

First Gulf Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2009 (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 2009 and the related interim consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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

23 April 2009
Abu Dhabi

First Gulf Bank PJSC

INTERIM CONSOLIDATED BALANCE SHEET

31 March 2009 (Unaudited)

		<i>Unaudited 31 March 2009 AED 000</i>	<i>Audited 31 December 2008 AED 000</i>
	<i>Notes</i>		
Assets			
Cash and balances with U.A.E. Central Bank		2,126,850	5,005,045
Due from banks and financial institutions	5	2,040,204	2,837,412
Loans and advances		83,640,446	79,362,996
Non-trading investments	6	11,567,394	9,979,576
Investment in associates		538,212	553,030
Investment properties	7	3,993,834	3,991,341
Other assets	8	3,431,600	3,780,048
Property and equipment		<u>2,078,703</u>	<u>2,012,260</u>
Total assets		<u>109,417,243</u>	<u>107,521,708</u>
Liabilities			
Due to banks		6,534,450	3,112,642
Due to U.A.E. Central Bank		-	4,200,000
Customers' deposits	9	75,743,502	73,962,659
Medium term loans	10	3,030,225	5,784,975
Other liabilities		<u>3,456,442</u>	<u>3,841,822</u>
Total liabilities		<u>88,764,619</u>	<u>90,902,098</u>
Equity			
Equity attributable to equity holders of the Bank			
Share capital		1,375,000	1,375,000
Treasury shares	12	(129,524)	(44,871)
Capital notes	11	4,000,000	-
Legal reserve		5,305,110	5,305,110
Special reserve		846,648	846,648
General reserve		120,000	120,000
Revaluation reserve	13	70,730	70,730
Cash dividends	17	-	477,400
Retained earnings		5,213,911	4,545,986
Cumulative changes in fair values		(78,132)	(32,516)
Foreign currency translation reserve		(31,850)	(18,246)
Mandatory convertible bonds	18	<u>3,600,000</u>	<u>3,600,000</u>
		20,291,893	16,245,241
Minority interests		<u>360,731</u>	<u>374,369</u>
Total equity		<u>20,652,624</u>	<u>16,619,610</u>
Total equity and liabilities		<u>109,417,243</u>	<u>107,521,708</u>



Managing Director



Chief Executive Officer



Chief Financial Officer

The attached explanatory notes 1 to 19 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

31 March 2009 (Unaudited)

		Three-month ended 31 March	
		2009 AED 000	2008 AED 000
Interest income and income from Islamic financing		1,630,438	991,411
Interest expense and Islamic financing expense		<u>(755,174)</u>	<u>(567,416)</u>
NET INTEREST INCOME & INCOME FROM ISLAMIC FINANCING		875,264	423,995
Share of profits of associates		6,041	42,175
Other operating income	14	<u>437,343</u>	<u>559,889</u>
OPERATING INCOME	4	1,318,648	1,026,059
General and administrative expenses		<u>(292,719)</u>	<u>(209,129)</u>
PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE		1,025,929	816,930
Provision for impairment of loans and advances		<u>(219,999)</u>	<u>(141,580)</u>
Impairment of available for sale investments		<u>(55,000)</u>	<u>-</u>
PROFIT FOR THE PERIOD		<u>750,930</u>	<u>675,350</u>
Profit attributable to:			
Equity holders of the Bank		750,321	675,350
Minority interests		<u>609</u>	<u>-</u>
		<u>750,930</u>	<u>675,350</u>
Basic and diluted earnings per share (AED)	16	<u><u>0.47</u></u>	<u><u>0.49</u></u>

The attached explanatory notes 1 to 19 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

31 March 2009 (Unaudited)

	<i>Three-month ended</i> <i>31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>AED 000</i>	<i>AED 000</i>
PROFIT FOR THE PERIOD	750,930	675,350
OTHER COMPREHENSIVE INCOME:		
Net unrealised losses on available for sale investments	(100,616)	(9,339)
Impairment of available for sale investments	55,000	-
Share of changes recognised directly in associates' equity	-	2,025
Realised gains on available for sale investments	-	(37,158)
Foreign exchange translation	<u>(27,851)</u>	<u>-</u>
Other comprehensive income for the period	<u>(73,467)</u>	<u>(44,472)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>677,463</u>	<u>630,878</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	691,101	630,878
Minority interests	<u>(13,638)</u>	<u>-</u>
	<u>677,463</u>	<u>630,878</u>

The attached explanatory notes 1 to 19 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

31 March 2009 (Unaudited)

	<i>Three-month ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
<i>Note</i>	<i>AED 000</i>	<i>AED 000</i>
OPERATING ACTIVITIES		
Profit for the period	750,930	675,350
Adjustments for:		
Depreciation	12,022	7,508
Gain on sale of investment properties	-	(241,474)
Provision for impairment of loans and advances, net	219,999	141,580
Impairment of available for sale investments	55,000	-
Loss from investments	6,191	19,409
Profit on disposal of property and equipment	-	(7,096)
Share of profits of associates	(6,041)	(42,175)
Operating profit before changes in operating assets and liabilities	1,038,101	553,102
Deposits with banks	-	(205,001)
Deposits with U.A.E Central Bank	2,700,000	(5,440,000)
Loans and advances	(4,497,449)	(10,052,171)
Other assets	348,448	(368,219)
Customers' deposits	1,780,843	(1,433,056)
Due to banks	3,421,808	6,204,713
Due to U.A.E Central Bank	(4,200,000)	5,873,000
Other liabilities	(513,950)	497,877
Net cash from (used in) operating activities	<u>77,801</u>	<u>(4,369,755)</u>
INVESTING ACTIVITIES		
Purchase of investments	(5,703,475)	(4,853,503)
Proceeds from sale of investments	4,008,850	4,720,310
Purchase of property and equipment	(78,465)	(736,451)
Proceeds from sale of property and equipment	-	15,069
Dividend received from associates	20,859	4,275
Additions to investment properties	(2,493)	(1,259,624)
Proceeds from sale of investment properties	-	347,849
Net cash used in investing activities	<u>(1,754,724)</u>	<u>(1,762,075)</u>
FINANCING ACTIVITIES		
Acquisition of treasury shares	(84,653)	-
Dividends paid	(347,506)	(117,437)
Repayment of medium term loans	(2,754,750)	-
Issuance of capital notes	4,000,000	-
Interest on mandatory convertible bonds	(83,720)	-
Net cash from (used in) financing activities	<u>729,371</u>	<u>(117,437)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(947,552)</u>	<u>(6,249,267)</u>
Cash and cash equivalents at the beginning of the period	5,142,457	10,802,761
Effect of exchange rate changes	<u>(27,851)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	19 <u>4,167,054</u>	<u>4,553,494</u>

The attached explanatory notes 1 to 19 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2009 (Unaudited)

Attributable to equity holders of the Bank

	Share capital AED 000	Capital note AED 000	Treasury shares AED 000	Legal reserve AED 000	Special reserve AED 000	General reserve AED 000	Revaluation reserve AED 000	Reserve for bonus issue AED 000	Cash dividends AED 000	Retained earnings AED 000	Cumulative change in fair values AED 000	Foreign currency transition reserve AED 000	Mandatory convertible bonds AED 000	Total AED 000	Minority interests AED 000	Total equity AED 000
As of 1 January 2008	1,250,000	-	-	5,305,110	546,123	120,000	70,730	125,000	250,000	2,378,661	74,801	-	-	10,120,425	9	10,120,434
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	675,350	(44,472)	-	-	630,878	-	630,878
Transfer to dividends payable	-	-	-	-	-	-	-	-	(250,000)	-	-	-	-	(250,000)	-	(250,000)
Bonus shares issued	125,000	-	-	-	-	-	-	(125,000)	-	-	-	-	-	-	-	-
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>3,054,011</u>	<u>30,329</u>	-	-	<u>10,501,303</u>	<u>9</u>	<u>10,501,312</u>
As of 1 January 2009	1,375,000	-	(44,871)	5,305,110	846,648	120,000	70,730	-	477,400	4,545,986	(32,516)	(18,246)	3,600,000	16,245,241	374,369	16,619,610
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	750,321	(45,616)	(13,604)	-	691,101	(13,638)	677,463
Transfer to dividends payable	-	-	-	-	-	-	-	-	(476,076)	-	-	-	-	(476,076)	-	(476,076)
Transfer of dividends payable on treasury shares acquired during the period	-	-	-	-	-	-	-	-	(1,324)	1,324	-	-	-	-	-	-
Interest on mandatory convertible bonds (note 18)	-	-	-	-	-	-	-	-	-	(83,720)	-	-	-	(83,720)	-	(83,720)
Net purchase of treasury shares (note 12)	-	-	(84,653)	-	-	-	-	-	-	-	-	-	-	(84,653)	-	(84,653)
Issuance of capital notes (note 11)	-	4,000,000	-	-	-	-	-	-	-	-	-	-	-	4,000,000	-	4,000,000
As of 31 March 2009	<u>1,375,000</u>	<u>4,000,000</u>	<u>(129,524)</u>	<u>5,305,110</u>	<u>846,648</u>	<u>120,000</u>	<u>70,730</u>	-	-	<u>5,213,911</u>	<u>(78,132)</u>	<u>(31,850)</u>	<u>3,600,000</u>	<u>20,291,893</u>	<u>360,731</u>	<u>20,652,624</u>

The attached explanatory notes 1 to 19 form part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (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. Under an agreement signed with the Economic and Social Development Fund of Libya, a commercial bank (First Gulf Libyan Bank) was established in Libya which commenced activities in November 2008. The First Gulf Libyan Bank which is being managed by the Bank, has a paid up capital of USD 200 million which has been 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 23 April 2009.

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 2008. In addition, results for the three-month ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

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 2008 except as follows:

IFRS 8 Operating Segments

This standard requires disclosure of information about the Bank's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank. Disclosures relating to analysis of the operating segments are set out in Note 4.

Amendments to IAS 1 – Presentation of Financial Statements

The standard replaces IAS 1 *Presentation of Financial Statements* (revised in 2003) as amended in 2005. The revised IAS 1 was issued in September 2007 and is effective for accounting periods beginning on or after 1 January 2009 with early application permitted.

The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented in a single line. In addition, the Standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit or loss, together with all other items of recognised income and expense.

The changes introduced by the revision are presentational in nature, and will not have an impact on the results of the Bank.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

3 OFF-BALANCE SHEET ITEMS**Commitments and contingent liabilities -**

The Bank has the following commitments and contingent liabilities:

	<i>Unaudited</i> <i>31 March</i> <i>2009</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2008</i> <i>AED 000</i>
<i>Contingent liabilities:</i>		
Acceptances	1,140,827	1,731,160
Letters of credit	11,220,870	13,547,741
Guarantees	<u>32,536,541</u>	<u>33,348,390</u>
	<u>44,898,238</u>	<u>48,627,291</u>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	10,374,986	12,643,378
Commitments for future capital expenditure	5,466,265	5,525,779
Commitments for future private equity investments	<u>628,427</u>	<u>643,881</u>
	<u>16,469,678</u>	<u>18,813,038</u>
Total commitments and contingent liabilities	<u>61,367,916</u>	<u>67,440,329</u>

Derivatives -

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

	<i>Unaudited</i> <i>31 March</i> <i>2009</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2008</i> <i>AED 000</i>
<i>Derivatives held for trading:</i>		
Interest rate swaps, caps and collars	24,565,240	26,199,225
Equity swaps	780,287	912,229
Swaption	183,650	-
Forward foreign exchange contracts	11,082,566	10,630,253
Cross currency interest rate swaps	757,445	840,255
Credit default swaps	298,460	298,460
Futures	474,770	272,643
Options	<u>531,076</u>	<u>316,424</u>
	<u>38,673,494</u>	<u>39,469,489</u>
<i>Derivatives held as a fair value hedge:</i>		
Interest rate swaps	<u>789,483</u>	<u>815,495</u>
Total	<u>39,462,977</u>	<u>40,284,984</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

31 March 2009 (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 three-month period ended 31 March 2009:

	<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>61,138,569</u>	<u>15,561,939</u>	<u>21,913,908</u>	<u>6,153,447</u>	<u>4,649,380</u>	<u>109,417,243</u>
Liabilities	<u>63,636,341</u>	<u>12,028,976</u>	<u>9,515,466</u>	<u>1,423,054</u>	<u>2,160,782</u>	<u>88,764,619</u>
Operating income excluding associates	<u>454,384</u>	<u>245,988</u>	<u>569,712</u>	<u>29,676</u>	<u>12,847</u>	<u>1,312,607</u>
Share of profits of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,832</u>	<u>209</u>	<u>6,041</u>
Provision for impairment of loans and advances	<u>(78,847)</u>	<u>-</u>	<u>(96,152)</u>	<u>-</u>	<u>(45,000)</u>	<u>(219,999)</u>
Impairment of available for sale investments	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(55,000)</u>
Profit attributable to the equity holders of the Bank	<u>301,607</u>	<u>186,151</u>	<u>346,663</u>	<u>33,142</u>	<u>(117,242)</u>	<u>750,321</u>
Other segment information						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,499</u>	<u>265,713</u>	<u>538,212</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,451</u>	<u>28,507</u>	<u>80,958</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>81</u>	<u>11,941</u>	<u>12,022</u>

As of 31 December 2008:

Assets	<u>59,220,532</u>	<u>18,483,131</u>	<u>19,481,367</u>	<u>5,830,671</u>	<u>4,506,007</u>	<u>107,521,708</u>
Liabilities	<u>67,526,484</u>	<u>10,872,417</u>	<u>8,626,025</u>	<u>1,502,580</u>	<u>2,374,592</u>	<u>90,902,098</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

4 SEGMENTAL INFORMATION continued

For three-month period ended 31 March 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>
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>
Provision for impairment of loans and advances	<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>
Other segment information						
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>

5 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

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

	<i>Unaudited 31 March 2009 AED'000</i>	<i>Audited 31 December 2008 AED'000</i>
Within U.A.E	<u>1,132,292</u>	<u>1,683,943</u>
Outside U.A.E	<u>907,912</u>	<u>1,153,469</u>
	<u>2,040,204</u>	<u>2,837,412</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

6 NON-TRADING INVESTMENTS

	<i>Unaudited 31 March 2009 AED 000</i>	<i>Audited 31 December 2008 AED 000</i>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	386,890	520,508
Investments in equities - Quoted	202,783	240,431
<i>Available for sale investments</i>		
Investments in equities - Quoted	4,850	5,738
- Unquoted	120,162	120,162
Investments in private equity funds	1,016,110	1,134,777
Convertible bonds	196,524	25,069
<i>Held to maturity investments</i>		
Debt securities – Quoted	5,499,505	3,660,278
– Unquoted	<u>4,140,570</u>	<u>4,272,613</u>
Total	<u>11,567,394</u>	<u>9,979,576</u>

Geographic analysis of investments is as follows:

Within U.A.E	2,746,249	2,694,876
Outside U.A.E	<u>8,821,145</u>	<u>7,284,700</u>
	<u>11,567,394</u>	<u>9,979,576</u>

Of the debt securities at 31 March 2009, 76% (2008: 71%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

During the year 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 (Note 8). This is a non-cash flow transaction which has been excluded from the statement of cash flows.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

7 INVESTMENT PROPERTIES

	<i>2009</i> <i>AED 000</i>	<i>2008</i> <i>AED 000</i>
Balance at 1 January	3,991,341	2,922,286
Additions	2,493	1,259,624
Disposals	<u>-</u>	<u>(490,697)</u>
Balance at 31 March	<u>3,993,834</u>	3,691,213
Additions		11,691
Gain from fair value adjustment		<u>288,437</u>
At 31 December		<u>3,991,341</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

Other assets include an amount of AED 1,273 million (31 December 2008: AED 1,406 million) representing an interest bearing asset arising from an equity swap entered into by the Bank during the year 2008, as further discussed in Note 6.

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 an interest-free 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 2009, the Government time deposit amounted to AED 5,563 million (2008: AED 5,644 million) and housing loans amounting to AED 3,707 million (2008: AED 2,579 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.

As of 31 March 2009, time deposits also include deposits of AED 4,510,087 thousand (2008: AED 4,510,087 thousand) placed by the U.A.E. Federal Government for a period of 3-5 years which are subject to the Bank meeting certain minimum capital ratios and other Central Bank compliance requirements. During the period, the U.A.E. Federal Government granted an option to convert the time deposits into a Tier 2 Capital qualifying loan which will accrue interest at the rate of 4.5% per annum and have a maturity of 7 years, subject to annual redemption arrangements after 5 years. The Bank exercised the conversion option as of 30 March 2009 and is in process of finalizing the formalities for conversion of these deposits into Tier 2 capital.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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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 was repaid in full in March 2009.

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 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.

12 TREASURY SHARES

During the year 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. A total of 15.2 million shares were acquired as of 31 March 2009 (31 December 2009: 5 million shares).

13 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

14 OTHER OPERATING INCOME

	<i>Three-month ended</i>	
	<i>31 March</i>	
	<i>2009</i>	<i>2008</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 through income statement	3,123	7,622
Change in fair value of investments carried		
at fair value through income statement	(9,314)	(26,276)
Other investment income	<u>745</u>	<u>642</u>
Total investment loss	(5,446)	(18,767)
Commission income	78,138	45,221
Fee income	154,355	158,832
Brokerage and fund management fee income	3,398	4,942
Foreign exchange income	53,748	17,255
Derivative income	37,088	38,852
Fees and commissions on credit cards	85,286	34,540
Gain on sale of investment properties	-	241,474
Rental income	29,976	22,462
Gain on sale of property and equipment	-	7,096
Other income	<u>800</u>	<u>7,982</u>
Total	<u>437,343</u>	<u>559,889</u>

15 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 745 thousand (31 March 2008: AED 642 thousand) recorded in the consolidated statement of income for the three-month period ended 31 March 2009.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

16 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 31 March</i>	
	<i>Unaudited 2009</i>	<i>Unaudited 2008</i>
Profit for the period attributable to ordinary equity holders (AED 000)	750,321	675,350
Deduct: Interest on mandatory convertible bonds (AED 000)	(45,351)	-
Profit attributable to ordinary equity holders (AED 000)	<u>704,970</u>	<u>675,350</u>
Weighted average number of ordinary shares in issue (000's)	<u>1,487,858</u>	<u>1,375,000</u>
Basic and diluted earnings per share (AED)	<u>0.47</u>	<u>0.49</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.

17 DIVIDENDS

	<i>31 March</i>	
	<i>Unaudited 2009 AED 000</i>	<i>Unaudited 2008 AED 000</i>
Dividends on ordinary shares declared during the three-month period:		
Final cash dividend for 2008: 35 fils (2007: 20 fils)	<u>477,400</u>	<u>250,000</u>
Final bonus dividend for 2008: nil (2007: 1 share for every 10 shares held)	<u>-</u>	<u>125,000</u>
Dividends on ordinary shares paid during the three-month period:		
Final cash dividend	<u>347,506</u>	<u>117,437</u>

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31 March 2009 (Unaudited)

18 MANDATORY CONVERTIBLE BONDS

Following approval of the Extraordinary General Assembly meeting held on 25 February 2008, the Board of Directors resolved on 21 July 2008 to issue non-redeemable mandatory convertible bonds (the "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 bonds 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.

During July 2008, the Bank signed agreements with the bondholders to issue the Bonds with a face value of AED 3.6 billion and collected the related bond proceeds. In January 2009, the Board of Directors resolved to pay the interest of AED 83,720 thousand in respect of the first six months period.

19 CASH AND CASH EQUIVALENTS

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

	<i>Unaudited</i> <i>31 March</i> <i>2009</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2008</i> <i>AED 000</i>
Cash and balances with U.A.E. Central Bank	2,126,850	5,005,045
Due from banks and financial institutions	<u>2,040,204</u>	<u>2,837,412</u>
	4,167,054	7,842,457
Less: Balances with U.A.E. Central Bank maturing after three months of placement	<u>-</u>	<u>2,700,000</u>
Cash and cash equivalents	<u>4,167,054</u>	<u>5,142,457</u>