

# **First Gulf Bank PJSC**

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

31 MARCH 2008 (UNAUDITED)

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

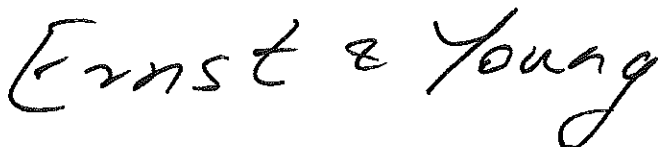
We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC and its Subsidiaries (the "Bank") as at 31 March 2008 and the related interim consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the three-month 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 April 2008  
Abu Dhabi

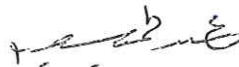
# First Gulf Bank PJSC

## INTERIM CONSOLIDATED BALANCE SHEET

31 March 2008 (Unaudited)

|  | <i>Notes</i> | <i>Unaudited<br/>31 March<br/>2008<br/>AED 000</i> | <i>Audited<br/>31 December<br/>2007<br/>AED 000</i> |
|--|--------------|--|---|
| <b>Assets</b>  |              |  |   |
| Cash and balances with U.A.E. Central Bank               |              | 10,743,704   | 8,977,874   |
| Due from banks and financial institutions                |              | 1,814,790  | 4,184,886   |
| Loans and advances, net                                  |              | 54,319,859   | 44,409,268  |
| Non-trading investments                                  | 5            | 8,771,220  | 10,110,186  |
| Investment in associates                                 |              | 366,308  | 326,383   |
| Investment properties                                    | 6            | 3,691,213  | 2,922,286   |
| Other assets   | 7            | 2,913,107  | 740,813   |
| Property and equipment                                   |              | <u>2,190,079</u>                                   | <u>1,525,849</u>                                    |
| <b>Total assets</b>                                      |              | <b><u>84,810,280</u></b>                           | <b><u>73,197,545</u></b>                            |
| <b>Liabilities</b>                                       |              |  |   |
| Due to banks   |              | 8,990,945  | 2,786,232   |
| Due to U.A.E Central Bank                                | 9            | 5,873,000  | -   |
| Customers' deposits                                      | 8            | 50,823,013   | 52,256,069  |
| Medium term loans  | 10           | 5,784,975  | 5,784,975   |
| Other liabilities  |              | <u>2,837,035</u>                                   | <u>2,249,835</u>                                    |
| <b>Total liabilities</b>                                 |              | <b><u>74,308,968</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 bonus issue                                  | 15           | -  | 125,000   |
| Cash dividends   | 15           | -  | 250,000   |
| Retained earnings  |              | 3,054,011  | 2,378,661   |
| Cumulative changes in fair values                        |              | <u>30,329</u>                                      | <u>74,801</u>                                       |
| <b>Minority interests</b>                                |              | <b><u>10,501,303</u></b>                           | <b><u>10,120,425</u></b>                            |
|  |              | <b><u>9</u></b>                                    | <b><u>9</u></b>                                     |
| <b>Total equity</b>                                      |              | <b><u>10,501,312</u></b>                           | <b><u>10,120,434</u></b>                            |
| <b>Total equity and liabilities</b>                      |              | <b><u>84,810,280</u></b>                           | <b><u>73,197,545</u></b>                            |





The attached explanatory notes 1 to 17 form part of the interim condensed financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2008 (Unaudited)

|  | Notes | Three-month ended<br>31 March |                  |
|--|-------|-------------------------------|------------------|
|  |       | 2008<br>AED 000               | 2007<br>AED 000  |
| Interest income and income from Islamic financing                  |       | 991,411                       | 853,862          |
| Interest expense and Islamic financing expense                     |       | <u>(567,416)</u>              | <u>(578,495)</u> |
| <b>NET INTEREST INCOME &amp; INCOME FROM<br/>ISLAMIC FINANCING</b> |       | 423,995                       | 275,367          |
| Share of profits of associates                                     |       | 42,175                        | 10,389           |
| Other operating income   | 12    | <u>559,889</u>                | <u>277,948</u>   |
| <b>OPERATING INCOME</b>  | 4     | 1,026,059                     | 563,704          |
| General and administrative expenses                                |       | <u>(209,129)</u>              | <u>(106,238)</u> |
| <b>PROFIT FROM OPERATIONS BEFORE<br/>IMPAIRED ASSETS CHARGE</b>    |       | 816,930                       | 457,466          |
| Impaired assets charge   |       | <u>(141,580)</u>              | <u>(51,571)</u>  |
| <b>PROFIT FOR THE PERIOD</b>                                       | 4     | <u>675,350</u>                | <u>405,895</u>   |
| Basic and diluted earnings per share                               | 14    | AED 0.49                      | AED 0.30         |

The attached explanatory notes 1 to 17 form part of the interim condensed financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2008 (Unaudited)

|   | Note | Three-month ended |                   |
|---|------|-------------------|-------------------|
|   |      | 2008              | 2007              |
|   |      | AED 000           | AED 000           |
| <b>OPERATING ACTIVITIES</b>   |      |                   |                   |
| Profit for the period   |      | 675,350           | 405,895           |
| Adjustments for:  |      |                   |                   |
| Depreciation  |      | 7,508             | 5,564             |
| Provision for impaired loans and advances, net                      |      | 141,580           | 51,571            |
| Gain on revaluation of investment properties                        |      | -                 | (149,750)         |
| Gain on sale of investment properties                               |      | (251,474)         | -                 |
| Loss on investments   |      | 19,409            | 3,297             |
| Profit on disposal of property and equipment                        |      | (7,096)           | -                 |
| Share of profits of associates                                      |      | (42,175)          | (10,389)          |
| Operating profit before changes in operating assets and liabilities |      | 543,102           | 306,188           |
| Deposits with banks   |      | (205,001)         | (948,556)         |
| Deposits with U.A.E Central Bank                                    |      | (5,440,000)       | -                 |
| Loans and advances  |      | (10,052,171)      | (4,312,593)       |
| Other assets  |      | (368,219)         | (201,294)         |
| Customers' deposits   |      | (1,433,056)       | 1,710,599         |
| Due to banks  |      | 6,204,713         | 2,069,856         |
| Due to U.A.E Central Bank   |      | 5,873,000         | -                 |
| Other liabilities   |      | 497,877           | (118,724)         |
| Net cash used in operating activities                               |      | (4,379,755)       | (1,494,524)       |
| <b>INVESTING ACTIVITIES</b>   |      |                   |                   |
| Purchase of investments   |      | (4,853,503)       | (1,967,026)       |
| Proceeds from sale of investments                                   |      | 4,720,310         | 1,277,285         |
| Purchase of property and equipment                                  |      | (736,451)         | (22,472)          |
| Proceeds from sale of property and equipment                        |      | 15,069            | -                 |
| Dividend received from associates                                   |      | 4,275             | -                 |
| Additions to investment properties                                  |      | (1,259,624)       | (334,524)         |
| Proceeds from sale of investment properties                         |      | 357,849           | -                 |
| Net cash used in investing activities                               |      | (1,752,075)       | (1,046,737)       |
| <b>FINANCING ACTIVITIES</b>   |      |                   |                   |
| Dividends paid  |      | (117,437)         | (787,702)         |
| Cash used in financing activities                                   |      | (117,437)         | (787,702)         |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>                        |      |                   |                   |
|   |      | (6,249,267)       | (3,328,963)       |
| Cash and cash equivalents, at the beginning of period               |      | 10,802,761        | 16,383,427        |
| <b>CASH AND CASH EQUIVALENTS</b>                                    |      |                   |                   |
| <b>AT THE END OF THE PERIOD</b>                                     | 16   | <u>4,553,494</u>  | <u>13,054,464</u> |

The attached explanatory notes 1 to 17 form part of the interim condensed financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2008 (Unaudited)

AED 000

|   | Attributable to equity holders of the Bank |                  |                 |                 |                     |                         |                | Minority interests | Total             |          |                   |
|---|--|------------------|-----------------|-----------------|---------------------|-------------------------|----------------|--------------------|-------------------|----------|-------------------|
|   | Share capital                              | Legal reserve    | Special reserve | General reserve | Revaluation reserve | Reserve for bonus issue | Cash dividends |                    |                   |          |                   |
| 2007  |  |                  |                 |                 |                     |                         |                |                    |                   |          |                   |
| As of 1 January 2007  | 1,250,000                                  | 5,305,110        | 345,123         | 120,000         | 70,730              | -                       | 875,000        | 23,046             | 8,985,490         | -        | 8,985,490         |
| Net unrealised gains on available for sale investments  | -  | -                | -               | -               | -                   | -                       | -              | 12,354             | 12,354            | -        | 12,354            |
| Total income and expense for the period recognised directly in equity                             | -  | -                | -               | -               | -                   | -                       | -              | 12,354             | 12,354            | -        | 12,354            |
| Profit for the period   | -  | -                | -               | -               | -                   | -                       | -              | 405,895            | 405,895           | -        | 405,895           |
| Total income and expense for the period   | -  | -                | -               | -               | -                   | -                       | -              | 12,354             | 12,354            | -        | 12,354            |
| Transfer to dividends payable   | -  | -                | -               | -               | -                   | -                       | (875,000)      | -                  | (875,000)         | -        | (875,000)         |
| As of 31 March 2007   | <u>1,250,000</u>                           | <u>5,305,110</u> | <u>345,123</u>  | <u>120,000</u>  | <u>70,730</u>       | <u>-</u>                | <u>-</u>       | <u>35,400</u>      | <u>8,528,739</u>  | <u>-</u> | <u>8,528,739</u>  |
| 2008  |  |                  |                 |                 |                     |                         |                |                    |                   |          |                   |
| Balance at 1 January 2008   | 1,250,000                                  | 5,305,110        | 546,123         | 120,000         | 70,730              | 125,000                 | 250,000        | 74,801             | 10,120,425        | 9        | 10,120,434        |
| Net unrealised losses on available for sale investments   | -  | -                | -               | -               | -                   | -                       | -              | (9,339)            | (9,339)           | -        | (9,339)           |
| Share of changes recognised directly in associates' equity  | -  | -                | -               | -               | -                   | -                       | -              | 2,025              | 2,025             | -        | 2,025             |
| Realised gains on available for sale investments reclassified to the income statement on disposal | -  | -                | -               | -               | -                   | -                       | -              | (37,158)           | (37,158)          | -        | (37,158)          |
| Total income and expense for the period recognised directly in equity                             | -  | -                | -               | -               | -                   | -                       | -              | (44,472)           | (44,472)          | -        | (44,472)          |
| Profit for the period   | -  | -                | -               | -               | -                   | -                       | -              | 675,350            | 675,350           | -        | 675,350           |
| Total income and expense for the period   | -  | -                | -               | -               | -                   | -                       | -              | (44,472)           | (44,472)          | -        | (44,472)          |
| Transfer to dividends payable   | -  | -                | -               | -               | -                   | -                       | -              | (44,472)           | (44,472)          | -        | (44,472)          |
| Bonus shares issued   | 125,000                                    | -                | -               | -               | -                   | (125,000)               | (250,000)      | -                  | (250,000)         | -        | (250,000)         |
| As of 31 March 2008   | <u>1,375,000</u>                           | <u>5,305,110</u> | <u>546,123</u>  | <u>120,000</u>  | <u>70,730</u>       | <u>-</u>                | <u>-</u>       | <u>30,540</u>      | <u>10,501,303</u> | <u>9</u> | <u>10,501,312</u> |

The attached explanatory notes 1 to 17 form part of the interim condensed financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS

31 March 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 April 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 3 months ended 31 March 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.

First Gulf Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008 (Unaudited)

3 OFF-BALANCE SHEET ITEMS

Commitments and contingent liabilities -

The Bank has the following commitments:

|   | <i>Unaudited</i><br>31 March<br>2008<br>AED 000 | <i>Audited</i><br>31 December<br>2007<br>AED 000 |
|---|---|--|
| <i>Commitments on behalf of customers:</i>            |   |  |
| Acceptances   | 1,131,427                                       | 688,569  |
| Letters of credit                                     | 10,094,647                                      | 9,986,789  |
| Guarantees  | 18,987,339                                      | 15,577,160                                       |
| <br><i>Commitments:</i>                               |   |  |
| Commitments to extend credit maturing within one year | 8,830,060                                       | 9,497,781  |
| Commitments for future capital expenditure            | 4,150,669                                       | 1,189,579  |
| Commitments for future equity investments             | 367,300   | 367,300  |
| Commitments for future private equity investments     | <u>562,592</u>                                  | <u>473,033</u>                                   |
|   | <u>13,910,621</u>                               | <u>11,527,693</u>                                |
| <b>Total commitments and contingent liabilities</b>   | <u><b>44,124,034</b></u>                        | <u><b>37,780,211</b></u>                         |

Derivatives -

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

|  | <i>Unaudited</i><br>31 March<br>2008<br>AED 000 | <i>Audited</i><br>31 December<br>2007<br>AED 000 |
|--|---|--|
| <i>Derivatives held for trading:</i>           |   |  |
| Interest rate swaps                            | 19,491,603                                      | 14,408,135                                       |
| Equity swap                                    | 1,509,394                                       | -  |
| Forward foreign exchange contracts             | 6,973,396                                       | 4,845,503  |
| Cross currency interest rate swaps             | 796,740   | 749,183  |
| Credit default swaps                           | 298,460   | 225,000  |
| Swaptions                                      | 734,600   | -  |
| Currency options                               | <u>920,150</u>                                  | <u>-</u>   |
|  | <u>30,724,343</u>                               | <u>20,227,821</u>                                |
| <i>Derivatives held as a fair value hedge:</i> |   |  |
| Interest rate swaps                            | <u>888,576</u>                                  | <u>548,571</u>                                   |
| <b>Total</b>                                   | <u><b>31,612,919</b></u>                        | <u><b>20,776,392</b></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 year end and are neither indicative of the market risk nor credit risk.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008 (Unaudited)

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

As of and for three-month period ended 31 March 2008:

|   | <i>Corporate<br/>banking<br/>AED 000</i> | <i>Treasury<br/>AED 000</i> | <i>Retail<br/>banking<br/>AED 000</i> | <i>Real<br/>Estate<br/>AED 000</i> | <i>Other<br/>operations<br/>AED 000</i> | <i>Total<br/>AED 000</i> |
|---|--|-----------------------------|---------------------------------------|------------------------------------|---|--------------------------|
| Assets  | <u>43,239,658</u>                        | <u>22,051,350</u>           | <u>10,358,565</u>                     | <u>5,619,086</u>                   | <u>3,541,621</u>                        | <u>84,810,280</u>        |
| Liabilities   | <u>47,310,282</u>                        | <u>16,850,762</u>           | <u>7,310,888</u>                      | <u>1,538,472</u>                   | <u>1,298,564</u>                        | <u>74,308,968</u>        |
| Operating income excluding associates                 | <u>265,959</u>                           | <u>101,080</u>              | <u>355,530</u>                        | <u>273,826</u>                     | <u>(12,511)</u>                         | <u>983,884</u>           |
| Share of profits of associates                        | <u>-</u>                                 | <u>-</u>                    | <u>-</u>                              | <u>33,825</u>                      | <u>8,350</u>                            | <u>42,175</u>            |
| Impaired assets charge                                | <u>(82,580)</u>                          | <u>-</u>                    | <u>(59,000)</u>                       | <u>-</u>                           | <u>-</u>                                | <u>(141,580)</u>         |
| Profit attributable to the equity holders of the Bank | <u>133,772</u>                           | <u>89,341</u>               | <u>208,469</u>                        | <u>306,396</u>                     | <u>(62,628)</u>                         | <u>675,350</u>           |
| <b>Other segment information</b>                      |  |                             |                                       |                                    |   |                          |
| Investment in associates                              | <u>-</u>                                 | <u>-</u>                    | <u>-</u>                              | <u>195,817</u>                     | <u>170,491</u>                          | <u>366,308</u>           |
| Capital expenditure                                   | <u>-</u>                                 | <u>-</u>                    | <u>-</u>                              | <u>1,781,790</u>                   | <u>214,285</u>                          | <u>1,996,075</u>         |
| Depreciation  | <u>-</u>                                 | <u>-</u>                    | <u>-</u>                              | <u>-</u>                           | <u>7,508</u>                            | <u>7,508</u>             |

First Gulf Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008 (Unaudited)

4 SEGMENTAL INFORMATION continued

As of 31 December 2007:

|             | <i>Corporate<br/>banking<br/>AED 000</i> | <i>Treasury<br/>AED 000</i> | <i>Retail<br/>banking<br/>AED 000</i> | <i>Real<br/>Estate<br/>AED 000</i> | <i>Other<br/>operations<br/>AED 000</i> | <i>Total<br/>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 three-month period ended 31 March 2007:

|   | <i>Corporate<br/>banking<br/>AED 000</i> | <i>Treasury<br/>AED 000</i> | <i>Retail<br/>banking<br/>AED 000</i> | <i>Real<br/>Estate<br/>AED 000</i> | <i>Other<br/>operations<br/>AED 000</i> | <i>Total<br/>AED 000</i> |
|---|--|-----------------------------|---------------------------------------|------------------------------------|---|--------------------------|
| Operating income excluding associates                 | <u>122,265</u>                           | <u>138,281</u>              | <u>136,788</u>                        | <u>155,981</u>                     | <u>-</u>                                | <u>553,315</u>           |
| Share of profits of associates                        | <u>-</u>                                 | <u>-</u>                    | <u>-</u>                              | <u>5,596</u>                       | <u>4,793</u>                            | <u>10,389</u>            |
| Impaired assets charge                                | <u>(18,574)</u>                          | <u>-</u>                    | <u>(22,997)</u>                       | <u>-</u>                           | <u>(10,000)</u>                         | <u>(51,571)</u>          |
| Profit attributable to the equity holders of the Bank | <u>74,046</u>                            | <u>133,159</u>              | <u>74,401</u>                         | <u>160,486</u>                     | <u>(36,197)</u>                         | <u>405,895</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>334,524</u>                     | <u>22,472</u>                           | <u>356,996</u>           |
| Depreciation  | <u>-</u>                                 | <u>-</u>                    | <u>-</u>                              | <u>-</u>                           | <u>5,564</u>                            | <u>5,564</u>             |

First Gulf Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008 (Unaudited)

5 NON-TRADING INVESTMENTS

|   | <i>Unaudited</i><br>31 March<br>2008<br>AED 000 | <i>Audited</i><br>31 December<br>2007<br>AED 000 |
|---|---|--|
| <i>Carried at fair value through income statement</i> |   |  |
| Investments in managed funds                          | 755,355   | 754,507  |
| Investments in equities - Quoted                      | 321,869   | 307,160  |
| <i>Available for sale investments</i>                 |   |  |
| Investments in equities - Quoted                      | 35,808  | 1,488,472  |
| - Unquoted  | 127,484   | 127,484  |
| Investments in private equity funds                   | 1,023,051                                       | 864,783  |
| Convertible bonds                                     | 104,992   | 104,980  |
| <i>Held to maturity investments</i>                   |   |  |
| Debt securities - Quoted                              | 15,304  | 18,365   |
| - Unquoted  | <u>6,387,357</u>                                | <u>6,444,435</u>                                 |
| Total   | <u>8,771,220</u>                                | <u>10,110,186</u>                                |

Of the debt securities at 31 March 2008, 86% (2007: 90%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

During the three-month period ended 31 March 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.

6 INVESTMENT PROPERTIES

|   | 2008<br>AED 000  | 2007<br>AED 000  |
|---|------------------|------------------|
| Balance at 1 January                      | 2,922,286        | 532,712          |
| Additions                                 | 1,259,624        | 334,524          |
| Property acquired in settlement of debt   | -                | 364,200          |
| Disposals                                 | (490,697)        | -                |
| Gain from fair value adjustment (Note 12) | -                | 149,750          |
| Balance at 31 March                       | <u>3,691,213</u> | 1,381,186        |
| Additions                                 |                  | 1,179,776        |
| Government grant                          |                  | 50,852           |
| Transfer from property and equipment      |                  | 33,224           |
| Gain from fair value adjustment           |                  | <u>277,248</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.

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**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 three-month period ended 31 March 2008, as further discussed in Note 5.

**8 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 31 March 2008, housing loans amounting to AED 639 million (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.

**9 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 June 2008 and are secured by a pledge over certificate of deposits held with the Central Bank.

**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.

**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.

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## 12 OTHER OPERATING INCOME

|   | <i>Three-month ended</i> |                  |
|---|--------------------------|------------------|
|   | <i>31 March</i>          |                  |
|   | <i>Unaudited</i>         | <i>Unaudited</i> |
|   | <i>2008</i>              | <i>2007</i>      |
|   | <i>AED 000</i>           | <i>AED 000</i>   |
| Investment income:  |                          |                  |
| Losses on disposal of available for sale investments                                  | (755)                    | -                |
| Gains on disposal of investments carried at fair value<br>through income statement    | 7,622                    | 2,069            |
| Change in fair value of investments carried at fair value<br>through income statement | <u>(26,276)</u>          | <u>(5,366)</u>   |
| Total investment loss   | (19,409)                 | (3,297)          |
| Dividend income (note 13)   | 642                      | 1,274            |
| Commission income   | 45,221                   | 23,585           |
| Fee income  | 158,832                  | 51,475           |
| Brokerage and fund management fee income  | 4,942                    | 367              |
| Foreign exchange and derivative income  | 56,107                   | 27,966           |
| Fees and commissions on credit cards  | 34,540                   | 16,297           |
| Gain on revaluation of investment properties (note 6)                                 | -                        | 149,750          |
| Gain on sale of investment properties   | 251,474                  | -                |
| Rental income   | 22,462                   | 6,525            |
| Other income  | <u>5,078</u>             | <u>4,006</u>     |
| Total   | <u>559,889</u>           | <u>277,948</u>   |

## 13 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 642 thousands (31 March 2007: 1,274 thousands) recorded in the statement of income for the three-month period ended 31 March 2008.

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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 instruments.

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

|  | <i>Three-month ended</i> |                  |
|--|--------------------------|------------------|
|  | <i>31 March</i>          |                  |
|  | <i>Unaudited</i>         | <i>Unaudited</i> |
|  | <i>2008</i>              | <i>2007</i>      |
|  | <i>AED 000</i>           | <i>AED 000</i>   |
| Profit for the period attributable to equity holders (AED 000) | <u>675,350</u>           | <u>405,895</u>   |
| Weighted average number of ordinary shares in issue (000's)    | <u>1,375,000</u>         | <u>1,375,000</u> |
| Basic and diluted earnings per share (AED)                     | <u>0.49</u>              | <u>0.30</u>      |

As of 31 March 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>31 March</i>  |                  |
|--|------------------|------------------|
|  | <i>Unaudited</i> | <i>Unaudited</i> |
|  | <i>2008</i>      | <i>2007</i>      |
|  | <i>AED 000</i>   | <i>AED 000</i>   |
| Dividends on ordinary shares declared during the three-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 three-month period:             |                  |                  |
| Final cash dividend  | <u>117,437</u>   | <u>787,702</u>   |

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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><br>31 March<br>2008<br>AED 000 | <i>Audited</i><br>31 December<br>2007<br>AED 000 |
|--|---|--|
| Cash and balances with U.A.E. Central Bank   | 10,743,704                                      | 8,977,874  |
| Due from banks and financial institutions  | <u>1,814,790</u>                                | <u>4,184,886</u>                                 |
|  | 12,558,494                                      | 13,162,760                                       |
| Less: Balances with U.A.E. Central Bank maturing after three months of placement         | 7,275,000                                       | 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>4,553,494</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 three month period ended 31 March 2007, 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.