

**First Gulf Bank PJSC**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2008 (UNAUDITED)**

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

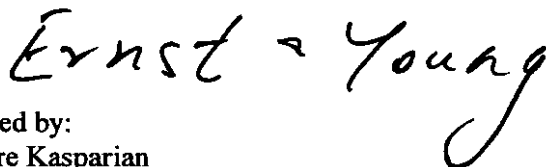
We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC (the "Bank") and its Subsidiaries as at 30 June 2008 and the related interim consolidated income statement for the three-month and six-month periods then ended, the consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

***Scope of review***

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

***Conclusion***

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



Signed by:  
Andre Kasparian  
Partner  
Registration No. 365

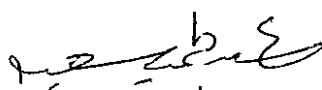
21 July 2008  
Abu Dhabi

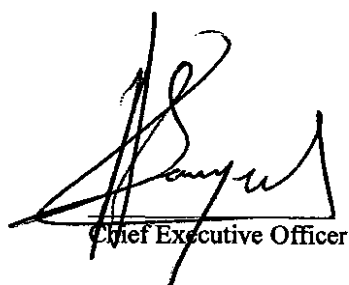
# First Gulf Bank PJSC

## INTERIM CONSOLIDATED BALANCE SHEET

30 June 2008 (Unaudited)

		<i>Unaudited</i> <b>30 June</b> 2008 <i>AED 000</i>	<i>Audited</i> <b>31 December</b> 2007 <i>AED 000</i>
<b>Assets</b>			
Cash and balances with U.A.E. Central Bank		8,294,431	8,977,874
Due from banks and financial institutions		1,229,305	4,184,886
Loans and advances, net		65,739,116	44,409,268
Non-trading investments	5	9,727,360	10,110,186
Investment in associates		496,276	326,383
Investment properties	6	3,691,330	2,922,286
Other assets	7	2,868,460	740,813
Property and equipment		<u>2,278,466</u>	<u>1,525,849</u>
<b>Total assets</b>		<b><u>94,324,744</u></b>	<b><u>73,197,545</u></b>
<b>Liabilities</b>			
Due to banks		7,563,302	2,786,232
Due to U.A.E. Central Bank	8	5,387,456	-
Customers' deposits	9	61,172,233	52,256,069
Medium term loans	10	5,784,975	5,784,975
Other liabilities		<u>3,114,515</u>	<u>2,249,835</u>
<b>Total liabilities</b>		<b><u>83,022,481</u></b>	<b><u>63,077,111</u></b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the Bank</b>			
Share capital		1,375,000	1,250,000
Legal reserve		5,305,110	5,305,110
Special reserve		546,123	546,123
General reserve		120,000	120,000
Revaluation reserve	11	70,730	70,730
Reserve for proposed bonus issue	15	-	125,000
Cash dividends	15	-	250,000
Retained earnings		3,862,417	2,378,661
Cumulative changes in fair values		<u>22,874</u>	<u>74,801</u>
		<b>11,302,254</b>	<b>10,120,425</b>
<b>Minority interests</b>		<u>9</u>	<u>9</u>
<b>Total equity</b>		<b><u>11,302,263</u></b>	<b><u>10,120,434</u></b>
<b>Total equity and liabilities</b>		<b><u>94,324,744</u></b>	<b><u>73,197,545</u></b>

  
Managing Director

  
Chief Executive Officer

  
Chief Financial Officer

The attached explanatory notes 1 to 18 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

30 June 2008 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 AED 000	2007 AED 000	2008 AED 000	2007 AED 000
Interest income and income from Islamic financing		1,085,196	814,830	2,076,607	1,570,166
Interest expense and Islamic financing expense		<u>(461,703)</u>	<u>(515,199)</u>	<u>(1,029,119)</u>	<u>(996,254)</u>
<b>NET INTEREST INCOME &amp; INCOME FROM ISLAMIC FINANCING</b>		623,493	299,631	1,047,488	573,912
Share of profits of associates		56,394	20,887	98,569	31,276
Other operating income	12	<u>533,391</u>	<u>332,490</u>	<u>1,093,280</u>	<u>611,524</u>
<b>OPERATING INCOME</b>		1,213,278	653,008	2,239,337	1,216,712
General and administrative expenses		<u>(247,670)</u>	<u>(138,221)</u>	<u>(456,799)</u>	<u>(244,459)</u>
<b>PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE</b>		965,608	514,787	1,782,538	972,253
Impaired assets charge		<u>(157,202)</u>	<u>(40,402)</u>	<u>(298,782)</u>	<u>(91,973)</u>
<b>PROFIT FOR THE PERIOD</b>	4	<u>808,406</u>	<u>474,385</u>	<u>1,483,756</u>	<u>880,280</u>
Basic and diluted earnings per share	14	AED 0.59	AED 0.35	AED 1.08	AED 0.64

The attached explanatory notes 1 to 18 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2008 (Unaudited)

	Note	Six months ended 30 June	
		2008 AED 000	2007 AED 000
<b>OPERATING ACTIVITIES</b>			
Profit for the period		1,483,756	880,280
Adjustments for:			
Depreciation		15,660	11,512
Gain on revaluation of investment properties		-	(264,950)
Gain on sale of investment properties		(251,474)	-
Provision for impairment of loans and advances, net		298,782	91,973
Gain from investments		(42,640)	(46,308)
Profit on disposal of property and equipment		(7,084)	-
Share of profits of associates		<u>(98,569)</u>	<u>(31,276)</u>
Operating profit before changes in operating assets and liabilities		1,398,431	641,231
Deposits with banks		(205,001)	(238,365)
Deposits with U.A.E Central Bank		(4,835,000)	-
Loans and advances		(21,628,630)	(9,506,346)
Other assets		(721,394)	(526,730)
Customers' deposits		8,916,164	3,557,054
Due to banks		4,777,070	5,286,755
Due to U.A.E Central Bank		5,387,456	-
Other liabilities		<u>842,256</u>	<u>1,222,698</u>
Net cash (used in) from operating activities		<u>(6,068,648)</u>	<u>436,297</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments		(8,802,864)	(9,807,764)
Proceeds from sale of investments		7,768,551	1,564,995
Investment in additional capital of associate		(80,000)	(9,000)
Purchase of property and equipment		(776,266)	(331,605)
Proceeds from sale of property and equipment		15,073	-
Dividend received from associates		10,275	10,283
Additions to investment properties		(1,187,118)	(1,347,397)
Proceeds from sale of investment properties		<u>669,548</u>	<u>-</u>
Net cash used in investing activities		<u>(2,382,801)</u>	<u>(9,920,488)</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(227,576)	(866,130)
Medium term loans		-	(642,775)
Net cash used in financing activities		<u>(227,576)</u>	<u>(1,508,905)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the period	16	<u>10,802,761</u>	<u>16,383,427</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
	16	<u>2,123,736</u>	<u>5,390,331</u>

The attached explanatory notes 1 to 18 form part of the interim condensed consolidated financial statements.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008 (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, investment and retail banking through its Head Office and branches in Abu Dhabi and its other branches in Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah. The representative office of the Bank has commenced operations in Singapore from June 2007. The Bank has also signed a MOU with the Economic and Social Development Fund of Libya to establish a full fledged commercial bank in Libya, which will be managed by the Bank. The paid up capital of USD 200 million of the new bank will be contributed equally by both parties. The principal activities of the Bank are described in Note 4.

The registered head office of the Bank is at PO Box 6316, Abu Dhabi, United Arab Emirates (U.A.E.).

The interim condensed consolidated financial statements of First Gulf Bank PJSC ("the Bank") were authorised for issue by the directors on 21 July 2008.

**2 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 2007. In addition, results for the 6 months ended 30 June 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

*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 2007.

**3 OFF-BALANCE SHEET ITEMS**

**Commitments and contingent liabilities -**

The Bank has the following commitments:

	<i>Unaudited</i> 30 June 2008 AED 000	<i>Audited</i> 31 December 2007 AED 000
<i>Commitments on behalf of customers:</i>		
Acceptances	1,518,503	688,569
Letters of credit	14,401,230	9,986,789
Guarantees	25,957,223	15,577,160
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	9,544,563	9,497,781
Commitments for future capital expenditure	5,574,394	1,189,579
Commitments for future equity investments	367,300	367,300
Commitments for future private equity investments	<u>605,199</u>	<u>473,033</u>
	<b><u>16,091,456</u></b>	<b><u>11,527,693</u></b>
<b>Total commitments and contingent liabilities</b>	<b><u>57,968,412</u></b>	<b><u>37,780,211</u></b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008 (Unaudited)

**3 OFF-BALANCE SHEET ITEMS continued**

**Derivatives -**

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

	<i>Unaudited</i> 30 June 2008 AED 000	<i>Audited</i> 31 December 2007 AED 000
<i>Derivatives held for trading:</i>		
Interest rate swaps	26,980,305	14,408,135
Equity swap	1,799,864	-
Forward foreign exchange contracts	7,390,873	4,845,503
Cross currency interest rate swaps	771,892	749,183
Credit default swaps	298,460	225,000
Futures	157,661	-
Currency options	<u>1,904,811</u>	-
	<b>39,303,866</b>	<b>20,227,821</b>
<i>Derivatives held as a fair value hedge:</i>		
Interest rate swaps	<u>872,465</u>	<u>548,571</u>
<b>Total</b>	<b><u>40,176,331</u></b>	<b><u>20,776,392</u></b>

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

**4 SEGMENTAL INFORMATION**

**Primary 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, subsidiaries and associates other than above categories including unallocated costs



First Gulf Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008 (Unaudited)

4 SEGMENTAL INFORMATION continued

As of and for six-month period ended 30 June 2008:

	<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>51,202,423</u>	<u>19,842,197</u>	<u>13,945,591</u>	<u>5,407,864</u>	<u>3,926,669</u>	<u>94,324,744</u>
Liabilities	<u>57,494,283</u>	<u>14,880,975</u>	<u>7,532,707</u>	<u>1,626,961</u>	<u>1,487,555</u>	<u>83,022,481</u>
Operating income excluding associates	<u>646,475</u>	<u>314,480</u>	<u>857,065</u>	<u>320,573</u>	<u>2,175</u>	<u>2,140,768</u>
Share of profits of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,177</u>	<u>25,392</u>	<u>98,569</u>
Impaired assets charge	<u>(180,982)</u>	<u>-</u>	<u>(117,800)</u>	<u>-</u>	<u>-</u>	<u>(298,782)</u>
Profit attributable to the equity holders of the Bank	<u>358,044</u>	<u>289,288</u>	<u>531,872</u>	<u>391,012</u>	<u>(86,460)</u>	<u>1,483,756</u>
<b>Other segment information</b>						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,171</u>	<u>267,105</u>	<u>496,276</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,705,514</u>	<u>257,870</u>	<u>1,963,384</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,660</u>	<u>15,660</u>

As of 31 December 2007:

	<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>36,452,728</u>	<u>23,809,887</u>	<u>7,419,599</u>	<u>3,887,704</u>	<u>1,627,627</u>	<u>73,197,545</u>
Liabilities	<u>45,953,055</u>	<u>8,669,129</u>	<u>6,205,092</u>	<u>987,299</u>	<u>1,262,536</u>	<u>63,077,111</u>

For six-month period ended 30 June 2007:

	<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>
Operating income excluding associates	<u>258,360</u>	<u>330,070</u>	<u>308,938</u>	<u>288,068</u>	<u>-</u>	<u>1,185,436</u>
Share of profits of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,556</u>	<u>12,720</u>	<u>31,276</u>
Impaired assets charge	<u>(43,977)</u>	<u>-</u>	<u>(47,996)</u>	<u>-</u>	<u>-</u>	<u>(91,973)</u>
Profit attributable to the equity holders of the Bank	<u>156,531</u>	<u>317,321</u>	<u>164,571</u>	<u>303,955</u>	<u>(62,098)</u>	<u>880,280</u>
<b>Other segment information</b>						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,992</u>	<u>164,391</u>	<u>326,383</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,488,175</u>	<u>190,827</u>	<u>1,679,002</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,512</u>	<u>11,512</u>

First Gulf Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008 (Unaudited)

5 NON-TRADING INVESTMENTS

	<i>Unaudited</i> <b>30 June</b> <b>2008</b> <b>AED 000</b>	<i>Audited</i> <b>31 December</b> <b>2007</b> <b>AED 000</b>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	761,124	754,507
Investments in equities - Quoted	420,964	307,160
<i>Available for sale investments</i>		
Investments in equities - Quoted	9,036	1,488,472
- Unquoted	272,343	127,484
Investments in private equity funds	1,064,574	864,783
Convertible bonds	80,004	104,980
<i>Held to maturity investments</i>		
Debt securities – Quoted	15,304	18,365
– Unquoted	<u>7,104,011</u>	<u>6,444,435</u>
Total	<u>9,727,360</u>	<u>10,110,186</u>

Of the debt securities at 30 June 2008, 70% (2007: 90%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

During the six-month period ended 30 June 2008, the Bank entered into an equity swap in respect of an investment it held in a quoted equity, whereby the rights and benefits to the investment were transferred to a third party in exchange for the payment of interest at the rate of EURIBOR plus 0.5% for the duration of the swap agreement of 5 years. Under the swap agreement, any appreciation or decline in value of the investment at maturity or termination of the swap, if earlier, would be ceded to the third party. 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 AED 1,406 million at the inception of the swap agreement was recorded under other assets. This is a non-cash flow transaction which has been excluded from the statement of cash flows.

# First Gulf Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008 (Unaudited)

### 6 INVESTMENT PROPERTIES

	2008 AED 000	2007 AED 000
Balance at 1 January	2,922,286	532,712
Additions	1,187,118	1,347,397
Property acquired in settlement of debt	-	364,200
Disposals	(418,074)	-
Gain from fair value adjustment (Note 12)	<u>-</u>	<u>264,950</u>
Balance at 30 June	<u>3,691,330</u>	2,509,259
Additions		166,903
Government grant		50,852
Transfer from property and equipment		33,224
Gain from fair value adjustment		<u>162,048</u>
At 31 December		<u>2,922,286</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.

### 7 OTHER ASSETS

Other assets include an amount of AED 1,406 million representing an interest bearing asset arising from an equity swap entered into by the Bank during the six-month period ended 30 June 2008, as further discussed in Note 5.

### 8 DUE TO U.A.E. CENTRAL BANK

This represents short term advances obtained from the U.A.E. Central Bank. The balances are repayable by September 2008 and are secured by a pledge over certificate of deposits held with the Central Bank.

### 9 CUSTOMERS' DEPOSITS

In December 2006, the Bank received an amount of AED 5 billion from the Government of Abu Dhabi (the "Government") to fund a housing loans scheme for UAE Nationals and is recorded in customer deposits. The scheme is being administered by the Bank based on various terms and conditions agreed with the Government. As of 30 June 2008, housing loans amounting to AED 1.1 billion (2007: AED 300 million) were disbursed by the Bank. Interest is payable on this Government deposit at market rates based on the principal amount net of loan disbursements made.

### 10 MEDIUM TERM LOANS

#### Loan 1:

During 2006, the Bank obtained a loan of US \$750 million (equivalent of AED 2,755 million) from a syndicate comprising of several foreign and local banks. The loan is repayable in full in March 2009. The loan accrues interest at the rate of LIBOR plus a margin of 0.3% plus mandatory cost calculated by the Facility Agent as weighted average of the Lender's additional cost rates, which are payable semi-annually. 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 and should also ensure that the tangible net worth is not at any time less than AED 6 billion.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008 (Unaudited)

**10 MEDIUM TERM LOANS continued**

**Loan 2:**

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.

**11 REVALUATION RESERVE**

During prior periods, the Bank was granted by the Governments of Abu Dhabi and Dubai plots of land which were used for the Bank's premises and are included in property and equipment. The plots were revalued in prior periods to their estimated fair value of AED 70.7 million based on professional valuations performed by independent real estate valuers. The surplus on revaluation was transferred to the revaluation reserve.

**12 OTHER OPERATING INCOME**

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</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	22,510	-	21,755	-
Gains (losses) on disposal of investments carried at fair value through income statement	(52)	9,170	7,570	11,239
Change in fair value of investments carried at fair value through income statement	<u>39,591</u>	<u>40,435</u>	<u>13,315</u>	<u>35,069</u>
Total investment gain	62,049	49,605	42,640	46,308
Dividend income (note 13)	6,116	5,570	6,758	6,844
Commission income	62,223	27,875	107,444	51,460
Fee income	204,271	66,443	363,103	117,918
Brokerage and fund management fee income	7,347	-	12,289	367
Foreign exchange and derivative income	78,287	28,385	134,394	57,437
Fees and commissions on credit cards	48,878	18,142	83,418	34,439
Gain on revaluation of investment properties (note 6)	-	115,200	-	264,950
Gain on sale of investment properties	-	-	251,474	-
Rental income	20,861	11,340	43,323	17,865
Other income	<u>43,359</u>	<u>9,930</u>	<u>48,437</u>	<u>13,936</u>
Total	<u>533,391</u>	<u>332,490</u>	<u>1,093,280</u>	<u>611,524</u>

**13 SEASONALITY OF RESULTS**

Income of a seasonal nature comprises dividend income amounting to AED 6.8 million (30 June 2007: 6.8 million) recorded in the statement of income for the six-month period ended 30 June 2008.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008 (Unaudited)

14 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 instrument.

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

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>Unaudited</i> <i>2008</i>	<i>Unaudited</i> <i>2007</i>	<i>Unaudited</i> <i>2008</i>	<i>Unaudited</i> <i>2007</i>
Profit for the period attributable to equity holders (AED 000)	<u>808,406</u>	<u>474,385</u>	<u>1,483,756</u>	<u>880,280</u>
Weighted average number of ordinary shares in issue (000's)	<u>1,375,000</u>	<u>1,375,000</u>	<u>1,375,000</u>	<u>1,375,000</u>
Basic and diluted earnings per share (AED)	<u>0.59</u>	<u>0.35</u>	<u>1.08</u>	<u>0.64</u>

As of 30 June 2008, the Bank has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

15 DIVIDENDS

	<i>30 June</i>	
	<i>Unaudited</i> <i>2008</i> <i>AED 000</i>	<i>Unaudited</i> <i>2007</i> <i>AED 000</i>
Dividends on ordinary shares declared during the six-month period:		
Final cash dividend for 2007: 20 fils (2006: 70 fils)	<u>250,000</u>	<u>875,000</u>
Final bonus dividend for 2007: 1 share for every 10 shares held. (2006: nil)	<u>125,000</u>	<u>-</u>
Dividends on ordinary shares paid during the six-month period:		
Final cash dividend	<u>227,576</u>	<u>866,130</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008 (Unaudited)

**16 CASH AND CASH EQUIVALENTS**

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

	<i>Unaudited</i> 30 June 2008 AED 000	<i>Audited</i> 31 December 2007 AED 000
Cash and balances with U.A.E. Central Bank	8,294,431	8,977,874
Due from banks and financial institutions	<u>1,229,305</u>	<u>4,184,886</u>
	9,523,736	13,162,760
Less: Balances with U.A.E. Central Bank maturing after three months of placement	6,670,000	1,835,000
Less: Due from banks and financial institutions maturing after three months of placement	<u>730,000</u>	<u>524,999</u>
Cash and cash equivalents	<u>2,123,736</u>	<u>10,802,761</u>

**17 COMPARATIVE FIGURES**

The comparative figures have been reclassified to conform with the current year presentation. Such reclassifications have no effect on the profit or equity of the Bank.

In the income statement for the six month period ended 30 June 2008, figures pertaining to income from Islamic financing and Islamic financing expense are no longer shown separately on the face of the income statement. In addition, figures pertaining to Islamic financing are now classified under loans and advances. Previously, these figures were shown separately on the balance sheet.

**18 SUBSEQUENT EVENT**

On 21 July 2008, the Board of Directors resolved to issue non-redeemable mandatory convertible bonds amounting to AED 3.6 billion. The bonds are subject amongst other terms, to the following:

- The bonds have a par value of AED 10 million each
- These bonds are subject to compulsory conversion into shares after 3 years from the date of their issuance, unless converted earlier
- These bonds would automatically be converted at a conversion price of AED 28.8 at the conversion date
- The bond holders are entitled to interest at the rate of 3 month EBOR plus 1% which is subject to the approval and declaration of the Board of Directors at each interest due date.