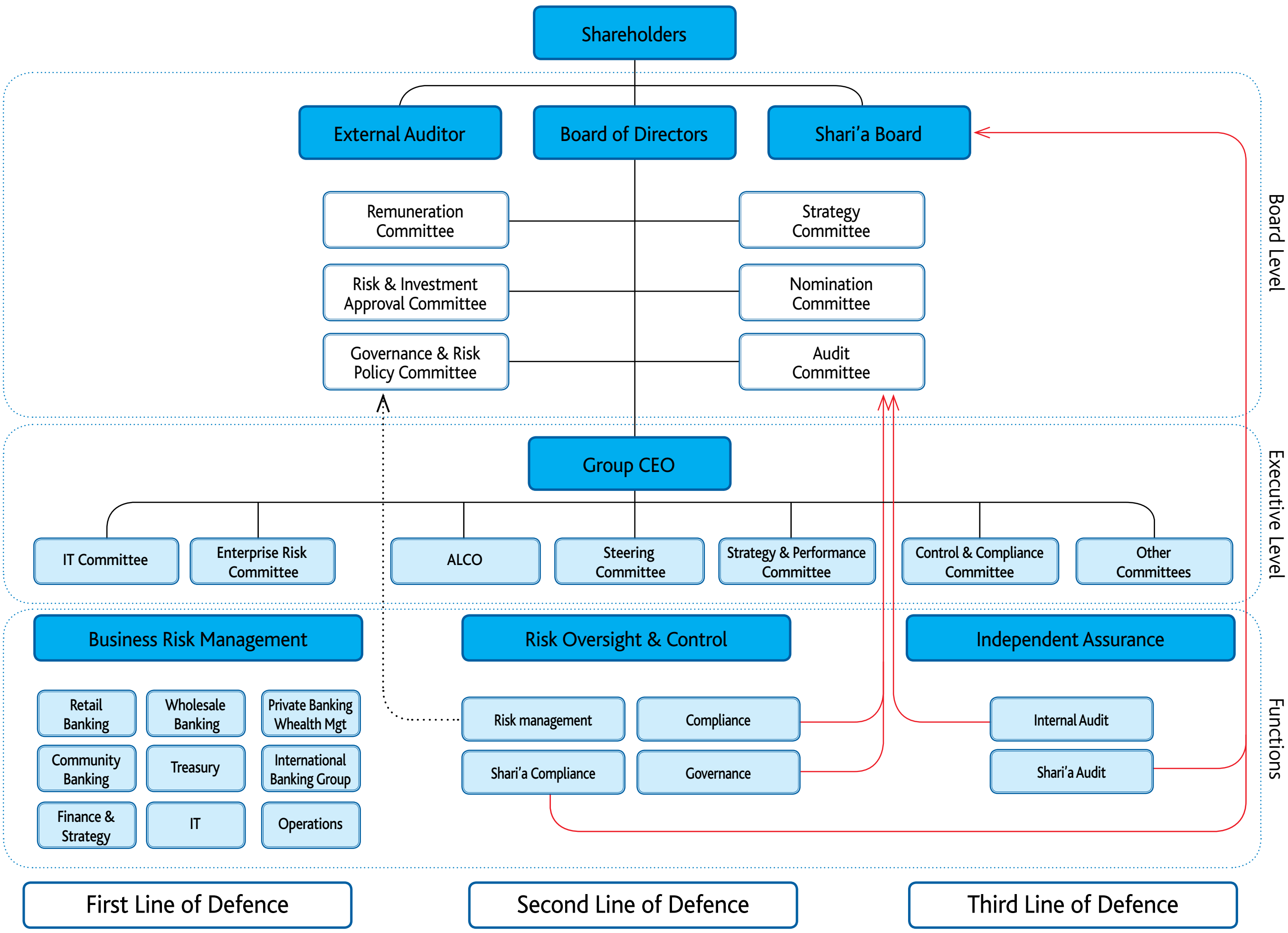
ADIB's overarching objective is to be "a top tier Islamic financial services group" and has committed to the following corporate values in order to achieve this objective:

- "We keep it simple and sensible"
- "We are transparent"
- "We work for mutual benefit"
- "We nurture hospitality and tolerance"
- "We are Shari'a inspired"

Corporate Governance Framework

These values are embedded across the Group through a corporate governance framework that is relevant and proportionate to the scope and size of ADIB's businesses. The framework is built on the principles prescribed by the Basel Committee on Banking Supervision and the Guidelines of the Central Bank of the UAE.

The Corporate Governance structure including the Board, Board committees, management committees and various functions are shown in the following chart:


Shareholders
External Auditor
Board of Directors
Shari'a Board
Remuneration Committee
Strategy Committee
Risk & Investment Approval Committee
Nomination Committee
Governance & Risk Policy Committee
Audit Committee
Board Level
Group CEO
IT Committee
Enterprise Risk Committee
ALCO
Steering Committee
Strategy & Performance Committee
Control & Compliance Committee
Other Committees
Executive Level
Business Risk Management
Risk Oversight & Control
Independent Assurance
Retail Banking
Wholesale Banking
Private Banking Whealth Mgt
Community Banking
Treasury
International Banking Group
Finance & Strategy
IT
Operations
Risk management
Compliance
Shari'a Compliance
Governance
Internal Audit
Shari'a Audit
Functions
First Line of Defence
Second Line of Defence
Third Line of Defence

ADIB operates a three lines of defence model which ensures clear delineation of responsibilities between day to day operations, monitoring and oversight as well as independent assurance. The three lines of defence are:

- Business and Support Units act as the first line of defence and are responsible for identifiying, assessing and mitigating risk.
- Risk and the control functions act as the second line of defence and provide effective challenge to the first line to ensure risks are identified and effective controls are established. The Compliance and Governance functions ensure that all internal policies and relevant regulatory requirements are adhered to in the conduct of business. Shari'a Compliance function at the Group ensures that the Bank's operations are conducted in adherence to Shari'a principless.
- The third line of defence is provided by Internal Audit which independently reviews control design, operations and effectiveness of first and second lines. Shari'a Audit function at the Group conducts an independent review of the Bank's adherence to Shari'a principles.

The Corporate Governance Framework cuts across four broad levels:

- Board: The Board has the ultimately responsibility for ensuring that an appropriate and effective governance framework is established and maintained to manage and control ADIB's activities.
- Board-level and management committees: The Board delegates authority to committees and establishes standards for the control and governance of the Bank. Committees have responsibilities and authorities as defined in their charters.
- Functions: Individual functions perform business and control activities which are in compliant with all internal policies and external laws and regulations. To ensure effective adherence to overarching Shari'a principles, the Shari'a Compliance and Shari'a Audit functions provide on-going oversight and assurance.
- Individuals: Executive and head of function roles are clearly articulated and allocated to identified individuals. The key executives of ADIB are the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer and the Group Chief Operating Officer.

Board of Directors

The Board of Directors of ADIB (the "Board") is responsible for the supervision of the management of the business affairs of the Group (which includes Abu Dhabi Islamic Bank PJSC, and both its bank and non-bank Subsidiaries and Controlling Affiliates). The Board of Directors provides leadership in the development and implementation of the Vision and Mission of the Group. The Board has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls.

The Board carries out the responsibilities and duties set out below either directly or through its committees, currently consisting of the Audit Committee, Nomination Committee, Remuneration Committee, Strategy Committee, Risk & Investment Approval Committee and Governance & Risk Policy Committee.

The Board derives its authority to act from the Group's Memorandum and Articles of Association and other laws governing companies and Banks in UAE and Emirate of Abu Dhabi. Its responsibilities include:

- Supervision of the management of the business affairs of ADIB;
- Providing leadership in the development and implementation of the group's vision and mission, both within the UAE and as the group expands abroad; and
- Establishment and oversight of the Bank's risk management framework, as well as approving the Bank's overall risk appetite and ensuring that business is conducted within this framework.

Independence from Management

The roles of the Chairman and the Group Chief Executive Officer are distinct and separate, with a clear division of responsibilities.

The Chairman leads the Board and ensures the effective engagement and contribution of all directors. The Group Chief Executive Officer has responsibility for all ADIB Group businesses, including their strategy, policy and operational management, and he acts in accordance with the authority delegated by the Board.

The Board establishes the rules relating to administrative, financial and employee matters, sets out the requirements for the carrying out of Board business and meetings, and mandates the roles and responsibilities of the Board members.

Selection and qualification of Board Members

The Group Nomination Committee is responsible for identifying, evaluating and selecting candidates for the Board of Directors. In doing so, it seeks to identify the skills that the members of the Board and Board Committees require in order to discharge their responsibilities effectively, taking into account the Group's risk profile, business operations and business strategy.

The Board members, who were elected by the shareholders for a three-year term in the Annual General Assembly Meeting held on 28 March 2013, continued their term during 2015 except that one board member resigned from the Board effective 7 December 2015.

Information, induction and on-going development

The Directors receive accurate, timely and clear information on all relevant matters and have access to the advice and services of the Head of Legal & Corporate Secretary who is responsible to the Board for ensuring that Board procedures are followed and applicable rules and regulations complied with.

A formal induction process exists for new Directors joining the Board, including visits to ADIB's major business areas and meetings with other Directors, the Group Chief Executive Officer and key members of senior management. ADIB provides any professional development that Directors consider necessary to assist them in carrying out their duties.

Composition of the Board and Board Committees

In 2015 the Board comprised the Chairman, Vice Chairman and five other members. Majority of the Board members are UAE nationals, as required by the Federal Commercial Companies Law and the Bank's Articles of Association. The Board Committees comprise Directors and external independent subject matter experts, with a diversity of backgrounds aimed at ensuring that no undue reliance is placed on any one individual.

The Board held five meetings during 2015. The detail of Board membership and attendance is as under:

Name	Position	Status	No. of meetings attended
HE Jawaan Awaidha Suhail Al Khaili	Chairman	Non-Executive	5
Khaled Abdulla Neamat Khouri *	Vice Chairman	Independent	5
Juma Khamis Mugheer Al Khaili	Member	Independent	5
Khamis Mohamed Buharoon	Member	Executive Director	5
Abdulla Bin Aqueeda Al Muhairi	Member	Independent	4
Ragheed Najeeb Shanti	Member	Non-Executive	4
Dr Sami Ali Al Amri	Member	Independent	4

* Mr. Khaled Abdulla Neamat Khouri, resigned from the Board, effective 7th December 2015

The quorum for a Board meeting was by the majority of Board members. The Board made decisions by majority vote. However, under the circumstances where the members are equally divided, the Chairman of the Board has a casting vote. Any matter requiring decision by unanimous vote is dealt with accordingly.

Board Committees

The following Board Committees, which were revised in early 2014 after a corporate governance review conducted in conjunction with external consultants led to a further strengthening of ADIB's governance structures and protocols, ensuring these are fully in line with the Group's business growth and expansion and to reflect the Corporate Governance guidelines of the Central Bank of the UAE and best practice standards, continued to work effectively and independently during 2015.

- Group Strategy Committee;
- Group Audit Committee;
- Group Governance & Risk Policy Committee;
- Group Risk and Investment Approval Committee;
- Group Remuneration Committee; and
- Group Nomination Committee.

Group Strategy Committee

The Group Strategy Committee guides ADIB's Executive Management in the execution of the Group's strategic objectives and business strategy, conducts periodic reviews in the achievement thereof and directs corrective actions wherever required. In addition, this Committee also acts as a conduit between the Board and senior management on business issues. The Committee has following major responsibilities:

i. Review, consider, discuss and challenge the recommendations submitted by the executive management with regard to business strategy, budgets and annual plans;
ii. Work with management to make recommendations to the Board on the business strategy and long term strategic objectives of ADIB, including all subsidiaries and associates;
iii. Review the financial performance of each business group on a quarterly basis and make recommendations should action be required;
iv. Review and recommend capital allocation within the ADIB Group to the Board;
v. Review the organisational structure of ADIB and make recommendations to the Board on any changes deemed necessary;
vi. Review proposals from management for the establishment or disposal of branches, subsidiaries and new joint ventures, referring them to the Risk and Investment Approval Committee for final decision; and
vii. Approve the policy relating to charitable donations.

The Committee held four meetings during 2015. The detail of membership and their attendance is as under:

Name	Position	No. of meetings attended
Dr Sami Ali Al Amri	Chairman	4
Tirad M. Mahmoud – Group Chief Executive Officer*	Vice Chairman	4
Khaled Abdulla Neamat Khouri**	Member	3
Khamis Mohamed Buharoon	Member	4
Andrew Douglas Moir* (joined the Committee in September 2015)	Subject matter expert	3

* Non-Board member

** Mr. Khaled Abdulla Neamat Khouri, resigned from the Board, effective 7th December 2015

Group Audit Committee

The Group Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to auditing and financial reporting. The Committee has the following major responsibilities:

i. Assist the Board in fulfilling its oversight responsibility relating to the integrity of ADIB's consolidated financial statements and financial reporting process;
ii. Review the financial and internal control systems, quality assurance and risk management framework;
iii. Review the performance of the internal audit function;
iv. Review the internal controls over financial reporting and annual independent audit of ADIB's consolidated financial statements;
v. Recommend to the Board the engagement of the external auditors and evaluation of their qualifications, independence and performance; and
vi. Ensure compliance with legal and regulatory requirements.

The Committee held seven meetings during 2015. The detail of membership and their attendance is as under:

Name	Position	No. of meetings attended
Abdulla Bin Aqueeda Al Muhairi	Chairman	5
Dr Sami Ali Al Amri	Member	7
Khamis Mohamed Buharoon	Member	6
David Smith *	Subject matter expert	6

* Non-Board member

Group Governance and Risk Policy Committee

The Group Governance and Risk Policy Committee assists the Board in fulfilling its oversight responsibilities in respect of the following:

i. Review the risk profile of the Group, bearing in mind the requirements pertaining to enterprise risk management; making recommendations to calibrate the risk profile of ADIB in line with the applicable regulatory requirements, rating considerations and business strategy;
ii. Assist the Board in overseeing ADIB's response to the risks it faces, through the approval and application of the Group's risk policies and standards; and
iii. Review and recommend the corporate governance framework and risk strategy to the Board in alignment with Group business growth requirements.

The Committee held five meetings during 2015. The detail of membership and their attendance is as under:

Name	Position	No. of meetings attended
Kantic Dasgupta *	Chairman and subject matter expert	5
Tirad M. Mahmoud, Group Chief Executive Officer*	Vice Chairman	5
Juma Khamis Mugheer Al Khaili	Member	5
Dr Sami Ali Al Amri	Member	5
Abdulla Bin Aqueeda Al Muhairi	Member	3
Masarrat Husain, Group Chief Risk Officer**	Non-voting member	2
Brian Belcher, Group Chief Risk Officer***	Non-voting member	3

* Non Board Member

** Mr. Masarrat Husain has got retirement from the Bank and joined ADIB UK Ltd. as Chief Executive Officer

*** Mr. Brian Belcher has succeeded Mr. Masarrat Husain, effective 1st June 2015

Group Risk and Investment Approval Committee

The Group Risk and Investment Approval Committee considers and approves ADIB's risk exposures, high value transactions and major items of capital expenditure. In addition, this Committee is also responsible for monitoring credit portfolio quality and provisions. It is not within the scope of the Committee's responsibilities to approve any risk policies or standards. The Committee has the following major responsibilities:

i. Review and approve credit and other risk exposures;
ii. Review the credit portfolio on a periodic basis in order to assess alignment with the approved credit strategy and risk appetite of the Group;
iii. Review actions undertaken by management with regard to remedial activities;
iv. Monitor general and specific provisions;
v. Approve significant and high value transactions with regard to acquisitions and divestures, new business initiatives and proprietary investments, international business and merger and acquisitions;
vi. Review and recommend to the Board approval for those investment proposals requiring such approval due to regulations;
vii. Approve high value transactions in respect of capital expenditure, IT projects and procurement of equipment and materials for the Bank's operations; and
viii. Review and make recommendations to the Board on any material non-credit related party transactions.

The Committee held thirty one meetings during 2015. The detail of membership and their attendance is as under:

Name	Position	No. of meetings attended
HE Jawaan Awaidha Suhail Al Khaili	Chairman	25
Khaled Abdulla Neamat Khouri *	Vice Chairman	19
Juma Khamis Mugheer Al Khaili	Member	17
Ragheed Najeeb Shanti	Member	24
Tirad M. Mahmoud – Group Chief Executive Officer**	Member	31

* Mr. Khaled Abdulla Neamat Khouri, resigned from the Board, effective 7th December 2015.

** Non Board Member

Group Remuneration Committee

The Group Remuneration Committee assists the Board in fulfilling its oversight responsibilities in respect of the following for the Group:

i. Review the selection criteria and number of executive and employee positions required by ADIB; approve the overall manpower of ADIB based on reports submitted by the Chief Executive Officer, taking into consideration the advice of an independent and recognized consulting firm; and
ii. Review on an annual basis the policy for the remuneration, benefits, incentives and salaries of all ADIB employees, including bank and non-bank subsidiaries and affiliates, as submitted by the Chief Executive Officer, taking into consideration the advice of an independent and recognized consulting firm.

The Committee held three meetings during 2015. The detail of membership and their attendance is as under:

Name	Position	No. of meetings attended
Juma Khamis Mugheer Al Khaili	Chairman	3
Khaled Abdulla Neamat Khouri*	Member	3
Dr Sami Ali Al Amri	Member	3
Noble Powar, Global Head of Human Resources**	Subject matter expert and Non-voting member	2
Ian Gore, Global Head of Human Resources***	Subject matter expert and Non-voting member	1

*Mr. Khaled Abdulla Neamat Khouri resigned from the Board, effective 7th December 2015

** Mr. Noble Powar got retirement from the Bank, effective 30th September 2015

***Mr. Ian Gore has succeeded Mr. Noble Powar, effective 1st November 2015

Group Nomination Committee

The Group Nomination Committee assists the Board in fulfilling its oversight responsibilities in respect of the following:

i. Identify and nominate, for approval of the Board, candidates for appointment to the Board;
ii. Recommend on succession plans for Directors;
iii. Input on renewal of the terms of office of non-executive Directors;
iv. Assist with membership of Board committees, in consultation with the Board's Chairman and the Chairmen of such committees;
v. Guide on matters relating to the continuation in office of any Director at any time;
vi. Recommend on appointments and re-appointments to the boards of major subsidiaries and controlled affiliated companies;
vii. Ensure the independence of the independent directors and any qualified subject matter expert appointed to a Board Sub Committee; and
viii. Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board and make recommendations to the Board with regard to any changes.

The Committee held two meetings during 2015. The detail of membership and their attendance is as under:

Name	Position	No. of meetings attended
HE Jawaan Awaidha Suhail Al Khaili	Chairman	2
Juma Khamis Mugheer Al Khaili	Member	2
Dr Sami Ali Al Amri	Member	2

Directors' remuneration and interests in the Group's shares

Directors' remuneration for 2014 of AED 4.9 million was approved at the Annual General Assembly Meeting held in April 2015, and was paid during 2015. In addition Board members also received by way of an attendance fee of AED 3,000 for every Board or Committee meeting attended.

Directors' interests in the Group's shares are as follows:

Board Members	Shareholding at 1 January 2015	Shareholding at 31 December 2015	Changes in Shareholding
HE Jawaan Awaidha Suhail Khaili	55,746,181	55,962,133	215,952
Khaled Abdulla Neamat Khouri*	-	-	-
Juma Khamis Mugheer Al Khaili	6,531	6,896	365
Khamis Mohamed Buharoon	-	-	-
Mr. Abdulla Bin Aqeeda Al Muhairi	-	-	-
Ragheed Najeeb Shanti	-	-	-
Dr Sami Ali Al Amri	-	-	-

*Mr. Khaled Abdulla Neamat Khouri resigned from the Board, effective 7th December 2015.

Relations with Shareholders

In line with its values, ADIB applies high standards of transparency and disclosure. Relevant financial and non-financial information is communicated to shareholders, customers, regulators, employees and other stakeholders timeously, through ADIB's website, via Abu Dhabi Securities Market (ADX) and various other mechanisms.

ADIB also communicates with shareholders through the Annual Report and by providing information at the Annual General Assembly Meeting. Shareholders are given the opportunity to ask questions at the Annual General Assembly Meeting. The last Annual General Assembly Meeting of the shareholders was held on 1 April 2015.

Executive management also holds regular meetings with and makes presentations to institutional investors. In addition to this, individual shareholders can raise matters relating to their shareholdings and the business of ADIB at any time during the year.

The Group maintains an Investor Relations section on its website that provides extensive information about the Group's Corporate Governance structure and other related information.

General Assembly Meetings

The Ordinary Annual General Assembly Meeting of the shareholders was conducted on 1 April 2015, wherein the following matters were discussed and approved:

- The Board of Director's Report on the Bank's activities and financial statements for the year ended 31 December 2014;
- The Shari'a and Fatwa Supervisory Board Report on the Bank's activities for the year ended 31 December 2014;
- External Auditor's report for the year ended 31 December 2014;
- To discuss and approved the audited Balance Sheet and Profit & Loss account for the year ended 31 December 2014;
- To consider the proposal of the Board of Directors to distribute cash dividends of 23.34 fills per share to the shareholders from the year 2014 profits;
- To consider the proposal of Board members remuneration for the year ended 31 December 2014;
- To discharge the Board of Directors and External Auditors from liability for their work during the year ended 31 December 2014;
- Appointment of External Auditors for the year 2015 and determination of their fees.

An Extraordinary General Assembly Meeting (EGM) was held on 28 June 2015, wherein the shareholders approved the following matters:

1. Increase of ADIB's issued share capital by an amount of AED 168 million divided into 168,000,000 ordinary shares with a nominal value of AED 1 per share in addition to a premium of AED 2 per share after obtaining the approval of the regulatory authorities.
2. Approval of increasing the maximum limit of non-convertible shari'a compliant tier 1 capital instruments that may be outstanding at any one time from USD 2 billion to USD 3 billion (or the equivalent thereof in other currencies) and in accordance with the resolutions approved on 21 October 2012 for the purpose of raising further tier 1 capital to strengthen ADIB's capital adequacy ratio, after obtaining the approval of the regulatory authorities.
3. The amendment of ADIB's Articles of Association:
   a) The amendment of article 6 of ADIB's Articles of Association to increase the authorised share capital to AED 4 billion and the issued and fully paid share capital in cash to AED 3,168,000,000 divided into 3,168,000,000 shares with nominal value AED 1 per share
   b) The amendment of articles 1 additional, 21, 25 additional, 27, 28, 51 additional and 79 of ADIB's Articles of Association.
   c) The replacement of the word "Ministry of Economy and Trade" with "Securities and Commodities Authority" wherever it is mentioned in any articles of the Articles of Association.
4. The authorisation of ADIB's Board of Directors to increase the issued share capital up to a maximum limit of the authorised share capital specified in Article 6 of the Articles of Association and whenever the Board deems appropriate after obtaining approval of the regulatory authorities.
5. The authorisation of ADIB's Board of Directors or any committee and/or individual authorised by the Board of Directors to take necessary actions to implement the resolutions mentioned above in accordance with the applicable laws and regulations and after obtaining the approval of the regulatory authorities.

Fatwa and Shari'a Supervisory Board

The members of the Fatwa and Shari'a Supervisory Board, as elected by the shareholders in the Annual General Assembly Meeting of 28 March 2013 continued their term during 2015 without any change.

The Fatwa & Shari'a Supervisory Board, whose members are not members of the ADIB Board, has a term of three years and all members are required to form a quorum, whether by principal or by proxy. It has the following mandate:

- It issues Fatwas pertaining to the ADIB Group's activities at the request of the executive management or Board. It also supervises and controls the validity of ADIB's activities to ensure that they comply with principles and rulings of the Islamic Shari'a, and provides its recommendations;
- It has the right to submit written objections to the Board of Directors with respect to any of ADIB's activities which it considers do not comply with any of the principles and rulings of the Islamic Shari'a. In addition, it reviews all forms of contracts and agreements relating to any of ADIB's business and products to ensure their compliance with Islamic principles; and
- It has the right to review, at any time, ADIB's books, records and documents, and request any information it may deem necessary. In the event of its inability to discharge its duties, it will report this formally to the Board of Directors.

The members of the Fatwa & Shari'a Supervisory Board and its Executive Committee held four meetings during 2015. The detail of membership and their attendance is as under:

Name	Position	No. of meetings attended
Sheikh Mohamed Taqi Uthmani	Chairman	1
Dr Abdul Sattar Abu Ghuddah	Vice Chairman	2
Dr Jasem Ali Salem Al Shamsi	Member	4
Dr Nizam Ya'qoubi	Member	4
Dr Muhamed Elqari	Member	1

Executive Management

The Group Chief Executive Officer is supported by executive management including Group Chief Risk Officer, Group Chief Financial Officer, Chief Operating Officer and various management committees. During 2015 as a result of review of the management committees' structure, their mandates have been updated to specify their responsibilities, membership and reporting lines. ADIB has following management committees:

- Steering Committee
- Strategy and Performance Committee
- Enterprise Risk Committee
- Control and Compliance Committee
- Asset and Liability Management Committee
- IT Steering Committee
- Corporate Social Responsibility Council
- Islamic Finance Industry Initiatives Committee.
- Government and Public Affairs Committee
- Other Committees (including Grievance Committee, Disciplinary Committee and Charity Account Committee)

Risk Management Framework
ADIB has established a comprehensive risk management framework owned by the Group Chief Risk Officer who reports to the Board's Group Governance and Risk Policy Committee. He also chairs Enterprise Risk Committee, responsible for the management of all risks including credit, market, and operational risks. The Board sets the tone from the top by means of an articulated risk culture, principles and appetite. The Risk management and Internal control infrastructure is reviewed an ongoing basis at management and Board levels. Additional details of ADIB's approach to risk management are given in note 42 to the Financial Statements.

Internal Control
The Board is responsible for ADIB's system of internal control. It ensures that management maintains a system of internal control that provides effective and efficient operations, internal financial controls and compliance with laws and regulations. The Board also ensures that internal controls assess, manage and, where appropriate, militate against risk. The internal control system is designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against the risk of material misstatement, fraud or losses. ADIB, through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

ADIB's system of internal control includes:

- An organisational structure with clearly-defined authority limits and reporting mechanisms to senior levels of management and the Board;
- A Risk Management function with responsibility for ensuring that risks are identified, assessed and managed throughout ADIB;
- A set of policies and guidelines relating to credit risk management, asset and liability management, compliance, operational risk management and business continuity planning;
- An annual budgeting and monthly financial reporting system for all Group business units, which enables progress against plans to be monitored, trends to be evaluated and variances to be acted upon; and
- An Internal Audit function to evaluate the adequacy and effectiveness of governance, risk and control systems, and to review the management's compliance with policies and procedures.

The effectiveness of the ADIB internal control system is reviewed regularly by the Board and the Audit Committee, which receive regular reports on significant risks facing the business and how they are being controlled. The Board received a number of reports from Internal Audit and the Group Audit Committee during the year under review and has received confirmation that management has taken, or is taking, the necessary action to remedy any failings or weaknesses identified in these reports.

In addition, external auditors present to the Group Audit Committee a series of reports that include details of any significant internal control matters which they identified. The system of internal controls of the Group is also subject to regulatory oversight by the UAE Central Bank.

External Auditors
The Group Audit Committee undertakes an annual evaluation to assess the independence and objectivity of the external auditors and the effectiveness of the external audit process. The Group Audit Committee is also responsible for making recommendations to the Board on the appointment, reappointment, remuneration and removal of the external auditors. The shareholders approved the appointment of Ernst & Young as the external auditors of ADIB for 2015 at the Annual General Assembly Meeting held in April 2015.

The Group Audit Committee also carries out a review of all non-audit services provided by the external auditors, in line with ADIB's policy for to ensure external auditor independence.

Consolidated Financial Statements

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Board of Directors' Report

Year ended 31 December 2015

The Board of Directors have pleasure in submitting their report together with the consolidated financial statements of Abu Dhabi Islamic Bank PJSC ("the Bank") and its subsidiaries (collectively known as the "the Group") for the year ended 31 December 2015.

Incorporation and registered office

The Bank was incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE), as a public joint stock company with limited liability, in accordance with the provisions and applicable requirements of the laws of the UAE and the Amiri Decree No. 9 of 1997.

Principal activity

The activities of the Group are conducted in accordance with Islamic Shari'a, which prohibits usury, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), general principles of the Shari'a as determined by the Group's Fatwa and Shari'a Supervisory Board and applicable requirements of the laws of the UAE.

Financial commentary

The Group net profit reached a record AED 1,934.0 million (2014: AED 1,750.7 million) for 2015 up 10.5%. The financial highlights of the full year results are as follows:

- Group net revenue (total operating income net of distribution to depositors and sukuk holders) for 2015 was AED 5,134.4 million (2014: AED 4,583.0 million) increased by 12.0%.
- Group operating profit ("margin") for 2015 increased by 9.9% to reach at AED 2,760.3 million (2014: AED 2,512.0 million).
- Total provisions for impairments for 2015 were AED 820.0 million (2014: AED 757.8 million).
- Group net profit for 2015 reached a record AED 1,934.0 million (2014: AED 1,750.7 million) up 10.5%.
- Group earnings per share increased to AED 0.529 compared to AED 0.465 in 2014.
- Total assets as of 31 December 2015 were AED 118.4 billion (2014: AED 111.9 billion).
- Net customer financing (murabaha, ijara and other Islamic financing) as of 31 December 2015 was AED 78.4 billion (2014: AED 73.0 billion).
- Customer deposits as of 31 December 2015 were AED 94.9 billion (2014: AED 84.8 billion).

Dividends and proposed appropriations

The Board of Directors have recommended a cash dividend of 24.27% and the following appropriations from retained earnings:

	AED '000
• Transfer to general reserves	(195,260)
• Proposed dividends to charity for the year ended 31 December 2015	(20,000)
• Proposed cash dividend to shareholders for the year ended 31 December 2015	(769,022)
• Profit paid on Tier 1 sukuk – Listed during the year	(234,158)
• Profit paid on Tier 1 sukuk – Government of Abu Dhabi during the year	(64,574)

Board of Directors

The directors during the year were as follows:

1. H.E. Jawaan Awaidha Suhail Al Khaili	Chairman
2. Khaled Abdulla Neamat Khouri	Vice Chairman (Resigned on 7th Dec 2015)
3. Khamis Mohamed Buharoon	Board Member
4. Juma Khamis Mugheer Al Khaili	Board Member
5. Ragheed Najeeb Shanti	Board Member
6. Dr. Sami Ali Al Amri	Board Member
7. Abdulla Bin Aqeeda Al Muhairi	Board Member

On behalf of the Board of Directors
H.E. Jawaan Awaidha Suhail Al Khaili
Chairman

14 February 2016
Abu Dhabi

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Independent Auditors' Report to the Shareholders of Abu Dhabi Islamic Bank PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Abu Dhabi Islamic Bank PJSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for 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.

Auditor's 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 Group 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.

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 the Memorandum and Articles of Association of the Bank;
iii) the Group has maintained proper books of account;
iv) the consolidated financial information included in the Directors' report is consistent with the books of account and records of the Group;
v) investments in shares and stocks are included in note 20 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2015;
vi) note 41 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 Memorandum and Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2015; and
viii) note 45 reflects the social contributions made during the year.

Ernst + Young

Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No. 811

14 February 2016
Abu Dhabi

ADIB Fatwa & Shari'a Supervisory Board's Report

To the Shareholders
For the financial year ending December 31st, 2015

In the name of Allah, the most Beneficent, the most Merciful

All Praises are due to Allah, Lord of all the worlds and may peace and blessings be upon our Messenger Mohammed, his Family and his Companions.

To the shareholders of Abu Dhabi Islamic Bank:

May the peace, mercy and blessings of Allah be upon you.

With reference to article 69, from the Articles of Association of the Bank, we present to you the following report:

We have reviewed the utilized principles, modes and contracts relating to the transactions, investments and applications that were implemented or offered by the Bank during this period, in which we have carried out the mandatory supervision in order to express an opinion as to whether the Bank has undertaken its activities in accordance with the principles and rulings of the Islamic Shari'a and in light of the details of the resolutions which are contained in the minutes and reports of our meetings and reviews.

It is the responsibility of the Bank's executive management and Board of Directors to ensure that the Bank operates in accordance with the principles and rulings of the Islamic Shari'a. Our responsibility is limited to expressing an independent opinion based on our follow up and review of the Bank's activities and operations and to prepare for you a concise report, in light of that and in light of the details of the resolutions which are contained in the minutes and reports of our meetings and reviews.

We conducted our review that included examining the documentations and procedures followed to execute the transactions in a Shari'a compliant manner. This review was based on examining each type of transactions in general for the Bank in the UAE and international branches, which do not have their own Fatwa and Shari'a Supervisory Board, in addition to reviewing the consolidated financial statements and its related notes.

We have designated and executed our review through the Executive Committee of the Fatwa and Shari'a Supervisory Board by obtaining all the information and explanations we considered necessary to provide us with sufficient evidence to give a reasonable assurance that the Bank had not violated any of the principles and rulings of the Islamic Shari'a. Furthermore, the execution of the internal Shari'a audit plan and all periodic Shari'a auditing reports, raised by Shari'a Compliance Department of Shari'a Division of the Bank, which included different types of the Bank's executed transactions, have been reviewed by us along with all raised findings mentioned in such reports, in light of the explanations of the concerned departments, and the appropriate decisions and resolutions have been taken with regards to them.

In our opinion:

- The contracts, operations and transactions executed by the Bank in the UAE (and international branches which do not have their own Fatwa and Shari'a Supervisory Board), the investments that the Bank entered in and the activities conducted during the financial year ending 31st December, 2015 which we reviewed, were generally carried out in accordance with the principles and rulings of the Islamic Shari'a; those that were found to be shortcoming were directed to the management for redressing and their consequences were rectified in accordance with the requirements of the Islamic Shari'a.
- The distribution of profits and the bearing of losses on the investment accounts (including the allocation of the costs and expenses between the investment accounts and the shareholders) comply with the basis that we approved to be applied in accordance with principles and rulings of the Islamic Shari'a.
- Any returns that occurred through sources or methods that were not permissible with the principles and rulings of the Shari'a have been transferred to the charity account to be spent in charitable purposes to acceptable charity cases by Shari'a under our guidance in a way that the Bank shall never, directly or indirectly, benefit from such charity disposals.
- As the management of the Bank is not authorized to pay Zakat directly, it is the responsibility of shareholders to pay their own Zakat; which is an obligation on them as per the Third Pillar of Islam; and in this regard, we have reviewed and approved the Zakat amount per share that is mandatory to be disposed.

We ask Allah, the Most High and Capable, that He guides the Bank and those responsible for it with that which is right and that which is good.

Finally, all praise is due to Allah, Lord of all the worlds.

Fatwa and Shari'a Supervisory Board of Abu Dhabi Islamic Bank

On behalf of
Sheikh Mohamed Taqi Uthmani
Chairman of the Board

Dr Abdul Sattar Abu Ghuddah
Vice Chairman of the Board, Chairman of its Executive Committee and its Executive Member

Dr Jasem Ali Salem Al Shamsi
Member of the Board and its Executive Committee

Dr Nizam Ya'qoubi
Member of the Board and its Executive Committee

On behalf of
Dr Muhammad El-Gari
Member of the Board

Abu Dhabi Islamic Bank Fatwa & Shari'a Supervisory Board & its Committee

Consolidated Income Statement

Year ended 31 December 2015

	Notes	2015 AED '000	2014 AED '000
OPERATING INCOME			
Income from murabaha, mudaraba and wakala with financial institutions		**25,341**	32,691
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	**4,362,549**	4,100,597
Income from Islamic sukuk measured at amortised cost		**249,192**	186,944
Income from investments measured at fair value	6	**63,136**	70,924
Share of results of associates and joint ventures		**20,032**	6,922
Fees and commission income, net	7	**885,329**	738,635
Foreign exchange income		**79,627**	60,114
Income from investment properties	8	**45,705**	11,999
Other income		**20,092**	2,444
		5,751,003	5,211,270
OPERATING EXPENSES			
Employees' costs	9	**(1,403,458)**	(1,263,483)
General and administrative expenses	10	**(770,265)**	(655,958)
Depreciation	22 & 25	**(145,584)**	(133,293)
Amortisation of intangibles	26	**(54,756)**	(18,252)
Provision for impairment, net	11	**(819,954)**	(757,783)
		(3,194,017)	(2,828,769)
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS		**2,556,986**	2,382,501
Distribution to depositors and sukuk holders	12	**(616,628)**	(628,285)
PROFIT FOR THE YEAR BEFORE ZAKAT AND TAX		**1,940,358**	1,754,216
Zakat and tax		**(6,315)**	(3,526)
PROFIT FOR THE YEAR AFTER ZAKAT AND TAX		**1,934,043**	1,750,690
Attributable to:			
Equity holders of the Bank		**1,931,695**	1,746,875
Non-controlling interest		**2,348**	3,815
		1,934,043	1,750,690
Basic and diluted earnings per share attributable to ordinary shares (AED)	13	**0.529**	0.465

The attached notes 1 to 45 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 AED '000	2014 AED '000
PROFIT FOR THE YEAR AFTER ZAKAT AND TAX		**1,934,043**	1,750,690
Other comprehensive loss			
Items that will not be reclassified to consolidated income statement			
Net loss on valuation of investments carried at fair value through other comprehensive income	34	**(9,317)**	(14,348)
Directors' remuneration paid	41	**(4,900)**	(4,900)
Items that may be subsequently reclassified to consolidated income statement			
Exchange differences arising on translation of foreign operations	34	**(66,240)**	(36,887)
Gain (loss) on hedge of foreign operations	34	**21,167**	18,729
Fair value gain on cash flow hedges	34	**2,907**	6,162
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(56,383)**	(31,244)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,877,660**	1,719,446
Attributable to:			
Equity holders of the Bank		**1,875,308**	1,715,631
Non-controlling interest		**2,352**	3,815
		1,877,660	1,719,446

The attached notes 1 to 45 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 AED '000	2014 AED '000
ASSETS			
Cash and balances with central banks	14	**18,629,361**	18,757,580
Balances and wakala deposits with Islamic banks and other financial institutions	15	**3,124,314**	4,103,625
Murabaha and mudaraba with financial institutions	16	**1,617,562**	2,166,553
Murabaha and other Islamic financing	17	**38,400,777**	34,202,627
Ijara financing	18	**40,002,454**	38,803,654
Investment in Islamic sukuk measured at amortised cost	19	**7,282,409**	5,421,527
Investments measured at fair value	20	**1,453,559**	1,007,475
Investment in associates and joint ventures	21	**799,356**	807,395
Investment properties	22	**246,121**	299,318
Development properties	23	**837,381**	837,381
Other assets	24	**3,767,424**	3,400,488
Property and equipment	25	**1,742,052**	1,566,532
Goodwill and intangibles	26	**474,892**	529,648
TOTAL ASSETS		**118,377,662**	111,903,803
LIABILITIES			
Due to financial institutions	27	**3,105,610**	5,475,734
Depositors' accounts	28	**94,927,160**	84,776,408
Other liabilities	29	**3,433,411**	3,374,369
Sukuk financing instruments	30	**1,836,250**	4,590,625
Total liabilities		**103,302,431**	98,217,136
EQUITY			
Share capital	31	**3,168,000**	3,000,000
Legal reserve	32	**2,102,465**	1,766,465
General reserve	32	**1,293,820**	1,098,560
Credit risk reserve	32	**400,000**	400,000
Retained earnings		**1,858,899**	1,244,781
Proposed dividend	33	**769,022**	700,200
Proposed dividend to charity		**20,000**	20,000
Other reserves	34	**(219,557)**	(194,644)
Tier 1 sukuk	35	**5,672,034**	5,643,109
Equity attributable to the equity and Tier 1 sukuk holders of the Bank		**15,064,683**	13,678,471
Non-controlling interest	36	**10,548**	8,196
Total equity		**15,075,231**	13,686,667
TOTAL LIABILITIES AND EQUITY		**118,377,662**	111,903,803
CONTINGENT LIABILITIES AND COMMITMENTS	37	**14,088,296**	13,473,763

H.E. Jawaan Awaidha Suhail Al Khaili
Chairman

Tirad M. Mahmoud
Chief Executive Officer

The attached notes 1 to 45 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Notes	Attributable to the equity holders of the Bank										Non-controlling interest AED '000	Total equity AED '000
		Share capital AED '000	Legal reserve AED '000	General reserve AED '000	Credit risk reserve AED '000	Retained earnings AED '000	Proposed dividends AED '000	Proposed dividends to charity AED '000	Other reserves AED '000	Tier 1 sukuk AED '000	Total AED '000		
Balance at 1 January 2014		2,364,706	1,759,597	911,695	400,000	744,466	1,360,417	20,000	(168,668)	5,625,492	13,017,705	56,187	13,073,892
Profit for the year		-	-	-	-	1,746,875	-	-	-	-	1,746,875	3,815	1,750,690
Other comprehensive loss		-	-	-	-	(4,900)	-	-	(26,344)	-	(31,244)	-	(31,244)
Loss on disposal of investments carried at fair value through other comprehensive income	34	-	-	-	-	(368)	-	-	368	-	-	-	-
Profit paid on Tier 1 sukuk - listed	35	-	-	-	-	(234,158)	-	-	-	-	(234,158)	-	(234,158)
Profit paid on Tier 1 sukuk - Government of Abu Dhabi	35	-	-	-	-	(93,201)	-	-	-	-	(93,201)	-	(93,201)
Movement in Tier 1 sukuk - listed		-	-	-	-	-	-	-	-	17,617	17,617	-	17,617
Bonus shares issued	31	635,294	-	-	-	-	(635,294)	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	(725,123)	-	-	-	(725,123)	-	(725,123)
Dividends paid to charity		-	-	-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Transfer to reserves	32	-	6,868	186,865	-	(193,733)	-	-	-	-	-	-	-
Proposed cash dividend to charity		-	-	-	-	(20,000)	-	20,000	-	-	-	-	-
Proposed cash dividend to shareholders	33	-	-	-	-	(700,200)	700,200	-	-	-	-	-	-
Movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(51,806)	(51,806)
Balance at 1 January 2015		3,000,000	1,766,465	1,098,560	400,000	1,244,781	700,200	20,000	(194,644)	5,643,109	13,678,471	8,196	13,686,667
Profit for the year		-	-	-	-	1,931,695	-	-	-	-	1,931,695	2,348	1,934,043
Other comprehensive loss		-	-	-	-	(4,900)	-	-	(51,505)	-	(56,405)	22	(56,383)
Loss on disposal of investments carried at fair value through other comprehensive income	34	-	-	-	-	(26,574)	-	-	26,592	-	18	(18)	-
Right shares issued	31 & 32	168,000	336,000	-	-	-	-	-	-	-	504,000	-	504,000
Right shares issuance cost	31	-	-	-	-	(3,089)	-	-	-	-	(3,089)	-	(3,089)
Profit paid on Tier 1 sukuk - listed	35	-	-	-	-	(234,158)	-	-	-	-	(234,158)	-	(234,158)
Profit paid on Tier 1 sukuk - Government of Abu Dhabi	35	-	-	-	-	(64,574)	-	-	-	-	(64,574)	-	(64,574)
Movement in Tier 1 sukuk - listed		-	-	-	-	-	-	-	-	28,925	28,925	-	28,925
Dividends paid	33	-	-	-	-	-	(700,200)	-	-	-	(700,200)	-	(700,200)
Dividends paid to charity		-	-	-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Transfer to reserves	32	-	-	195,260	-	(195,260)	-	-	-	-	-	-	-
Proposed cash dividend to charity		-	-	-	-	(20,000)	-	20,000	-	-	-	-	-
Proposed cash dividend to shareholders	33	-	-	-	-	(769,022)	769,022	-	-	-	-	-	-
Balance at 31 December 2015		3,168,000	2,102,465	1,293,820	400,000	1,858,899	769,022	20,000	(219,557)	5,672,034	15,064,683	10,548	15,075,231

The attached notes 1 to 45 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
OPERATING ACTIVITIES			
Profit for the year		1,934,043	1,750,690
Adjustments for:			
Depreciation on investment properties	22	12,843	12,529
Depreciation on property and equipment	25	132,741	120,764
Amortisation of intangibles	26	54,756	18,252
Share of results of associates and joint ventures		(20,032)	(6,922)
Dividend income	6	(5,697)	(4,569)
Realised gain on sale of investments carried at fair value through profit and loss	6	(10,289)	(20,718)
Unrealised loss (gain) on investments carried at fair value through profit and loss	6	15,488	(228)
Gain on disposal of property and equipment		(887)	(127)
Provision for impairment, net	11	819,954	757,783
Gain on sale of investment properties	8	(24,748)	(652)
Operating profit before changes in operating assets and liabilities		2,908,172	2,626,802
(Increase) decrease in balances with central banks		(1,494,536)	4,381,777
Decrease (increase) in balances and wakala deposits with Islamic banks and other financial institutions		639,652	(964,693)
Decrease (increase) in murabaha and mudaraba with financial institutions		180,134	(282,736)
Increase in murabaha and other Islamic financing		(5,096,667)	(5,438,040)
Increase in ijara financing		(1,085,441)	(4,517,615)
Purchase of investments carried at fair value through profit and loss		(5,356,057)	(4,449,971)
Proceeds from sale of investments carried at fair value through profit and loss		4,885,995	4,824,423
Increase in other assets		(384,052)	(390,273)
(Decrease) increase in due to financial institutions		(376,223)	286,166
Increase in depositors' accounts		10,156,420	7,940,425
Increase (decrease) in other liabilities		77,876	(390,338)
Cash from operations		5,055,273	3,625,927
Directors' remuneration paid	41	(4,900)	(4,900)
Net cash from operating activities		5,050,373	3,621,027
INVESTING ACTIVITIES			
Dividend received	6	5,697	4,569
Purchase of investments carried at fair value through other comprehensive income		-	(2,915)
Proceeds from sale of investments carried at fair value through other comprehensive income		9,462	34,052
Purchase of investments carried at amortised cost		(2,086,059)	(1,155,852)
Redemption proceeds from investments carried at amortised cost		225,177	479,456
Dividends received from an associate		6,667	6,343
Additions in investment in associates and joint ventures		(30,447)	(23,493)
Consideration paid for acquisition of business		-	(1,347,033)
Additions in investment properties		-	(1,764)
Proceeds from sale of investment properties	8	68,733	1,463
Purchase of property and equipment	25	(313,922)	(274,710)
Proceeds from disposal of property and equipment		6,548	509
Net cash used in investing activities		(2,108,144)	(2,279,375)
FINANCING ACTIVITIES			
Right shares issued	31 & 32	504,000	-
Issuance cost of right shares	31	(3,089)	-
Profit paid on Tier 1 sukuk - listed	35	(234,158)	(234,158)
Profit paid on Tier 1 sukuk to Government of Abu Dhabi	35	(64,574)	(93,201)
Proceeds from own Tier 1 sukuk - Listed		28,925	17,617
Repurchase of sukuk assets - second issue	30	(2,754,375)	-
Dividends paid		(725,038)	(708,733)
Net cash used in financing activities		(3,248,309)	(1,018,475)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(306,080)	323,177
Cash and cash equivalents at 1 January		9,790,273	9,467,096
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	40	9,484,193	9,790,273

Operating cash flows from profit on balances and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, customer financing, Islamic sukuk and customer deposits are as follows:

		2015	2014
Profit received		5,653,674	4,390,187
Profit paid to depositors and sukuk holders		594,668	510,661

The attached notes 1 to 45 form part of these consolidated financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Abu Dhabi Islamic Bank PJSC ("the Bank") was incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE), as a public joint stock company with limited liability, in accordance with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) and the Amiri Decree No. 9 of 1997. 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 30 June 2016.

The Bank and its subsidiaries ("the Group") carry out full banking services, financing and investing activities through various islamic instruments such as Murabaha, Istisna'a, Mudaraba, Musharaka, Ijara, Wakalah, Sukuk etc. The activities of the Bank are conducted in accordance with Islamic Shari'a, which prohibits usury as determined by the Fatwa and Shari'a Supervisory Board of the Bank, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

In addition to its main office in Abu Dhabi, the Bank operates through its 88 branches in UAE (2014: 88 branches) and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE and the United Kingdom. The consolidated financial statements combine the activities of the Bank's head office, its branches and subsidiaries.

The registered office of the Bank is at P O Box 313, Abu Dhabi, UAE.

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on 14 February 2016.

2 DEFINITIONS

The following terms are used in the consolidated financial statements with the meanings specified:

Murabaha

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

Istisna'a

A sale contract, in which the Group (Al Saanee) sells an asset to be developed using its own materials to a customer (Al Mustasnee) according to pre-agreed upon precise specification, at a specific price, installments dates and to be delivered on a specific date. This developed asset can be either developed directly by the Group or through a subcontractor and then it is handed over to the customer on the pre-agreed upon date.

Ijara

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

Qard Hasan

A non-profit bearing loan enables the borrower to use the borrowed amounts for a specific period of time, at the end of which the same borrowed amounts would be repaid free of any charges or profits.

Musharaka

A contract between the Group and a customer to enter into a partnership in an existing project (or to be established), or in the ownership of a specific asset, either on ongoing basis or for a limited time, during which the Group enters in particular arrangements with the customer to sell to him/her its share in this partnership until he/she becomes the sole owner of it (diminishing musharaka). Profits are distributed according to the mutual agreement of the parties as stipulated in the contract; however, losses are borne according to the exact shares in the Musharaka capital on a pro-rata basis.

Mudaraba

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible of all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.

Wakalah

A contract between the Group and a customer whereby one party (the principal: the Muwakkil) appoints the other party (the agent: Wakil) to invest certain funds according to the terms and conditions of the Wakala for a fixed fee in addition to any profit exceeding the expected profit as an incentive for the Wakil for the good performance. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the Wakil; otherwise, they are borne by the principal.

Sukuk

Certificates which are equal in value and represent common shares in the ownership of a specific physical asset (leased or to be leased either existing or to be constructed in future), or in the ownership of cash receivables of selling an existing-owned asset, or in the ownership of goods receivables, or in the ownership of the assets of Mudaraba or Partnership companies. In all these cases, the Sukuk holders shall be the owners of their common shares in the leased assets, or in the cash receivables, or the goods receivable, or in the assets of the Partnership or the Mudaraba.

3 BASIS OF PREPARATION

3.1 (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), general principles of the Shari'a as determined by the Group's Fatwa and Shari'a Supervisory Board and applicable requirements of the laws of the UAE.

3.1 (b) Accounting convention

The consolidated financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income, Shari'a compliant alternatives of derivative financial instruments which have been measured at fair value and land which has been carried at revalued amount.

The consolidated financial statements have been presented in UAE Dirhams (AED), which is the functional currency of the Bank and all values are rounded to the nearest thousand AED except where otherwise indicated.

3.1 (c) Basis of consolidation

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

			Percentage of holding	
	Activity	Country of incorporation	2015	2014
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	**95%**	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	**100%**	100%
MPM Properties LLC	Real estate services	United Arab Emirates	**100%**	100%
ADIB Invest 1	Equity brokerage services	BVI	**100%**	100%
Kawader Services Company LLC	Manpower supply	United Arab Emirates	**100%**	100%
ADIB (UK) Limited	Islamic banking	United Kingdom	**100%**	100%
ADIB Holdings (Jersey) Ltd*	Special purpose vehicle	British Channel Islands	-	-
ADIB Sukuk Company Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Sukuk Company II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 1 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 2 Ltd*	Special purpose vehicle	Cayman Island	-	-

*The Bank does not have any direct holding in these entities and they are considered to be a subsidiary by virtue of control.

These consolidated financial statements include the operations of the subsidiaries over which the Bank has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

Non-controlling interest represent the portion of the net income or loss and net assets of the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive and within equity in the consolidated statement of financial position, separately shareholders' equity of the Bank.

3 BASIS OF PREPARATION continued

3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as noted below.

During the year the Group has adopted the following new standards / amendments to the standards effective for the annual period beginning on or after 1 January 2015:

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 Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle
These improvements are effective from 1 July 2014 and the Group has applied these amendments 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, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

This improvement does not impact the Group.

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 IFRS 9 (or IAS 39, as applicable). The amendment does not impact the consolidated financial statements of the Group.

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'
- 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.

The amendment does not impact the consolidated financial statements of the Group.

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. The amendment does not impact the consolidated financial statements of the Group.

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 Group as it does not receive any management services from other entities.

3 BASIS OF PREPARATION continued

3.2 Changes in accounting policies continued

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group 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

The amendment is not relevant for the Group and its subsidiaries.

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 IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

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. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, the amendment does not impact the consolidated financial statements of the Group.

3.3 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9: Financial Instruments - hedge accounting (Amendments to IFRS 9, IFRS 7 and IAS 39) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

IFRS 9: Financial Instruments - impairment introduces new requirements for impairment. On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The IASB has addressed the key concern that arose as a result of the financial crisis that the incurred loss model in IAS 39 contributed to the delayed recognition of credit losses, by issuing the new impairment requirements that are based on a more forward-looking expected credit loss model. The requirements of IFRS 9 relating to impairment are for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture 28 (Amendments) address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are 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 Group.

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.

3 BASIS OF PREPARATION continued

3.3 Standards issued but not yet effective continued

IFRS 14: Regulatory Deferral Accounts is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group 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 recognized 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.

IFRS 16: Leases was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, It substantially carries forward the requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard."

IAS 16 and IAS 38: Property, Plant and Equipment and Intangible Assets (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.

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

1. *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

2. *IFRS 7 Financial Instruments: Disclosures*
i) *Servicing contracts* amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
ii) *Applicability of the amendments to IFRS 7 to condensed interim financial statements* amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

3. *IAS 19 Employee Benefits* amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

4. *IAS 34 Interim Financial Reporting* amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Group.

5. *Amendments to IAS 1 Disclosure Initiative* amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

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

3.3 Standards issued but not yet effective continued

Annual Improvements 2012-2014 Cycle continued

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

6. *Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception* amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are 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 Group.

Management anticipates that these new standards / amendments will be adopted in the Group's consolidated financial statements for the period when they become effective. Management is in the process of assessing the impact of these new standards/ amendments on the consolidated financial statements.

3.4 Significant Judgements and Estimates

The preparation of the consolidated financial statements in conformity with the International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provisions as well as fair value changes.

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial years. Estimates and judgments are currently evaluated and are based on historical experience and other factors. In order to reduce the element of subjectivity, the Group has laid down clear criteria to enable estimation of future cash flows. As estimates are based on judgments, actual results may differ, resulting in future changes in such provisions.

Going concern

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

Impairment losses on financing assets and investments carried at amortised cost

The Group reviews its financing assets and investments carried at amortised cost on a regular basis to assess whether a provision for impairment should be recorded in the consolidated financial statement in relation to any non-performing assets. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment provision. 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 financing assets

In addition to specific provisions against individually impaired financing assets, the Bank also makes collective impairment provisions against portfolio of financing assets with common features which have not been identified as individually impaired. This collective provision is based on any deterioration in the internal rating of the asset or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of probability of occurrence of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Classification and measurement of financial assets

The classification and measurement of the financial assets depend on the management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. The Group's investments in securities are appropriately classified and measured.

3 BASIS OF PREPARATION continued

3.4 Significant Judgements and Estimates continued

Operating lease commitments - Group as lessor
The Group has entered into commercial property lease arrangements on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties therefore, accounts for the contracts as operating leases.

Investment and development properties
The Group hired services of professional real estate valuer to provide reliable estimates of the market value of investment properties for determining the fair values as of the reporting date, for disclosure purposes and assessing the impairment, if any. The basis of estimate and method used by the valuer has been disclosed in the note 22.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position that cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

Classification of properties
In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, development property or property and equipment. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, development property and property and equipment. In making its judgment, management considers the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by the management.

Impairment of investments in associates and joint ventures
Management regularly reviews its investment in associates and joint venture for indicators of impairment. This determination of whether investments in associates is impaired, entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. If managements' review results in impairment, the difference between the estimated recoverable amount and the carrying value of investment in associates and joint venture is recognized as an expense in the consolidated income statement.

Impairment review of investment properties, development properties and advances paid against purchase of properties
Investment properties, development properties and advances paid against purchase of properties are assessed for impairment based on assessment of cash flows on individual cash-generating units when there is indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discount rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any impairment.

The assessment of current market conditions, including cost of project completion, future rental and occupancy rates and assessment of the projects capital structure and discount rates requires management to exercise its judgment. Management uses internal and external experts to exercise this judgment.

Impairment of goodwill
On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the recoverable amount using value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful life of property and equipment
The cost of property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors.

Business combinations
Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires estimation by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of intangibles other assets and market multiples. The Group's management uses all available information to make these fair value determinations. The Group has, if necessary, up to one year after acquisition closing date to complete these fair value determinations and finalise the purchase price allocation.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Revenue recognition

Murabaha

Murabaha income is recognized on a time apportioned basis over the period of the contract based on the principal amounts outstanding.

Istisna'a

Istisna'a revenue and the associated profit margin (difference between the cash price of al-masnoo to the customer and the Bank's total Istisna'a cost) is accounted for on a time apportioned basis.

Ijara

Ijara income is recognized on a time apportioned basis over the lease term.

Musharaka

Income is accounted for on the basis of the reducing balance of Musharaka on a time apportioned basis that reflects the effective yield on the asset.

Mudaraba

Income or losses on Mudaraba financing are recognized on an accrual basis if they can be reliably estimated. Otherwise, income is recognized on distribution by the Mudarib, whereas the losses are charged to the Bank's consolidated income statement on their declaration by the Mudarib.

Sukuk

Income is accounted for on a time apportioned basis over the terms of the Sukuk.

Sale of properties

Revenue on sale of properties is recognized as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's initial investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property; and
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

Revenue on sale of units or apartments is deferred until completion of construction works and when delivery to the buyer takes place.

Fee and commission income

Fee and commission income is recognized when the related services are performed.

Operating lease income

Operating lease income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases.

Gain on sale of investments

Gain or loss on disposal of FVTPL investments represents the difference between the sale proceeds and the carrying value of such investments on the date of sale less any associated selling costs and is recognized through consolidated income statement.

Gain or loss on disposal of FVTOCI investments represents the difference between sale proceeds and their original cost less associated selling costs and is recognized through consolidated statement of comprehensive income and are included within cumulative changes in fair value reserve within equity and not recognized in the consolidated income statement.

Dividends

Dividends from investments in equities are recognized when the right to receive the dividend is established.

Cost of sale of properties

Cost of sale of properties includes the cost of development. Development costs include the cost of infrastructure and construction.

Cost of sale of land represents the carrying amount at which it is recorded in the consolidated financial statements of the Group.

Financial Instruments

Recognition and Measurement

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group are further analysed as:

- Customer financing;
- Balances and wakala deposits Islamic banks and other financial institutions;
- Murabaha and mudaraba with financial institutions;
- Investment in sukuk;
- Investment in equity instruments;
- Trade and other receivables; and
- Sharia compliant alternatives of derivatives.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments continued

Recognition and Measurement continued

The Group's customer financing comprise the following:

- Murabaha and other Islamic financing; and
- Ijara financing.

Effective 1 January 2011, the Group early adopted IFRS 9 'Financial Instruments' in line with the transitional provisions of IFRS 9.

Financial assets are classified in their entirety on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

Classification

Financial assets at amortised cost

Murahaba and other Islamic financing and Ijara financing i.e. customer financing and investment in sukuk, are measured at amortised cost, if both the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Financial assets at fair value through profit or loss ("FVTPL")

Investments in equity instruments are classified as FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition.

Other financial assets that do not meet the amortised cost criteria are classified as FVTPL. In addition, certain financial assets that meet the amortised cost criteria but at initial recognition are designated as FVTPL in line with the business model of the Group. A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different basis.

Financial asset are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets that are designated as FVTPL on initial recognition is not allowed.

Financial assets at fair value through other comprehensive income ("FVTOCI")

At initial recognition, the Group can make an irrevocable election (on instrument-by-instrument basis) to designate investments in equity instruments as FVTOCI.

A financial asset is FVTPL if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is part of identified financial instrument that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a Shari'a compliant alternatives of derivative financial instruments and not designated and effective as a hedging instrument or a financial guarantee.

Measurement

Financial assets or financial liabilities carried at amortised cost

Financial assets at amortised cost including customer financing and investment in sukuk are measured at amortised cost, less any reduction for impairment. Amortised cost is calculated using the effective profit rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective profit rate of the instrument.

Balances and deposits with banks and other financial institutions, Murabaha and Mudaraba with financial institutions, Murabaha, Ijara, Mudaraba and certain other Islamic financing are financial assets with fixed or expected profit payments. These assets are not quoted in an active market. They arise when the Group provides funds directly to a customer with no intention of trading the receivable. Financial liabilities are liabilities where the Group has a contractual obligation to deliver cash or another financial asset or exchange financial instruments under conditions that are potentially unfavourable to the Group.

Balances and wakala deposits with Islamic banks and other financial institutions are stated at amortised cost less amounts written off and provision for impairment, if any.

Murabaha and mudaraba with financial institutions are stated at amortised cost (which excludes deferred income or expected profits) less provisions for impairment.

Islamic financing consist of murabaha receivables, mudaraba, Istisna'a, Islamic covered cards (murabaha based) and other Islamic financing.

Istisna'a cost is measured and reported in the consolidated financial statements at a value not exceeding the cash equivalent value.

Other Islamic financing are stated at amortised cost (which excludes deferred income) less any provisions for impairment.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments continued

Measurement continued

The Ijara is classified as a finance lease, when the Bank undertakes to sell the leased assets to the lessee using an independent agreement upon the maturity of the lease and the sale results in transferring all the risks and rewards incident to an ownership of the leased assets to the lessee. Leased assets represents finance lease of assets for periods, which either approximate or cover a major part of the estimated useful lives of such assets. Leased assets are stated at amounts equal to the net investment outstanding in the leases including the income earned thereon less impairment provisions.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognized in the consolidated income statement. The net gain or loss recognized in the consolidated income statement is included within 'investment income' in the consolidated income statement.

Financial assets at fair value through other comprehensive income ("FVTOCI")

Investments in equity instruments are initially measured at fair value plus transaction costs. Subsequently they are measured at fair value with gains and losses arising from changes in fair value recognized in the consolidated statement of other comprehensive income and accumulated in the cumulative changes in fair values within equity. Where the assets are disposed off, the cumulative gain or loss previously accumulated in the cumulative changes in fair values is not transferred to the consolidated income statement, but is reclassified to retained earnings. As per the requirement of IFRS 9, financial assets measured at FVTOCI are not tested for impairment.

For investments quoted in active market, fair value is determined by reference to quoted market prices.

For other investments, where there is no active market, fair value is normally based on one of the following:

- the expected cash flows discounted at current profit rates applicable for items with similar terms and risk characteristics
- brokers' quotes
- recent market transactions

Dividends on investment in equity instruments are recognized in the consolidated income statement when the Group's right to receive the dividend is established, unless the dividends clearly represent a recovery of part of the cost of investment.

(i) Recognition / De-recognition

The Group initially recognises financial assets at fair value through profit or loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

Financing to customers are recognized on the day they are originated. A financial liability is recognized on the date the Group becomes a party to contractual provisions of the instruments.

A financial asset is de-recognized when the contractual rights to the cash flows from the financial asset expires or when it transfers the financial asset. A financial liability is de-recognized when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets designated at fair value through profit or loss, and financial assets at fair value through other comprehensive income that are sold are de-recognized and corresponding receivables from the buyer for the payment are recognized as at the date the Group commits to sell the assets. The Group uses the specific identification method to determine the gain or loss on de-recognition.

(ii) Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a enforceable right legally and under Sharia'a framework to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iii) Impairment of financial assets

Customer financing

The recoverable amount of customer financing is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective profit rate. Short-term balances are not discounted. Financing is presented net of impairment allowances. Specific allowances are made against the carrying amount of financing that are identified as being impaired, based on regular reviews of outstanding balances to reduce these financing to their recoverable amounts. Portfolio allowances are maintained to reduce the carrying amount of portfolios of similar financing to their estimated recoverable amounts at the statement of financial position date. Changes in the allowance account are recognized in the consolidated income statement. When a financing is known to be irrecoverable, and all the necessary legal procedures have been completed, the final loss is determined and the financing is written off.

If in a subsequent period the amount of an impairment loss decreases, and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through the consolidated income statement.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Renegotiated financing facilities

Where possible, the Bank seeks to restructure financing facilities rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Once the terms have been renegotiated, any impairment is measured using the original effective profit rate as calculated before the modification of terms and the financing facility is no longer considered past due. Management continually reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur. The financing facility continue to be subject to an individual or collective impairment assessment, calculated using the financing facilities' original effective profit rate.

Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule, to the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data such as market transactions, rental yields and audited financial statements.

Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the consolidated income statement. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Fair value measurements

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 to by the Group.

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 best economic benefit.

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 Group 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 (note 44).

Business combinations

Acquisitions of businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the cash and equity interests issued by the Bank in exchange for control of the acquiree. Acquisition related costs are recognized in consolidated income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Bank entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in consolidated income statements as gain on acquiring controlling interest.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Business Combinations continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Bank in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognized in consolidated income statement.

When a business combination is achieved in stages, the Bank's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Bank obtains control) and the resulting gain or loss, if any, is recognized in consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to consolidated income statement where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Bank reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date which is regarded as their cost. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

Amortisation is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The rates of amortisation are based upon the following estimated useful lives:

- Customer relationship 8 years
- Core deposit intangible 8 years

Goodwill

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units which are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in associates

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The consolidated income statement reflects the share of the results of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Investment in associates continued

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Investment in joint ventures

The Group has investment in joint ventures, which are jointly controlled entities, whereby venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The Group's investment in joint ventures is accounted for using the equity method of accounting.

Under the equity method, the investment in the joint ventures is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. The consolidated income statement reflects the share of the results of the joint venture. Where there has been a change recognized directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The financial statements of the ventures are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated income statement.

Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the assets' estimated useful lives. The useful life of buildings is estimated to be 25 years.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated income statement.

Development properties

Properties in the course of construction for sale or completed properties held for sale are classified as development properties. Completed properties held for sale are stated at the lower of cost or net realizable value. Properties in the course of development for sale are stated at lower of cost or net realizable value. The cost of development properties includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be complete when all related activities, including the infrastructure and facilities for the entire project, have been completed.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Land is recorded at revalued amount in the consolidated financial statements.

Depreciation is provided on a straight-line basis over the estimated useful lives of property and equipment, other than freehold land which is deemed to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Buildings	25 years
Furniture and leasehold improvements	7 years
Computer and office equipment	4 years
Motor vehicles	4 years

The carrying values of properties and equipments are reviewed for impairment when events of changes in circumstances indicate the carrying value may not be recoverable. If any such conditions exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Any subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated income statement as the expense is incurred.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Property and equipment continued

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognized.

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.

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited directly to equity under revaluation reserve, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, whereby it is recognized as income i.e., to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that asset and the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited directly to retained earnings.

Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Acceptances

Acceptances are recognized as financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

Deposits

Customer deposits and due to banks and other financial institutions are carried at amortised cost.

Sukuk financing instruments

Sukuk financing instruments are initially measured at fair value and then are subsequently measured at amortised cost using the effective profit rate method, with profit distribution recognized on an effective yield basis.

The effective profit rate method is a method of calculating the amortised cost of a financial liability and of allocating profit distribution over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Employees' pension and end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are included within 'other liabilities' in the consolidated statement of financial position.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are recognized in the consolidated income statement when due.

Shari'a compliant alternatives of derivative financial instruments

The Bank enters into a Shari'a compliant alternatives of derivative financial instruments to manage the exposure to profit rate risks, including unilateral promise which represents Shari'a compliant alternatives of swap. Those financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All these Shari'a compliant alternatives of derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate.

The Bank enters into cash flows hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objectives and strategies are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Cash flow hedges

The effective portion of changes in the fair value of Shari'a compliant alternatives of derivatives that are designated and qualify as cash flow hedges are recognized in the cash flow hedging reserve in equity. The ineffective part of any gain or loss is recognized immediately in the consolidated income statement. Amounts accumulated in equity are transferred to the consolidated income statement in the periods in which the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognized in equity remain in equity until the forecast transaction is recognized, in the case of a non-financial asset or a nonfinancial liability, or until the forecast transaction affects the consolidated income statement. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognized in equity are immediately transferred to the consolidated income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. A gain or loss on the effective portion of the hedging instrument is recognized in consolidated statement of comprehensive income within foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement. Gains and losses accumulated in equity are included in the consolidated income statement on the disposal of the foreign operations.

Zakat

As the Bank is not required to dispose Zakat by UAE laws or by its Articles and Memorandum of Association or by a decision of the General Assembly, each shareholder is responsible of his or her own Zakat. In accordance with the Articles and Memorandum of Association of the Bank, Zakat is computed by the Bank and it is approved by the Fatwa and Shari'a Supervisory Board of the Bank. However, in few jurisdictions, Zakat of the Bank's branches and subsidiaries is mandatory by laws to be paid to a governmental entity responsible of Zakat, therefore, the Bank acts accordingly to these laws and pays the Zakat to these entities on behalf of the Shareholders and deducts the amount paid as Zakat from the total zakat amount and the Zakat amount per each outstanding share.

Zakat per share is calculated in accordance with AAOIFI's Accounting Standard number 9 & Shari'a Standard number 35, and the Group's Fatwa and Shari'a Supervisory Board Resolutions.

In accordance with the Memorandum of Association, the Group communicates the amount of Zakat per share and it is the responsibility of each shareholder to dispose personally his/her own Zakat (note 39).

Profit distribution

Profits or losses of Mudaraba based depositors' accounts are calculated and distributed in accordance with the Banking Service Agreement between the Bank and the investment account holders. Investment in subsidiaries is funded from the shareholders' funds, hence profit or losses from the subsidiaries are not distributed to the investment account holders. Investment in associates is funded jointly from the shareholders and investment account holders' funds, therefore, profits and losses of the associates are distributed among the shareholders and investment account holders. A part of the deserved profits relating to the Mudaraba based investment accounts profit can be reserved as "Profit Equalization Reserve" and shall be subsequently utilized in order to maintain certain level of profit distribution to the account holders.

The same allocation is applicable to Wakala deposits and any share of profit above the fixed Wakala fee and the initially expected profit agreed with the investment account holder, shall pertain to the Wakil (the Bank).

Cash and cash equivalents

For the purpose of preparation of the consolidated statement of cash flow, cash and cash equivalents are considered to be cash and balances with central banks, due from banks and international murabahat. Cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

Trade and settlement date accounting

All "regular way" purchase and sales of financial assets are recognized on the settlement date, i.e. the date the asset is delivered to the counterparty. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Prohibited income

According to the Fatwa and Shari'a Supervisory Board "FSSB", the Group is required to avoid any transaction or activity deemed to be not acceptable by Shari'a and to identify any income from such source and to set it aside in a separate account (charity account) to be disposed to charity by the Group under the supervision of the FSSB (as purification amount).

Fiduciary assets

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

4 SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is the Bank's functional currency. That is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences 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 is determined.

The assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statement is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated income statement.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value. Subsequent to initial recognition, the Group's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the consolidated income statement in 'net fees and commission income' over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement in 'credit loss expense'. Any financial guarantee liability remaining is recognized in the consolidated income statement in 'net fees and commission income' when the guarantee is discharged, cancelled or expires.

Segment reporting

The Bank has presented the segment information in respect of its business and geographical segments in the same way as it is presented internally to the management.

Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Treasury shares and contracts on own equity instruments

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Bank's own equity instruments is recognized directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

5 INCOME FROM MURABAHA, MUDARABA, IJARA AND OTHER ISLAMIC FINANCING FROM CUSTOMERS

	2015 AED '000	2014 AED '000
Vehicle murabaha	**357,160**	368,526
Goods murabaha	**508,060**	438,611
Share murabaha	**992,527**	1,019,742
Commodities murabaha – Al Khair	**279,060**	235,578
Islamic covered cards (murabaha)	**378,475**	281,640
Other murabaha	**97,903**	60,773
Total murabaha	**2,613,185**	2,404,870
Mudaraba	**47,663**	115,036
Ijara	**1,692,851**	1,566,780
Istisna'a	**8,850**	13,911
	4,362,549	4,100,597

6 INCOME FROM INVESTMENTS MEASURED AT FAIR VALUE

	2015 AED '000	2014 AED '000
Income from Islamic sukuk measured at fair value through profit or loss	37,671	32,057
Income from other investment assets	24,967	13,352
Dividend income	5,697	4,569
Realised gain on sale of investments carried at fair value through profit or loss	10,289	20,718
Unrealised (loss) gain on investments carried at fair value through profit or loss	(15,488)	228
	63,136	70,924

7 FEES AND COMMISSION INCOME, NET

	2015 AED '000	2014 AED '000
Fees and commission income		
Fees and commission income on cards	521,064	431,510
Trade related fees and commission	151,658	136,063
Accounts services fees	44,319	39,619
Projects and property management fees	60,502	39,661
Risk participation and arrangement fees	213,265	192,084
Brokerage fees and commission	52,285	86,273
Other fees and commissions	254,482	144,147
Total fees and commission income	1,297,575	1,069,357
Fees and commission expenses		
Card related fees and commission expenses	(355,139)	(281,467)
Other fees and commission expenses	(57,107)	(49,255)
Total fees and commission expenses	(412,246)	(330,722)
Fees and commission income, net	885,329	738,635

8 INCOME FROM INVESTMENT PROPERTIES

	2015 AED '000	2014 AED '000
Proceeds from sale of investment properties	68,733	1,463
Less: net book value of properties sold	(43,985)	(811)
Gain on sale of investment properties	24,748	652
Rental income (note 22)	20,957	11,347
	45,705	11,999

9 EMPLOYEES' COSTS

	2015 AED '000	2014 AED '000
Salaries and wages	1,269,301	1,132,192
End of service benefits	74,328	70,150
Other staff expenses	59,829	61,141
	1,403,458	1,263,483

10 GENERAL AND ADMINISTRATIVE EXPENSES

	2015 AED '000	2014 AED '000
Legal and professional expenses	**153,828**	110,086
Premises expenses	**226,221**	174,008
Marketing and advertising expenses	**114,438**	107,812
Communication expenses	**71,661**	59,970
Technology related expenses	**78,431**	71,150
Other operating expenses	**125,686**	132,932
	770,265	655,958

11 PROVISION FOR IMPAIRMENT, NET

	Notes	2015 AED '000	2014 AED '000
Murabaha and mudaraba with financial institutions	16	**31,290**	33,639
Murabaha and other Islamic financing	17	**884,000**	379,968
Ijara financing	18	**(113,359)**	241,610
Direct write-off		**14,517**	4,012
Investment in Islamic sukuk measured at amortised cost	19	**-**	16,969
Investment properties	22	**-**	1,236
Other assets	24	**3,506**	80,349
		819,954	757,783

The above provision for impairment includes AED 5,156 thousand (2014: AED 74,873 thousand) pertaining to Burooj Properties LLC, a real estate subsidiary of the Bank.

12 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS

	2015 AED '000	2014 AED '000
Saving accounts	**123,750**	131,481
Investment accounts	**336,877**	324,242
Sukuk holders	**156,001**	172,562
	616,628	628,285

13 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the 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 are calculated by dividing the profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of any financial instruments with dilutive effects.

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

	Notes	2015	2014
Profit for the year attributable to equity holders (AED '000)		**1,931,695**	1,746,875
Less: profit attributable to Tier 1 sukuk holder (AED '000)	35	**(234,158)**	(234,158)
Less: profit attributable to Tier 1 sukuk holder - Government of Abu Dhabi (AED '000)	35	**(64,574)**	(93,201)
Profit for the year attributable to equity holders after deducting profit relating to Tier 1 sukuk (AED '000)		**1,632,963**	1,419,516
Weighted average number of ordinary shares at 1 January in issue (000's)		**3,053,247**	2,364,706
Effect of Right shares issued			
Bonus element		**-**	53,247
New shares		**32,068**	-
Bonus shares issued	31	**-**	635,294
Weighted average number of ordinary shares at 31 December in issue (000's)		**3,085,315**	3,053,247
Basic and diluted earnings per share (AED)		**0.529**	0.465

The Bank does not have any instruments which would have a dilutive impact on earnings per share when converted or exercised. Profit on Tier 1 sukuk is reflected in the EPS computation on the payment of such profit.

14 CASH AND BALANCES WITH CENTRAL BANKS

	2015 AED '000	2014 AED '000
Cash on hand	**1,835,100**	2,231,856
Balances with central banks:		
- Current accounts	**192,153**	468,300
- Statutory reserve	**9,851,850**	8,357,314
- Islamic certificate of deposits	**6,750,258**	7,700,110
	18,629,361	18,757,580

The Bank is required to maintain statutory reserves with the Central Bank of the UAE, Iraq and Sudan on demand, time and other deposits. The statutory reserves are not available for use in the Bank's day-to-day operations and cannot be withdrawn without the approval of the Central Bank. Cash on hand and current accounts are not profit-bearing. Islamic certificate of deposits are profit bearing, which is based on entering into international commodities Murabaha transaction in which Central Bank of the UAE is the buyer and the Bank is the seller.

The distribution of the cash and balances with central banks by geographic region is as follows:

	2015 AED '000	2014 AED '000
UAE	**18,264,069**	18,483,541
Rest of the Middle East	**249,940**	179,361
Europe	**1,438**	828
Others	**113,914**	93,850
	18,629,361	18,757,580

15 BALANCES AND WAKALA DEPOSITS WITH ISLAMIC BANKS AND OTHER FINANCIAL INSTITUTIONS

	2015 AED '000	2014 AED '000
Current accounts	227,331	363,476
Wakala deposits	2,896,983	3,740,149
	3,124,314	4,103,625

In accordance with Shari'a principles, deposits are invested only with Islamic financial institutions. The Bank does not earn profits on current accounts with banks and financial institutions.

The distribution of the balances and wakala deposits with Islamic banks and other financial institutions by geographic region is as follows:

	2015 AED '000	2014 AED '000
UAE	476,614	1,058,617
Rest of the Middle East	1,045,333	1,176,433
Europe	72,093	120,961
Others	1,530,274	1,747,614
	3,124,314	4,103,625

16 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	2015 AED '000	2014 AED '000
Murabaha	1,596,772	2,158,981
Mudaraba	215,530	171,022
	1,812,302	2,330,003
Less: provision for impairment	(194,740)	(163,450)
	1,617,562	2,166,553

In accordance with Shari'a principles, Mudaraba are with Islamic financial institutions or provided for the activities that are entirely Sharia' compliant.

The movement in the provision for impairment during the year was as follows:

	2015 AED '000	2014 AED '000
At 1 January	163,450	129,811
Charge for the year (note 11)	31,290	33,639
At 31 December	194,740	163,450

The distribution of the gross murabaha and mudaraba with financial institutions by geographic region is as follows:

	2015 AED '000	2014 AED '000
UAE	1,360,232	1,921,425
Rest of the Middle East	379,711	293,062
Others	72,359	115,516
	1,812,302	2,330,003

17 MURABAHA AND OTHER ISLAMIC FINANCING

	2015 AED'000	2014 AED'000
Vehicle murabaha	**6,442,157**	6,324,106
Goods murabaha	**10,250,391**	7,457,263
Share murabaha	**17,945,857**	15,702,991
Commodities murabaha / advance murabaha – Al Khair	**6,623,523**	4,764,135
Islamic covered cards (murabaha / advance murabaha)	**16,995,176**	17,092,463
Other murabaha	**2,379,343**	2,916,643
Total murabaha	**60,636,447**	54,257,601
Mudaraba	**1,213,861**	1,527,907
Istisna'a	**146,377**	104,964
Other financing receivables	**338,683**	119,552
Total murabaha and other Islamic financing	**62,335,368**	56,010,024
Less: deferred income on murabaha	**(22,073,741)**	(20,405,367)
	40,261,627	35,604,657
Less: provision for impairment	**(1,860,850)**	(1,402,030)
	38,400,777	34,202,627

The movement in the provision for impairment during the year was as follows:

	2015			2014		
	Individual impairment AED '000	**Collective impairment AED '000**	**Total AED '000**	Individual impairment AED '000	Collective impairment AED '000	Total AED '000
At 1 January	**519,623**	**882,407**	**1,402,030**	1,662,499	455,230	2,117,729
Charge for the year (note 11)	**599,227**	**284,773**	**884,000**	(47,209)	427,177	379,968
Written off during the year	**(425,180)**	**-**	**(425,180)**	(1,105,786)	-	(1,105,786)
Other movements	**-**	**-**	**-**	10,119	-	10,119
At 31 December	**693,670**	**1,167,180**	**1,860,850**	519,623	882,407	1,402,030

The distribution of the gross murabaha and other Islamic financing by industry sector and geographic region was as follows:

	2015 AED'000	2014 AED'000
Industry sector:		
Government	**77,299**	6,988
Public sector	**952,592**	524,228
Corporates	**7,586,931**	6,901,567
Financial institutions	**405,653**	380,829
Individuals	**28,975,566**	25,488,629
Small and medium enterprises	**2,263,586**	2,302,416
	40,261,627	35,604,657
Geographic region:		
UAE	**38,835,151**	34,053,254
Rest of the Middle East	**959,989**	921,067
Europe	**244,830**	297,382
Others	**221,657**	332,954
	40,261,627	35,604,657

18 IJARA FINANCING

This represents net investment in assets leased for periods which either approximate or cover major parts of the estimated useful lives of such assets. The documentation includes a separate undertaking from the Bank to sell the leased assets to the lessee upon the maturity of the lease.

	2015 AED'000	2014 AED'000
The aggregate future lease receivables are as follows:		
Due within one year	**9,301,428**	9,529,745
Due in the second to fifth year	**21,521,419**	21,465,987
Due after five years	**21,491,474**	19,375,174
Total ijara financing	**52,314,321**	50,370,906
Less: deferred income	**(11,177,578)**	(10,215,939)
Net present value of minimum lease payments receivable	**41,136,743**	40,154,967
Less: provision for impairment	**(1,134,289)**	(1,351,313)
	40,002,454	38,803,654

The movement in the provision for impairment during the year was as follows:

	2015			2014		
	Individual impairment AED '000	**Collective impairment AED '000**	**Total AED '000**	Individual impairment AED '000	Collective impairment AED '000	Total AED '000
At 1 January	**558,077**	**793,236**	**1,351,313**	774,631	468,619	1,243,250
(Reversal) charge for the year (note 11)	**(167,371)**	**54,012**	**(113,359)**	(83,007)	324,617	241,610
Written off during the year	**(103,665)**	**-**	**(103,665)**	(133,907)	-	(133,907)
Other movements	**-**	**-**	**-**	360	-	360
At 31 December	**287,041**	**847,248**	**1,134,289**	558,077	793,236	1,351,313

The distribution of the gross ijara financing by industry sector and geographic region was as follows:

	2015 AED'000	2014 AED'000
Industry sector:		
Government	**374,591**	36,274
Public sector	**3,792,330**	4,720,539
Corporates	**19,075,045**	18,585,937
Financial institutions	**213,663**	139,801
Individuals	**17,138,079**	16,225,785
Small and medium enterprises	**351,856**	323,650
Non-profit organisations	**191,179**	122,981
	41,136,743	40,154,967
Geographic region:		
UAE	**39,253,812**	38,659,120
Rest of the Middle East	**1,219,375**	939,979
Europe	**752**	1,254
Others	**662,804**	554,614
	41,136,743	40,154,967

19 INVESTMENT IN ISLAMIC SUKUK MEASURED AT AMORTISED COST

	2015 AED '000	2014 AED '000
Sukuk	7,282,409	5,421,527

The movement in the provision for impairment during the year was as follows:

	2015 AED '000	2014 AED '000
At 1 January	98,277	81,308
Charge for the year (note 11)	-	16,969
At 31 December	98,277	98,277

The distribution of the gross investments by geographic region was as follows:

	2015 AED '000	2014 AED '000
UAE	4,995,579	3,725,228
Rest of the Middle East	1,270,127	1,065,093
Europe	111,510	-
Others	1,003,470	729,483
	7,380,686	5,519,804

20 INVESTMENTS MEASURED AT FAIR VALUE

	2015 AED '000	2014 AED '000
Investments carried at fair value through profit or loss		
Quoted investments		
Equities	11,319	-
Sukuk	1,258,537	804,993
	1,269,856	804,993
Investments carried at fair value through other comprehensive income		
Quoted investments		
Equities	846	960
Unquoted investments		
Funds	51,363	61,640
Private equities	131,494	139,882
	182,857	201,522
	183,703	202,482
	1,453,559	1,007,475
The distribution of the gross investments by geographic region was as follows:		
UAE	902,263	527,333
Rest of the Middle East	138,347	167,245
Europe	822	77,533
Others	412,127	235,364
	1,453,559	1,007,475

21 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2015 AED '000	2014 AED '000
Cost of investment	962,206	931,759
Share of results	60,688	40,656
Dividend received	(22,661)	(15,994)
Foreign currency translation	(200,877)	(149,026)
	799,356	807,395

Details of the Bank's investment in associates and joint ventures at 31 December is as follows:

	Place of incorporation	Proportion of ownership interest 2015 %	Proportion of ownership interest 2014 %	Principal activity
Associates				
Abu Dhabi National Takaful PJSC	UAE	42	42	Islamic insurance
Bosna Bank International D.D	Bosnia	27	27	Islamic banking
Joint ventures				
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	49	49	Banking (under conversion to Islamic bank)
Saudi Finance Company CSJC (Formerly Saudi Installment House)	Kingdom of Saudi Arabia	51	51	Islamic Retail Finance
Arab Link Money Transfer PSC	UAE	51	51	Currency Exchange
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	51	51	Merchant acquiring

Summarised financial information of investment in significant associates and joint venture are set out below:

	2015 AED '000	2014 AED '000
1 - Abu Dhabi National Takaful PJSC		
Share of associate's statement of financial position		
Assets	307,289	266,960
Liabilities	(210,911)	(179,840)
Net assets	96,378	87,120
Share of associate's revenue and profits:		
Revenue for the year	35,430	27,882
Profit for the year	16,802	11,452
Dividends received during the year	6,667	6,343
2 - Bosna Bank International D.D		
Share of associate's statement of financial position		
Assets	353,068	350,061
Liabilities	(300,419)	(294,586)
Net assets	52,649	55,475
Share of associate's revenue and profits:		
Revenue for the year	15,692	16,139
Profit for the year	2,850	2,086

21 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

	2015 AED '000	2014 AED '000
3 - Abu Dhabi Islamic Bank – Egypt (S.A.E.)		
Share of joint venture's statement of financial position		
Assets	5,335,571	4,584,564
Liabilities	(5,094,716)	(4,396,800)
Net assets	240,855	187,764
Share of joint venture's revenue and profits:		
Revenue for the year	204,446	110,455

As of 31 December 2015, the Bank's share of the contingent liabilities and commitments of associates and joint ventures amounted to AED 286,836 thousand (2014: AED 258,550 thousand). The equity instruments of Abu Dhabi National Takaful PJSC are quoted in Abu Dhabi Securities Exchange, UAE and the quoted value of the Banks' share of investment at 31 December 2015 amounted to AED 177,472 thousand (2014: AED 262,458 thousand) and its carrying value as of 31 December 2015 amounted to AED 170,825 thousand (2014: AED 160,689 thousand).

The distribution of the gross investment in associates and joint ventures by geographic region was as follows:

	2015 AED'000	2014 AED'000
UAE	198,167	163,223
Rest of the Middle East	64,033	58,022
Europe	51,511	54,322
Others	485,645	531,828
	799,356	807,395

22 INVESTMENT PROPERTIES

The movement in investment properties balance during the year was as follows:

2015	Land AED '000	Other properties AED '000	Total AED '000
Cost:			
Balance at 1 January	30,131	335,316	365,447
Transfers from other assets	-	13,610	13,610
Other movements	-	(9,979)	(9,979)
Disposals	(4,080)	(48,761)	(52,841)
Gross balance at 31 December	26,051	290,186	316,237
Less: provision for impairment	(12,292)	(11,033)	(23,325)
Net balance at 31 December	13,759	279,153	292,912
Accumulated depreciation:			
Balance at 1 January	-	40,782	40,782
Charge for the year	-	12,843	12,843
Relating to disposals	-	(6,834)	(6,834)
Balance at 31 December	-	46,791	46,791
Net book value at 31 December	13,759	232,362	246,121

22 INVESTMENT PROPERTIES continued

2014	Land AED '000	Other properties AED '000	Total AED '000
Cost:			
Balance at 1 January	30,131	303,600	333,731
Additions	-	21,792	21,792
Transfers from other assets	-	10,822	10,822
Disposals	-	(898)	(898)
Gross balance at 31 December	30,131	335,316	365,447
Less: provision for impairment	(13,872)	(11,475)	(25,347)
Net balance at 31 December	16,259	323,841	340,100
Accumulated depreciation:			
Balance at 1 January	-	28,340	28,340
Charge for the year	-	12,529	12,529
Relating to disposals	-	(87)	(87)
Balance at 31 December	-	40,782	40,782
Net book value at 31 December	16,259	283,059	299,318

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 20,957 thousand (2014: AED 11,347 thousand).

The fair values of investment properties at 31 December 2015 amounted to AED 382,955 thousand (2014: AED 446,210 thousand) are as per valuation conducted by professional valuers employed by a subsidiary of the Bank. The professional valuer is a member of various professional valuers' associations, and has appropriate qualifications and experience in the valuation of properties in the UAE. The fair value of the properties has been determined either based on transactions observable in the market or valuation models.

The valuation methodologies considered by external valuers include:

a) Comparison method: This method derives the value by analyzing recent sales transactions of similar properties in a similar location.

b) Investment method: This method derives the value by converting the future cash flow to a single current capital value.

The movement in provision for impairment during the year was as follows:

	Land AED '000	Other properties AED '000	Total AED '000
At 1 January 2014	13,707	10,404	24,111
Charge for the year (note 11)	165	1,071	1,236
At 1 January 2015	13,872	11,475	25,347
Charge for the year (note 11)	-	-	-
Relating to disposal	(1,580)	(442)	(2,022)
At 31 December 2015	12,292	11,033	23,325

The distribution of investment properties by geographic region was as follows:

	Land AED '000	Other properties AED '000	Total AED '000
2015:			
UAE	17,837	243,395	261,232
Rest of the Middle East	8,214	-	8,214
	26,051	243,395	269,446

22 INVESTMENT PROPERTIES continued

2014:			
UAE	21,917	294,534	316,451
Rest of the Middle East	8,214	-	8,214
	30,131	294,534	324,665

23 DEVELOPMENT PROPERTIES

The movement in development properties during the year was as follows:

	2015 AED'000	2014 AED'000
Development properties	**837,381**	837,381

Development properties include land with a carrying value of AED 800,000 thousand (2014: AED 800,000 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

24 OTHER ASSETS

	2015 AED'000	2014 AED'000
Advances against purchase of properties	**1,330,207**	1,286,956
Acceptances	**671,346**	874,806
Assets acquired in satisfaction of claims	**172,691**	207,025
Trade receivables	**368,650**	285,905
Prepaid expenses	**692,351**	544,750
Accrued profit	**106,489**	75,602
Advance to contractors	**3,528**	1,416
Advance for investments	**183,625**	183,625
Others	**529,180**	238,363
	4,058,067	3,698,448
Less: provision for impairment	**(290,643)**	(297,960)
	3,767,424	3,400,488

The movement in the provision for impairment during the year was as follows:

	Advances against purchase of properties AED '000	Assets acquired against satisfaction of claims AED'000	Trade receivables AED '000	Others AED '000	Total AED '000
At 1 January 2014	285,866	-	29,826	23,883	339,575
Charge for the year (note 11)	73,637	6,712	-	-	80,349
Written off during the year	(103,088)	-	(18,876)	-	(121,964)
At 1 January 2015	256,415	6,712	10,950	23,883	297,960
Charge for the year (note 11)	5,156	(1,650)	-	-	3,506
Written off during the year	(5,761)	(5,062)	-	-	(10,823)
At 31 December 2015	**255,810**	**-**	**10,950**	**23,883**	**290,643**

Assets acquired in exchange for claims in order to achieve an orderly realization are recorded as “Assets acquired in satisfaction of claims”. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the claim (net of provision for impairment) at the date of exchange.

25 PROPERTY AND EQUIPMENT

	Land AED '000	Buildings AED '000	Furniture and fixtures AED '000	Computer and office equipment AED '000	Motor vehicles AED '000	Capital work-in progress AED '000	Total AED '000
2015							
Cost or revaluation:							
At 1 January	241,478	226,683	338,660	647,898	14,770	782,196	2,251,685
Additions	-	177	2,776	14,981	2,448	293,540	313,922
Transfers from capital work-in-progress	-	16,298	43,323	106,270	-	(165,891)	-
Disposals	-	-	(3,760)	(1,077)	(3,969)	-	(8,806)
At 31 December	241,478	243,158	380,999	768,072	13,249	909,845	2,556,801
Depreciation:							
At 1 January	-	26,033	210,133	439,125	9,862	-	685,153
Charge for the year	-	7,777	38,434	84,074	2,456	-	132,741
Relating to disposals	-	-	(300)	(161)	(2,684)	-	(3,145)
At 31 December	-	33,810	248,267	523,038	9,634	-	814,749
Net book value:							
At 31 December	241,478	209,348	132,732	245,034	3,615	909,845	1,742,052
2014							
Cost or revaluation:							
At 1 January	241,478	214,981	314,961	527,280	14,347	674,087	1,987,134
Additions	-	1,699	8,511	26,247	1,650	236,603	274,710
Acquisition of business	-	-	1,974	-	-	-	1,974
Disposal of a subsidiary	-	-	(4,306)	(3,172)	(49)	(2,490)	(10,017)
Transfers from capital work-in-progress	-	10,003	17,762	98,239	-	(126,004)	-
Disposals	-	-	(242)	(696)	(1,178)	-	(2,116)
At 31 December	241,478	226,683	338,660	647,898	14,770	782,196	2,251,685
Depreciation:							
At 1 January	-	18,538	172,162	366,977	8,899	-	566,576
Charge for the year	-	7,495	38,204	72,909	2,156	-	120,764
Disposal of a subsidiary	-	-	(146)	(292)	(15)	-	(453)
Relating to disposals	-	-	(87)	(469)	(1,178)	-	(1,734)
At 31 December	-	26,033	210,133	439,125	9,862	-	685,153
Net book value:							
At 31 December	241,478	200,650	128,527	208,773	4,908	782,196	1,566,532

26 GOODWILL AND INTANGIBLES

		Other intangible assets		
	Goodwill AED '000	Customer relationships AED '000	Core deposit AED '000	Total AED '000
Amounts recognized on acquisition of business	109,888	364,797	73,215	547,900
Amortisation during the period	-	(15,200)	(3,052)	(18,252)
At 1 January 2015	109,888	349,597	70,163	529,648
Amortisation during the year	-	(45,600)	(9,156)	(54,756)
At 31 December 2015	**109,888**	**303,997**	**61,007**	**474,892**

On 6 April 2014, the Bank acquired retail banking business of Barclays Bank in the U.A.E. During the second quarter 2014, the acquisition was approved by the Central Bank of the UAE. Based on the purchase price allocation, the Bank has recognized AED 438,012 thousand as intangible asset and AED 109,888 as goodwill.

Goodwill

For the purpose of impairment testing, goodwill is allocated to the Bank's operating divisions which represent the lowest level within the Bank at which the goodwill is monitored for internal management purposes.

Other intangible assets

Customer relationships

Customer relationship intangible asset represents the value attributable to the business expected to be generated from customers that existed at the acquisition date. In determining the fair value of customer relationships, covered cards customers were considered separately, given their differing risk profiles, relationships and loyalty. The relationships are expected to generate material recurring income in the form of customer revenues, fees and commissions.

Core deposit

The value of core deposit intangible asset arises from the fact that the expected profit distribution on these deposits, governed by their contractual terms, are expected to be lower than other wholesale or treasury sukuk instruments' expected profit distributions. The spread between the expected profit distributions on these deposits and sukuk instruments represents the value of the core deposit intangible.

Impairment assessment of goodwill

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

The recoverable amounts have been assessed based on their value in use. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of this operating division.

The recoverable amount of goodwill of cash generating unit, determined on the basis of value in use calculation, uses cash flow projections covering a five year period, with a terminal growth rate of 2% applied thereafter. The forecast cash flows have been discounted at a rate of 10.5%.

Sensitivity to a one percentage point changes in the discount rate or the terminal growth rate and based on the results; management believes that no reasonably possible change in any of the above mentioned key assumptions would cause the carrying value to exceed the recoverable amount.

27 DUE TO FINANCIAL INSTITUTIONS

	2015 AED'000	2014 AED'000
Current accounts	1,404,404	868,611
Investment deposits	1,659,598	4,607,123
	3,064,002	5,475,734
Current account - Central Bank of UAE	41,608	-
	3,105,610	5,475,734

The distribution of due to financial institutions by geographic region was as follows:

	2015 AED'000	2014 AED'000
UAE	286,473	2,151,467
Rest of the Middle East	1,655,660	2,150,545
Europe	144,330	366,343
Others	1,019,147	807,379
	3,105,610	5,475,734

28 DEPOSITORS' ACCOUNTS

	2015 AED'000	2014 AED'000
Current accounts	30,140,475	25,595,658
Investment accounts	64,392,321	58,840,591
Profit equalisation reserve	394,364	340,159
	94,927,160	84,776,408

The movement in the profit equalisation reserve during the year was as follows:

	2015 AED'000	2014 AED'000
At 1 January	340,159	276,073
Share of profit for the year	54,205	64,086
At 31 December	394,364	340,159

The distribution of the gross depositors' accounts by industry sector, geographic region and currency was as follows:

	2015 AED'000	2014 AED'000
Industry sector:		
Government	8,381,971	3,555,308
Public sector	11,819,047	16,570,108
Corporates	12,884,064	11,017,798
Financial institutions	820,125	923,693
Individuals	48,524,233	42,778,421
Small and medium enterprises	9,690,842	7,006,797
Non-profit organisations	2,806,878	2,924,283
	94,927,160	84,776,408

28 DEPOSITORS' ACCOUNTS continued

	2015 AED'000	2014 AED'000
Geographic region:		
UAE	**90,779,105**	80,786,044
Rest of the Middle East	**3,237,817**	3,277,313
Europe	**279,862**	151,261
Others	**630,376**	561,790
	94,927,160	84,776,408

	2015 AED'000	2014 AED'000
Currencies:		
UAE Dirham	**79,995,433**	72,328,178
US Dollar	**12,535,107**	9,548,418
Euro	**1,292,047**	1,706,248
Sterling Pound	**377,146**	307,676
Others	**727,427**	885,888
	94,927,160	84,776,408

The Bank invests all of its investment accounts including saving accounts, adjusted for UAE, Iraq and Sudan Central Bank reserve requirements and the Group's liquidity requirements.

With respect to investment deposits, the Bank is liable only in case of misconduct, negligence or breach of contract otherwise it is on the account of the fund's provider (Rab Al Mal) or the principal (the Muwakkil).

29 OTHER LIABILITIES

	2015 AED'000	2014 AED'000
Accounts payable	**485,248**	435,958
Acceptances	**671,346**	874,806
Payable for purchase of properties	**-**	22,160
Accrued profit for distribution to depositors and sukuk holders	**192,695**	224,881
Bankers' cheques	**636,831**	360,568
Provision for staff benefits and other expenses	**380,115**	375,682
Retentions payable	**28,236**	39,704
Advances from customers	**167,086**	156,300
Accrued expenses	**181,747**	160,797
Unclaimed dividends	**119,902**	144,740
Deferred income	**197,555**	211,254
Charity account	**6,530**	9,274
Donation account	**15,239**	11,440
Negative fair value on Shari'a compliant alternatives of derivative financial instruments (note 38)	**18,049**	17,968
Others	**332,832**	328,837
	3,433,411	3,374,369

30 SUKUK FINANCING INSTRUMENTS

	2015 AED'000	2014 AED'000
Second issue	-	2,754,375
Third issue	1,836,250	1,836,250
	1,836,250	4,590,625

Second issue - USD 750 million
In November 2015, the Bank purchased back the Sukukholders' entire Co-Owned Assets of the second issue of medium term sukuk from these Sukukholders' amounting to AED 2,754,375 thousand (USD 750 million).

Third issue - USD 500 million
In November 2011, the Bank through a Shari'a compliant sukuk arrangement, raised medium term sukuk amounting to AED 1,836,250 thousand (USD 500 million) as the third issue under a USD 5 billion programme. The sukuk are listed on the London Stock Exchange. The sukuk will mature in November 2016. The sukuk deserved profit is distributed in accordance with fixed profit rate.

Terms of arrangement
The terms of the arrangement include transfer of the ownership of certain assets ("the Co-Owned Assets"), including original ijara assets of the Bank, to a sukuk company, ADIB Sukuk Company Ltd - the Issuer, a subsidiary of the Bank, specially formed for the sukuk transaction. The assets are owned by the investors, however the assets are controlled by the Bank and shall continue to be serviced by the Bank as the managing agent.

The issuer will pay the quarterly distribution amount from returns received in respect of the Co-Owned Assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to the sukuk holders on the quarterly distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at an exercise price which equals the value of the Issuer's co-ownership interest in the unpaid rental installments due and payable in respect of the Co-Owned Assets, which may equal the amount of AED 1,836,250 thousand (USD 500 million) (31 December 2014: AED 4,590,625 thousand (USD 1,250 million)).

31 SHARE CAPITAL

	2015 AED'000	2014 AED'000
Authorised share capital:		
4,000,000 thousand (2014: 3,000,000 thousand) ordinary shares of AED 1 each (2014: AED 1 each)	4,000,000	3,000,000
Issued and fully paid share capital:		
At 1 January		
3,000,000 thousand (2014: 2,364,706 thousand) ordinary shares of AED 1 each (2014: AED 1 each)	3,000,000	2,364,706
Right shares issued: 0.056 share against each share held of AED 1 each (2014: Nil)	168,000	-
Bonus shares issued	-	635,294
At 31 December		
3,168,000 thousand (2014: 3,000,000 thousand) ordinary shares of AED 1 each (2014: AED 1 each)	3,168,000	3,000,000

On 28 June 2015, the shareholders in an extra ordinary general meeting have approved the increase of authorized share capital to AED 4,000,000 thousand. Furthermore, shareholders also approved the right issue of 168,000 thousand shares of AED 1 each representing 5.6% (2014: Nil) of the paid up capital along with the premium of AED 2 per share. Subsequently, Bank has issued right shares of AED 168,000 thousand (2014: Nil). Issuance costs amounting to AED 3,089 thousand were incurred.

32 RESERVES

32.1 Legal reserve

As required by the Federal Law No. 2 of 2015, concerning Commercial Companies and the Articles of Association of the Bank and its subsidiaries, 10% of the profit for the year is transferred to the legal reserve. The Bank shall resolve to discontinue such annual transfers as the reserve equals to or more than 50% of the paid up share capital of the Bank. The legal reserve is not available for distribution to the shareholders.

As per Article 203 of UAE Federal Commercial Companies Law No. 8 of 1984 (as amended), the Bank has transferred the share premium amounting to AED 1,529,412 thousand to the legal reserve. As the balance of the reserve exceeds 50% of the total paid up share capital, no transfer to the legal reserve has been made from the profit during the year for the Bank.

During 2015, the Bank has transferred the share premium amounting to AED 336,000 thousand (2014: Nil) pertaining to the right share issue of 168,000 to the legal reserve after the shareholders' approval in the extra ordinary general meeting held on 28 June 2015.

32.2 General reserve

Under Article 57(2) of the Bank's Articles of Association, the Annual General Assembly of the Bank, upon recommendation of the Board of Directors, have resolved to transfer 10% of the profit for the year to the general reserve. This reserve shall be used in the future for purposes determined by the shareholders' General Assembly upon the recommendation of the Board of Directors.

32.3 Credit risk reserve

Upon the recommendation of the Board of Directors, the Bank has established a special reserve for credit risk which is subject to the approval by the shareholders in the Annual General Assembly. Contributions to the reserve are voluntary.

33 PROPOSED DIVIDENDS

	2015 AED'000	2014 AED'000
Cash dividend: AED 0.2427 per share of AED 1 each (2014: AED 0.2334 per share of AED 1 each)	**769,022**	700,200

Cash dividend of 24.27% of the paid up capital relating to year ended 31 December 2015 amounting to AED 769,022 thousand shall be paid after the approval by the shareholders in the Annual General Assembly.

Cash dividend of 23.34% of the paid up capital relating to year ended 31 December 2014 amounting to AED 700,200 thousand has been paid after the approval by the shareholders at the Annual General Assembly held on 1 April 2015.

34 OTHER RESERVES

	Cumulative changes in fair values AED '000	Land revaluation reserve AED '000	Foreign currency translation reserve AED '000	Hedging reserve AED '000	Total AED '000
At 1 January 2014	(158,060)	143,000	(132,882)	(20,726)	(168,668)
Net loss on valuation of investments carried at FVTOCI	(14,348)	-	-	-	(14,348)
Loss on disposal of investments carried at FVTOCI	368	-	-	-	368
Exchange differences arising on translation of foreign operations	-	-	(36,887)	-	(36,887)
Gain on hedge of foreign operations	-	-	18,729	-	18,729
Fair value gain on cash flow hedges	-	-	-	6,162	6,162
At 1 January 2015	**(172,040)**	**143,000**	**(151,040)**	**(14,564)**	**(194,644)**
Net loss on valuation of investments carried at FVTOCI	**(9,321)**	-	-	-	**(9,321)**
Loss on disposal of investment carried at FVTOCI	**26,574**	-	-	-	**26,574**
Exchange differences arising on translation of foreign operations	-	-	**(66,240)**	-	**(66,240)**
Gain on hedge of foreign operations	-	-	**21,167**	-	**21,167**
Fair value gain on cash flow hedges	-	-	-	**2,907**	**2,907**
At 31 December 2015	**(154,787)**	**143,000**	**(196,113)**	**(11,657)**	**(219,557)**

35 TIER 1 SUKUK

	2015 AED'000	2014 AED'000
Tier 1 sukuk – Listed	**3,672,034**	3,643,109
Tier 1 sukuk – Government of Abu Dhabi	**2,000,000**	2,000,000
	5,672,034	5,643,109

Tier 1 sukuk – Listed

On 19 November 2012, the Bank through a Shari'a compliant sukuk arrangement has issued Tier 1 sukuk (the "Sukuk") amounting to AED 3,672,500 thousand (USD 1 billion). This Sukuk was issued under the authorities approved by the shareholders of the Bank in the Extraordinary General Meeting held on 21 October 2012.

As of 31 December 2015, sukuk with a face value of AED 466 thousand (USD 0.1 million) were repurchased by the Bank (31 December 2014: AED 29,391 thousand (USD 8.0 million). Issuance costs amounting to AED 37,281 thousand were incurred.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. The sukuk is listed on the London stock exchange and is callable by the Bank after period ending on 16 October 2018 (the "First Call Date") or any profit payment date thereafter subject to certain conditions. The Sukuk bear an expected Mudaraba profit rate of 6.375% payable during the initial period of six years semi-annually in arrears. After the initial period, and for every 6th year thereafter, resets to a new expected Mudaraba profit rate based on the then 6 year LIBOR rate plus an expected margin of 5.393% Profit distributions will be reported in the consolidated statement of changes in equity.

The Bank may, at its sole discretion, elect not to make any Mudaraba profit distributions as expected and the event is not considered an event of default. If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Sukuk except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until the occurrence of two consecutive expected mudaraba profit distribution.

Tier 1 sukuk – Government of Abu Dhabi

On 16 April 2009, under the Government of Abu Dhabi Bank capitalisation programme, the Bank has issued Tier 1 sukuk (the "Sukuk-Gov") to the Department of Finance of the Government of Abu Dhabi, with a principal amount of AED 2,000,000 thousand. Issuance of this Sukuk-Gov was approved by the shareholders of the Bank in the Extraordinary General Meeting held on 22 March 2009.

This Sukuk-Gov is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. The Sukuk-Gov is callable by the Bank subject to certain conditions. The Sukuk-Gov bear an expected mudaraba profit rate of 6% payable during the initial period of five years semi-annually in arrears and, after the initial period, bear an expected variable mudaraba profit rate payable of 6 months EIBOR plus an expected margin of 2.3%. Profit distributions will be reported in the consolidated statement of changes in equity.

The Bank may, at its sole discretion, elect not to make any Mudaraba profit distributions as expected and the event is not considered an event of default. If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Sukuk except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until the occurrence of two consecutive expected mudaraba profit distribution.

36 NON-CONTROLLING INTEREST

Non-controlling interest represents the minority shareholder's proportionate share in the aggregate value of the net assets of subsidiaries.

37 CONTINGENT LIABILITIES AND COMMITMENTS

Credit related commitments include commitments to extend Islamic credit facilities, standby letters of credit, guarantees, which are designed to meet the requirements of the Bank's customers.

Commitments to extend Islamic credit facilities represent contractual commitments under Islamic financing contracts. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of contracts.

37 CONTINGENT LIABILITIES AND COMMITMENTS continued

The Bank has the following credit related contingencies, commitments and other capital commitments:

	2015 AED'000	2014 AED'000
Contingent liabilities		
Letters of credit	**2,083,463**	2,918,790
Letters of guarantee	**11,276,968**	9,972,187
	13,360,431	12,890,977
Commitments		
Undrawn facilities commitments	**583,032**	357,229
Future capital expenditure	**70,776**	74,358
Investment and development properties	**74,057**	151,199
	727,865	582,786
	14,088,296	13,473,763

38 SHARI'A COMPLIANT ALTERNATIVES OF DERIVATIVE FINANCIAL INSTRUMENTS

Shari'a compliant alternatives of swaps are based on a unilateral Wa'ad (promise) structure between two parties to buy a specific Shari'a compliant commodity at an agreed price on an agreed date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. For Shari'a complaint alternatives of swap, counter parties enter into two separate and independent Murabaha transactions, the results of which are exchanged between them in a manner that enables one of them to receive the equivalent of the fixed reference rate and the other counterparty to the receive the equivalent of the reference floating rate, where the profit payments are based on a notional value in a single currency.

The table below shows the fair values of Shari'a compliant alternatives of derivative financial instruments, together with the notional amounts analysed by term of maturity. The notional amount is based on the amount of the underlying transaction, reference rate or index and is the basis upon which changes in the value of transactions are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are neither indicative of the market risk nor credit risk.

31 December 2015: Notional amount by term to maturity

	Negative fair value AED '000	Notional amount AED '000	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
Shari'a compliant alternatives of swap (note 29)	**18,049**	**2,990,492**	**1,049,849**	**678,027**	**745,527**	**517,089**

31 December 2014: Notional amount by term to maturity

	Negative fair value AED '000	Notional amount AED '000	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
Shari'a compliant alternatives of swap (note 29)	17,968	3,595,168	206,732	243,362	2,352,030	793,044

39 ZAKAT

As the Bank is not required to pay Zakat by laws or by its Articles and Memorandum of Association or by a decision of the General Assembly, accordingly the responsibility of paying Zakat is that of the shareholders. Based on the management valuation of the Bank's net assets, which are subject to Zakat, the share value, for Zakat purposes based on Gregorian year, was estimated at AED 173,361 thousand (2014: AED 158,999 thousand) and accordingly, Zakat is estimated at AED 0.05472 (2014: AED 0.05300) per outstanding share.

However, in few jurisdictions, Zakat of the Bank's branches is mandatory by law either by taking provision or paying to a respective governmental entity responsible for Zakat. Therefore, the Bank has acted according to the law and paid the Zakat to these entities on behalf of the Shareholders and deducted the amount paid from the above total Zakat amount and accordingly adjusted the Zakat amount per each outstanding share.

40 CASH AND CASH EQUIVALENTS

	2015 AED'000	2014 AED'000
Cash and balances with central banks, short term	8,777,511	10,400,266
Balances and wakala deposits with Islamic banks and other financial institutions, short term	2,355,254	2,694,913
Murabaha and mudaraba with financial institutions, short term	1,428,832	1,766,399
Due to financial institutions, short term	(3,077,404)	(5,071,305)
	9,484,193	9,790,273

The following significant non-cash transactions have been excluded from the consolidated statement of cash flows:

	2015 AED'000	2014 AED'000
Transfer from other assets to investment properties (note 22)	13,610	10,822

41 RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Bank enters into transactions with related parties, comprising associates, directors, major shareholder, key management and their related concerns. 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 financial assets are performing and free of any provision for impairment.

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

Profit rates earned on balances and wakala deposits with banks and financial institutions and customer financing extended to related parties during the year has ranged from 0% to 6% (2014: 0% to 9% per annum).

Profit rates paid on due to financial institution and customers' deposits placed by related parties during the year have ranged from 0% to 0.9% per annum (2014: 0% to 0.9% per annum).

41 RELATED PARTY TRANSACTIONS continued

During the year, significant transactions with related parties included in the consolidated income statement were as follows:

	Major shareholder AED '000	Directors AED '000	Associates AED '000	Others AED '000	Total AED '000
31 December 2015					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	4,835	-	4,835
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	85,750	1,240	398	124,044	211,342
Income from investments measured at fair value	63	-	-	-	63
Fees and commission income, net	3,201	22	330	7,734	11,287
Operating expenses	-	432	-	-	432
Distribution to depositors and sukuk holders	2	47	356	343	748
31 December 2014					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	1,647	-	1,647
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	84,873	1,492	26	125,612	212,003
Income from investments measured at fair value	782	-	-	-	782
Fees and commission income, net	281	27	691	5,563	6,562
Operating expenses	-	432	-	-	432
Distribution to depositors and sukuk holders	-	38	255	196	489

The related party balances included in the consolidated statement of financial position were as follows:

	Major shareholder AED '000	Directors AED '000	Associates AED '000	Others AED '000	Total AED '000
31 December 2015					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,354,353	-	1,354,353
Murabaha and Mudaraba with financial institutions	-	-	171,611	-	171,611
Murabaha, mudaraba, ijara and other Islamic financing	2,595,521	30,667	30,052	3,619,764	6,276,004
Other assets	-	-	13,616	183,625	197,241
	2,595,521	30,667	1,569,632	3,803,389	7,999,209
Due to financial institutions	-	-	30,180	-	30,180
Depositors' accounts	50	21,479	98,200	214,906	334,635
Other liabilities	-	63	25	179	267
	50	21,542	128,405	215,085	365,082

41 RELATED PARTY TRANSACTIONS continued

	Major shareholder AED '000	Directors AED '000	Associates AED '000	Others AED '000	Total AED '000
31 December 2014					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,580,965	-	1,580,965
Murabaha and Mudaraba with financial institutions	-	-	78,398	-	78,398
Murabaha, mudaraba, ijara and other Islamic financing	2,523,480	29,072	20,027	3,556,597	6,129,176
Other assets	-	-	11,413	183,625	195,038
	2,523,480	29,072	1,690,803	3,740,222	7,983,577
Due to financial institutions	-	-	14,861	-	14,861
Depositors' accounts	30	18,260	78,478	244,595	341,363
Other liabilities	-	-	25	261	286
	30	18,260	93,364	244,856	356,510

The Bank and its major shareholder jointly own a controlling stake in Abu Dhabi Islamic Bank – Egypt (S.A.E.) ("ADIB-Egypt") and have a formal joint control arrangement for their investment in ADIB-Egypt (note 21).

Compensation of key management personnel

The compensation of key management personnel during the year was as follows:

	2015 AED'000	2014 AED'000
Salaries and other benefits	**32,778**	30,923
Employees' end of service benefits	**3,684**	3,158
	36,462	34,081

Board of Directors remuneration for the year ended 31 December 2015 amounting to AED 4,200 thousand is subject to the approval of the shareholders at the forthcoming Annual General Assembly. During 2015, AED 4,900 thousand was paid to Board of Directors pertaining to the year ended 31 December 2014 after the approval by the shareholders in the Annual General Assembly held on 1 April 2015.

42 SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision makers of the Bank in order to allocate resources to the segment and to assess its performance. Information reported to the chief operating decision makers for the purpose of resource allocation and assessment of performance is based on following strategic business units offering products and services to the different markets.

Global Retail banking - Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahat, Ijara, Islamic covered card and funds transfer facilities and trade finance facilities.

Global Wholesale banking - Principally handling financing and other credit facilities and deposits and current accounts for corporate and institutional customers.

Private banking - Principally handling financing and other credit facilities, deposits and current accounts for high net worth individual customers.

Treasury - Principally handling money market, trading and treasury services, as well as the management of the Bank's funding operations by use of investment deposits.

Real estate - Subsidiaries of the Bank handling the acquisition, selling, development and leasing including both land and buildings, management and resale of properties and all associated activities.

Other operations - Other operations comprises mainly of Head Office, subsidiaries, associates and joint ventures other than above categories including unallocated costs.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

42 SEGMENT INFORMATION continued

Business segments information for the year ended 31 December 2015 were as follows:

	Global Retail banking AED '000	Global Wholesale banking AED '000	Private banking AED '000	Treasury AED '000	Real estate AED '000	Other operations AED '000	Total AED '000
Revenue and results							
Segment revenues, net	3,043,279	1,330,625	108,682	444,569	118,382	88,838	5,134,375
Operating expenses excluding provision for impairment, net	(1,619,242)	(360,448)	(59,346)	(42,765)	(86,262)	(212,315)	(2,380,378)
Operating profit (margin)	1,424,037	970,177	49,336	401,804	32,120	(123,477)	2,753,997
Provision for impairment, net	(501,687)	(187,768)	(11,862)	-	(5,156)	(113,481)	(819,954)
Profit (loss) for the year	922,350	782,409	37,474	401,804	26,964	(236,958)	1,934,043
Non-controlling interest	-	-	-	-	-	(2,348)	(2,348)
Profit (loss) for the year attributable to equity holders of the Bank	922,350	782,409	37,474	401,804	26,964	(239,306)	1,931,695
Assets							
Segmental assets	52,418,734	35,058,966	3,061,715	16,539,451	2,671,626	8,627,170	118,377,662
Liabilities							
Segmental liabilities	54,655,766	28,770,951	2,492,733	13,473,886	373,318	3,535,777	103,302,431

Business segments information for the year ended 31 December 2014 were as follows:

	Global Retail banking AED '000	Global Wholesale banking AED '000	Private banking AED '000	Treasury AED '000	Real estate AED '000	Other operations AED '000	Total AED '000
Revenue and results							
Segment revenues, net	2,639,646	1,194,510	88,792	345,655	67,225	247,157	4,582,985
Operating expenses excluding provision for impairment, net	(1,401,521)	(342,914)	(52,441)	(45,808)	(106,132)	(125,696)	(2,074,512)
Operating profit (margin)	1,238,125	851,596	36,351	299,847	(38,907)	121,461	2,508,473
Provision for impairment, net	(353,935)	(107,331)	(29,154)	-	(74,873)	(192,490)	(757,783)
Profit (loss) for the year	884,190	744,265	7,197	299,847	(113,780)	(71,029)	1,750,690
Non-controlling interest	-	-	-	-	-	(3,815)	(3,815)
Profit (loss) for the year attributable to equity holders of the Bank	884,190	744,265	7,197	299,847	(113,780)	(74,844)	1,746,875
Assets							
Segmental assets	46,918,936	32,554,757	2,536,395	17,698,196	2,658,585	9,536,934	111,903,803
Liabilities							
Segmental liabilities	45,688,825	29,603,612	2,639,107	16,216,899	372,570	3,696,123	98,217,136

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 business segments have been adjusted for consistency purposes.

42 SEGMENT INFORMATION continued

The following is the analysis of the total segment revenues of each segment between revenues from external parties and inter-segment:

	Global Retail banking AED '000	Global Wholesale banking AED '000	Private banking AED '000	Capital markets AED '000	Real estate AED '000	Other operations AED '000	Total AED '000
2015							
Total segment revenues, net	**3,105,203**	**1,398,736**	**159,478**	**314,708**	**118,382**	**37,868**	**5,134,375**
Inter-segment revenues, net	**(61,924)**	**(68,111)**	**(50,796)**	**129,861**	**-**	**50,970**	**-**
Segment revenues, net	**3,043,279**	**1,330,625**	**108,682**	**444,569**	**118,382**	**88,838**	**5,134,375**
2014							
Total segment revenues, net	2,719,830	1,272,248	158,971	217,685	67,225	147,026	4,582,985
Inter-segment revenues, net	(80,184)	(77,738)	(70,179)	127,970	-	100,131	-
Segment revenues, net	2,639,646	1,194,510	88,792	345,655	67,225	247,157	4,582,985

Geographical information

The Group operates in two principal geographic areas that are domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the U.A.E. branches, associates and subsidiaries; and international area represents the operations of the Bank that originates from its branches in Iraq, Qatar and Sudan and through its subsidiaries and associates outside U.A.E. Given that, UAE contributes the majority of the revenues and the Group's total assets in UAE represent a significant portion of its total assets and liabilities, hence no further geographical analysis of segment revenues, expenses, operating profit (margin), assets and liabilities is presented.

43 RISK MANAGEMENT

43.1 Introduction

Risk is inherent in all of the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls in accordance with regulatory and Board requirements. The Group is exposed principally to credit risk, liquidity risk, market risk and operational risk but other risks such as reputational risk, legal risk and the various risks defined by the Basel accord are also monitored and managed.

43.1.1 Risk management governance structure

The Board of Directors ("Board") continues to have overall responsibility for the establishment and oversight of the Bank's risk management framework, as well as for approving the Bank's overall risk appetite, and ensuring that business is conducted within this framework. The Board is the ultimate sanctioning authority. During 2015, the Board approved a corporate governance framework and refreshed the charters of the various Board committees.

Strategy Committee

The Strategy Committee is appointed by the Board and is responsible to guide the Group's Executive Management to develop the Group's strategic objectives and business strategy, conduct periodic review of the achievement of strategic objectives and business plans and direct corrective actions wherever required. In addition, this committee also acts as a conduit between the Board and senior management on business issues.

Risk and Investment Approval Committee

The Risk and Investment Approval Committee is appointed by the Board and is responsible for the approvals of the Group's risk exposures, high value transactions and major items of capital expenditure. In addition, the Committee is also responsible for monitoring credit portfolio quality and provisions.

The Governance and Risk Policy Committee

The Governance and Risk Policy Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities in respect of the following for the Bank and all of its subsidiaries and material affiliates:

- Review the risk profile of the Group keeping in view the requirement pertaining to enterprise risk management and to make recommendations to calibrate the risk profile of the Group in line with the applicable regulatory requirements, rating considerations and business strategy;
- Assist the Board in overseeing the Group's response to the risks it faces through the approval of the Group's risk policies and standards; and
- Review and recommend the corporate governance framework and risk strategy to the Board in alignment with the business growth requirements of the Group.

43 RISK MANAGEMENT continued

43.1 Introduction continued

43.1.1 Risk management governance structure continued

Audit Committee

The Audit Committee is appointed by the Board to assist it in fulfilling its oversight responsibilities in respect of the following for the Bank and all its subsidiaries and material affiliates:

- Ensuring the integrity of the Group's consolidated financial statements and financial reporting process;
- To review the financial and internal control systems, quality assurance and risk management framework;
- To review the performance of the internal audit function;
- To review the internal controls over financial reporting and annual independent audit of the Group's consolidated financial statements;
- To recommend to the Board the engagement of the external auditors and evaluation of their qualifications, independence and performance; and
- To ensure compliance by the Group with legal and regulatory requirements as pertaining to its business activities.

The duties and responsibilities of the committees are governed by formally approved charters.

43.1.2 The Risk Management Group ("RMG")

The Risk Management Group is an independent risk organization that works in close partnership with the business units to support their activities, whilst safeguarding the risk profile of the Bank. The RMG is led by the Group Chief Risk Officer (GCRO) and has six main responsibilities:

- Ensure adherence to risk policies and procedures across the Group
- Ensure compliance with risk related legal and regulatory guidelines in the UAE and in our overseas markets
- Maintain the primary relationship with local regulators with respect to risk related issues
- Approve commercial and consumer financing transactions with its delegated authorities
- Maintain prudent risk control systems and processes, and
- Ensure a robust credit process is maintained in support of all business lines

Reporting to the GCRO are senior, experienced risk specialists who manage specific areas of risk, including Wholesale Banking, Private Banking, Retail Banking, Operational Risk, Credit Control, Remedial Management, Portfolio Management, Regulation & Policy. RMG responsibilities extend across all the business units of the bank in all of the geographies in which the bank operates.

Credit Committee

All customer related business proposals are reviewed and approved by a credit committee with delegated authority approved by the Board. The credit committee consists of designated credit officers and senior credit officers appointed following a rigorous and extended process of qualification. These appointments are made by the Chief Executive Officer upon the recommendation of the GCRO. The credit approval process and the authorities vested with the committee members are laid out in the Bank's Credit Policy & Procedures Manual. The manual is revised periodically.

43.1.3 Risk measurement and reporting systems

In order to effectively monitor and control risks, the RMG maintains a capability that allows it to:

- Prepare portfolio reports across a range of indicators such as portfolio concentrations by geography, industry type, product and risk rating. which are used to analyse and monitor overall portfolio quality;
- Monitor the integrity and consistency of data, including risk ratings, risk migrations, exposures and losses, including the maintenance of a central loss database for the monitoring and analysis of losses;
- Set parameters to be used for the calculation of expected loss and risk capital requirements;
- Consolidate portfolio management data and reports for use by Executive Management and the Board; and
- Establish and maintain a set of early warning indicators to identify emerging risk problems.

Detailed reporting of industry, customer and geographic risks acquired takes place frequently. These reports are examined and discussed closely in a series of quarterly portfolio reviews held with senior business and risk managers. Decisions on risk appetite, adjustments to financing criteria and other initiatives are taken as a result of these meetings. Risk reports are presented to the Chief Executive Officer, the Governance & Risk Policy Committee and the Board regularly. Senior management assesses the adequacy of the provision for credit losses on a monthly basis.

The Group actively uses collateral to reduce its credit risks.

43.1.4 Risk concentration

The Bank seeks to manage its credit risk exposure through diversification of financing activities to avoid undue concentrations of risks with individuals or groups of customers or in specific locations or businesses. It also obtains security when appropriate.

Details of the composition of the financing portfolio are provided in notes 17 and 18.

43 RISK MANAGEMENT continued

43.1 Introduction continued

43.1.5 Group Internal Audit

Risk management processes throughout the Bank are reviewed periodically by the internal audit function that reviews both the adequacy of the procedures and the Bank's compliance with the procedures. Group Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee. The Head of Group Internal Audit has a direct reporting lines to the Audit Committee thus demonstrating his independence and objectivity in all audit engagements undertaken within the Bank.

43.1.6 Basel II / Internal Capital Adequacy Assessment Process ("ICAAP")

Since 2009, the UAE Central Bank, as part of the international Basel II regulatory regime, has required each UAE bank to submit a report on its internal capital adequacy assessment process – this is known as "ICAAP". The Bank has prepared and submitted its ICAAP report in each of the past five years. The process aligns the Bank's risk appetite with its risk capacity which, in turn, produces an enterprise-wide set of risk limits set within and relevant to the Bank's overall strategy .

43.2 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. The Bank controls credit risk by the use of a focused target market discipline which defines who the Bank is prepared to deal with from a risk profile perspective and the use of risk acceptance criteria, which define what type and volume of risk the Bank is prepared to undertake with each counterparty. These critical tools are used in conjunction with close monitoring of credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of all counter-parties. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counter-parties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counter-parties to mitigate credit risk.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

All commercial credit risk exposures are risk rated using Moody's Risk Analyst risk rating system, recognized as an industry wide standard. This platform supports a number of different rating models for various businesses which are now well embedded. Facility Risk Ratings are also applied. Consumer exposures are rated using a pool concept as required by Basel II.

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf. Such payments are collected from customers based on the terms of the letters of guarantee. They expose the Bank to similar risks as financing and these are mitigated by the same control processes and policies.

43.2.1 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 consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Notes	Gross maximum exposure 2015 AED '000	Gross maximum exposure 2014 AED '000
Balances and wakala deposits with Islamic banks and other financial institutions	15	**3,124,314**	4,103,625
Murabaha and mudaraba with financial institutions	16	**1,812,302**	2,330,003
Murabaha and other Islamic financing	17	**40,261,627**	35,604,657
Ijara financing	18	**41,136,743**	40,154,967
Investment in Islamic sukuk measured at amortised cost	19	**7,380,686**	5,519,804
Investments measured at fair value	20	**1,258,537**	804,993
Other assets		**1,679,193**	1,476,092
		96,653,402	89,994,141
Contingent liabilities	37	**13,360,431**	12,890,977
Commitments		**583,032**	357,229
Total		**13,943,463**	13,248,206
Total credit risk exposure		**110,596,865**	103,242,347

43 RISK MANAGEMENT continued

43.2 Credit risk continued

43.2.2 Credit risk concentration

Concentration of risk is managed by customer/counterparty, by geographical region and by industry sector. The credit exposure to the top 5 customers as of 31 December 2015 was AED 7,472,796 thousand (2014: AED 7,324,399 thousand) before taking account of collateral or other credit enhancements.

The concentration of the Group's assets and liabilities by geographical segment is based primarily upon the location of the counter party.

The distribution of the Group's financial assets which are subject to credit risk by geographic region is as follows:

	Balances and wakala deposits with Islamic banks and other financial institutions AED '000	Murabaha and mudaraba with financial institutions AED '000	Murabaha and other Islamic financing AED '000	Ijara financing AED '000	Investment in Islamic suksuk measured at amortised cost AED '000	Investments measured at fair value AED '000	Other assets AED '000	Total AED' 000
31 December 2015								
UAE	**476,614**	**1,360,232**	**38,835,151**	**39,253,812**	**4,995,579**	**821,726**	**1,523,258**	**87,266,372**
Rest of Middle East	**1,045,333**	**379,711**	**959,989**	**1,219,375**	**1,270,127**	**47,529**	**125,580**	**5,047,644**
Europe	**72,093**	**-**	**244,830**	**752**	**111,510**	**-**	**-**	**429,185**
Others	**1,530,274**	**72,359**	**221,657**	**662,804**	**1,003,470**	**389,282**	**30,355**	**3,910,201**
Financial assets subject to credit risk	**3,124,314**	**1,812,302**	**40,261,627**	**41,136,743**	**7,380,686**	**1,258,537**	**1,679,193**	**96,653,402**
31 December 2014								
UAE	1,058,617	1,921,425	34,053,254	38,659,120	3,725,228	451,423	1,298,065	81,167,132
Rest of Middle East	1,176,433	293,062	921,067	939,979	1,065,093	70,110	121,209	4,586,953
Europe	120,961	-	297,382	1,254	-	77,361	-	496,958
Others	1,747,614	115,516	332,954	554,614	729,483	206,099	56,818	3,743,098
Financial assets subject to credit risk	4,103,625	2,330,003	35,604,657	40,154,967	5,519,804	804,993	1,476,092	89,994,141

The credit risk arising from off-balance sheet items mentioned in note 43.2.1 are mainly relating to the UAE.

The distribution of the Group's financial assets by industry sector is as follows:

	2015 AED'000	2014 AED'000
Government	**2,871,640**	1,992,762
Public sector	**4,744,922**	5,244,767
Financial institutions	**7,978,492**	8,645,603
Trading and manufacturing	**12,098,417**	11,087,465
Construction and real estate	**9,618,272**	9,693,666
Energy	**707,336**	504,006
Personal	**46,131,487**	41,740,633
Others	**12,502,836**	11,085,239
Financial assets subject to credit risk	**96,653,402**	89,994,141

43 RISK MANAGEMENT continued

43.2 Credit risk continued

43.2.3 Impairment assessment

The main consideration for the impairment assessment include whether any payments of principal or profit are overdue by more than 90 days or there are any known difficulties in the cash flows of the counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed impairment losses and collective impairment provisions on financing assets.

Individually assessed impairment losses on financing assets

The Group determines the allowances appropriate for each individually significant customer financing on an individual basis. Items considered when determining impairment loss amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated on monthly basis unless unforeseen circumstances require more careful attention.

Collective impairment provisions on financing assets

Collective impairment provisions are assessed for losses on customer financing that are not individually significant where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individual assessed impairment, and expected receipts and recoveries once impaired. The impairment allowance is reviewed by credit management to ensure alignment with the Bank's overall policy.

Write-off of financing assets

Board approved policies are in place covering the timing and amount of provisions and write offs for all the financing portfolios of the bank. These reflect both the UAE Central bank guidelines and rules, accepted international accounting standards, and market and industry best practice and are stringently adhered to.

43.2.4 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 financing, charges over real estate properties, inventory, trade receivables and securities; and
- For retail financing, charge over assets, mortgage of properties and assignment of salaries in favor of the Bank.

The table below shows the lower of the collateral value or the outstanding balance of customer financing as at the reporting date:

	2015 AED'000	2014 AED'000
Against customer financing not impaired		
Property	**24,218,205**	20,665,157
Securities	**877,237**	1,095,418
Cash margin and lien over deposits	**765,835**	675,726
Others	**7,092,837**	6,226,067
	32,954,114	28,662,368
Against individually impaired		
Property	**1,040,864**	1,319,528
Securities	**49,072**	71,873
Cash margin and lien over deposits	**7,936**	8,700
Others	**274,034**	105,656
	1,371,906	1,505,757
	34,326,020	30,168,125

43 RISK MANAGEMENT continued

43.2 Credit risk continued

43.2.4 Collateral and other credit enhancements continued

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

Management regularly 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.

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

43.2.5 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 for balance and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, murabaha, ijara and other Islamic financing based on the Group's credit rating system.

	Moody's equivalent grade	2015 AED '000	2014 AED '000
Low risk			
Risk rating class 1	Aaa	-	28,166
Risk rating classes 2 and 3	Aa1-A3	**2,963,050**	1,883,289
Risk rating class 4	Baa1-Baa3	**11,649,339**	13,884,115
Risk rating classes 5 and 6	Ba1-B3	**60,901,257**	55,588,890
Fair risk			
Risk rating class 7	Caa1-Caa3	**7,938,762**	7,730,149
Impaired			
Risk rating class 8, 9 and 10		**2,882,578**	3,078,643
		86,334,986	82,193,252

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly. The Moody's equivalent grades are relevant only for certain of the exposures in each risk rating class. In accordance with the requirements of Basel II a number of new rating models aligned to specific business segments, were introduced during the course of the year.

Renegotiated murabaha, ijara and other Islamic financings

The total carrying amount of financing whose terms have been renegotiated during the year amounted to AED 1,447,960 thousand (2014: AED 2,008,012 thousand).

43 RISK MANAGEMENT continued

43.2 Credit risk continued

43.2.5 Credit quality per class of financial assets continued

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset and impairment losses, if any. The table shows the maximum exposure to credit risk / price risk for murabaha, mudaraba, ijara, other Islamic financing and investment in islamic sukuk measured at amortised cost.

	Balances and wakala deposits with Islamic banks and other financial institutions 31 December		Murabaha and mudaraba with financial institutions 31 December		Murabaha and other Islamic financing 31 December		Ijara financing 31 December		Investment in islamic sukuk measured at amortised cost 31 December	
	2015 AED '000	2014 AED '000	**2015 AED '000**	2014 AED '000	**2015 AED '000**	2014 AED '000	**2015 AED '000**	2014 AED '000	**2015 AED '000**	2014 AED '000
Individually impaired										
Substandard	-	-	-	-	**604,144**	107,201	**621,604**	1,098,368	-	-
Doubtful	-	-	-	67,278	**208,593**	253,055	**644,413**	899,563	**12,802**	12,802
Loss	-	-	**194,740**	129,811	**476,450**	396,865	**132,634**	126,502	**91,813**	91,813
Gross amount	-	-	**194,740**	197,089	**1,289,187**	757,121	**1,398,651**	2,124,433	**104,615**	104,615
Provision for individual impairment	-	-	**(194,740)**	(163,450)	**(693,670)**	(519,623)	**(287,041)**	(558,077)	**(98,277)**	(98,277)
	-	-	-	33,639	**595,517**	237,498	**1,111,610**	1,566,356	**6,338**	6,338
Past due but not impaired										
Less than 90 days	-	-	-	-	**480,196**	215,983	**269,147**	209,366	-	-
More than 90 days	-	-	-	-	**39,794**	14,890	**407,426**	412,714	-	-
	-	-	-	-	**519,990**	230,873	**676,573**	622,080	-	-
Neither past due nor impaired	**3,124,314**	4,103,625	**1,617,562**	2,132,914	**38,452,450**	34,616,663	**39,061,519**	37,408,454	**7,276,071**	5,415,189
Collective allowance for impairment	-	-	-	-	**(1,167,180)**	(882,407)	**(847,248)**	(793,236)	-	-
Carrying amount	**3,124,314**	4,103,625	**1,617,562**	2,166,553	**38,400,777**	34,202,627	**40,002,454**	38,803,654	**7,282,409**	5,421,527

43 RISK MANAGEMENT continued

43.2 Credit risk continued

43.2.5 Credit quality per class of financial assets continued

An analysis of past due financing, by age, is provided below:

Ageing analysis of past due but not impaired

	Less than 30 days AED '000	31 – 60 days AED '000	61 – 90 days AED '000	More than 90 days AED '000	Total AED '000
2015					
Murabaha and other Islamic financing	**246,329**	**127,034**	**106,833**	**39,794**	**519,990**
Ijara financing	**242,485**	**22,973**	**3,689**	**407,426**	**676,573**
	488,814	**150,007**	**110,522**	**447,220**	**1,196,563**
2014					
Murabaha and other Islamic financing	158,083	40,917	16,983	14,890	230,873
Ijara financing	175,131	29,673	4,562	412,714	622,080
	333,214	70,590	21,545	427,604	852,953

More detailed information in respect of the allowance for impairment losses on murabaha and other islamic financing and ijara financing have been disclosed in notes 17 and 18 respectively.

43.3 Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral, which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains statutory deposits with the Central Bank. The liquidity position is assessed and managed under a variety of scenarios, given due consideration to stress factors relating to both the market in general and specifically to the Group.

The high quality of the asset portfolio ensure its liquidity and coupled with the Bank's own funds and "evergreen" customer deposits help these form a stable funding source. Even under adverse conditions, the Bank has access to the funds necessary to cover customer needs and meet its funding requirements.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands.

43.3.1 Treasury

Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Bank.

43.3.2 Asset & Liability Committee ("ALCO")

The Asset & Liability Management ("ALM") process focusses on planning, acquiring, and directing the flow of funds through the organization. The ultimate objective of this process is to generate adequate stable earnings and to steadily build equity over time, while taking measured business risk aligned to the overall risk appetite of the Bank. The Bank has a defined ALM policy which describes the objective, role and function of the ALCO. This process revolves around ALCO, the body within the Bank that holds the responsibility to make strategic decisions relating to the management of financial position related risks. The ALCO consists of the Bank's senior management including the CEO and normally meets once a month.

43.3.3 Liquidity risk management process

The Group's liquidity risk management process, as carried out within the Group and monitored by a separate team in Group Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes reenlistment of funds as they mature or when financing are provided to customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquated as protection against any unforeseen interruption to cash flow;
- Managing statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

43 RISK MANAGEMENT continued

43.3 Liquidity risk and funding management continued

43.3.4 Analysis of financial assets and financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at reporting date based on contractual maturities.

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
31 December 2015					
ASSETS					
Cash and balances with central banks	**18,629,361**	**-**	**-**	**-**	**18,629,361**
Balances and wakala deposits with Islamic banks and other financial institutions	**2,355,253**	**169,061**	**600,000**	**-**	**3,124,314**
Murabaha and mudaraba with financial institutions	**1,604,203**	**13,359**	**-**	**-**	**1,617,562**
Murabaha and other Islamic financing	**4,296,572**	**8,300,615**	**17,787,993**	**8,015,597**	**38,400,777**
Ijara financing	**906,906**	**4,374,357**	**17,398,192**	**17,322,999**	**40,002,454**
Investments in Islamic sukuk measured at amortised cost	**16,039**	**430,548**	**3,764,602**	**3,071,220**	**7,282,409**
Investments measured at fair value	**-**	**1,434,589**	**18,970**	**-**	**1,453,559**
Investment in associates and joint ventures	**-**	**-**	**-**	**799,356**	**799,356**
Other assets	**1,487,172**	**-**	**328,595**	**12,218**	**1,827,985**
Financial assets	**29,295,506**	**14,722,529**	**39,898,352**	**29,221,390**	**113,137,777**
Non-financial assets					**5,239,885**
Total assets					**118,377,662**
LIABILITIES					
Due to financial institutions	**3,085,610**	**20,000**	**-**	**-**	**3,105,610**
Depositors' accounts	**88,402,326**	**4,448,332**	**2,076,502**	**-**	**94,927,160**
Other liabilities	**2,380,455**	**248,476**	**804,480**	**-**	**3,433,411**
Sukuk financing instruments	**-**	**1,836,250**	**-**	**-**	**1,836,250**
Total liabilities	**93,868,391**	**6,553,058**	**2,880,982**	**-**	**103,302,431**
31 December 2014					
ASSETS					
Cash and balances with central banks	18,757,580	-	-	-	18,757,580
Balances and wakala deposits with Islamic banks and other financial institutions	3,063,607	315,928	724,090	-	4,103,625
Murabaha and mudaraba with financial institutions	2,023,459	143,094	-	-	2,166,553
Murabaha and other Islamic financing	3,252,902	7,921,449	16,077,954	6,950,322	34,202,627
Ijara financing	1,063,931	4,803,799	18,810,999	14,124,925	38,803,654
Investments in Islamic sukuk measured at amortised cost	-	-	2,928,286	2,493,241	5,421,527
Investments measured at fair value	-	984,549	22,926	-	1,007,475
Investment in associates and joint ventures	-	-	-	807,395	807,395
Other assets	1,260,475	147,244	201,399	9,054	1,618,172
Financial assets	29,421,954	14,316,063	38,765,654	24,384,937	106,888,608
Non-financial assets					5,015,195
Total assets					111,903,803
LIABILITIES					
Due to financial institutions	5,475,734	-	-	-	5,475,734
Depositors' accounts	76,056,513	7,795,053	924,842	-	84,776,408
Other liabilities	2,153,499	429,348	791,522	-	3,374,369
Sukuk financing instruments	-	2,754,375	1,836,250	-	4,590,625
Total liabilities	83,685,746	10,978,776	3,552,614	-	98,217,136

43 RISK MANAGEMENT continued

43.3 Liquidity risk and funding management continued

43.3.4 Analysis of financial assets and financial liabilities by remaining contractual maturities continued

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations, including cash flows pertaining to principal repayment and profit 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
31 December 2014					
LIABILITIES					
Due to financial institutions	**3,044,041**	**20,024**	**-**	**-**	**3,064,065**
Depositors' accounts	**88,418,667**	**4,475,289**	**2,160,997**	**-**	**95,054,953**
Other liabilities	**2,380,455**	**248,476**	**804,480**	**-**	**3,433,411**
Sukuk financing instruments	**-**	**1,899,765**	**-**	**-**	**1,899,765**
Total liabilities	**93,843,163**	**6,643,554**	**2,965,477**	**-**	**103,452,194**
31 December 2013					
LIABILITIES					
Due to financial institutions	5,476,934	-	-	-	5,476,934
Depositors' accounts	76,062,776	7,797,549	933,032	-	84,793,357
Other liabilities	2,153,499	429,348	791,522	-	3,374,369
Sukuk financing instruments	-	2,725,210	1,969,366	-	4,694,576
Total liabilities	83,693,209	10,952,107	3,693,920	-	98,339,236

The disclosed financial instruments in the above table are the gross undiscounted cash flows.

The table below shows the contractual expiry of the Bank's contingent liabilities and commitments. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	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					
Contingent liabilities	**10,470,928**	**2,123,571**	**759,606**	**6,326**	**13,360,431**
Commitments	**-**	**52,439**	**92,394**	**-**	**144,833**
Total	**10,470,928**	**2,176,010**	**852,000**	**6,326**	**13,505,264**
2014					
Contingent liabilities	10,924,372	1,696,458	265,074	5,073	12,890,977
Commitments	7,500	72,717	145,340	-	225,557
Total	10,931,872	1,769,175	410,414	5,073	13,116,534

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

43.4 Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. The Group is exposed to diverse the financial instruments including securities, foreign currencies, equities and commodities.

The Group pays considerable attention to market risk. The Group uses appropriate models, as per standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises of the following elements:

- Limit to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by the senior management; and
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on timely basis.

43 RISK MANAGEMENT continued

43.4 Market risk continued

The policies and procedures and the trading limits are set to ensure the implementation of the Group's market risk policy in day-to-day operations. These are viewed periodically to ensure they remain in line with the Group's general market risk policy. The ALCO ensure that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, the Group is required to comply with the guidelines and regulations of the Central Bank.

43.4.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability of the fair values of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-statement of financial position instruments that mature or re-price in a given period. The Group manages this risk through risk management strategies.

The effective profit rate (effective yield) of a monetary instrument is the rate that, when used in present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating instrument or an instrument carried at fair value.

The following table estimates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's consolidated income statement. The sensitivity of the consolidated income statement is the effect of the assumed changes in profit rates (whether increase or decrease) on the net profit for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December.

	2015		2014	
Currency	Increase in basis points	Sensitivity of profit on financial assets and liabilities AED '000	Increase in basis points	Sensitivity of profit on financial assets and liabilities AED '000
AED	25	58,538	25	53,978
USD	25	12,540	25	11,704
Euro	25	(1,083)	25	(343)
Other currencies	25	6,029	25	1,656

43.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The table below indicates the extent to which the Group was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against AED with all other variable held constant on the consolidated income statement (due to the changes in fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated in consolidated income statement on investments carried at fair value through other comprehensive income - equity instruments and investment in associates and joint ventures).

	% Increase currency rates	Effect on net profit AED '000	Effect on equity AED '000
31 December 2015			
Currency			
USD	5	94,426	6,177
Euro	5	(83,479)	2,580
GBP	5	(2,399)	-
Other currencies	5	75,674	27,484
31 December 2014			
Currency			
USD	5	124,288	6,600
Euro	5	(2,763)	2,721
GBP	5	(3,050)	-
Other currencies	5	(36,077)	29,761

43 RISK MANAGEMENT continued

43.4 Market risk continued

43.4.2 Currency risk continued

The table below shows the Group's exposure to foreign currencies.

	AED AED '000	USD AED '000	Euro AED '000	GBP AED '000	Others AED '000	Total AED '000
31 December 2015						
Financial assets						
Cash and balances with central banks	17,535,170	864,922	2,362	1,469	225,438	18,629,361
Balances and wakala deposits with Islamic banks and other financial institutions	494,003	478,736	125,985	176,913	1,848,677	3,124,314
Murabaha and mudaraba with financial institutions	1,350,106	195,097	-	-	72,359	1,617,562
Murabaha and other Islamic financing	35,863,954	1,971,818	-	359,338	205,667	38,400,777
Ijara financing	32,054,387	7,484,860	51,271	106,710	305,226	40,002,454
Investments in Islamic sukuk measured at amortised cost	-	7,168,922	-	113,487	-	7,282,409
Investments measured at fair value	71,259	1,317,182	582	6	64,530	1,453,559
Investment in associates and joint venture	198,166	-	51,511	-	549,679	799,356
Other assets	4,910,073	(2,351,694)	(510,859)	(277,875)	58,340	1,827,985
	92,477,118	17,129,843	(279,148)	480,048	3,329,916	113,137,777
Financial liabilities						
Due to financial institutions	1,474,642	1,258,341	24,775	146,266	201,586	3,105,610
Depositors' accounts	79,995,433	12,535,107	1,292,047	377,146	727,427	94,927,160
Other liabilities	2,585,148	482,880	23,022	4,616	337,745	3,433,411
Sukuk financing instruments	-	1,836,250	-	-	-	1,836,250
	84,055,223	16,112,578	1,339,844	528,028	1,266,758	103,302,431
31 December 2014						
Financial assets						
Cash and balances with central banks	17,891,901	706,743	2,064	902	155,970	18,757,580
Balances and wakala deposits with Islamic banks and other financial institutions	1,010,707	1,326,058	142,299	251,214	1,373,347	4,103,625
Murabaha and mudaraba with financial institutions	1,000,038	531,794	491,325	-	143,396	2,166,553
Murabaha and other Islamic financing	30,943,222	2,340,518	99,663	598,192	221,032	34,202,627
Ijara financing	29,388,731	9,216,202	82,423	3	116,295	38,803,654
Investments in Islamic sukuk measured at amortised cost	-	5,391,600	-	29,927	-	5,421,527
Investments measured at fair value	93,564	796,803	96	77,361	39,651	1,007,475
Investment in associates and joint venture	163,223	-	54,322	-	589,850	807,395
Other assets	2,894,293	(1,080,282)	951,458	25,534	(1,172,831)	1,618,172
	83,385,679	19,229,436	1,823,650	983,133	1,466,710	106,888,608
Financial liabilities						
Due to financial institutions	2,348,296	1,966,932	57,988	727,012	375,506	5,475,734
Depositors' accounts	72,328,178	9,548,418	1,706,248	307,676	885,888	84,776,408
Other liabilities	2,329,866	637,709	60,340	9,441	337,013	3,374,369
Sukuk financing instruments	-	4,590,625	-	-	-	4,590,625
	77,006,340	16,743,684	1,824,576	1,044,129	1,598,407	98,217,136

43 RISK MANAGEMENT continued

43.4 Market risk continued

43.4.3 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 Group's quoted investments in the investment portfolio.

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

	% Increase in market indices 2015	Effect on net profit 2015 AED '000	% Increase in market indices 2014	Effect on net profit 2014 AED '000
Investments carried at fair value through profit or loss				
Abu Dhabi Stock Market	10	483	10	-
Dubai Financial Market	10	583	10	-
Others	10	66	10	-

The effect on equity (as a result of a change in the fair value of equity instruments held as investments carried at fair value through other comprehensive income at 31 December) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	% Increase in market indices 2015	Effect on equity 2015 AED '000	% Increase in market indices 2014	Effect on equity 2014 AED '000
Investments carried at fair value through other comprehensive income				
Others	10	85	10	96

43.4.4 Operational risk

Operational risk is the potential exposure to financial or other damage arising from inadequate or failed internal processes, people or system.

The Bank has implemented a detailed operational risk framework in accordance with Basel II guidelines. The framework articulates clearly defined roles and responsibilities of individuals / units across different functions of the Bank involved in performing various operational risk management tasks. The Operational Risk Management Framework ensures that operational risks within the Bank are properly identified, monitored, reported and actively managed. Key elements of the framework include process mapping, management of an operational loss database, key risk indicators, regular business unit level self-assessment, risk analysis and risk management reporting.

Each new product introduced is subject to a risk review and signoff process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product. Variations of existing products are also subject to a similar process. Business and support units are responsible for managing operational risk in their respective functional areas. They operate within the Bank's operational risk management framework and ensure that risk is being actively identified, monitored and managed within their respective business units. The day-to-day operational risk is managed also through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedures to monitor transaction positions and documentation, as well as maintenance of key backup procedures and business contingency planning, which is regularly assessed and tested.

43.4.5 Compliance risk review

Given its commitment to best practice governance, in 2014 the Bank appointed external legal counsel to assist in reviewing its compliance with sanctions laws, and its compliance processes generally. The external legal counsel is yet to complete its review, and to the extent that this review assists the Bank in the identification of any additional steps that can be taken to ensure compliance with applicable sanctions laws, the Bank will enhance its processes accordingly. The Bank is continuing its internal review, and it is premature to speculate on any potential impact on the Bank. The Bank will share the outcome of the internal review with the relevant regulator once it is finalized.

43 RISK MANAGEMENT continued

43.5 Capital management

The Central Bank of the UAE sets and monitors capital requirements for the Group as a whole. The Central Bank of the UAE vide circular No. 4004/2009 dated 30 August 2009, requires all banks operating in the UAE to maintain a risk asset ratio at a minimum of 12% (2014: 12%) at all times in which Tier 1 capital should not be less than 8% (2014: 8%) of the total risk weighted assets. In implementing current capital requirements of the Central Bank of the U.A.E, the Group maintains the required ratio of the regulatory capital to total risk weighted assets.

The Group's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings, translation reserve, non-controlling interest and Tier 1 sukuk after deductions of goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment provisions on financing assets and the element of the fair value reserve relating to unrealised gains and losses on financial instruments classified as investments carried at fair value through other comprehensive income, gains or losses arising on translation of foreign operations and unrealised gains or losses arising on Sharia'a compliant financial instruments designated as cash flow hedges.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group 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 to adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

The Central Bank of the U.A.E vide its notice 27/2009 dated 17 November 2009, requires all the banks operating in the U.A.E. to implement Standardised approach of Basel II. For credit and market risks, the Central Bank of the U.A.E. has issued guidelines for implementation of Standardised approach. For operational risk, the Central Bank of the U.A.E. has given Banks the option to use the Basic Indicators approach or the Standardised approach and the Bank has chosen to use the Basic Indicators approach.

Furthermore, as required by the above circular, certain Basel II pillar 3 disclosures will be included in the annual report issued by the Bank for the year 2015.

The table below shows summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2015 and 2014. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject:

	Basel II	
	2015 AED '000	2014 AED '000
Tier 1 capital		
Share capital	**3,168,000**	3,000,000
Legal reserve	**2,102,465**	1,766,465
General reserve	**1,293,820**	1,098,560
Credit risk reserve	**400,000**	400,000
Retained earnings	**1,858,899**	1,244,781
Proposed dividends	**769,022**	700,200
Proposed dividends to charity	**20,000**	20,000
Foreign currency translation reserve	**(196,113)**	(151,040)
Tier 1 sukuk	**5,672,034**	5,643,109
Non-controlling interest	**10,548**	8,196
	15,098,675	13,730,271
Goodwill and intangibles	**(474,892)**	(529,648)
Deductions for Tier 1 capital	**(399,678)**	(403,697)
Total Tier 1	**14,224,105**	12,796,926

43 RISK MANAGEMENT continued

43.5 Capital management continued

	Basel II	
	2015 AED '000	2014 AED '000
Tier 2 capital		
Cumulative changes in fair value and hedging reserve	**(166,444)**	(186,604)
Collective impairment provision for financing assets	**1,096,403**	1,040,470
	929,959	853,866
Deductions for Tier 2 capital	**(399,678)**	(403,698)
Total Tier 2	**530,281**	450,168
Total capital base	**14,754,386**	13,247,094
Risk weighted assets		
Credit risk	**87,712,261**	83,237,585
Market risk	**2,218,921**	2,170,413
Operational risk	**7,549,954**	6,826,723
Total risk weighted assets	**97,481,136**	92,234,721
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**15.14%**	14.36%
Tier 1 capital expressed as a percentage of total risk weighted assets	**14.59%**	13.87%

44 FAIR VALUE OF FINANCIAL INSTRUMENTS

Quoted investments – at fair value

Quoted investments represent marketable equities and sukuk that are measured at fair value. The fair values of these investments are based on quoted prices as of the reporting date. For investments carried at fair value through other comprehensive income, the impact of change in fair valuation from previous carrying amount has been recognized as a part of cumulative changes in fair values in consolidated statement of changes in equity through consolidated statement of comprehensive income.

Unquoted investments – at fair value

The consolidated financial statements include investments in unquoted funds and private equities which are measured at fair value. Fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis and capitalization of sustainable earnings basis. The valuation models include some assumptions that are not supported by observable market prices or rates. The impact of change in fair value from previous carrying amount has been recognized as a part of cumulative changes in fair values in consolidated statement of changes in equity through consolidated statement of comprehensive income.

In the opinion of management, the estimated carrying values and fair values of those financial assets and liabilities that are not carried at fair value in the consolidated financial statements are not materially different (except investment carried at amortised cost and investment in associates and joint ventures (note 21), since those financial assets and liabilities are either short term in nature or in the case of deposits and financing asset, are frequently repriced. The fair value of investments carried at amortised cost is disclosed below.

Fair value of investments - at amortised cost	**Carrying value 2015 AED '000**	**Fair value 2015 AED '000**	Carrying value 2014 AED '000	Fair value 2014 AED '000
Investments carried at amortised cost - sukuk (note 19)	**7,282,409**	**7,453,656**	5,421,527	5,569,155

Fair value measurement recognized in the consolidated statement of financial position

The Group uses the following hierarchy for determining and disclosing the fair value of financial instrument by valuation technique:

Level 1: quoted (unadjusted prices in active markets for identical assets or liabilities).

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

44 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

Fair value measurement recognized in the consolidated statement of financial position continued

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
31 December 2015				
Assets and Liabilities measured at fair value:				
Financial assets				
Investments carried at fair value through profit and loss				
Equities	11,319	-	-	11,319
Sukuk	1,258,537	-	-	1,258,537
	1,269,856	-	-	1,269,856
Investments carried at fair value through other comprehensive income				
Quoted investments				
Equities	846	-	-	846
Unquoted investments				
Funds	-	-	51,363	51,363
Private equities	-	-	131,494	131,494
	-	-	182,857	182,857
	846	-	182,857	183,703
Financial liabilities				
Shari'a compliant alternatives of swap (note 38)	-	18,049	-	18,049
Assets for which fair values are disclosed:				
Investment properties (note 22)	-	382,955	-	382,955
Investment carried at amortised cost - Sukuk	7,453,656	-	-	7,453,656

44 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

Fair value measurement recognized in the consolidated statement of financial position continued

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
31 December 2014				
Assets and Liabilities measured at fair value:				
Financial assets				
Investments carried at fair value through profit and loss				
Equities	-	-	-	-
Sukuk	804,993	-	-	804,993
	804,993	-	-	804,993
Investments carried at fair value through other comprehensive income				
Quoted investments				
Equities	960	-	-	960
Unquoted investments				
Funds	-	-	61,640	61,640
Private equities	-	-	139,882	139,882
	-	-	201,522	201,522
	960	-	201,522	202,482
Financial liabilities				
Shari'a compliant alternatives of swap (note 38)	-	17,968	-	17,968
Assets for which fair values are disclosed:				
Investment properties (note 22)	-	446,210	-	446,210
Investment carried at Amortised cost - Sukuk	5,569,155	-	-	5,569,155

There were no transfers between level 1, 2 and 3 during the current year and in the prior year.

A significant part of the investments classified under Level 3 are valued using inputs from investment managers and in the opinion of the management it is not practical to disclose the sensitivity of inputs to the valuation techniques used.

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

	2015 AED '000	2014 AED '000
At 1 January	**201,522**	228,297
Net disposals	**(8,995)**	(18,813)
Loss recorded in equity	**(9,670)**	(7,962)
At 31 December	**182,857**	201,522

45 SOCIAL CONTRIBUTIONS

The social contributions (including donations and charity) made during the year amount to AED 20,000 thousand which were approved by the shareholders at the Annual General Assembly held on 1 April 2015.

Basel II Pillar III Disclosure

The requirements of the Central Bank of the UAE act as the framework for the implementation of the Basel II Accord in the UAE. They are contained in Circular 27/2009 dated 17 November 2009 and are being fully complied with by the Bank.

The framework is based on three pillars:

- Pillar I – Minimum capital requirements: defines rules for the calculation of credit, market and operational risk. The framework allows for different approaches, which can be selected depending on size, sophistication and other considerations. These comprise for Credit Risk: Standardised, Foundation Internal Rating Based (FIRB), Advanced Internal Rating Based (AIRB); for Market Risk: Standardised and Internal Models Approach; and for Operational Risk: Basic Indicator Approach, Standardised Approach, and Advanced Measurement Approach.
- Pillar II – Provides the framework for an enhanced supervisory review process with the objective of assessing the adequacy of the Bank's capital to cover not only the three primary risks (Credit, Marketing and Operational), but in addition a series of other risks to which the Bank is subject; for example, concentration risk, residual risk, business risk, liquidity risk etc. It includes the requirement for banks to undertake an Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis, which is subject to Central Bank review and inspection.
- Pillar III – Market discipline: requires expanded disclosures, which will allow regulators, investors and other market participants to more fully understand the risk profiles of individual banks. The requirements of Pillar III in the case of ADIB are fulfilled in this annual report.

Banks are required to disclose all their material risks as part of the Pillar III framework. Many of these requirements have already been satisfied in note 43 to the 2015 ADIB Consolidated Financial Statements, which covers in detail the risk and capital management processes of the Bank and its compliance with the Basel II Accord in this regard.

The following Pillar III disclosures provide additional qualitative and quantitative information over and above that contained in note 43 to the 2015 ADIB Consolidated Financial Statements and together with the information contained in note 43, meet the full disclosure requirements of Pillar III.

ADIB RISK PHILOSOPHY

Taking risk is at the core of the business of the Bank. All of the profit-making activities involve some measure of risk. Risk is also inherent in the internal business processes and systems, and as a result of external factors. In order for these risk-taking activities to generate a sufficient amount of profit to add to shareholder and depositor value, the risk is managed within the tolerance levels of the organisation and the overall risk appetite set annually by the Board of Directors and reviewed quarterly by the Governance and Risk Policy Committee of the Board. The following principles lie at the core of ADIB's risk philosophy:

- Shari'a: Full compliance with Shari'a Governance in all aspects.
- Approval: All business activities which commit the Bank, legally or morally, to deliver risk-sensitive financing solutions, and any business proposals, require approval by authorised individuals or committees, prior to commitment.
- Independence: There exists a clear separation between the business and the risk management functions.
- Transparency: Risk management structures, policies and procedures are transparent. They are based on consistent principles, in written form, and are well communicated.
- One obligor total: Decision authority is determined by the total amount of financing and/or capital at risk, approved for all entities that form a coherent group based on shareholding and/or management control.
- Committee: Decisions regarding policy, product, large or high-risk exposures are taken by the appropriate committee.
- Approval authority: Authorities are delegated by the Board of Directors to an Executive Committee, which in turn delegates authority through the Chief Executive Officer. These reflect the delegates' (committee or individual) level of expertise, experience, track record and seniority.
- Three initials: Risk proposals can only be approved with a minimum of three authorised individuals forming an agreement within the framework set by the Board approved Credit Policy & Procedures Manual.
- Business responsibility: Business units are responsible for the selection of clients and for managing all of the business activities with such clients within approved limits.
- Credit Administration & Control: Critical to ensuring ongoing compliance with policies, approval authorities, approval conditions etc.
- Credit Review/Audit: Periodic independent validation and review of the portfolio and the process across all business units by both internal and external auditors.
- Due diligence: Regular and consistent customer contact, site visits, financial analysis, risk rating and stress testing.

RISK GOVERNANCE

ADIB's Risk Management Framework is focused on integrating Enterprise-wide Risk Management fully into its operations and culture. The role of Risk Management is to support growth, whilst ensuring consistent quality of the Bank's portfolio and an appropriate return for the risk being taken. The objective is to manage earnings volatility, which is achieved by setting clear risk-taking parameters and robust processes.

The Risk Governance Framework supports the Bank's objective of being a dynamic banking entity providing Islamic financial services of excellence, with insight and transparency in risk taking.

Please refer to note 43.1.1 of the 2015 ADIB Consolidated Financial Statements.

RISK APPETITE

ADIB's business model attracts mainly credit, market, operational and compliance risks in the normal course of business. The Bank seeks sustainable growth and profitability through the acquisition of diversified banking assets with attractive risk/return profiles while maintaining sufficient capital and liquidity buffers above those mandated by regulators. The Bank also seeks to maintain its strong credit ratings.

The principal themes underlying the assumptions of these risks are:

* Strong controls culture designed to ensure good conduct, ethical behaviour, legal and regulatory compliance
* Clearly defined target markets and risk acceptance terms, and
* Continuous monitoring and management of risk assets

The Bank manages its risk appetite using a set of risk limits and performance indicators allocated to each business. Management monitors adherence to these continuously.

COMPONENTS OF RISK MANAGEMENT

The management of risk is a process operated independently of the business units of the Bank. It consists of the following key components:

1. Identification: the Bank endeavours to identify all material risks that it may be affected by. Identification is a continuous and proactive process. It covers all the current activities of the Bank, as well as new products and markets.
2. Policies: In order to ensure that the Bank's business units comply with the approved Risk Management Framework, the Board of Directors has approved detailed Credit Risk Policies and Procedures, and various other policies covering the ALM Charter, Market Risk, Operational Risk and other risks as identified within the Basel II framework.
3. Measurement and monitoring: The Bank spends considerable resources on maintaining a modern IT platform to support risk management, applying a number of models and methods to accurately measure and quantify the risks affecting the Bank on an ongoing basis. The Bank continually monitors models and validates risk parameters to ensure that risk measurement gives a fair presentation of the underlying portfolios and transactions.
4. Parameter applications: In order to best capitalise on the Bank's risk appetite, the Bank uses risk-based data with regard to customers, industries, geographies etc. in the day-to-day management and review of customer transactions.
5. Controls: The Bank has established an independent control environment to monitor and enforce approved policies and procedures, and has various operational aspects with regard to consistent and thorough implementation of the same.
6. Reporting: The Bank has a well-established process for reporting risk factors to the various stakeholders of the Bank.

The Bank aims to reinforce a strong risk management culture through a comprehensive set of policies, processes and procedures that are designed to effectively identify, measure, monitor and control risk exposures. The Board of Directors is involved both directly and through the Governance and Risk Policy Committee, in the embedding of material risk processes and the periodic oversight and guidance of the risk management function.

Risk Management Structure: Please refer to note 43.1.1 of the 2015 ADIB Consolidated Financial Statements.

ASSESSMENT OF RISK GOVERNANCE EFFECTIVENESS

As a measure to evaluate the effectiveness of the Risk Governance Standards adopted by the Bank, an independent assessment was again conducted as a part of the annual ICAAP, covering various aspects of the following standards:

- FSB publications on Risk Governance
- Publications of the Basel Committee for Banking Supervision on Sound Principles of Risk Management
- Publications of the Central Bank of the UAE

The assessment was divided into the following broad categories:

1. Risk management structure
2. Operational risk
3. Credit & Concentration risk
4. Market risk
5. Profit rate risk in the banking book
6. Liquidity risk

The broad results of the assessment are as follows:

* The Bank is following sound practices for Risk Governance, Credit Risk, Market Risk and Asset Liability Management
* The Bank has a strong Credit Risk Management Framework. Financing Policy is clearly defined based on a target Credit Risk versus Return trade-off strategy. Limits of exposures to individual and group borrowers are defined, together with lines of authority regarding the granting of new financing, and the extension of existing limits. In addition, policies for addressing recoveries are established, which contain a detailed delegation of authority as well as control process.
* A comprehensive Risk Policy Framework has been adopted for ALM and Market Risk which includes Profit Rate and Liquidity Risk.
* The Operational Risk Management framework has been developed based on the 'Sound Practices for Operational Risk' document specified by the Basel Committee on Banking Supervision.

ASSESSMENT OF RISK GOVERNANCE EFFECTIVENESS continued

Credit risk and credit risk concentration: Please refer to note 43.2 of the 2015 ADIB Consolidated Financial Statements.

Liquidity risk and funding management: Please refer to note 43.3 of the 2015 ADIB Consolidated Financial Statements.

Market risk including profit rate risk, currency risk, and equity price risk: Please refer to note 43.4 of the 2015 ADIB Consolidated Financial Statements.

Operational risk: Please refer to note 43.4.4 of the 2015 ADIB Consolidated Financial Statements.

OTHER RISKS

Concentration risk: This refers to the risk that arises from any single exposure or a group of exposures with common risk factors and potential to produce large losses. It is mainly related to name concentration which relates to imperfect diversification of idiosyncratic risk in the portfolio because of large exposures to specific obligors. It also includes risk related to sector concentration which relates to the risk in credit portfolios arising from an unequal distribution of loans to different economic sectors.

Residual risk: This refers to the risk that recognized risk measurement and mitigation techniques used by the Bank prove less effective than expected. The Bank uses various techniques to mitigate the risk of the underlying credit exposure in the normal course of its business. The credit risk mitigation techniques generally used are either financial/non-financial collaterals or credit protection in the form of guarantees. These Credit Risk Mitigation Techniques are recognized for capital relief purposes under the Standardised Approach, except for non-financial collaterals, provided certain minimum criteria are present.

Reputation risk: Refers to the potential adverse effects that can arise from the Bank's reputation being sullied due to factors such as unethical practices, regulatory actions, customer dissatisfaction and complaints, negative/adverse publicity etc.. The Bank maintains a sound position in the market; it has not faced any major adverse publicity, deposit run or regulatory penalties over its long history. Its long-term rating of A+ was reconfirmed by Fitch in 2015.

Business risk: Refers to the risk of the Bank's earnings and profitability arising from its strategic decisions, changes in business conditions, and improper implementation of decisions. Thus business risk arises due to external causes, out of strategies and choices that could cause loss to the Bank in the form of a reduction in shareholder value, loss of earnings etc. The Bank's current business plan is in alignment with its goals and targets.

Settlement risk: Occurs when the Bank simultaneously exchanges value with a customer or with another bank in settlement of a foreign exchange obligation or a similar type of obligation. The risk is that the scheduled payment is not received, thus creating a direct credit risk as well. In the UAE the Central Bank of the UAE manages clearing and settlement amongst the banks and is the lender of last resort, hence the risk of a 'gridlock' is considered negligible. In the case of foreign currency transactions with banks in other countries, the first protection against settlement risk is by dealing with only approved correspondent banks that have been rated by recognized rating agencies such as Moody's, S&P etc., as well as internally by the Bank. Any delayed settlements are closely monitored and the required procedural guidelines to be followed by Treasury and Back Office are in place.

STRESS TESTING

Stress testing refers to various techniques used by the Bank to gauge its vulnerability to exceptional but plausible events. It is used as a risk management technique to evaluate the potential effects of a specific event and/or movement in a set of economic variables on the Bank's financial condition. Stress testing is based on the concept of 'proportionality and complexity' and its applicability to the activities of the Bank. Relevant factors include size, sophistication and diversification of activities, materiality of different risk types and the Bank's vulnerability to them, etc. Stress testing is an important part of the risk management function in the Bank.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

In accordance with the regulations of the UAE Central Bank, ADIB initiated the ICAAP process late in 2009 and has submitted the reports annually to the UAE Central Bank within the stipulated deadline including the report for 2014, which was prepared and submitted in early 2015 as required. The process of integrating and embedding ICAAP with the Capital Management and Risk Management cultures and practices within the Bank continued in 2015. The production of the annual ICAAP report has enabled the respective departments to carry out the activities highlighted to further enhance the comprehensive risk management and capital management processes, and to measure progress in this respect, year on year. The annual ICAAP process is seen as an important periodic review of all such activities, and is approved by the Board.

Pillar III quantitative disclosures are contained in the tables on the following pages.

INFORMATION ON SUBSIDIARIES AND SIGNIFICANT INVESTMENT AS ON 31 DECEMBER 2015

	Country of Incorporation	% Ownership	Description	Accounting Treatment
SUBSIDIARIES				
Abu Dhabi Islamic Securities Company LLC	UAE	95	Equity Brokerage Services	Fully consolidated
Burooj Properties LLC	UAE	100	Real Estate Investments	Fully consolidated
MPM Properties LLC	UAE	100	Real Estate Services	Fully consolidated
ADIB Invest 1	BVI	100	Equity Brokerage Services	Fully consolidated
Kawader Services Company LLC	UAE	100	Manpower Supply	Fully consolidated
ADIB (UK) Limited	United Kingdom	100	Islamic Banking	Fully consolidated
ADIB Holdings (Jersey) Ltd*	British Channel Islands	-	Special Purpose Vehicle	Fully consolidated
ADIB Sukuk Company Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated
ADIB Sukuk Company II Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated
ADIB Capital Invest 1 Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated
ADIB Capital Invest 2 Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated
SIGNIFICANT INVESTMENT				
Abu Dhabi Islamic Bank - Egypt (S.A.E)	Egypt	49	Banking (under Conversion to Islamic Banking)	Equity Method
Abu Dhabi National Takaful PJSC	UAE	42	Islamic insurance	Equity Method
Bosnia Bank International D.D	Bosnia	27	Islamic banking	Equity Method
Saudi Finance Company CSJC (Formerly Saudi Installment House)	Kingdom of Saudi Arabia	51	Islamic Retail Finance	Equity Method
Arab Link Money Transfer PSC	UAE	51	Currency Exchange	Equity Method
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	51	Merchant acquiring	Equity Method

* The Bank does not have any direct holding in these entities and they are considered to be a subsidiary by virtue of control.

CONSOLIDATED CAPITAL STRUCTURE AS ON 31 DECEMBER 2015

	Amount AED '000
Tier 1 Capital	
1. Share capital - Paid up	3,168,000
2. Reserves	
a. Legal reserve	2,102,465
b. General reserve	1,293,820
c. Credit risk reserve	400,000
3. Retained earnings	2,647,921
4. Minority interest in the equity of subsidiaries	10,548
5. Innovative capital instruments	-
6. Tier 1 Sukuk	5,672,034
7. Goodwill and other intangibles	(474,892)
8. Foreign Currency Translation Reserve	(196,113)
Sub-total	14,623,783
Less: Deductions for regulatory calculation	-
Less: Deductions from Tier 1 capital	(399,678)
Tier 1 Capital - Subtotal	14,224,105
Tier 2 Capital	
1. Qualifying General provisions	1,096,403
2. Assets revaluation reserves	-
3. Cummualtive changes in fair values	(166,444)
4. Hybrid (debt/equity) capital instruments	-

CONSOLIDATED CAPITAL STRUCTURE AS ON 31 DECEMBER 2015 continued

5. Tier 2 Wakala capital	-
Sub-total	929,959
Less: Deductions from Tier 2 Capital	(399,678)
Tier 2 Capital - Subtotal	530,281
Total eligible capital after deductions	14,754,386

CAPITAL ADEQUACY AS AT 31ST DECEMBER 2015

Quantitative Disclosures	Capital Charge	Capital Ratio (%)
1. Credit Risk		
a. Standardised Approach	10,525,471	-
b. Foundation IRB	-	-
c. Advanced IRB	-	-
2. Market Risk		
a. Standardised Approach	266,271	-
b. Model Approach	-	-
3. Operational Risk		
a. Basic Indicator Approach (BIA)	905,994	-
b. Standardised Approach/ASA	-	-
c. Advanced Measurement Approach	-	-
Total Capital requirements	**11,697,736**	**-**
Capital Ratio		
a. Total for Top Consolidated Group	-	15.14%
b. Tier 1 ratio only for top consolidated Group	-	14.59%
c. Total for each significant bank subsidiary	-	-

GROSS CREDIT EXPOSURES BY GEOGRAPHY AS ON 31 DECEMBER 2015

GEOGRAPHIC DISTRIBUTION	Customer Financings AED '000	Balances & Placements with Banks & FI AED '000	Sukuk AED '000	Others AED '000	Total Funded AED '000	Commitments AED '000	Other Off-Balance Sheet Exposures AED '000	Total Non-Funded AED '000	Total AED '000
United Arab Emirates	78,088,963	1,836,846	5,817,305	24,676,130	110,419,244	583,032	12,775,468	13,358,500	123,777,744
Rest of the Middle East	2,179,364	1,425,044	1,219,378	433,755	5,257,541	-	418,815	418,815	5,676,356
Europe	245,582	72,093	111,510	14,853	444,038	-	-	-	444,038
Others	884,461	1,602,633	1,392,753	292,623	4,172,470	-	166,148	166,148	4,338,618
Total	**81,398,370**	**4,936,616**	**8,540,946**	**25,417,361**	**120,293,293**	**583,032**	**13,360,431**	**13,943,463**	**134,236,756**

GROSS CREDIT EXPOSURE BY INDUSTRY SEGMENT AS ON 31 DECEMBER 2015

INDUSTRTY SEGMENT	Customer Financings AED '000	Balances & Placements with Banks & FI AED '000	Sukuk AED '000	Other Assests AED '000	Others AED '000	Total Funded AED '000	Commitments AED '000	Other Off-Balance Sheet Exposures AED '000	Total Non-Funded AED '000	Gross AED '000
Agriculture, Fishing & related activities	65,719	-	-	-	-	65,719	-	605,270	605,270	670,989
Crude Oil, Gas, Mining & Quarrying	56,221	-	-	-	-	56,221	-	21,480	21,480	77,701
Manufacturing	3,351,270	-	-	-	-	3,351,270	-	489,804	489,804	3,841,074
Electricity & Water	8,942	-	698,394	156,036	156,036	863,372	226	285	511	863,883
Construction	8,274,326	-	1,008,935	335,010	403,332	9,686,593	930	6,075,798	6,076,729	15,763,322
Trade	6,829,984	-	1,309,318	353,532	353,532	8,492,834	36,151	789,746	825,897	9,318,731
Transport, Storage & Communication	2,257,144	-	585,645	-	6,876	2,849,665	-	157,929	157,929	3,007,594
Financial Institutions	619,316	4,936,616	2,422,560	183,625	296,057	8,274,549	-	1,479,502	1,479,502	9,754,051
Services	7,521,750	-	-	-	-	7,521,750	340,785	2,738,123	3,078,908	10,600,658
Government /Public Sector	5,196,812	-	2,358,065	-	16,794,261	24,349,138	-	119	119	24,349,257
Retail/Consumer Banking	46,113,645	-	-	17,842	17,842	46,131,487	204,941	979,912	1,184,853	47,316,340
All Others	1,103,241	-	158,029	2,721,379	7,389,425	8,650,695	-	22,461	22,461	8,673,157
Total	**81,398,370**	**4,936,616**	**8,540,946**	**3,767,424**	**25,417,361**	**120,293,293**	**583,032**	**13,360,431**	**13,943,463**	**134,236,756**

GROSS CREDIT EXPOSURES BY CURRENCY TYPE AS ON 31 DECEMBER 2015

CURRENCY	Customer Financings AED '000	Balances & Placements with Banks & FI AED '000	Sukuk AED '000	Others AED '000	Total Funded AED '000	Commitments AED '000	Other Off-Balance Sheet Exposures AED '000	Total Non-Funded AED '000	Total AED '000
AED	70,913,480	1,844,109	521	22,827,656	95,585,766	583,032	9,498,819	10,081,851	105,667,617
Foreign Currency	10,484,890	3,092,507	8,540,425	2,589,705	24,707,527	-	3,861,612	3,861,612	28,569,139
Total	**81,398,370**	**4,936,616**	**8,540,946**	**25,417,361**	**120,293,293**	**583,032**	**13,360,431**	**13,943,463**	**134,236,756**

GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY AS ON 31 DECEMBER 2015

RESIDUAL CONTRACTUAL MATURITY	Customer Financings AED '000	Balances & Placements with Banks & FI AED '000	Sukuk AED '000	Others AED '000	Total Funded AED '000	Commitments AED '000	Other Off-Balance Sheet Exposures AED '000	Total Non-Funded AED '000
Less than 3 months	8,198,617	4,154,196	16,039	20,116,483	32,485,335	145,758	10,470,928	10,616,686
3 months to one year	12,674,972	182,420	1,689,085	1,363,697	15,910,174	437,274	2,123,571	2,560,845
One to five years	35,186,185	600,000	3,764,602	1,099,409	40,650,196	-	759,606	759,606
Over five years	25,338,596	-	3,071,220	2,837,772	31,247,588	-	6,326	6,326
Grand Total	**81,398,370**	**4,936,616**	**8,540,946**	**25,417,361**	**120,293,293**	**583,032**	**13,360,431**	**13,943,463**

IMPAIRED CUSTOMER FINANCINGS BY GEOGRAPHY AS ON 31 DECEMBER 2015

	OVERDUE			PROVISIONS		ADJUSTMENTS		
GEOGRAPHIC REGION	Less than 90 Days AED '000	90 Days and above AED '000	Total AED '000	Specific AED '000	General AED '000	Write-offs AED '000	Write-Backs AED '000	Total Impaired Assets AED '000
United Arab Emirates	186,603	2,063,775	2,250,378	721,856	-	-	-	1,528,522
Rest of the Middle East	-	404,033	404,033	225,428	-	-	-	178,605
Europe	-	-	-	-	-	-	-	-
Others	-	33,427	33,427	33,427	-	-	-	-
Grand Total	**186,603**	**2,501,235**	**2,687,838**	**980,711**	**-**	**-**	**-**	**1,707,127**

Note: Jurisdictions should not be included more than once under the geographic region.

IMPAIRED CUSTOMER FINANCINGS BY INDUSTRY SEGMENT AS ON 31 DECEMBER 2015

	OVERDUE			PROVISIONS		ADJUSTMENTS		
INDUSTRY SEGMENT	Less than 90 Days AED '000	90 Days and above AED '000	Total AED '000	Specific AED '000	General AED '000	Write-offs AED '000	Write-Backs AED '000	Total Impaired Assets AED '000
Agriculture, Fishing & related activities	-	-	-	-	-	-	-	-
Crude Oil, Gas, Mining & Quarrying	78	30,820	30,898	14,449	-	-	-	16,449
Manufacturing	5,874	103,350	109,224	50,983	-	-	-	58,241
Electricity & Water	-	197	197	98	-	-	-	98
Construction	141	55,297	55,438	38,753	-	-	-	16,685
Trade	94,239	213,046	307,284	149,522	-	-	-	157,762
Transport, Storage & Communication	1,413	15,852	17,266	7,463	-	-	-	9,803
Financial Institutions	-	165,315	165,315	165,315	-	-	-	-
Services	60,337	262,881	323,217	97,582	-	-	-	225,636
Government	-	-	-	-	-	-	-	-
Retail/Consumer Banking	24,521	1,654,477	1,678,999	456,546	-	-	-	1,222,453
All Others	-	-	-	-	-	-	-	-
Total	**186,603**	**2,501,235**	**2,687,838**	**980,711**	**-**	**-**	**-**	**1,707,127**

RECONCILIATION OF CHANGES IN PROVISION FOR IMPAIRED CUSTOMER FINANCINGS FOR THE YEAR ENDED 31 DECEMBER 2015

	Description	AED '000
	Opening Balance of Provisions for Impaired Customer Financings	2,753,343
Add:	Charge for the year	241,796
	- Specific provisions	431,856
	- General provisions	338,785
Add:	Write-off of impaired loans to income statement	(528,845)
Less:	Recovery of loans loss provisions	-
Less:	Recovery of loans previously written-off	-
Less:	Write-back of provisions for loans	-
	Closing Balance of Provisions for impaired Loans	**2,995,139**

CREDIT RISK – GENERAL DISCLOSURE – STANDARDISED APPROACH AS ON 31 DECEMBER 2015

ASSET CLASSES	ON BALANCE SHEET	OFF BALANCE SHEET		CREDIT RISK MITIGATION (crm)			
See Basel II, June 2006, Para 50 to 81, and Central Bank National Discretions	Gross outstanding AED '000	Net exposure after credit conversion factors (CCF) AED '000	Total gross exposure AED '000	Exposure before CRM AED '000	CRM AED '000	After CRM AED '000	Risk weighted assets AED '000
Claims on Sovereigns	19,451,428	-	19,451,428	19,451,428	-	19,451,428	649,002
Claims on non-central Government Public Sector Entities (PSEs)	1,997,738	-	1,997,738	1,997,738	-	1,997,738	96,961
Claims in Multilateral Development Banks	94,845	-	94,845	94,845	-	94,845	-
Claims on Banks	6,193,932	49,706	6,243,638	6,243,638	-	6,243,638	2,589,615
Claims on Securities Firms	-	-	-	-	-	-	-
Claims on Corporates	26,529,402	6,295,085	32,824,487	32,824,487	571,442	32,253,045	31,251,110
Claims included in the Regulatory Retail Portfolio	36,982,219	294,209	37,276,428	37,276,428	97,898	37,178,530	29,357,507
Claims Secured by Residential Property	3,178,399	-	3,178,399	3,178,399	-	3,178,399	1,429,652
Claims Secured by Commercial Real Estate	12,717,574	-	12,717,574	12,717,574	-	12,717,574	12,717,574
Past Due Loans	3,329,798	-	3,329,798	2,154,347	-	2,154,347	2,752,731
High Risk Categories	182,857	-	182,857	182,857	-	182,857	274,286
Other Assets	9,635,101	-	9,635,101	9,635,101	-	9,635,101	6,593,823
Claims on Securitised Assets	-	-	-	-	-	-	-
Credit Derivatives (Banks Selling protection)	-	-	-	-	-	-	-
Total claims	**120,293,293**	**6,639,000**	**126,932,293**	**125,756,842**	**669,340**	**125,087,502**	**87,712,261**

CREDIT RISK – GENERAL DISCLOSURE – STANDARDISED APPROACH AS (RATED / UNRATED) ON 31 DECEMBER 2015

	Gross Credit Exposures				
ASSET CLASS	Rated AED '000	Unrated AED '000	Total AED '000	Post CRM AED '000	RWA Post CRM AED '000
Claims on Sovereigns	1,096,656	18,354,772	19,451,428	19,451,428	649,002
Claims in Public Sector Entities	1,076,559	921,179	1,997,738	1,997,738	96,961
Claims In Multilateral Development Banks	94,845	-	94,845	94,845	-
Claims on Banks	4,451,149	1,742,783	6,193,932	6,243,638	2,589,615
Claims on Securities Firms	-	-	-	-	-
Claims on Corporates	2,588,837	23,940,565	26,529,402	32,253,045	31,251,110
Regulatory & other Retail Exposure	-	36,982,219	36,982,219	37,178,530	29,357,507
Residential Retail Exposure	-	3,178,399	3,178,399	3,178,399	1,429,652
Commercial Real Estate	-	12,717,574	12,717,574	12,717,574	12,717,574
Past Due Loans	-	3,329,798	3,329,798	2,154,347	2,752,731
High Risk Categorey	-	182,857	182,857	182,857	274,286
Other Assets	-	9,635,101	9,635,101	9,635,101	6,593,823
Claims on Securitised Assets	-	-	-	-	-
Credit Derivatives (Banks Selling protection)	-	-	-	-	-
Grand Total	**9,308,046**	**110,985,247**	**120,293,293**	**125,087,502**	**87,712,261**

CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACH AS ON 31 DECEMBER 2015

		Exposures AED '000	Risk Weighted Assets AED '000
	Gross Exposure prior to Credit Risk Mitigation	16,317,606	16,317,606
Less:	Exposure covered by on-balance sheet netting	-	-
Less:	Exposures covered by Eligible Financial Collateral	1,644,489	1,644,489
Less:	Exposures covered by Guarantees	-	-
Less:	Exposures covered by Credit Derivatives	-	-
	Net Exposures after Credit Risk Mitigation	**14,673,117**	**14,673,117**

CAPITAL REQUIREMENT FOR MARKET RISK UNDER STANDARDISED APPROACH AS ON 31 DECEMBER 2015

MARKET RISK	Amount AED '000
Interest rate risk	109,899
Equity position risk	2,716
Foreign exchange risk	153,656
Commodity risk	-
Total Capital Requirment	**266,271**

EQUITIES DISCLOSURE FOR BANKING BOOK POSITIONS 31 DECEMBER 2015

1) Details of equity position by type:

TYPE	Current Year Publicly Traded AED '000	Current Year Privately Held AED '000
Government	-	-
Financial Institutions	-	111,586
Trading and Manufacturing	-	-
Construction and Real Estate	-	64,532
Energy	-	-
Others	846	6,739
Total	**846**	**182,857**

2) Realised and unrealised revaluation gains (losses) during the year:

	Amount AED '000
Realised gains (losses) from sales and liquidations	(26,574)
*Unrealised gains (losses) recognized in the balance sheet but not through profit and loss account	(9,321)
Total	**(35,895)**

3) Items in (2) above included in Tier1/Tier 2 Capital:

TIER CAPITAL	Amount AED '000
Amount included in Tier 1 Capital	(26,574)
Amount included in Tier 2 Capital	(166,444)
Total	**(193,018)**

EQUITIES DISCLOSURE FOR BANKING BOOK POSITIONS 31 DECEMBER 2015

Capital requirements by equity groupings:

GROUPING	Capital Requirement AED '000
Government	-
Financial Institutions	20,085
Trading and Manufacturing	-
Construction and Real Estate	11,616
Energy	-
Others	1,315
Total Capital Requirement	**33,016**