



First Gulf Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012 (UNAUDITED)

Ernst & Young

 **ERNST & YOUNG**

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

Introduction

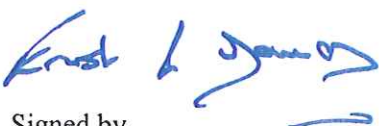
We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC and its Subsidiaries (the "Bank") as at 30 June 2012 and the related interim consolidated income statement and consolidated statement of comprehensive income, for the three-month and six-month periods then ended and the consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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



Signed by
Richard Mitchell
Partner
Ernst & Young
Registration No. 446

24 July 2012
Abu Dhabi

First Gulf Bank PJSC

INTERIM CONSOLIDATED BALANCE SHEET

30 June 2012 (Unaudited)

	Notes	Unaudited 30 June 2012 AED 000	Audited 31 December 2011 AED 000
Assets			
Cash and balances with U.A.E. Central Bank	20	7,192,605	9,586,770
Due from banks and financial institutions	5	12,365,774	12,225,320
Loans and advances		110,949,296	104,719,799
Investments	6	19,838,911	18,789,456
Investment in associates	4	382,934	443,810
Investment properties	7	7,833,709	7,537,900
Other assets	8	3,756,719	3,557,019
Property and equipment		<u>619,215</u>	<u>620,263</u>
Total assets		<u>162,939,163</u>	<u>157,480,337</u>
Liabilities			
Due to banks		10,372,068	8,247,336
Customers' deposits	9	104,774,102	103,473,733
Term loans	10	12,039,846	12,694,724
Sukuk financing instruments	11	4,223,950	2,387,450
Other liabilities		<u>4,287,738</u>	<u>3,909,978</u>
Total liabilities		<u>135,697,704</u>	<u>130,713,221</u>
Equity attributable to equity holders of the Bank			
Share capital	18	3,000,000	1,500,000
Capital notes	12	4,000,000	4,000,000
Legal reserve	19	8,780,110	8,780,110
Special reserve		846,648	846,648
General reserve		120,000	120,000
Revaluation reserve	13	87,554	87,554
Cash dividends	17	-	1,500,000
Bonus shares	18	-	1,500,000
Retained earnings		10,087,995	8,256,566
Cumulative changes in fair values		224,221	83,053
Foreign currency translation reserve		<u>(20,757)</u>	<u>(22,503)</u>
		27,125,771	26,651,428
Non-controlling interests		<u>115,688</u>	<u>115,688</u>
Total equity		<u>27,241,459</u>	<u>26,767,116</u>
Total equity and liabilities		<u>162,939,163</u>	<u>157,480,337</u>

Chairman

Managing Director

Chief Executive Officer

The attached explanatory notes 1 to 20 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

30 June 2012 (Unaudited)

	<i>Notes</i>	<i>Three month ended 30 June</i>		<i>Six month ended 30 June</i>	
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
		<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
Interest income and income from Islamic financing		1,871,674	1,737,309	3,724,719	3,450,382
Interest expense and Islamic financing expense		<u>(522,125)</u>	<u>(517,547)</u>	<u>(1,078,670)</u>	<u>(1,084,775)</u>
NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING		1,349,549	1,219,762	2,646,049	2,365,607
Share of profits of associates		4,204	4,930	7,099	11,539
Other operating income	14	<u>424,691</u>	<u>368,253</u>	<u>798,176</u>	<u>818,769</u>
OPERATING INCOME		1,778,444	1,592,945	3,451,324	3,195,915
General and administrative expenses		<u>(347,795)</u>	<u>(291,773)</u>	<u>(673,318)</u>	<u>(557,968)</u>
PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE		1,430,649	1,301,172	2,778,006	2,637,947
Provision for impairment of loans and advances		<u>(413,924)</u>	<u>(411,022)</u>	<u>(826,577)</u>	<u>(870,055)</u>
PROFIT FOR THE PERIOD		<u>1,016,725</u>	<u>890,150</u>	<u>1,951,429</u>	<u>1,767,892</u>
Profit attributable to:					
Equity holders of the Bank		1,016,725	890,150	1,951,429	1,765,425
Non-controlling interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,467</u>
		<u>1,016,725</u>	<u>890,150</u>	<u>1,951,429</u>	<u>1,767,892</u>
Basic and diluted earnings per share (AED)	16	<u>0.34</u>	<u>0.28</u>	<u>0.64</u>	<u>0.54</u>

The attached explanatory notes 1 to 20 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 June 2012 (Unaudited)

	<i>Three month ended</i> <i>30 June</i>		<i>Six month ended</i> <i>30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
PROFIT FOR THE PERIOD	1,016,725	890,150	1,951,429	1,767,892
OTHER COMPREHENSIVE INCOME:				
Net unrealised gains on available for sale investments	98,678	101,523	163,135	137,141
Realised gains on available for sale investments	(13,092)	(20,748)	(21,967)	(21,713)
Foreign exchange translation	<u>(2,794)</u>	<u>(32)</u>	<u>1,746</u>	<u>12,131</u>
Other comprehensive income for the period	<u>82,792</u>	<u>80,743</u>	<u>142,914</u>	<u>127,559</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,099,517</u>	<u>970,893</u>	<u>2,094,343</u>	<u>1,895,451</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	1,099,517	970,893	2,094,343	1,892,984
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,467</u>
	<u>1,099,517</u>	<u>970,893</u>	<u>2,094,343</u>	<u>1,895,451</u>

The attached explanatory notes 1 to 20 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2012 (Unaudited)

		Six month ended 30 June	
	Note	2012 AED 000	2011 AED 000
OPERATING ACTIVITIES			
Profit for the period		1,951,429	1,767,892
Adjustments for:			
Depreciation		30,868	30,093
Provision for impairment of loans and advances		826,577	870,055
Gain on sale of investment properties		(3,505)	(13,863)
Loss (gain) on disposal of property and equipment		7	(4)
Gain from investments		(26,938)	(6,345)
Share of results of associates		(7,099)	(11,539)
Operating profit before changes in operating assets and liabilities		2,771,339	2,636,289
Deposits with banks		(2,317,265)	(6,204,328)
Deposits with U.A.E Central Bank		1,750,000	(1,500,000)
Loans and advances		(7,056,074)	(3,944,215)
Other assets		(199,700)	(275,359)
Due to banks		2,124,732	5,725,906
Customers' deposits		1,300,369	2,239,352
Other liabilities		344,282	(217,648)
Net cash used in operating activities		(1,282,317)	(1,540,003)
INVESTING ACTIVITIES			
Purchase of investments		(7,706,725)	(15,642,808)
Proceeds from redemption and sale of investments		6,825,376	14,113,347
Purchase of property and equipment		(29,834)	(25,729)
Dividend received from associates		67,975	6,750
Additions to investment properties		(299,190)	(482,289)
Proceeds from sale of property and equipment		7	41
Proceeds from sale of investment properties		6,886	130,328
Net cash used in investing activities		(1,135,505)	(1,900,360)
FINANCING ACTIVITIES			
Dividends paid		(1,466,522)	(859,606)
Interest on mandatory convertible bonds		-	(81,461)
Interest on capital notes		(120,000)	(120,000)
Sukuk financing instruments		1,836,500	-
Movement in term loans		(654,878)	878,389
Net cash used in financing activities		(404,900)	(182,678)
DECREASE IN CASH AND CASH EQUIVALENTS		(2,822,722)	(3,623,041)
Cash and cash equivalents at the beginning of the period		10,251,155	13,507,292
Net changes in foreign currency translation reserve		1,746	12,131
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	20	7,430,179	9,896,382
Operating cash flows from interest and Islamic financing			
Interest and Islamic financing income received		3,609,308	3,443,732
Interest and Islamic financing expense paid		981,877	1,060,027

The attached explanatory notes 1 to 20 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2012 (Unaudited)

Attributable to equity holders of the Bank

	Share capital AED 000	Treasury shares AED 000	Capital notes AED 000	Legal reserve AED 000	Special reserve AED 000	General reserve AED 000	Revaluation reserve AED 000	Bonus shares AED 000	Cash dividends AED 000	Retained earnings AED 000	Cumulative changes in fair values AED 000	Foreign currency translation reserve AED 000	Mandatory convertible bonds AED 000	Total AED 000	Non-controlling interests AED 000	Total equity AED 000
At 1 January 2011	1,375,000	(1,056,332)	4,000,000	5,305,110	846,648	120,000	87,554	-	900,000	8,955,085	11,796	(18,489)	3,600,000	24,126,372	504,776	24,631,148
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	1,765,425	115,428	12,131	-	1,892,984	2,467	1,895,451
Transfer to dividends payable	-	-	-	-	-	-	-	-	(900,000)	-	-	-	-	(900,000)	-	(900,000)
Mandatory convertible bonds converted to shares (note 19)	125,000	-	-	-	-	-	-	-	-	-	-	-	(125,000)	-	-	-
Share premium on conversion of mandatory convertible bonds transferred to legal reserve (note 19)	-	-	-	3,475,000	-	-	-	-	-	-	-	-	(3,475,000)	-	-	-
Interest on mandatory convertible bonds	-	-	-	-	-	-	-	-	-	(81,462)	-	-	-	(81,462)	-	(81,462)
Interest on capital notes (note 12)	-	-	-	-	-	-	-	-	-	(120,000)	-	-	-	(120,000)	-	(120,000)
Non controlling interest derecognized (note 1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(387,569)	(387,569)
Treasury shares distributed	-	1,056,332	-	-	-	-	-	-	-	(1,056,332)	-	-	-	-	-	-
As of 30 June 2011	1,500,000	-	4,000,000	8,780,110	846,648	120,000	87,554	-	-	9,462,716	127,224	(6,358)	-	24,917,894	119,674	25,037,568
At 1 January 2012	1,500,000	-	4,000,000	8,780,110	846,648	120,000	87,554	1,500,000	1,500,000	8,256,566	83,033	(22,503)	-	26,651,428	115,688	26,767,116
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(1,500,000)	1,951,429	141,168	1,746	-	2,094,343	-	2,094,343
Transfer to dividends payable	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,500,000)	-	(1,500,000)
Proposed bonus shares converted to shares (note 18)	1,500,000	-	-	-	-	-	-	(1,500,000)	-	-	-	-	-	-	-	-
Interest on capital notes (note 12)	-	-	-	-	-	-	-	-	-	(120,000)	-	-	-	(120,000)	-	(120,000)
As of 30 June 2012	3,000,000	-	4,000,000	8,780,110	846,648	120,000	87,554	-	-	10,087,295	224,221	(20,757)	-	27,125,771	115,688	27,241,459

The attached explanatory notes 1 to 20 form part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (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 and retail banking investment and real estate activities through its Head Office, branches and subsidiaries 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. The Bank has established a representative office in India in September 2009 and in Qatar in November 2009. The representative office in Qatar was upgraded to a branch in May 2011.

Up until February 2011, the Bank had a partially owned subsidiary in Libya, First Gulf Libyan Bank (the "Previous Subsidiary"), that carried commercial banking activities. Effective March 2011, the Bank has disassociated itself from the Previous Subsidiary by suspending its management agreement and all the Bank nominated members in the Previous Subsidiary board have resigned. As a result of these changes, the Bank de-recognized the assets, liabilities and non-controlling interest relating to the Previous Subsidiary. As of that date, the investment in the Previous Subsidiary with a net carrying amount of AED 388 million was classified as available for sale investment (investments in equities – unquoted (note 6)). During 2012, the Bank's representatives were reinstated to the Board of Directors of the Previous Subsidiary and a revised management agreement was signed, and consequently the Bank regained control over the Previous Subsidiary.

In June 2011, the Bank established "FGB Sukuk Company Limited", a wholly owned subsidiary incorporated in the Cayman Islands for issuance of Sukuk financing instruments (note 11).

The registered head office of the Bank is at PO Box 6316, Abu Dhabi, United Arab Emirates (U.A.E.). The principal activities of the Bank are described in note 4.

The interim condensed consolidated financial statements of First Gulf Bank PJSC ("the Bank") were authorised for issue by the Board of Directors on 24 July 2012.

2.1 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 2011. In addition, results for the six-month period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

Significant 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 2011, except for the adoption of the following amendments to standards as of 1 January 2012:

- IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements
- IAS 12: Income Taxes – Recovery of Underlying Assets

The adoption of the above amendments did not have any effect on the financial performance and position of the Bank.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

2.2 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Bank and those of its following subsidiaries:

	<i>Activity</i>	<i>Country of incorporation</i>	<i>Percentage of holding</i>	
			<i>2012</i>	<i>2011</i>
Mismak Properties Co. LLC (Mismak)	Real estate investments	United Arab Emirates	100%	100%
Radman Properties Co. LLC (subsidiary of Mismak)	Real estate investments	United Arab Emirates	80%	80%
First Merchant International LLC	Merchant banking services	United Arab Emirates	100%	100%
FGB Sukuk Company Limited	Special purpose vehicle	Cayman Islands	100%	100%
First Gulf Properties	Management and brokerage of real estate properties	United Arab Emirates	100%	100%

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. The Bank exercises control over all of the subsidiaries listed above. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Non-controlling interests represent the portion of the profit and net assets in subsidiaries not held by the Bank and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the Bank shareholders' equity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

3 OFF-BALANCE SHEET ITEMS

Commitments and contingent liabilities

The Bank has the following commitments and contingent liabilities:

	<i>Unaudited</i> <i>30 June</i> <i>2012</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2011</i> <i>AED 000</i>
<i>Contingent liabilities:</i>		
Acceptances	3,188,392	2,320,093
Letters of credit	24,320,122	21,785,762
Guarantees	<u>40,484,367</u>	<u>43,247,654</u>
	<u>67,992,881</u>	<u>67,353,509</u>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	1,610,795	2,071,904
Commitments for future capital expenditure	1,571,136	1,905,625
Commitments for future private equity investments	<u>555,427</u>	<u>639,808</u>
	<u>3,737,358</u>	<u>4,617,337</u>
Total commitments and contingent liabilities	<u>71,730,239</u>	<u>71,970,846</u>

Derivatives

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

<i>Derivatives held for trading:</i>		
Forward foreign exchange contracts	24,105,182	12,954,483
Interest rate swaps, caps and collars	15,164,389	19,121,379
Credit default swaps	73,460	173,460
Commodity linked swap	734,600	734,600
Equity swaps	156,379	157,633
Swaptions	734,600	-
Options	5,464,547	1,778,693
Futures	<u>2,814,517</u>	<u>211,442</u>
	<u>49,247,674</u>	<u>35,131,690</u>
<i>Derivatives held for hedging:</i>		
Interest rate swaps	3,071,545	600,000
Cross Currency Swap	<u>1,045,280</u>	<u>1,471,646</u>
Total	<u>53,364,499</u>	<u>37,203,336</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 June 2012 (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 six-month period ended 30 June 2012:

	<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>66,758,126</u>	<u>36,436,271</u>	<u>38,913,179</u>	<u>8,217,927</u>	<u>12,613,660</u>	<u>162,939,163</u>
Liabilities	<u>87,246,383</u>	<u>13,848,038</u>	<u>22,156,444</u>	<u>1,772,091</u>	<u>10,674,748</u>	<u>135,697,704</u>
Operating income excluding associates	<u>1,347,355</u>	<u>393,424</u>	<u>1,423,624</u>	<u>66,312</u>	<u>213,510</u>	<u>3,444,225</u>
Net interest income and income from Islamic financing	<u>930,866</u>	<u>341,138</u>	<u>1,223,860</u>	<u>-</u>	<u>150,185</u>	<u>2,646,049</u>
Share of (loss) profit of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,327)</u>	<u>8,426</u>	<u>7,099</u>
Provision for impairment of loans and advances	<u>(331,121)</u>	<u>-</u>	<u>(269,820)</u>	<u>-</u>	<u>(225,636)</u>	<u>(826,577)</u>
Profit (loss) attributable to the equity holders of the Bank	<u>856,739</u>	<u>360,418</u>	<u>837,215</u>	<u>46,341</u>	<u>(149,284)</u>	<u>1,951,429</u>
Other segment information						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,316</u>	<u>244,618</u>	<u>382,934</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,594</u>	<u>29,430</u>	<u>329,024</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,960</u>	<u>28,908</u>	<u>30,868</u>
As of 31 December 2011:						
Assets	<u>64,064,723</u>	<u>37,925,241</u>	<u>37,256,940</u>	<u>7,930,275</u>	<u>10,303,158</u>	<u>157,480,337</u>
Liabilities	<u>85,024,629</u>	<u>15,266,336</u>	<u>19,535,131</u>	<u>1,562,133</u>	<u>9,324,992</u>	<u>130,713,221</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

4 SEGMENTAL INFORMATION continued

As of and for six-month period ended 30 June 2011:

	<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>61,634,033</u>	<u>34,612,233</u>	<u>36,081,362</u>	<u>7,888,308</u>	<u>9,013,437</u>	<u>149,229,373</u>
Liabilities	<u>84,260,541</u>	<u>14,861,080</u>	<u>15,726,486</u>	<u>1,487,633</u>	<u>7,856,065</u>	<u>124,191,805</u>
Operating income excluding associates	<u>1,251,008</u>	<u>250,231</u>	<u>1,489,282</u>	<u>54,202</u>	<u>139,653</u>	<u>3,184,376</u>
Net interest income and income from Islamic financing	<u>911,277</u>	<u>209,875</u>	<u>1,133,389</u>	<u>-</u>	<u>111,066</u>	<u>2,365,607</u>
Share of profits of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,635</u>	<u>8,904</u>	<u>11,539</u>
Provision for impairment of loans and advances	<u>(369,118)</u>	<u>-</u>	<u>(406,428)</u>	<u>-</u>	<u>(94,509)</u>	<u>(870,055)</u>
Profit (loss) attributable to the equity holders of the Bank	<u>743,472</u>	<u>223,497</u>	<u>820,701</u>	<u>50,534</u>	<u>(72,779)</u>	<u>1,765,425</u>
Other segment information						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,581</u>	<u>241,965</u>	<u>521,546</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>482,310</u>	<u>25,708</u>	<u>508,018</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>209</u>	<u>29,884</u>	<u>30,093</u>

5 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

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

	<i>Unaudited 30 June 2012 AED 000</i>	<i>Audited 31 December 2011 AED 000</i>
Within U.A.E	<u>2,095,951</u>	<u>5,050,815</u>
Outside U.A.E	<u>10,269,823</u>	<u>7,174,505</u>
	<u>12,365,774</u>	<u>12,225,320</u>

	<i>Unaudited</i> <i>30 June</i> <i>2012</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2011</i> <i>AED 000</i>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	150,361	152,932
Investments in equities - Quoted	187,758	216,331
Debt Securities	66,665	133,895
<i>Available for sale investments</i>		
Investments in equities – Quoted	7,001	-
– Unquoted	459,850	464,887
Investments in private equity funds	1,413,103	1,379,359
Debt securities - Quoted	3,631,441	2,299,673
- Unquoted	-	138,210
<i>Held to maturity investments</i>		
Debt securities – Quoted	11,404,146	11,172,251
– Unquoted	2,257,683	2,621,933
Structured Note – Unquoted	<u>260,903</u>	<u>209,985</u>
Total	<u>19,838,911</u>	<u>18,789,456</u>
Geographic analysis of investments is as follows:		
Within U.A.E	9,757,965	8,429,634
Outside U.A.E	<u>10,080,946</u>	<u>10,359,822</u>
	<u>19,838,911</u>	<u>18,789,456</u>

The fair value of held to maturity investments at 30 June 2012 amounted to AED 14,134,558 thousand (31 December 2011: AED 14,019,399 thousand).

	<i>Unaudited</i>	<i>Audited</i>
	<i>2012</i>	<i>2011</i>
	<i>AED 000</i>	<i>AED 000</i>
Balance at 1 January	7,537,900	7,049,254
Additions	299,190	482,289
Disposals	<u>(3,381)</u>	<u>(116,465)</u>
Balance at 30 June	<u>7,833,709</u>	7,415,078
Additions		178,961
Transferred from properties held for sale		-
Loss from fair value adjustment		<u>(56,139)</u>
At 31 December		7,537,900

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (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.

8 OTHER ASSETS

During the year 2008, the Bank entered into an exchange agreement (the "Agreement") in respect of an investment it held in a quoted equity, whereby the rights and benefits to the investment were transferred to the counterparty of the Agreement 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 counterparty. 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.

During 2011, the Bank, being the registered holder of the equity investment, participated in a rights issue offering by the investee, on behalf of the counterparty to the Agreement and purchased an additional investment with a total value of AED 128 million.

During 2012, the Bank and the third party decided to unwind the originally signed agreement. The third party will return a specific number of shares to the Bank over a specified period of time. As a result, the Bank acquired certain number of shares during the period. The carrying amount of the interest bearing asset amounted to AED 1,103 million (31 December 2011: AED 1,358 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 June 2012, the Government time deposit amounted to AED 11,618 million (31 December 2011: AED 10,700 million) and housing loans amounting to AED 11,405 million (31 December 2011: AED 10,369 million) were disbursed by the Bank. Interest is payable on this Government deposit at market rates based on the principal amount net of loan disbursements made.

10 TERM LOANS

	<i>Unaudited 30 June 2012 AED 000</i>	<i>Audited 31 December 2011 AED 000</i>
Syndicated loan	3,030,225	3,030,225
Bank loans	1,469,200	2,111,975
Euro Medium Term Note	1,724,992	1,724,268
Federal Government Loan	4,510,087	4,510,087
Medium Term Bonds	773,124	785,951
Repurchase agreements	<u>532,218</u>	<u>532,218</u>
	<u>12,039,846</u>	<u>12,694,724</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

10 TERM LOANS continued

Syndicated Loan:

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.

Bank Loans:

Bank loans comprise of several borrowings obtained from other commercial banks as follows:

<i>Loan no.</i>	<i>Year obtained</i>	<i>Loan amount US\$ 000</i>	<i>Loan amount AED 000</i>	<i>Maturity</i>	<i>Interest</i>
1	2011	200,000	734,600	July 2013	Libor + 150 bps
2	2012	200,000	734,600	April 2014	Libor + 150 bps
		<u>400,000</u>	<u>1,469,200</u>		

During the six-month period ended 30 June 2012, bank loans amounting to US\$ 375,000 thousand (AED 1,377,375 thousand) were repaid in full. Two bank loans amounting to US\$ 150,000 thousand each (AED 550,950 thousand) were repaid on 26 April 2012 and 31 May 2012 respectively, and a bank loan of US\$ 75,000 thousand (AED 275,475 thousand) was repaid on 8 June 2012.

Euro Medium Term Note:

During 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. At 30 June 2012, EMTN notes with a nominal value of US\$ 30 million were repurchased by the Bank (31 December 2011: US\$ 30 million).

Federal Government Loan:

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.

Medium Term Bonds:

On 16 February 2011, the Bank issued 5 year bonds of CHF 200 million (equivalent of AED 774 million). The bonds are due in February 2016 and carry a coupon rate of 3% per annum payable annually in arrears.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

10 TERM LOANS continued**Repurchase Agreements:**

During 2010, the Bank entered into several transactions with a foreign bank to obtain financing against the sale of debt securities, amounting to AED 532,218 thousand with arrangements to repurchase them at a fixed future date. The amount and maturity of each transaction are as follows:

No.	Amount US\$ 000	Amount AED 000	Maturity
1	1,800	6,612	2-Aug-12
2	18,000	66,115	1-Aug-13
3	54,900	201,647	8-Apr-14
4	13,500	49,585	8-Oct-14
5	40,500	148,756	25-Oct-17
6	7,200	26,446	1-Aug-18
7	9,000	33,057	8-Apr-19
	<u>144,900</u>	<u>532,218</u>	

The Bank has not had any defaults of principal, interest or other breaches with regard to all liabilities during the six-month period ended 30 June 2012 and the year ended 31 December 2011.

11 SUKUK FINANCING INSTRUMENTS

In August 2011, the Bank raised financing by way of a sukuk issued by FGB Sukuk Company Limited (a special purpose vehicle) amounting to US\$ 650 million (equivalent to AED 2,387 million) and maturing in August 2016 (the Sukuk). The Sukuk carries a fixed profit rate of 3.797 percent per annum payable semi annually and is listed on the London Stock Exchange. The Sukuk was the inaugural issuance under the US\$ 3.5 billion trust certificate issuance programme. Pursuant to the sukuk structure, FGB Sukuk Company Limited (as Rab-ul-Maal and Trustee) will receive certain payments from the Bank (as mudareb of certain mudaraba assets and wakeel of certain wakala assets). FGB Sukuk Company Limited will use such amounts received from the Bank to discharge its payment obligations under the Sukuk. Such payment obligations of the Bank rank parri passu with all other senior unsecured obligations of the Bank.

On 18 January 2012, the Bank issued its second tranche of trust certificates amounting to US\$ 500 million (equivalent to AED 1,836 million) due in 2017 under the same trust certificate issuance program.

12 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 (Period ended 30 June 2011: AED 120 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (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>Six month ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
Investment income:				
Gains on disposal of available for sale investments	13,092	20,748	21,967	21,713
Gains on disposal of investments				
carried at fair value through income statement	2,070	13,126	6,346	11,064
Change in fair value of investments carried				
at fair value through income statement	(11,657)	(10,269)	(1,375)	(26,431)
Other investment income	<u>2,957</u>	<u>2,606</u>	<u>8,742</u>	<u>8,742</u>
Total investment income	6,462	26,211	35,680	15,088
Commission income	110,709	115,894	224,649	232,533
Fee income	162,508	112,245	290,364	340,352
Fees and commissions on credit cards	71,034	63,319	136,184	123,292
Brokerage and fund management fee income	2,703	2,458	5,116	5,314
Foreign exchange income	16,513	15,124	32,840	35,777
Derivative income (loss)	18,815	(7,169)	4,705	9,726
Gain on sale of investment properties	3,389	13,863	3,505	13,863
Rental income	14,330	11,020	30,771	26,700
(Loss) gain on sale of property and equipment	(2)	1	(7)	4
Management fees on leasing properties	13,817	-	27,657	-
Other income	<u>4,413</u>	<u>15,287</u>	<u>6,712</u>	<u>16,120</u>
Total	<u>424,691</u>	<u>368,253</u>	<u>798,176</u>	<u>818,769</u>

15 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 8,742 thousand (30 June 2011: AED 8,742 thousand) recorded in the consolidated statement of income for the six-month period ended 30 June 2012.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (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:

	Three month ended 30 June		Six month ended 30 June	
	Unaudited 2012	Unaudited 2011	Unaudited 2012	Unaudited 2011
Profit for the period attributable to ordinary equity holders (AED 000)	1,016,725	890,150	1,951,429	1,765,425
Deduct: Interest on mandatory convertible bonds (AED 000)	-	-	-	(29,045)
Deduct: Interest on capital notes (AED 000)	-	(60,000)	(36,973)	(119,391)
Profit attributable to ordinary equity holders (AED 000)	<u>1,016,725</u>	<u>830,150</u>	<u>1,914,456</u>	<u>1,616,989</u>
Weighted average number of ordinary shares in issue (000's)	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>2,971,823</u>
Basic and diluted earnings per share (AED)	<u>0.34</u>	<u>0.28</u>	<u>0.64</u>	<u>0.54</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.

17 DIVIDENDS

	30 June	
	Unaudited 2012 AED 000	Unaudited 2011 AED 000
Dividends on ordinary shares declared during the six-month period:		
Final cash dividend for 2011: AED 1 (2010: Declared AED 60 fils)	<u>1,500,000</u>	<u>900,000</u>
Dividends on ordinary shares paid during the six-month period:		
Final cash dividend	<u>1,466,552</u>	<u>859,606</u>

Dividends declared of AED 1 per share during the six-month period ended 30 June 2012 were based on the outstanding share capital as at 31 December 2011. Dividends of 60 fils per share proposed in respect of the year ended 31 December 2010 and subsequently declared in 2011 were based on the outstanding share capital, inclusive of the treasury shares distributed to shareholders, in addition to the shares issued on conversion of the mandatory conversion bonds.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

18 SHARE CAPITAL

	<i>Unaudited</i> 30 June 2012 AED 000	<i>Audited</i> 31 December 2011 AED 000
Ordinary shares of AED 1 each	<u>3,000,000</u>	<u>1,500,000</u>

In its meeting held on 30 January 2012, the Board of Directors of the Bank resolved to distribute 1,500 million shares amounting to AED 1,500 million to shareholders of the Bank as bonus shares. The resolution was approved by the shareholders of the Bank in the Annual General Meeting held on 29 February 2012.

19 MANDATORY CONVERTIBLE BONDS

During 2011, the Board of Directors of the Bank approved a plan to early convert the mandatory convertible bonds. The Bank obtained the approval of all the bondholders, and as a result, early converted the bonds during February 2011. The conversion resulted in the following:

- The share capital of the Bank increased by AED 125 million, representing the par value of AED 1 for 125 million newly issued shares.
- The legal reserve of the Bank increased by AED 3,475 million, representing the share premium on those additional new shares.

The Board of Directors resolved to pay interest of AED 81,462 thousand in two phases as follows: AED 59,490 thousand until 22 January 2011 and AED 21,972 thousand for the period from 23 January 2011 until the bonds are converted.

20 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> 30 June 2012 AED 000	<i>Audited</i> 31 December 2011 AED 000
Cash and balances with U.A.E. Central Bank	7,192,605	9,586,776
Due from banks and financial institutions	<u>12,365,774</u>	<u>12,225,320</u>
	19,558,379	21,812,090
Less: Balances with U.A.E. Central Bank maturing after three months of placement	4,250,000	6,000,000
Less: Due from banks and financial institutions maturing after three months of placement	<u>7,878,200</u>	<u>5,560,935</u>
Cash and cash equivalents	<u>7,430,179</u>	<u>10,251,155</u>