

First Gulf Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2010 (UNAUDITED)

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

Introduction

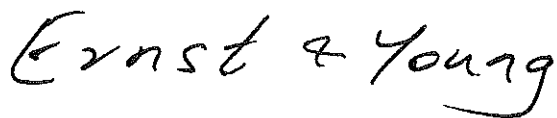
We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC and its Subsidiaries (the "Bank") as at 30 September 2010 and the related interim consolidated income statement and consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim consolidated statement of cash flows and interim consolidated statement of changes in equity for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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



Signed by:
Andre Kasparian
Partner
Ernst & Young
Registration No. 365


27 October 2010
Abu Dhabi

First Gulf Bank PJSC

INTERIM CONSOLIDATED BALANCE SHEET

30 September 2010 (Unaudited)

		<i>Unaudited</i> 30 September 2010 AED 000	<i>Audited</i> 31 December 2009 AED 000
	<i>Notes</i>		
Assets			
Cash and balances with U.A.E. Central Bank		7,429,160	5,546,970
Due from banks and financial institutions	5	8,145,357	4,626,549
Loans and advances		95,577,350	90,385,885
Non-trading investments	6	14,986,321	13,481,978
Investment in associates		560,614	561,455
Investment properties	7	6,603,744	6,000,383
Other assets	8	3,519,734	4,230,602
Property and equipment		<u>632,105</u>	<u>638,721</u>
Total assets		<u>137,454,385</u>	<u>125,472,543</u>
Liabilities			
Due to banks		5,661,088	1,940,567
Customers' deposits	9	92,251,146	86,421,906
Term loans	10	11,191,095	9,819,962
Other liabilities		<u>4,297,585</u>	<u>4,387,340</u>
Total liabilities		<u>113,400,914</u>	<u>102,569,775</u>
Equity			
Equity attributable to equity holders of the Bank			
Share capital		1,375,000	1,375,000
Treasury shares	12	(668,593)	(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		9,037,915	6,834,854
Cumulative changes in fair values		(21,298)	(114,988)
Foreign currency translation reserve		(15,572)	(14,508)
Mandatory convertible bonds	18	<u>3,600,000</u>	<u>3,600,000</u>
		23,666,764	22,517,837
Non-controlling interest		<u>386,707</u>	<u>384,931</u>
Total equity		<u>24,053,471</u>	<u>22,902,768</u>
Total equity and liabilities		<u>137,454,385</u>	<u>125,472,543</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

30 September 2010 (Unaudited)

	Notes	Three month ended 30 September		Nine month ended 30 September	
		2010 AED 000	2009 AED 000	2010 AED 000	2009 AED 000
Interest income and income from Islamic financing		1,662,874	1,648,945	4,853,287	4,892,266
Interest expense and Islamic financing expense		<u>(590,601)</u>	<u>(663,766)</u>	<u>(1,700,796)</u>	<u>(2,074,236)</u>
NET INTEREST INCOME & INCOME FROM ISLAMIC FINANCING		1,072,273	985,179	3,152,491	2,818,030
Share of profits of associates	4	9,519	11,168	5,909	23,307
Other operating income	14	<u>464,338</u>	<u>691,726</u>	<u>1,513,993</u>	<u>1,478,899</u>
OPERATING INCOME		1,546,130	1,688,073	4,672,393	4,320,236
General and administrative expenses		<u>(290,444)</u>	<u>(248,336)</u>	<u>(804,381)</u>	<u>(798,526)</u>
PROFIT FROM OPERATIONS BEFORE ASSET IMPAIRMENT CHARGE		1,255,686	1,439,737	3,868,012	3,521,710
Provision for impairment of loans and advances		<u>(406,219)</u>	<u>(490,028)</u>	<u>(1,309,771)</u>	<u>(970,161)</u>
Impairment of available for sale investments		<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>(95,000)</u>
PROFIT FOR THE PERIOD		<u>849,467</u>	<u>929,709</u>	<u>2,558,241</u>	<u>2,456,549</u>
Profit attributable to:					
Equity holders of the Bank		848,507	929,968	2,555,255	2,455,530
Non-controlling interest		<u>960</u>	<u>(259)</u>	<u>2,986</u>	<u>1,019</u>
		<u>849,467</u>	<u>929,709</u>	<u>2,558,241</u>	<u>2,456,549</u>
Basic and diluted earnings per share (AED)	16	<u>0.55</u>	<u>0.57</u>	<u>1.59</u>	<u>1.49</u>

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 September 2010 (Unaudited)

	<i>Three months ended</i> <i>30 September</i>		<i>Nine month ended</i> <i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
PROFIT FOR THE PERIOD	849,467	929,709	2,558,241	2,456,549
OTHER COMPREHENSIVE INCOME:				
Net unrealised gains (losses) on available for sale investments	24,674	44,222	149,388	(125,665)
Impairment of available for sale investments	-	20,000	-	95,000
Realised gains on available for sale investments	(4,007)	(31,622)	(55,698)	(31,622)
Foreign exchange translation	<u>44,723</u>	<u>13,806</u>	<u>(2,274)</u>	<u>14,954</u>
Other comprehensive income (loss) for the period	<u>65,390</u>	<u>46,406</u>	<u>91,416</u>	<u>(47,333)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>914,857</u>	<u>976,115</u>	<u>2,649,657</u>	<u>2,409,216</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	891,562	969,347	2,647,881	2,400,611
Non-controlling interest	<u>23,295</u>	<u>6,768</u>	<u>1,776</u>	<u>8,605</u>
	<u>914,857</u>	<u>976,115</u>	<u>2,649,657</u>	<u>2,409,216</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

30 September 2010 (Unaudited)

		Nine month ended 30 September	
	Notes	2010 AED 000	2009 AED 000
OPERATING ACTIVITIES			
Profit for the period		2,558,241	2,456,549
Adjustments for:			
Depreciation		45,018	44,325
Gain on sale of investment properties		(3,500)	-
Provision for impairment of loans and advances		1,309,771	970,161
Impairment of available for sale investments		-	95,000
Gain from investments		(21,370)	(20,572)
Loss (gain) on disposal of property and equipment	14	1,987	(35)
Share of profits of associates		(5,909)	(23,307)
Operating profit before changes in operating assets and liabilities		3,884,238	3,522,121
Deposits with banks		945,952	-
Deposits with U.A.E. Central Bank		(300,000)	(500,000)
Loans and advances		(6,501,236)	(11,620,163)
Other assets		710,868	70,391
Customers' deposits		5,829,240	15,402,486
Due to banks		3,720,521	2,557,976
Due to U.A.E. Central Bank		-	(4,200,000)
Other liabilities		(110,618)	271,648
Net cash from operating activities		8,178,965	5,504,459
INVESTING ACTIVITIES			
Purchase of investments		(20,067,574)	(14,338,345)
Proceeds from sale of investments		18,678,286	11,893,273
Purchase of property and equipment		(40,447)	(63,532)
Proceeds from sale of property and equipment		58	35
Dividend received from associates		6,750	20,860
Additions to investment properties		(692,861)	(468,000)
Proceeds from sale of investment properties		93,000	-
Net cash used in investing activities		(2,022,788)	(2,955,709)
FINANCING ACTIVITIES			
Acquisition of treasury shares		(469,760)	(148,460)
Dividends paid	17	(653,244)	(458,866)
Term loans availed (repaid)		1,371,133	(2,754,750)
Issuance of capital notes		-	4,000,000
Interest on mandatory convertible bonds		(115,082)	(159,788)
Interest on capital notes		(240,000)	(120,000)
Net cash (used in) from financing activities		(106,953)	358,136
INCREASE IN CASH AND CASH EQUIVALENTS		6,049,224	2,906,886
Cash and cash equivalents at the beginning of the period		5,890,269	5,142,457
Effect of exchange rate changes		(2,274)	14,954
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	19	11,937,219	8,064,297
Operating cash flows from interest and Islamic financing			
Interest and Islamic financing income received		4,737,898	4,942,977
Interest and Islamic financing expense paid		(1,578,888)	(2,154,576)

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

30 September 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	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	Non- controlling interest AED 000	Total equity AED 000
As of 1 January 2009	1,375,000	-	(44,871)	5,305,110	846,648	120,000	477,400	(32,516)	(18,246)	3,600,000	16,245,241	374,369	16,619,610
Total comprehensive (loss) income for the period	-	-	-	-	-	-	2,455,530	(62,287)	7,368	-	2,400,611	8,605	2,409,216
Transfer to dividends payable	-	-	-	-	-	-	(476,076)	-	-	-	(476,076)	-	(476,076)
Transfer of dividends payable on treasury shares	-	-	-	-	-	-	(1,324)	-	-	-	-	-	-
Interest on mandatory convertible bonds (note 18)	-	-	-	-	-	-	-	(159,788)	-	-	(159,788)	-	(159,788)
Interest on capital notes (note 11)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net purchase of treasury shares (note 12)	-	-	(148,460)	-	-	-	-	-	-	-	(148,460)	-	(148,460)
Issuance of capital notes (note 11)	-	4,000,000	-	-	-	-	-	-	-	-	4,000,000	-	4,000,000
As of 30 September 2009	1,375,000	4,000,000	(193,331)	5,305,110	846,648	120,000	6,723,052	(94,803)	(10,878)	3,600,000	21,741,528	382,974	22,124,502
As of 1 January 2010	1,375,000	4,000,000	(198,833)	5,305,110	846,648	120,000	6,834,854	(114,988)	(14,508)	3,600,000	22,517,837	384,931	22,902,768
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,355,255	93,690	(1,064)	-	2,647,881	1,776	2,649,657
Transfer to dividends payable	-	-	-	-	-	-	(674,112)	-	-	-	(674,112)	-	(674,112)
Transfer of dividends payable on treasury shares	-	-	-	-	-	-	(2,888)	-	-	-	-	-	-
Interest on mandatory convertible bonds (note 18)	-	-	-	-	-	-	-	(115,082)	-	-	(115,082)	-	(115,082)
Interest on capital notes (note 11)	-	-	-	-	-	-	(240,000)	-	-	-	(240,000)	-	(240,000)
Net purchase of treasury shares (note 12)	-	-	(469,760)	-	-	-	-	-	-	-	(469,760)	-	(469,760)
As of 30 September 2010	1,375,000	4,000,000	(668,593)	5,305,110	846,648	120,000	9,037,915	(21,298)	(15,572)	3,600,000	23,666,764	386,707	24,053,471

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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 27 October 2010.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine months ended 30 September 2010 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Bank. All values are rounded to the nearest million (AED million) except otherwise indicated.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Bank's annual consolidated financial statements for the year ended 31 December 2009. In addition, results for the nine month ended 30 September 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2009, except for the adoption of the following new standards and interpretations as of 1 January 2010:

- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- IFRS 2 Share-based Payments: Group Cash-settled Share Based Payment Transactions effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedge Items effective 1 July 2009
- Improvements to IFRS (April 2009)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

30 September 2010 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

The adoption of the above standards and interpretations did not have a material effect on the financial performance and position of the Bank. However, the changes to IFRS 3 (Revised) and IAS 27 (Amended) will affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests as summarised below:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring on or after 1 July 2009. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest in a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

New accounting policy during the period is as follows:

Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010 (Unaudited)

3 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingent liabilities -

The Bank has the following commitments and contingent liabilities:

	<i>Unaudited</i> <i>30 September</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	2,482,253	1,215,516
Letters of credit	15,701,470	13,885,093
Guarantees	<u>44,178,373</u>	<u>40,954,811</u>
	<u>62,362,096</u>	<u>56,055,420</u>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	16,044,350	13,117,474
Commitments for future capital expenditure	3,105,694	3,581,014
Commitments for future private equity investments	<u>880,710</u>	<u>586,729</u>
	<u>20,030,754</u>	<u>17,285,217</u>
Total commitments and contingent liabilities	<u>82,392,850</u>	<u>73,340,637</u>

Derivatives -

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

	<i>Unaudited</i> <i>30 September</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	21,092,001	28,752,573
Equity swaps	290,976	635,454
Swaption	2,442,545	3,360,795
Forward foreign exchange contracts	6,295,392	4,197,659
Cross currency interest rate swaps	-	830,531
Credit default swaps	173,460	173,460
Commodity linked swaps	734,600	-
Futures	9,998	383,056
Options	<u>1,538,608</u>	<u>378,860</u>
	<u>32,577,580</u>	<u>38,712,388</u>
<i>Derivatives held as a fair value hedge:</i>		
Interest rate swaps	<u>622,857</u>	<u>657,143</u>
Total	<u>33,200,437</u>	<u>39,369,531</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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
- Other operations, comprising mainly the Head Office including unallocated costs, subsidiaries and associates other than the above categories.

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

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

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>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010 (Unaudited)

4 SEGMENTAL INFORMATION continued

As of and for nine-month period ended 30 September 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>64,385,955</u>	<u>22,193,124</u>	<u>25,775,236</u>	<u>6,547,638</u>	<u>5,419,217</u>	<u>124,321,170</u>
Liabilities	<u>75,966,107</u>	<u>11,179,587</u>	<u>10,339,859</u>	<u>1,579,411</u>	<u>3,131,704</u>	<u>102,196,668</u>
Operating income excluding associates	<u>1,568,996</u>	<u>545,925</u>	<u>1,808,454</u>	<u>270,113</u>	<u>103,441</u>	<u>4,296,929</u>
Net Interest Income and Income from Islamic Financing	<u>1,161,869</u>	<u>337,191</u>	<u>1,252,932</u>	<u>-</u>	<u>66,038</u>	<u>2,818,030</u>
Share of profits of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,627</u>	<u>10,680</u>	<u>23,307</u>
Provision for impairment of loans and advances	<u>(433,937)</u>	<u>-</u>	<u>(401,224)</u>	<u>-</u>	<u>(135,000)</u>	<u>(970,161)</u>
Impairment of available for sale investments	<u>-</u>	<u>(85,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(95,000)</u>
Profit attributable to the equity holders of the Bank	<u>907,817</u>	<u>417,615</u>	<u>1,052,375</u>	<u>275,126</u>	<u>(197,403)</u>	<u>2,455,530</u>
Other segment information						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,297</u>	<u>276,180</u>	<u>555,477</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,069</u>	<u>63,463</u>	<u>531,532</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>243</u>	<u>44,082</u>	<u>44,325</u>

5 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

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

	<i>Unaudited 30 September 2010 AED 000</i>	<i>Audited 31 December 2009 AED 000</i>
Within U.A.E	<u>3,618,452</u>	<u>1,038,250</u>
Outside U.A.E	<u>4,526,905</u>	<u>3,588,299</u>
	<u>8,145,357</u>	<u>4,626,549</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010 (Unaudited)

6 NON-TRADING INVESTMENTS

	<i>Unaudited 30 September 2010 AED 000</i>	<i>Audited 31 December 2009 AED 000</i>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	144,854	203,374
Investments in equities - Quoted	205,113	214,928
<i>Available for sale investments</i>		
Investments in equities		
- Unquoted	80,503	125,759
Investments in private equity funds	1,146,593	1,022,968
Debt securities	1,129,791	771,912
<i>Held to maturity investments</i>		
Debt securities - Quoted	9,917,656	7,562,710
- Unquoted	<u>2,361,811</u>	<u>3,580,327</u>
Total	<u>14,986,321</u>	<u>13,481,978</u>
Geographic analysis of investments is as follows:		
Within U.A.E.	3,034,270	3,686,093
Outside U.A.E.	<u>11,952,051</u>	<u>9,795,885</u>
	<u>14,986,321</u>	<u>13,481,978</u>

Of the debt securities at 30 September 2010, 86% (31 December 2009: 79%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

7 INVESTMENT PROPERTIES

	<i>Unaudited 30 September 2010 AED 000</i>	<i>Audited 31 December 2009 AED 000</i>
Balance at 1 January	6,000,383	3,991,341
Transferred from property and equipment	-	1,143,567
Additions	692,861	468,000
Disposals	<u>(89,500)</u>	<u>-</u>
Balance at 30 September	<u>6,603,744</u>	5,602,908
Additions		170,444
Transferred from property and equipment		6,001
Gain from fair value adjustment		<u>221,030</u>
At 31 December		<u>6,000,383</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010 (Unaudited)

7 INVESTMENT PROPERTIES continued

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 interim consolidated statement of cash flows.

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 1,303 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 30 September 2010, the Government time deposit amounted to AED 9,129 million (31 December 2009: AED 6,873 million) and housing loans amounting to AED 9,006 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>Unaudited</i> 30 September 2010 AED 000	<i>Audited</i> 31 December 2009 AED 000
Loan 1 – Syndicated loan	3,030,225	3,030,225
Loan 2 – Bank loan	1,928,325	550,950
Loan 3 – Euro Medium Term Note	1,722,458	1,728,700
Loan 4 – Federal Government Loan	<u>4,510,087</u>	<u>4,510,087</u>
	<u>11,191,095</u>	<u>9,819,962</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010 (Unaudited)

10 TERM LOANS continued**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 Lenders' 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:

This consists of the following loans from foreign banks:

	<i>US\$ 000</i>	<i>AED 000</i>	<i>Maturity</i>	<i>Interest</i>
1	150,000	550,950	December 2011	2.85%
2	150,000	550,950	April 2012	Libor + margin
3	150,000	550,950	May 2012	Libor + margin
4	<u>75,000</u>	<u>275,475</u>	June 2012	Libor + margin
	<u>525,000</u>	<u>1,928,325</u>		

Loan facilities 2,3 and 4 were drawn down during the nine months period ended 30 September 2010.

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 nine months ended 30 September 2010, EMTN notes with a nominal value of US\$ 2 million were repurchased by the Bank (year ended 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 the 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% per annum 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

30 September 2010 (Unaudited)

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 240 million (Nine-months period ended 30 September 2009: AED 120 million).

12 TREASURY SHARES

During the year 2008, the Bank received an approval from the Emirates Securities & Commodities Authority of the United Arab Emirates to buy back up to 137.5 million of its own shares. A total of 52.5 million shares were acquired as of 30 September 2010 (31 December 2009: 21 million shares).

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010 (Unaudited)

14 OTHER OPERATING INCOME

	<i>Three month ended</i> 30 September		<i>Nine month ended</i> 30 September	
	2010	2009	2010	2009
	AED 000	AED 000	AED 000	AED 000
Investment income:				
Gains on disposal of available for sale investments	4,007	31,622	55,698	31,622
(Loss) gain on disposal of investments carried at fair value through income statement	1,715	(8,729)	(21,031)	(2,859)
Change in fair value of investments carried at fair value through income statement	(3,366)	(7,522)	(13,297)	(8,191)
Other investment income	<u>1,013</u>	<u>1,363</u>	<u>7,280</u>	<u>11,465</u>
Total investment income	3,369	16,734	28,650	32,037
Commission income	116,882	86,016	355,656	247,729
Fee income	248,516	142,691	581,784	431,943
Fees and commissions on credit cards	69,455	74,668	201,473	237,493
Brokerage and fund management fee income	2,669	3,671	8,893	13,837
Foreign exchange income	19,952	37,438	72,894	117,773
Derivative (loss) income	(18,415)	121,708	(25,678)	128,290
Rental income	22,406	28,710	105,922	88,420
(Loss) gain on sale of property and equipment	(60)	35	(1,987)	35
Gain on sale of development properties	-	180,943	178,570	180,943
Other income	<u>(436)</u>	<u>(888)</u>	<u>7,816</u>	<u>399</u>
Total	<u>464,338</u>	<u>691,726</u>	<u>1,513,993</u>	<u>1,478,899</u>

15 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 7.3 million (30 September 2009: AED 11.5 million) recorded in the interim consolidated statement of income for the nine-month period ended 30 September 2010.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010 (Unaudited)

16 BASIC AND DILUTED EARNINGS PER SHARE continued

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

	Three month ended 30 September		Nine month ended 30 September	
	Unaudited 2010	Unaudited 2009	Unaudited 2010	Unaudited 2009
Profit for the period attributable to ordinary equity holders (AED 000)	848,507	929,968	2,555,255	2,455,530
Deduct: Interest on mandatory convertible bonds (AED 000)	(6,478)	(31,201)	(62,830)	(107,995)
Deduct: Interest on capital notes (AED 000)	<u>(37,582)</u>	<u>(60,934)</u>	<u>(156,973)</u>	<u>(143,351)</u>
Profit attributable to ordinary equity holders (AED 000)	804,447	837,833	2,335,452	2,204,184
Weighted average number of ordinary shares in issue (000's)	<u>1,464,898</u>	<u>1,479,407</u>	<u>1,468,792</u>	<u>1,483,171</u>
Basic and diluted earnings per share (AED)	<u>0.55</u>	<u>0.57</u>	<u>1.59</u>	<u>1.49</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

	30 September	
	Unaudited 2010 AED 000	Unaudited 2009 AED 000
Dividends on ordinary shares declared during the nine-month period:		
Final cash dividend for 2009: 50 fils (2008: 35 fils)	<u>677,000</u>	<u>477,400</u>
Dividends on ordinary shares paid during the nine-month period:		
Final cash dividend	<u>653,244</u>	<u>458,866</u>

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 interest of AED 58,943 thousand for the period from 23 July 2009 to 22 January 2010. Further, in July 2010, the Board of Directors resolved to pay interest of AED 56,139 thousand for the period from 23 January 2010 to 22 July 2010 (Nine-months period ended 30 September 2009: AED 159,788 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

30 September 2010 (Unaudited)

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 30 September 2010 AED 000</i>	<i>Audited 31 December 2009 AED 000</i>
Cash and balances with U.A.E. Central Bank	7,429,160	5,546,970
Due from banks and financial institutions	<u>8,145,357</u>	<u>4,626,549</u>
	15,574,517	10,173,519
Less: Balances with U.A.E. Central Bank maturing after three months of placement	3,500,000	3,200,000
Less: Due from banks and financial institutions maturing after three months of placement	<u>137,298</u>	<u>1,083,250</u>
Cash and cash equivalents	<u>11,937,219</u>	<u>5,890,269</u>