



First Gulf Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2011 (UNAUDITED)

Ernst & Young

 **ERNST & YOUNG**

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

Introduction

We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC and its Subsidiaries (the "Bank") as at 30 September 2011 and the related interim consolidated income statement and consolidated statement of comprehensive income, for the three-month and nine-month periods then ended and the consolidated statement of cash flows and consolidated statement of changes in equity for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by
Richard Mitchell
Partner
Ernst & Young
Registration No. 446


24 October 2011
Abu Dhabi


First Gulf Bank PJSC

INTERIM CONSOLIDATED BALANCE SHEET
30 September 2011 (Unaudited)

	<i>Notes</i>	<i>Unaudited 30 September 2011 AED 000</i>	<i>Audited 31 December 2010 AED 000</i>
Assets			
Cash and balances with U.A.E. Central Bank		8,924,077	8,526,300
Due from banks and financial institutions	5	10,885,699	10,267,516
Loans and advances		101,964,144	95,628,016
Non-trading investments	6	22,115,367	14,988,304
Investments in associates		525,836	516,757
Investment properties	7	7,509,821	7,049,254
Other assets	8	3,786,674	3,156,187
Property and equipment		<u>622,189</u>	<u>625,670</u>
Total assets		<u>156,333,807</u>	<u>140,758,004</u>
Liabilities			
Due to banks		14,290,056	1,527,086
Customers' deposits	9	95,997,744	98,741,936
Term loans	10	13,278,624	11,723,675
Sukuk financing instruments	11	2,387,450	-
Other liabilities		<u>4,569,026</u>	<u>4,134,159</u>
Total liabilities		<u>130,522,900</u>	<u>116,126,856</u>
Equity			
Equity attributable to equity holders of the Bank			
Share capital	19	1,500,000	1,375,000
Treasury shares	13	-	(1,056,332)
Capital notes	12	4,000,000	4,000,000
Legal reserve	19	8,780,110	5,305,110
Special reserve		846,648	846,648
General reserve		120,000	120,000
Revaluation reserve	14	87,554	87,554
Proposed cash dividends	18	-	900,000
Retained earnings		10,263,061	8,955,085
Cumulative changes in fair values		106,827	11,796
Foreign currency translation reserve		(12,963)	(18,489)
Mandatory convertible bonds	19	<u>-</u>	<u>3,600,000</u>
Non-controlling interest		<u>119,670</u>	<u>504,776</u>
Total equity		<u>25,810,907</u>	<u>24,631,148</u>
Total equity and liabilities		<u>156,333,807</u>	<u>140,758,004</u>


Chairman


Managing Director


Chief Executive Officer

The attached explanatory notes 1 to 20 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

30 September 2011 (Unaudited)

	Notes	<i>Three month ended</i> <i>30 September</i>		<i>Nine month ended</i> <i>30 September</i>	
		<i>2011</i> <i>AED 000</i>	<i>2010</i> <i>AED 000</i>	<i>2011</i> <i>AED 000</i>	<i>2010</i> <i>AED 000</i>
Interest income and income from Islamic financing		1,801,745	1,662,874	5,252,127	4,853,287
Interest expense and Islamic financing expense		<u>(445,382)</u>	<u>(590,601)</u>	<u>(1,530,157)</u>	<u>(1,700,796)</u>
NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING		1,356,363	1,072,273	3,721,970	3,152,491
Share of profits of associates		4,290	9,519	15,829	5,909
Other operating income	15	<u>263,572</u>	<u>464,338</u>	<u>1,082,341</u>	<u>1,513,993</u>
OPERATING INCOME	4	1,624,225	1,546,130	4,820,140	4,672,393
General and administrative expenses		<u>(324,589)</u>	<u>(290,444)</u>	<u>(882,557)</u>	<u>(804,381)</u>
PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE		1,299,636	1,255,686	3,937,583	3,868,012
Provision for impairment of loans and advances		<u>(379,295)</u>	<u>(406,219)</u>	<u>(1,249,350)</u>	<u>(1,309,771)</u>
PROFIT FOR THE PERIOD		<u>920,341</u>	<u>849,467</u>	<u>2,688,233</u>	<u>2,558,241</u>
Profit (loss) attributable to:					
Equity holders of the Bank		920,345	848,507	2,685,770	2,555,255
Non-controlling interest		<u>(4)</u>	<u>960</u>	<u>2,463</u>	<u>2,986</u>
		<u>920,341</u>	<u>849,467</u>	<u>2,688,233</u>	<u>2,558,241</u>
Basic and diluted earnings per share (AED)	17	<u>0.59</u>	<u>0.52</u>	<u>1.69</u>	<u>1.56</u>

The attached explanatory notes 1 to 20 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 September 2011 (Unaudited)

	<i>Three month ended</i>		<i>Nine month ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
PROFIT FOR THE PERIOD	920,341	849,467	2,688,233	2,558,241
OTHER COMPREHENSIVE INCOME:				
Net unrealised (losses) gains on available for sale investments	(6,606)	24,674	130,535	149,388
Realised gains on available for sale investments	(13,791)	(4,007)	(35,504)	(55,698)
Foreign exchange translation	<u>(6,605)</u>	<u>44,723</u>	<u>5,526</u>	<u>(2,274)</u>
Other comprehensive (loss) income for the period	<u>(27,002)</u>	<u>65,390</u>	<u>100,557</u>	<u>91,416</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>893,339</u>	<u>914,857</u>	<u>2,788,790</u>	<u>2,649,657</u>
Total comprehensive income (loss) attributable to:				
Equity holders of the Bank	893,343	891,562	2,786,327	2,647,881
Non-controlling interest	<u>(4)</u>	<u>23,295</u>	<u>2,463</u>	<u>1,776</u>
	<u>893,339</u>	<u>914,857</u>	<u>2,788,790</u>	<u>2,649,657</u>

The attached explanatory notes 1 to 20 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

30 September 2011 (Unaudited)

	Note	Nine month ended 30 September	
		2011 AED 000	2010 AED 000
OPERATING ACTIVITIES			
Profit for the period		2,688,233	2,558,241
Adjustments for:			
Depreciation		53,739	45,018
Provision for impairment of loans and advances		1,249,350	1,309,771
Gain on sale of investment properties		(13,863)	(3,500)
Loss on sale of property and equipment		112	1,987
Gain from non-trading investments		(8,506)	(21,370)
Share of results of associates		<u>(15,829)</u>	<u>(5,909)</u>
Operating profit before changes in operating assets and liabilities		3,953,236	3,884,238
Deposits with banks		(9,447,886)	945,952
Deposits with U.A.E Central Bank		(1,500,000)	(300,000)
Loans and advances		(7,689,182)	(6,501,236)
Other assets		(620,460)	710,868
Due to banks		12,750,310	3,720,521
Customers' deposits		(2,156,451)	5,829,240
Other liabilities		<u>425,999</u>	<u>(110,618)</u>
Net cash (used in) from operating activities		<u>(4,284,434)</u>	<u>8,178,965</u>
INVESTING ACTIVITIES			
Purchase of non-trading investments		(26,830,284)	(20,067,574)
Proceeds from redemption and sale of non-trading investments		20,202,392	18,678,286
Purchase of property and equipment		(63,696)	(40,447)
Dividend received from associates		6,750	6,750
Additions to investment properties		(577,033)	(692,861)
Proceeds from sale of property and equipment		68	58
Proceeds from sale of investment properties		<u>130,329</u>	<u>93,000</u>
Net cash used in investing activities		<u>(7,131,474)</u>	<u>(2,022,788)</u>
FINANCING ACTIVITIES			
Acquisition of treasury shares		-	(469,760)
Dividends paid		(864,770)	(653,244)
Interest on mandatory convertible bonds		(81,462)	(115,082)
Interest on capital notes		(240,000)	(240,000)
Sukuk financing instruments		2,387,450	-
Movement in term loans		<u>1,554,949</u>	<u>1,371,133</u>
Net cash from (used in) financing activities		<u>2,756,167</u>	<u>(106,953)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(8,659,741)	6,049,224
Cash and cash equivalents at the beginning of the period		13,507,292	5,890,269
Net changes in foreign currency translation reserve		<u>5,526</u>	<u>(2,274)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	20	<u>4,853,077</u>	<u>11,937,219</u>
Operating cash flows from interest and Islamic financing			
Interest and Islamic financing income received		5,127,762	4,737,898
Interest and Islamic financing expense paid		1,476,223	(1,578,888)

The attached explanatory notes 1 to 20 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 September 2011 (Unaudited)

Attributable to equity holders of the Bank

	Share capital AED 000	Treasury shares AED 000	Capital notes AED 000	Legal reserve AED 000	Special reserve AED 000	General reserve AED 000	Revaluation reserve AED 000	Cash dividends AED 000	Retained earnings AED 000	Cumulative changes in fair values AED 000	Foreign currency translation reserve AED 000	Mandatory convertible bonds AED 000	Total AED 000	Non-controlling interest AED 000	Total equity AED 000
As of 1 January 2010	1,375,000	(198,833)	4,000,000	5,305,110	846,648	120,000	87,554	677,000	6,834,854	(114,988)	(14,508)	3,600,000	22,517,837	384,931	22,902,768
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	2,555,255	93,690	(1,064)	-	2,647,881	1,776	2,649,657
Transfer to dividends payable	-	-	-	-	-	-	-	(674,112)	-	-	-	-	(674,112)	-	(674,112)
Transfer of dividends payable on treasury shares acquired during the period	-	-	-	-	-	-	(2,888)	2,888	-	-	-	-	-	-	-
Interest on mandatory convertible bonds (note 19)	-	-	-	-	-	-	-	-	(115,082)	-	-	-	(115,082)	-	(115,082)
Interest on capital notes (note 12)	-	-	-	-	-	-	-	-	(240,000)	-	-	-	(240,000)	-	(240,000)
Net purchase of treasury shares	-	(469,760)	-	-	-	-	-	-	-	-	-	-	(469,760)	-	(469,760)
As of 30 September 2010	1,375,000	(668,593)	4,000,000	5,305,110	846,648	120,000	87,554	-	9,037,915	(21,228)	(15,572)	3,600,000	23,666,764	386,707	24,053,471
As of 1 January 2011	1,375,000	(1,056,332)	4,000,000	5,305,110	846,648	120,000	87,554	900,000	8,955,085	11,796	(18,489)	3,600,000	24,126,372	504,776	24,631,148
Total comprehensive income for the period	-	-	-	-	-	-	-	-	2,685,770	95,031	5,526	-	2,786,327	2,463	2,788,790
Transfer to dividends payable	-	-	-	-	-	-	-	(900,000)	-	-	-	(125,000)	(900,000)	-	(900,000)
Mandatory convertible bonds converted to shares (note 19)	125,000	-	-	-	-	-	-	-	-	-	-	(3,475,000)	-	-	(3,475,000)
Share premium on conversion of mandatory convertible bonds transferred to legal reserve	-	-	-	3,475,000	-	-	-	-	(81,462)	-	-	-	(81,462)	-	(81,462)
Interest on mandatory convertible bonds (note 19)	-	-	-	-	-	-	-	-	(240,000)	-	-	-	(240,000)	-	(240,000)
Interest on capital notes (note 12)	-	-	-	-	-	-	-	-	(240,000)	-	-	-	(240,000)	-	(240,000)
Non controlling interest derecognized (note 1)	-	-	-	-	-	-	-	-	(1,056,332)	-	-	-	-	(387,569)	(387,569)
Treasury shares distributed (note 13)	-	1,056,332	-	-	-	-	-	-	-	-	-	-	-	-	-
As of 30 September 2011	1,500,000	-	4,000,000	8,780,110	846,648	120,000	87,554	-	10,263,061	106,827	(12,963)	-	25,691,237	119,670	25,810,907

The attached explanatory notes 1 to 20 form part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

1 ACTIVITIES

First Gulf Bank PJSC ("the Bank") is a public joint stock company with limited liability incorporated in Abu Dhabi in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended). The Bank carries on commercial and retail banking investment and real estate activities through its Head Office, branches and subsidiaries in Abu Dhabi and its other branches in Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah. The representative office of the Bank in Singapore has commenced operations from September 2007 and was upgraded to a wholesale bank in August 2009. The Bank has established a representative office in India in September 2009 and in Qatar in November 2009. The representative office in Qatar was upgraded to a branch in May 2011.

Up until February 2011, the Bank had a partially owned subsidiary in Libya, First Gulf Libyan Bank (the "Previous Subsidiary"), that carried commercial banking activities. Effective March 2011, the Bank has disassociated itself from the Previous Subsidiary by suspending its management agreement and all the Bank nominated members in the Previous Subsidiary board have resigned. As a result of these changes, the Bank de-recognized the assets, liabilities and non-controlling interest relating to the Previous Subsidiary. As of that date, the investment in the Previous Subsidiary with a net carrying amount of AED 396 million was classified as available for sale investment (investments in equities – unquoted (note 6)).

In June 2011, the Bank established "FGB Sukuk Company Limited", a wholly owned subsidiary incorporated in the Cayman Islands for issuance of Sukuk financing instruments (note 11).

The registered head office of the Bank is at PO Box 6316, Abu Dhabi, United Arab Emirates (U.A.E.). The principal activities of the Bank are described in Note 4.

The interim condensed consolidated financial statements of First Gulf Bank PJSC ("the Bank") were authorised for issue by the Board of Directors on 24 October 2011.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Bank's annual consolidated financial statements as at 31 December 2010. In addition, results for the nine-month ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2010, except for the adoption of the following new standards and interpretations as of 1 January 2011:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. The amendment clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Bank has concluded that the Amendment will not have any significant impact on its financial position or performance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Bank.

Improvements to IFRSs (issued in May 2010)

The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments are effective for annual periods on or after either 1 July 2010 or 1 January 2011.

The amendments listed below had no significant impact on the Bank's financial position or performance:

- IAS 1: Presentation of Financial Statements
- IFRS 7: Financial Instruments: Disclosures
- IAS 27: Consolidated and Separate Financial Statements

2.2 BASIS OF CONSOLIDATION

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

	Activity	Country of incorporation	Percentage of holding	
			2011	2010
Mismak Properties Co. LLC (Mismak)	Real estate investments	United Arab Emirates	100%	100%
Radman Properties Co. LLC (subsidiary of Mismak)	Real estate investments	United Arab Emirates	80%	80%
First Merchant International LLC	Merchant banking services	United Arab Emirates	100%	100%
First Gulf Libyan Bank *	Banking services	Libya	50%	50%
FGB Sukuk Company Limited	Special purpose vehicle	Cayman Islands	100%	-
First Gulf Properties	Management and brokerage of real estate properties	United Arab Emirates	100%	-

*: Please refer to Note 1

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. The Bank exercises control over all of the subsidiaries listed above. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

3 OFF-BALANCE SHEET ITEMS

Commitments and contingent liabilities -

The Bank has the following commitments and contingent liabilities:

	<i>Unaudited</i> 30 September 2011 AED 000	<i>Audited</i> 31 December 2010 AED 000
<i>Contingent liabilities:</i>		
Acceptances	1,962,468	1,697,318
Letters of credit	21,419,056	16,365,265
Guarantees	<u>42,811,085</u>	<u>43,808,835</u>
	<u>66,192,609</u>	<u>61,871,418</u>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	2,299,401	2,849,407
Commitments for future capital expenditure	1,991,631	2,514,650
Commitments for future private equity investments	<u>677,997</u>	<u>799,874</u>
	<u>4,969,029</u>	<u>6,163,931</u>
Total commitments and contingent liabilities	<u>71,161,638</u>	<u>68,035,349</u>

Derivatives -

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

	<i>Unaudited</i> 30 September 2011 AED 000	<i>Audited</i> 31 December 2010 AED 000
<i>Derivatives held for trading:</i>		
Forward foreign exchange contracts	10,893,221	5,936,770
Interest rate swaps, caps and collars	23,081,364	21,380,373
Credit default swaps	173,460	173,460
Commodity linked swap	734,600	734,600
Equity swaps	212,413	263,811
Swaptions	459,125	881,520
Futures	-	132
Options	<u>1,826,637</u>	<u>2,569,873</u>
	<u>37,380,820</u>	<u>31,940,539</u>
<i>Derivatives held as a fair value hedge:</i>		
Interest rate swaps	<u>2,105,116</u>	<u>611,428</u>
Total	<u>39,485,936</u>	<u>32,551,967</u>

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are neither indicative of the market risk nor credit risk.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

4 SEGMENTAL INFORMATION

Operating segment information

For management purposes the Bank is organised into five major business segments:

- Corporate banking
- Treasury, including investment operations
- Retail banking
- Real estate activities
- Other operations, comprising mainly the Head Office including unallocated costs, subsidiaries and associates other than the above categories.

As of and for nine-month period ended 30 September 2011:

	<i>Corporate banking AED 000</i>	<i>Treasury AED 000</i>	<i>Retail banking AED 000</i>	<i>Real estate AED 000</i>	<i>Other operations AED 000</i>	<i>Total AED 000</i>
Assets	<u>63,315,178</u>	<u>39,311,945</u>	<u>36,750,159</u>	<u>8,014,134</u>	<u>8,942,391</u>	<u>156,333,807</u>
Liabilities	<u>78,193,060</u>	<u>24,933,320</u>	<u>17,200,151</u>	<u>1,535,093</u>	<u>8,661,276</u>	<u>130,522,900</u>
Operating income excluding associates	<u>1,951,839</u>	<u>367,419</u>	<u>2,199,189</u>	<u>74,892</u>	<u>210,972</u>	<u>4,804,311</u>
Net interest income and income from Islamic financing	<u>1,445,331</u>	<u>359,425</u>	<u>1,750,333</u>	<u>-</u>	<u>166,881</u>	<u>3,721,970</u>
Share of profits of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,421</u>	<u>13,408</u>	<u>15,829</u>
Provision for impairment of loans and advances	<u>(540,667)</u>	<u>-</u>	<u>(569,173)</u>	<u>-</u>	<u>(139,510)</u>	<u>(1,249,350)</u>
Profit (loss) attributable to the equity holders of the Bank	<u>1,198,063</u>	<u>326,406</u>	<u>1,205,467</u>	<u>64,842</u>	<u>(109,008)</u>	<u>2,685,770</u>
Other segment information						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,369</u>	<u>246,467</u>	<u>525,836</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>592,171</u>	<u>48,558</u>	<u>640,729</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,036</u>	<u>44,703</u>	<u>53,739</u>

As of 31 December 2010:

Assets	<u>61,887,236</u>	<u>31,708,437</u>	<u>32,952,632</u>	<u>7,561,144</u>	<u>6,648,555</u>	<u>140,758,004</u>
Liabilities	<u>78,013,633</u>	<u>10,959,356</u>	<u>16,906,665</u>	<u>1,432,524</u>	<u>8,814,678</u>	<u>116,126,856</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

4 SEGMENTAL INFORMATION continued

As of and for nine-month period ended 30 September 2010:

	<i>Corporate banking AED 000</i>	<i>Treasury AED 000</i>	<i>Retail banking AED 000</i>	<i>Real Estate AED 000</i>	<i>Other operations AED 000</i>	<i>Total AED 000</i>
Assets	<u>62,583,950</u>	<u>29,060,556</u>	<u>32,787,500</u>	<u>7,299,959</u>	<u>5,722,420</u>	<u>137,454,385</u>
Liabilities	<u>72,141,130</u>	<u>15,160,435</u>	<u>16,334,175</u>	<u>1,400,990</u>	<u>8,364,184</u>	<u>113,400,914</u>
Operating income excluding associates	<u>1,820,194</u>	<u>268,808</u>	<u>2,138,573</u>	<u>292,021</u>	<u>146,888</u>	<u>4,666,484</u>
Net interest income and income from Islamic financing	<u>1,292,633</u>	<u>218,489</u>	<u>1,519,189</u>	<u>-</u>	<u>122,180</u>	<u>3,152,491</u>
Share of profits (losses) of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,300</u>	<u>(4,391)</u>	<u>5,909</u>
Provision for impairment of loans and advances	<u>(509,246)</u>	<u>-</u>	<u>(547,420)</u>	<u>-</u>	<u>(253,105)</u>	<u>(1,309,771)</u>
Profit (loss) attributable to the equity holders of the Bank	<u>1,088,882</u>	<u>228,290</u>	<u>1,227,752</u>	<u>283,481</u>	<u>(273,150)</u>	<u>2,555,255</u>
Other segment information						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,438</u>	<u>247,176</u>	<u>560,614</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>693,209</u>	<u>40,099</u>	<u>733,308</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>298</u>	<u>44,720</u>	<u>45,018</u>

5 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

Geographic analysis of due from banks and financial institutions is as follows:

	<i>Unaudited 30 September 2011 AED 000</i>	<i>Audited 31 December 2010 AED 000</i>
Within U.A.E	<u>2,133,859</u>	<u>3,875,048</u>
Outside U.A.E	<u>8,751,840</u>	<u>6,392,468</u>
	<u>10,885,699</u>	<u>10,267,516</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

6 NON-TRADING INVESTMENTS

	<i>Unaudited</i> <i>30 September</i> <i>2011</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2010</i> <i>AED 000</i>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	156,282	138,922
Investments in equities - Quoted	236,350	246,330
Debt securities	153,397	21,579
<i>Available for sale investments</i>		
Investments in equities - Unquoted	463,279	80,243
Investments in private equity funds	1,451,151	1,268,300
Debt securities - Quoted	1,985,203	767,248
- Unquoted	118,108	187,522
Structured note - Quoted	-	183,650
<i>Held to maturity investments</i>		
Debt securities - Quoted	14,732,121	9,854,296
- Unquoted	2,349,370	2,240,214
Structured notes - Unquoted	<u>470,106</u>	<u>-</u>
Total	<u>22,115,367</u>	<u>14,988,304</u>
Geographic analysis of investments is as follows:		
Within U.A.E	8,167,811	2,985,082
Outside U.A.E	<u>13,947,556</u>	<u>12,003,222</u>
	<u>22,115,367</u>	<u>14,988,304</u>

Of the debt securities at 30 September 2011, 70% (31 December 2010: 85%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

The fair value of held to maturity investments at 30 September 2011 amounted to AED 17,594,968 thousand (31 December 2010: AED 12,108,800 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

7 INVESTMENT PROPERTIES

	<i>Unaudited</i> 2011 AED 000	<i>Audited</i> 2010 AED 000
Balance at 1 January	7,049,254	6,000,383
Additions	577,033	692,861
Disposals	<u>(116,466)</u>	<u>(89,500)</u>
Balance at 30 September	<u>7,509,821</u>	6,603,744
Additions		306,633
Transferred from properties held for sale		10,866
Gain from fair value adjustment		<u>128,011</u>
At 31 December		<u>7,049,254</u>

Investment properties are stated at fair value, which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

All investment properties are located in the U.A.E.

8 OTHER ASSETS

During the year 2008, the Bank entered into an exchange agreement (the "Agreement") in respect of an investment it held in a quoted equity, whereby the rights and benefits to the investment were transferred to the counterparty of the Agreement in exchange for the payment of interest at the rate of EURIBOR plus 0.5% for the duration of the agreement of 5 years. Under the agreement, any appreciation or decline in value of the investment at maturity or termination of the agreement, if earlier, would be ceded to the counterparty. Accordingly, the investment in the quoted equity was de-recognised and the balance outstanding from the third party representing the value of the investment of Euro 260 million (equivalent to AED 1,406 million at the inception of the agreement) was recorded under other assets.

During the period, the Bank, being the registered holder of the equity investment, participated in a rights issue offering by the investee, on behalf of the counterparty to the Agreement and purchased an additional investment with a total value of AED 128 million.

The carrying amount of the interest bearing asset, including the additional purchased shares during the period, amounted to AED 1,425 million (31 December 2010: AED 1,267 million).

9 CUSTOMERS' DEPOSITS

In December 2006, the Bank entered into arrangement with the Government of Abu Dhabi (the "Government") to fund an interest-free housing loans scheme for UAE Nationals. The scheme is being administered by the Bank based on various terms and conditions agreed with the Government. As of 30 September 2011, the Government time deposit amounted to AED 10,102 million (31 December 2010: AED 8,754 million) and housing loans amounting to AED 9,920 million (31 December 2010: AED 8,344 million) were disbursed by the Bank. Interest is payable on this Government deposit at market rates based on the principal amount net of loan disbursements made.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

10 TERM LOANS

	<i>Unaudited</i> 30 September 2011 AED 000	<i>Audited</i> 31 December 2010 AED 000
Syndicated Loan	3,030,225	3,030,225
Bank Loans	2,662,925	1,928,325
Euro Medium Term Note	1,723,906	1,722,820
Federal Government Loan	4,510,087	4,510,087
Repurchase Agreements	532,218	532,218
Medium Term Bonds	<u>819,263</u>	<u>-</u>
	<u>13,278,624</u>	<u>11,723,675</u>

Syndicated Loan:

During 2007, the Bank obtained a loan of US\$ 825 million (equivalent of AED 3,030 million) from a syndicate comprising of several foreign and local banks. The loan is repayable in full in November 2012. The loan accrues interest at the rate of LIBOR plus a margin of 0.275% per annum plus mandatory cost calculated by the Facility Agent as weighted average of the Lender's additional cost rates, which are payable quarterly. The loan is subject to various terms, covenants and conditions. Specifically, the Bank should ensure that its capital adequacy ratio shall not at any time be less than the Basel minimum capital requirements as implemented in the U.A.E. under the guidelines of the Central Bank.

Bank Loans:

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

Loan no.	Year obtained	Loan amount US\$ 000	Loan amount AED 000	Maturity	Interest
1	2009	150,000	550,950	December 2011	2.85%
2	2010	150,000	550,950	April 2012	Libor + 150 bps
3	2010	150,000	550,950	May 2012	Libor + 165 bps
4	2010	75,000	275,475	June 2012	Libor + 165 bps
5	2011	200,000	734,600	July 2013	Libor + 150 bps
		<u>725,000</u>	<u>2,662,925</u>		

Euro Medium Term Note:

During 2009, the Bank issued a 3 year Euro Medium Term Note (EMTN) of US \$ 500 million (equivalent of AED 1,837 million). The notes are due in November 2012 and carry a coupon rate of 4% per annum payable semi-annually in arrears. At 30 September 2011, EMTN notes with a nominal value of US\$ 30 million were repurchased by the Bank (31 December 2010: US\$ 30 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

10 TERM LOANS continued

Federal Government Loan:

As of 31 December 2008, customer deposits included deposits of AED 4,510,087 thousand placed by the U.A.E. Federal Government (the "Lender") for a period of 3-5 years. During 2009, these deposits were re-categorised as a subordinated loan. The loan is eligible as Tier 2 Capital for the purposes of calculation of capital adequacy ratio as per the Basel II guidelines implemented by the Central Bank of the UAE.

As per the terms, the loan is subordinated to all creditors other than junior creditors and the equity shareholders of the Bank. The loan bears a fixed interest rate of 4% per annum for first two years and steps up to 4.5% per annum and 5% per annum in the third and fourth years and from fifth year onwards at 5.25% p.a. Interest is payable on a quarterly basis. The loan matures on 31 December 2016.

The agreement contains certain conditions relating to the Bank's minimum Tier 1 Capital requirement and also stipulates that the Lender has the right at its sole discretion to convert the loan amount together with accrued interest into share capital in case of breach of agreement by the Bank.

The Bank has the option at any time during the option period to repay the loan in whole or in part subject to meeting certain conditions.

Repurchase Agreements:

During 2010, the Bank entered into several transactions with a foreign bank to obtain financing against the sale of debt securities, amounting to AED 532,218 thousand with arrangements to repurchase them at a fixed future date. The amount and maturity of each transaction are as follows:

<i>No.</i>	<i>Amount US\$ 000</i>	<i>Amount AED 000</i>	<i>Maturity</i>
1	1,800	6,612	2-Aug-12
2	18,000	66,115	1-Aug-13
3	54,900	201,647	8-Apr-14
4	13,500	49,585	8-Oct-14
5	40,500	148,756	25-Oct-17
6	7,200	26,446	1-Aug-18
7	9,000	33,057	8-Apr-19
	<u>144,900</u>	<u>532,218</u>	

Medium Term Bonds:

On 16 February 2011, the Bank issued 5 year bonds of CHF 200 million (equivalent of AED 819 million). The bonds are due in February 2016 and carry a coupon rate of 3% per annum payable annually in arrears.

The Bank has not had any defaults of principal, interest or other breaches with regard to all liabilities during the nine-month period ended 30 September 2011 and the year ended 31 December 2010.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

11 SUKUK FINANCING INSTRUMENTS

In August 2011, the Bank raised financing by way of sukuk issued by FGB Sukuk Company Limited (a special purpose vehicle) amounting to USD 650 million (equivalent to AED 2,387 million) and maturing in August 2016 (the Sukuk). The Sukuk carries a fixed profit rate of 3.797 percent per annum payable semi annually and is listed on the London Stock Exchange. The Sukuk was the inaugural issuance under the USD 3.5 billion trust certificate issuance programme. Pursuant to the sukuk structure, FGB Sukuk Company Limited (as Rab-ul-Maal, and Trustee) will receive certain payments from the Bank (as mudareb of certain mudaraba assets and wakeel of certain wakala assets). FGB Sukuk Company Limited will use such amounts received from the Bank to discharge its payment obligations under the Sukuk. Such payment obligations of the Bank rank parri passu with all other senior unsecured obligations of the Bank.

12 CAPITAL NOTES

Following approval of the Extraordinary General Assembly meeting held on 25 February 2009, the Board of Directors resolved on 26 February 2009 to issue capital notes (the "Notes") to the Department of Finance, Government of Abu Dhabi amounting to AED 4 billion. The Notes are subject amongst other terms, to the following:

- The Notes have a par value of AED 10 million each;
- The Notes are perpetual securities in respect of which there is no fixed redemption date;
- The Notes constitute direct, unsecured and subordinated obligations of the Bank;
- The Notes holder is entitled to a semi-annual fixed interest coupon at the rate of 6% per annum until February 2014 and floating interest rate of EIBOR plus 2.3% per annum thereafter. The Bank may at its sole discretion elect not to make an interest coupon payment. Any interest payment made will be reflected in the statement of changes in equity. During the period, interest payments amounted to AED 240 million (Period ended 30 September 2010: AED 240 million).

13 TREASURY SHARES

During 2008, the Bank received an approval from the Securities & Commodities Authority of the United Arab Emirates to buy back up to 137.5 million of its own shares. As part of the scheme, the Bank accumulated a total of 75 million shares as at 31 December 2010.

In its meeting held on 6 January 2011, the Board of Directors of the Bank resolved to propose the distribution of the 75 million shares acquired until 31 December 2010 and pay dividends on those, to the shareholders and the holders of the Bank's mandatory convertible bonds of the Bank, on their conversion. The proposal was subsequently approved by the shareholders in their ordinary General Assembly held on 9 March 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

14 REVALUATION RESERVE

During the year 2009, the Bank revalued plots of land held for own use to their estimated fair value based on professional valuations performed by independent real estate valuers. The surplus on revaluation was transferred to the revaluation reserve.

15 OTHER OPERATING INCOME

	<i>Three month ended</i>		<i>Nine month ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
Investment income:				
Gains on disposal of available for sale investments	13,791	4,007	35,504	55,698
(Loss) gains on disposal of investments carried at fair value through income statement	(7,166)	1,715	3,898	(21,031)
Change in fair value of investments carried at fair value through income statement	(4,464)	(3,366)	(30,895)	(13,297)
Other investment income	<u>731</u>	<u>1,013</u>	<u>9,473</u>	<u>7,280</u>
Total investment income	2,892	3,369	17,980	28,650
Commission income	109,685	116,882	342,218	355,656
Fee income	87,291	248,516	427,643	581,784
Fees and commissions on credit cards	63,936	69,455	187,228	201,473
Brokerage and fund management fee income	2,921	2,669	8,235	8,893
Foreign exchange income	16,236	19,952	52,013	72,894
Derivative losses	(39,779)	(18,415)	(30,053)	(25,678)
Gain on sale of investment properties	-	-	13,863	-
Gain on sale of development properties	-	-	-	178,570
Rental income	14,164	22,406	40,864	105,922
Loss on sale of property and equipment	(108)	(60)	(112)	(1,987)
Other income (loss)	<u>6,334</u>	<u>(436)</u>	<u>22,462</u>	<u>7,816</u>
Total	<u>263,572</u>	<u>464,338</u>	<u>1,082,341</u>	<u>1,513,993</u>

16 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 9,473 thousand (30 September 2010: AED 7,280 thousand) recorded in the consolidated statement of income for the nine-month period ended 30 September 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

17 BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

	Three month ended 30 September		Nine month ended 30 September	
	Unaudited 2011	Unaudited 2010	Unaudited 2011	Unaudited 2010
Profit for the period attributable to ordinary equity holders (AED 000)	920,345	848,507	2,685,770	2,555,255
Deduct: Interest on mandatory convertible bonds (AED 000)	-	(29,630)	(29,007)	(86,264)
Deduct: Interest on capital notes (AED 000)	<u>(37,582)</u>	<u>(60,934)</u>	<u>(156,973)</u>	<u>(180,324)</u>
Profit attributable to ordinary equity holders (AED 000)	<u>882,763</u>	<u>757,943</u>	<u>2,499,790</u>	<u>2,288,667</u>
Weighted average number of ordinary shares in issue (000's)	<u>1,500,000</u>	<u>1,464,898</u>	<u>1,481,319</u>	<u>1,468,792</u>
Basic and diluted earnings per share (AED)	<u>0.59</u>	<u>0.52</u>	<u>1.69</u>	<u>1.56</u>

Shares related to mandatory convertible bonds are included in the weighted average number of ordinary shares from the date the related bonds were issued. Treasury shares are excluded from the date they were purchased.

18 DIVIDENDS

	30 September	
	Unaudited 2011 AED 000	Unaudited 2010 AED 000
Dividends on ordinary shares declared during the nine-month period: Final cash dividend for 2010: 60 fils (2009: Declared 50 fils)	<u>900,000</u>	<u>677,000</u>
Dividends on ordinary shares paid during the nine-month period: Final cash dividend	<u>864,770</u>	<u>653,244</u>

Dividends declared of 60 fils per share during the nine-month period ended 30 September 2011 were based on the outstanding share capital as at 31 December 2010, inclusive of the treasury shares distributed to shareholders (note 13), in addition to the shares issued on conversion of the mandatory conversion bonds. Dividends of 50 fils per share proposed in respect of the year ended 31 December 2009 and subsequently declared in 2010 were based on the outstanding share capital, exclusive of the treasury shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (Unaudited)

19 MANDATORY CONVERTIBLE BONDS

During the period, the Board of Directors of the Bank approved a plan to early convert the mandatory convertible bonds. The Bank obtained the approval of all the bondholders, and as a result, early converted the bonds during February 2011. The conversion resulted in the following:

- The share capital of the Bank increased by AED 125 million, representing the par value of AED 1 for 125 million newly issued shares.
- The legal reserve of the Bank increased by AED 3,475 million, representing the share premium on those additional new shares.

The Board of Directors resolved to pay interest of AED 81,462 thousand in two phases as follows: AED 59,490 thousand until 22 January 2011 and AED 21,972 thousand for the period from 23 January 2011 until the bonds converted.

20 CASH AND CASH EQUIVALENTS

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

	<i>Unaudited</i> <i>30 September</i> <i>2011</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2010</i> <i>AED 000</i>
Cash and balances with U.A.E. Central Bank	8,924,077	8,526,300
Due from banks and financial institutions	<u>10,885,699</u>	<u>10,267,516</u>
	19,809,776	18,793,816
Less: Balances with U.A.E. Central Bank maturing after three months of placement	6,000,000	4,500,000
Less: Due from banks and financial institutions maturing after three months of placement	<u>8,956,699</u>	<u>786,524</u>
Cash and cash equivalents	<u>4,853,077</u>	<u>13,507,292</u>