

# **First Gulf Bank PJSC**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**31 MARCH 2010 (UNAUDITED)**

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

### *Introduction*

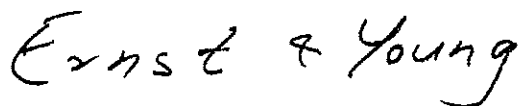
We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC and its Subsidiaries (the "Bank") as at 31 March 2010 and the related interim consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated 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

21 April 2010  
Abu Dhabi

First Gulf Bank PJSC

INTERIM CONSOLIDATED BALANCE SHEET

31 March 2010 (Unaudited)

		<i>Unaudited</i> 31 March 2010 AED 000	<i>Audited</i> 31 December 2009 AED 000
<b>Assets</b>			
Cash and balances with U.A.E. Central Bank		5,628,110	5,546,970
Due from banks and financial institutions	5	8,157,136	4,626,549
Loans and advances		93,257,188	90,385,885
Non-trading investments	6	14,519,216	13,481,978
Investment in associates		548,273	561,455
Investment properties	7	6,290,900	6,000,383
Other assets	8	3,741,835	4,230,602
Property and equipment		<u>629,080</u>	<u>638,721</u>
<b>Total assets</b>		<b><u>132,771,738</u></b>	<b><u>125,472,543</u></b>
<b>Liabilities</b>			
Due to banks		6,551,637	1,940,567
Customers' deposits	9	89,431,807	86,421,906
Term loans	10	9,812,996	9,819,962
Other liabilities		<u>4,141,851</u>	<u>4,387,340</u>
<b>Total liabilities</b>		<b><u>109,938,291</u></b>	<b><u>102,569,775</u></b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the Bank</b>			
Share capital		1,375,000	1,375,000
Treasury shares	12	(330,108)	(198,833)
Capital notes	11	4,000,000	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	87,554	87,554
Proposed cash dividends	17	-	677,000
Retained earnings		7,578,526	6,834,854
Cumulative changes in fair values		(98,674)	(114,988)
Foreign currency translation reserve		(25,396)	(14,508)
Mandatory convertible bonds	18	<u>3,600,000</u>	<u>3,600,000</u>
		22,458,660	22,517,837
<b>Minority interests</b>		<u>374,787</u>	<u>384,931</u>
<b>Total equity</b>		<b><u>22,833,447</u></b>	<b><u>22,902,768</u></b>
<b>Total equity and liabilities</b>		<b><u>132,771,738</u></b>	<b><u>125,472,543</u></b>



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 2010 (Unaudited)

	Notes	Three-month ended 31 March	
		2010 AED 000	2009 AED 000
Interest income and income from Islamic financing		1,589,933	1,630,438
Interest expense and Islamic financing expense		<u>(552,680)</u>	<u>(755,174)</u>
<b>NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING</b>		1,037,253	875,264
Share of (losses) profits of associates		(13,182)	6,041
Other operating income	14	<u>635,060</u>	<u>437,343</u>
<b>OPERATING INCOME</b>	4	1,659,131	1,318,648
General and administrative expenses		<u>(246,178)</u>	<u>(292,719)</u>
<b>PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE</b>		1,412,953	1,025,929
Provision for impairment of loans and advances		(492,410)	(219,999)
Impairment of available for sale investments		<u>-</u>	<u>(55,000)</u>
<b>PROFIT FOR THE PERIOD</b>		<u>920,543</u>	<u>750,930</u>
Profit attributable to:			
Equity holders of the Bank		919,727	750,321
Minority interests		<u>816</u>	<u>609</u>
		<u>920,543</u>	<u>750,930</u>
Basic and diluted earnings per share (AED)	16	<u>0.59</u>	<u>0.46</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 2010 (Unaudited)

	<i>Three-month ended</i>	
	<i>2010</i>	<i>2009</i>
	<i>AED 000</i>	<i>AED 000</i>
<b>PROFIT FOR THE PERIOD</b>	<b>920,543</b>	<b>750,930</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
Net unrealised gains (losses) on available for sale investments	49,258	(100,616)
Impairment of available for sale investments	-	55,000
Realised gains on available for sale investments	(32,944)	-
Foreign exchange translation	<u>(21,848)</u>	<u>(27,851)</u>
Other comprehensive loss for the period	<u>(5,534)</u>	<u>(73,467)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>915,009</u></b>	<b><u>677,463</u></b>
Total comprehensive income attributable to:		
Equity holders of the Bank	925,153	691,101
Minority interests	<u>(10,144)</u>	<u>(13,638)</u>
	<b><u>915,009</u></b>	<b><u>677,463</u></b>

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 2010 (Unaudited)

	Note	Three-month ended 31 March	
		2010 AED 000	2009 AED 000
<b>OPERATING ACTIVITIES</b>			
Profit for the period		920,543	750,930
Adjustments for:			
Depreciation		14,962	12,022
Provision for impairment of loans and advances		492,410	219,999
Impairment of available for sale investments		-	55,000
Loss on sale of property and equipment		1,405	-
Gain on sale of development properties		(178,570)	-
(Gain) loss from investments		(27,194)	6,191
Share of losses (profits) of associates		<u>13,182</u>	<u>(6,041)</u>
Operating profit before changes in operating assets and liabilities		1,236,738	1,038,101
Deposits with banks		22,528	-
Deposits with U.A.E Central Bank		-	2,700,000
Loans and advances		(3,363,713)	(4,497,449)
Other assets		434,815	348,448
Due to U.A.E Central Bank		-	(4,200,000)
Due to banks		4,611,070	3,421,808
Customers' deposits		3,009,901	1,780,843
Other liabilities		<u>(343,269)</u>	<u>(513,950)</u>
Net cash from operating activities		<u>5,608,070</u>	<u>77,801</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of non-trading investments		(9,406,014)	(5,703,475)
Proceeds from redemption and sale of non-trading investments		8,412,284	4,008,850
Purchase of property and equipment		(6,739)	(78,465)
Dividend received from associates		-	20,859
Additions to investment properties		(290,517)	(2,493)
Proceeds from sale of property and equipment		13	-
Proceeds from sale of development properties		<u>232,522</u>	<u>-</u>
Net cash used in investing activities		<u>(1,058,451)</u>	<u>(1,754,724)</u>
<b>FINANCING ACTIVITIES</b>			
Acquisition of treasury shares		(131,275)	(84,653)
Dividends paid		(576,332)	(347,506)
Interest on mandatory convertible bonds		(58,943)	(83,720)
Interest on capital notes		(120,000)	-
Issuance of capital notes		-	4,000,000
Movement in term loans		<u>(6,966)</u>	<u>(2,754,750)</u>
Net cash from (used in) financing activities		<u>(893,516)</u>	<u>729,371</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,656,103</b>	<b>(947,552)</b>
Cash and cash equivalents at the beginning of the period		5,890,269	5,142,457
Net changes in foreign currency translation reserve		<u>(21,848)</u>	<u>(27,851)</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>19</b>	<b><u>9,524,524</u></b>	<b><u>4,167,054</u></b>
<b>Operating cash flows from interest and Islamic financing</b>			
Interest and Islamic financing income received		1,493,110	1,668,819
Interest and Islamic financing expense paid		<u>567,606</u>	<u>869,485</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 2010 (Unaudited)

*Attributable to equity holders of the Bank*

	Share capital AED 000	Capital notes AED 000	Treasury shares AED 000	Legal reserve AED 000	Special reserve AED 000	General reserve AED 000	Resvaluation reserve AED 000	Cash dividends AED 000	Retained earnings AED 000	Cumulative change in fair values AED 000	Foreign currency translation reserve AED 000	Mandatory convertible bonds AED 000	Total AED 000	Minority interests AED 000	Total equity AED 000
At 1 January 2009	1,375,000	-	(44,871)	5,305,110	846,648	120,000	70,730	477,400	4,545,986	(32,316)	(18,246)	3,600,000	16,245,241	374,369	16,619,610
Total comprehensive income for the period	-	-	-	-	-	-	-	-	750,321	(45,616)	(13,004)	-	691,101	(13,638)	677,463
Transfer to dividends payable	-	-	-	-	(476,076)	-	-	(476,076)	-	-	-	-	(476,076)	-	(476,076)
Transfer of dividends payable on treasury shares	-	-	-	-	(1,324)	-	-	(1,324)	1,324	-	-	-	-	-	-
Interest on mandatory convertible bonds (note 13)	-	-	-	-	-	-	-	-	(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>	
As of 1 January 2010	1,375,000	4,000,000	(198,833)	5,305,110	846,648	120,000	87,554	677,000	6,834,854	(114,988)	(14,508)	3,600,000	22,517,837	384,931	22,902,768
Total comprehensive income for the period	-	-	-	-	-	-	-	-	919,727	16,314	(10,888)	-	925,153	(10,144)	915,009
Transfer to dividends payable	-	-	-	-	(674,112)	-	-	(674,112)	-	-	-	-	(674,112)	-	(674,112)
Transfer of dividends payable on treasury shares acquired during the period	-	-	-	-	(2,888)	-	-	(2,888)	2,888	-	-	-	-	-	-
Interest on mandatory convertible bonds (note 13)	-	-	-	-	-	-	-	-	(58,943)	-	-	-	(58,943)	-	(58,943)
Interest on capital notes (note 11)	-	-	-	-	-	-	-	-	(120,000)	-	-	-	(120,000)	-	(120,000)
Net purchase of treasury shares (note 12)	-	-	(131,273)	-	-	-	-	-	-	-	-	-	(131,273)	-	(131,273)
As of 31 March 2010	<u>1,375,000</u>	<u>4,000,000</u>	<u>(330,106)</u>	<u>5,305,110</u>	<u>846,648</u>	<u>120,000</u>	<u>87,554</u>	<u>7,578,526</u>	<u>(98,623)</u>	<u>(25,395)</u>	<u>3,600,000</u>	<u>22,458,660</u>	<u>374,787</u>	<u>22,833,447</u>	

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

# First Gulf Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (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 and was upgraded to a wholesale bank in August 2009. 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 Bank has established a representative office in India in September 2009 and in Qatar in November 2009. 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 Board of Directors on 21 April 2010.

### 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 2009. In addition, results for the three-month ended 31 March 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

#### *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 2009.



# First Gulf Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (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>2010</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2009</i> <i>AED 000</i>
<i>Contingent liabilities:</i>		
Acceptances	1,438,191	1,215,516
Letters of credit	15,269,748	13,885,093
Guarantees	<u>41,567,636</u>	<u>40,954,811</u>
	<b><u>58,275,575</u></b>	<b><u>56,055,420</u></b>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	12,073,934	13,117,474
Commitments for future capital expenditure	3,437,613	3,581,014
Commitments for future private equity investments	<u>955,284</u>	<u>586,729</u>
	<b><u>16,466,831</u></b>	<b><u>17,285,217</u></b>
<b>Total commitments and contingent liabilities</b>	<b><u>74,742,406</u></b>	<b><u>73,340,637</u></b>

#### Derivatives -

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

	<i>Unaudited</i> <i>31 March</i> <i>2010</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2009</i> <i>AED 000</i>
<i>Derivatives held for trading:</i>		
Interest rate swaps, caps and collars	27,538,066	28,752,573
Equity swaps	559,012	635,454
Swaptions	3,268,970	3,360,795
Forward foreign exchange contracts	4,915,279	4,197,659
Cross currency interest rate swaps	827,269	830,531
Credit default swaps	173,460	173,460
Commodity linked swap	734,600	-
Futures	167,181	383,056
Options	<u>2,253,604</u>	<u>378,860</u>
	<b><u>40,437,441</u></b>	<b><u>38,712,388</u></b>
<i>Derivatives held as a fair value hedge:</i>		
Interest rate swaps	<u>645,714</u>	<u>657,143</u>
<b>Total</b>	<b><u>41,083,155</u></b>	<b><u>39,369,531</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.

First Gulf Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (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 2010:

	<i>Corporate banking AED 000</i>	<i>Treasury AED 000</i>	<i>Retail banking AED 000</i>	<i>Real Estate AED 000</i>	<i>Other operations AED 000</i>	<i>Total AED 000</i>
Assets	<u>64,000,317</u>	<u>26,978,062</u>	<u>29,016,967</u>	<u>6,958,387</u>	<u>5,818,005</u>	<u>132,771,738</u>
Liabilities	<u>71,736,366</u>	<u>15,880,507</u>	<u>12,937,307</u>	<u>1,560,208</u>	<u>7,823,903</u>	<u>109,938,291</u>
Operating income excluding associates	<u>613,658</u>	<u>140,161</u>	<u>658,593</u>	<u>211,783</u>	<u>48,118</u>	<u>1,672,313</u>
Net interest income and income from Islamic financing	<u>430,709</u>	<u>79,323</u>	<u>488,411</u>	<u>-</u>	<u>38,810</u>	<u>1,037,253</u>
Share of losses of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,163</u>	<u>(16,345)</u>	<u>(13,182)</u>
Provision for impairment of loans and advances	<u>(150,293)</u>	<u>-</u>	<u>(179,012)</u>	<u>-</u>	<u>(163,105)</u>	<u>(492,410)</u>
Profit attributable to the equity holders of the Bank	<u>391,941</u>	<u>128,236</u>	<u>378,915</u>	<u>210,313</u>	<u>(189,678)</u>	<u>919,727</u>
<b>Other segment information</b>						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,273</u>	<u>548,273</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>290,866</u>	<u>6,390</u>	<u>297,256</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>91</u>	<u>14,871</u>	<u>14,962</u>

As of 31 December 2009:

Assets	<u>63,406,123</u>	<u>22,012,894</u>	<u>27,052,053</u>	<u>7,065,561</u>	<u>5,935,912</u>	<u>125,472,543</u>
Liabilities	<u>72,355,198</u>	<u>9,330,598</u>	<u>11,116,360</u>	<u>1,389,789</u>	<u>8,377,830</u>	<u>102,569,775</u>

# First Gulf Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2010 (Unaudited)

### 4 SEGMENTAL INFORMATION continued

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>
Net interest income and income from Islamic financing	<u>318,976</u>	<u>187,188</u>	<u>371,762</u>	<u>-</u>	<u>(2,662)</u>	<u>875,264</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>
<b>Other segment information</b>						
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>

### 5 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

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

	<i>Unaudited 31 March 2010 AED'000</i>	<i>Audited 31 December 2009 AED'000</i>
Within U.A.E	<u>2,793,903</u>	<u>1,038,250</u>
Outside U.A.E	<u>5,363,233</u>	<u>3,588,299</u>
	<u><b>8,157,136</b></u>	<u><b>4,626,549</b></u>

# First Gulf Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (Unaudited)

### 6 NON-TRADING INVESTMENTS

	<i>Unaudited</i> 31 March 2010 AED 000	<i>Audited</i> 31 December 2009 AED 000
<i>Carried at fair value through income statement</i>		
Investments in managed funds	186,198	203,374
Investments in equities - Quoted	245,709	214,928
<i>Available for sale investments</i>		
Investments in equities - Unquoted	126,198	125,759
Investments in private equity funds	1,040,760	1,022,968
Debt securities	144,716	771,912
<i>Held to maturity investments</i>		
Debt securities – Quoted	9,519,517	7,562,710
– Unquoted	<u>3,256,118</u>	<u>3,580,327</u>
<b>Total</b>	<b><u>14,519,216</u></b>	<b><u>13,481,978</u></b>
Geographic analysis of investments is as follows:		
Within U.A.E	3,098,988	3,686,093
Outside U.A.E	<u>11,420,228</u>	<u>9,795,885</u>
	<b><u>14,519,216</u></b>	<b><u>13,481,978</u></b>

Of the debt securities at 31 March 2010, 84% (31 December 2009: 79%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

### 7 INVESTMENT PROPERTIES

	<i>Unaudited</i> 2010 AED 000	<i>Audited</i> 2009 AED 000
Balance at 1 January	6,000,383	3,991,341
Transferred from property and equipment	-	1,149,568
Additions	<u>290,517</u>	<u>2,493</u>
Balance at 31 March	<b><u>6,290,900</u></b>	5,143,402
Additions		635,951
Gain from fair value adjustment		<u>221,030</u>
At 31 December		<b><u>6,000,383</u></b>

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.

Properties under construction for future use as investment properties were transferred from property and equipment to investment properties effective 1 January 2009 upon adoption of IAS 40 (revised). This non-cash transaction has been excluded from the consolidated statement of cash flows.

# First Gulf Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 8 OTHER ASSETS

During the year 2008, the Bank entered into an exchange agreement 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 agreement of 5 years. Under the agreement, any appreciation or decline in value of the investment at maturity or termination of the agreement, if earlier, would be ceded to the 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 Euro 260 million (equivalent to AED 1,406 million at the inception of the agreement) was recorded under other assets. The carrying amount of the interest bearing asset amounted to AED 1,290 million (31 December 2009: AED 1,376 million).

### 9 CUSTOMERS' DEPOSITS

In December 2006, the Bank entered into arrangement with the Government of Abu Dhabi (the "Government") to fund an interest-free housing loans scheme for UAE Nationals. The scheme is being administered by the Bank based on various terms and conditions agreed with the Government. As of 31 March 2010, the Government time deposit amounted to AED 7,760 million (31 December 2009: AED 6,873 million) and housing loans amounting to AED 7,408 million (31 December 2009: AED 6,416 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 further disclosed in note 10, deposits of AED 4,510,087 thousand from the U.A.E. Federal Government were re-categorised as a loan as of 31 December 2009.

### 10 TERM LOANS

	<i>2010</i>	<i>2009</i>
	<i>AED 000</i>	<i>AED 000</i>
Loan 1 – Syndicated loan	3,030,225	3,030,225
Loan 2 – Bank loan	550,950	550,950
Loan 3 – Euro Medium Term Note	1,721,734	1,728,700
Loan 4 – Federal Government Loan	<u>4,510,087</u>	<u>4,510,087</u>
	<u>9,812,996</u>	<u>9,819,962</u>

#### Loan 1:

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.

#### Loan 2:

During the year 2009, the Bank obtained a loan of US \$150 million (equivalent of AED 551 million) from a foreign bank. The loan is repayable in full in December 2011. The loan accrues interest at the rate of 2.85% per annum.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (Unaudited)

**10 TERM LOANS continued**

**Loan 3:**

During the year 2009, the Bank issued a 3 year Euro Medium Term Note (EMTN) of US \$ 500 million (equivalent of AED 1,837 million). The notes are due in November 2012 and carry a coupon rate of 4% per annum payable semi-annually in arrears. During the three months ended 31 March 2010, EMTN notes with a nominal value of US\$ 2 million were repurchased by the Bank (31 December 2009: US\$ 28 million).

**Loan 4:**

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

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

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

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

**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. During the period, interest payments amounted to AED 120 million.

**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 28.6 million shares were acquired as of 31 March 2010 (31 December 2009: 21 million shares).

# First Gulf Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (Unaudited)

### 13 REVALUATION RESERVE

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

### 14 OTHER OPERATING INCOME

	<i>Three-month ended</i>	
	<i>31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>AED 000</i>	<i>AED 000</i>
Investment income:		
Gain on disposal of available for sale investments	32,944	-
(Losses) gains on disposal of investments carried at fair value through income statement	(22,404)	3,123
Change in fair value of investments carried at fair value through income statement	16,654	(9,314)
Other investment income	<u>1,220</u>	<u>745</u>
Total investment gain (loss)	28,414	(5,446)
Commission income	123,418	78,138
Fee income	159,858	154,355
Fees and commissions on credit cards	63,820	85,286
Brokerage and fund management fee income	3,523	3,398
Foreign exchange income	31,255	53,748
Derivative income	14,424	37,088
Gain on sale of development properties	178,570	-
Rental income	27,616	29,976
Other income	<u>4,162</u>	<u>800</u>
Total	<u>635,060</u>	<u>437,343</u>

### 15 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 1,220 thousand (31 March 2009: AED 745 thousand) recorded in the consolidated statement of income for the three-month period ended 31 March 2010.

# First Gulf Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (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</i>	
	<i>31 March</i>	
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>2010</i>	<i>2009</i>
Profit for the period attributable to ordinary equity holders (AED 000)	919,727	750,321
Deduct: Interest on capital notes (AED 000)	(36,973)	(22,418)
Deduct: Interest on mandatory convertible bonds (AED 000)	<u>(7,048)</u>	<u>(38,588)</u>
Profit attributable to ordinary equity holders (AED 000)	<u>875,706</u>	<u>689,315</u>
Weighted average number of ordinary shares in issue (000's)	<u>1,476,280</u>	<u>1,487,858</u>
Basic and diluted earnings per share (AED)	<u>0.59</u>	<u>0.46</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</i>	<i>Unaudited</i>
	<i>2010</i>	<i>2009</i>
	<i>AED 000</i>	<i>AED 000</i>
Dividends on ordinary shares declared during the three-month period:		
Final cash dividend for 2009: 50 fils (2008: Declared 35 fils)	<u>677,000</u>	<u>477,400</u>
Dividends on ordinary shares paid during the three-month period:		
Final cash dividend	<u>576,332</u>	<u>347,506</u>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (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. Any interest payment made will be reflected in the statement of changes in equity.

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 2010, the Board of Directors resolved to pay the interest of AED 58,943 thousand for the period from 23 July 2009 to 22 January 2010.

**19 CASH AND CASH EQUIVALENTS**

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

	<i>Unaudited</i>	<i>Audited</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
	<i>AED 000</i>	<i>AED 000</i>
Cash and balances with U.A.E. Central Bank	5,628,110	5,546,970
Due from banks and financial institutions	<u>8,157,136</u>	<u>4,626,549</u>
	<b>13,785,246</b>	<b>10,173,519</b>
Less: Balances with U.A.E. Central Bank maturing after three months of placement	3,200,000	3,200,000
Less: Due from banks and financial institutions maturing after three months of placement	<u>1,060,722</u>	<u>1,083,250</u>
Cash and cash equivalents	<u><b>9,524,524</b></u>	<u><b>5,890,269</b></u>