

First Gulf Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2013 (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 statement of financial position of First Gulf Bank PJSC and its Subsidiaries (the "Bank") as at 30 September 2013 and the related interim consolidated statement of income and consolidated statement of comprehensive income for the three-month and nine-month periods then ended and the consolidated statement of cash flows and 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

28 October 2013
Abu Dhabi


First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013 (Unaudited)

	<i>Notes</i>	<i>Unaudited 30 September 2013 AED 000</i>	<i>Audited 31 December 2012 AED 000</i>
Assets			
Cash and balances with Central Banks	20	20,240,317	12,844,336
Due from banks and financial institutions	5	14,177,940	18,329,081
Loans and advances		126,892,445	114,644,479
Investments	6	16,626,070	17,278,266
Investment in associates		173,816	392,965
Investment properties	7	8,004,570	7,771,812
Other assets	8	2,653,078	3,147,027
Property and equipment		<u>794,307</u>	<u>625,643</u>
Total assets		<u>189,562,543</u>	<u>175,033,609</u>
Liabilities			
Due to banks		8,626,059	3,919,498
Customers' deposits	9	132,574,196	119,304,634
Term loans	10	9,804,485	13,400,771
Sukuk financing instruments	11	4,223,950	4,223,950
Other liabilities		<u>4,022,681</u>	<u>4,321,666</u>
Total liabilities		<u>159,251,371</u>	<u>145,170,519</u>
Equity			
Equity attributable to equity holders of the Bank			
Share capital	18	3,000,000	3,000,000
Capital notes	12	4,000,000	4,000,000
Legal reserve		8,780,110	8,780,110
Special reserve		1,262,083	1,262,083
General reserve		120,000	120,000
Revaluation reserve	13	87,554	87,554
Proposed cash dividends		-	2,500,000
Retained earnings		12,389,717	9,227,477
Cumulative changes in fair values		170,083	393,239
Foreign currency translation reserve		<u>(17,905)</u>	<u>(22,253)</u>
Non-controlling interests		<u>29,791,642</u>	<u>29,348,210</u>
		<u>519,530</u>	<u>514,880</u>
Total equity		<u>30,311,172</u>	<u>29,863,090</u>
Total equity and liabilities		<u>189,562,543</u>	<u>175,033,609</u>


Chairman


Managing Director


Chief Executive Officer

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

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF INCOME

30 September 2013 (Unaudited)

	Notes	Three month ended 30 September		Nine month ended 30 September	
		2013 AED 000	2012 AED 000	2013 AED 000	2012 AED 000
Interest income and income from Islamic financing		1,957,443	1,914,766	5,805,301	5,639,485
Interest expense and Islamic financing expense		<u>(431,999)</u>	<u>(510,232)</u>	<u>(1,430,437)</u>	<u>(1,588,902)</u>
NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING		1,525,444	1,404,534	4,374,864	4,050,583
Share of profits of associates		13,218	12,126	26,216	19,225
Other operating income	14	<u>513,789</u>	<u>395,333</u>	<u>1,544,254</u>	<u>1,193,509</u>
OPERATING INCOME		2,052,451	1,811,993	5,945,334	5,263,317
General and administrative expenses		<u>(430,877)</u>	<u>(351,524)</u>	<u>(1,233,365)</u>	<u>(1,024,842)</u>
PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE		1,621,574	1,460,469	4,711,969	4,238,475
Provision for impairment of loans and advances		<u>(422,617)</u>	<u>(398,639)</u>	<u>(1,274,195)</u>	<u>(1,225,216)</u>
PROFIT FOR THE PERIOD BEFORE TAXATION		1,198,957	1,061,830	3,437,774	3,013,259
Income taxes		<u>(5,323)</u>	<u>(7,584)</u>	<u>(23,539)</u>	<u>(7,584)</u>
PROFIT FOR THE PERIOD		<u>1,193,634</u>	<u>1,054,246</u>	<u>3,414,235</u>	<u>3,005,675</u>
Profit attributable to:					
Equity holders of the Bank		1,189,611	1,054,246	3,402,240	3,005,675
Non-controlling interests		<u>4,023</u>	-	<u>11,995</u>	-
		<u>1,193,634</u>	<u>1,054,246</u>	<u>3,414,235</u>	<u>3,005,675</u>
Basic and diluted earnings per share (AED)	16	<u>0.38</u>	<u>0.33</u>	<u>1.08</u>	<u>0.94</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 September 2013 (Unaudited)

	<i>Three month ended</i>		<i>Nine month ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
PROFIT FOR THE PERIOD	1,193,634	1,054,246	3,414,235	3,005,675
OTHER COMPREHENSIVE (LOSS) INCOME:				
Items that will not be reclassified to the consolidated statement of income:				
Realised gains on available for sale investments	<u>(352)</u>	<u>(24,002)</u>	<u>(64,306)</u>	<u>(45,969)</u>
Items that may be reclassified subsequently to the consolidated statement of income				
Net unrealised gains (losses) on available for sale investments	21,772	128,649	(113,580)	291,784
Net unrealised losses on cash flow hedges	(958)	-	(45,270)	-
Foreign exchange translation	<u>7,862</u>	<u>2,305</u>	<u>(2,997)</u>	<u>4,051</u>
Other comprehensive income (loss) for the period	<u>28,324</u>	<u>106,952</u>	<u>(226,153)</u>	<u>249,866</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,221,958</u>	<u>1,161,198</u>	<u>3,188,082</u>	<u>3,255,541</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	1,220,456	1,161,198	3,183,432	3,255,541
Non-controlling interests	<u>1,502</u>	<u>-</u>	<u>4,650</u>	<u>-</u>
	<u>1,221,958</u>	<u>1,161,198</u>	<u>3,188,082</u>	<u>3,255,541</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 September 2013 (Unaudited)

	Note	Nine month ended 30 September	
		2013 AED 000	2012 AED 000
OPERATING ACTIVITIES			
Profit for the period before taxation		3,437,774	3,013,259
Adjustments for:			
Depreciation		43,970	44,320
Provision for impairment of loans and advances		1,274,195	1,225,216
Gain on sale of investment properties	14	(4,738)	(3,628)
(Gain) loss on sale of property and equipment		(2)	14
Gain from investments		(84,401)	(62,134)
Share of results of associates		(26,216)	(19,225)
Gain on bargain purchase arising on business combination	19	(628)	-
Gain on exchange of investment property	14	<u>(35,659)</u>	<u>-</u>
Operating profit before changes in operating assets and liabilities		4,604,295	4,197,822
Deposits with banks		2,190,072	3,477,401
Loans and advances		(12,180,711)	(10,892,888)
Other assets		529,106	219,566
Due to banks		4,436,161	(3,848,437)
Customers' deposits		12,983,839	6,331,425
Other liabilities		<u>(423,134)</u>	<u>625,364</u>
Net cash from operating activities		<u>12,139,628</u>	<u>110,253</u>
INVESTING ACTIVITIES			
Purchase of investments		(4,848,343)	(10,340,026)
Proceeds from redemption and sale of investments		5,407,054	11,785,832
Purchase of property and equipment		(209,865)	(43,190)
Dividend received from associates		-	93,998
Additions to investment properties	7	(122,564)	(419,201)
Proceeds from sale of property and equipment		23	14
Capital injected in a subsidiary	19	(300,000)	-
Acquisition of subsidiary, net of cash acquired	19	(366,553)	-
Deposits with Central Banks		-	1,750,000
Proceeds from sale of investment properties		<u>28,189</u>	<u>7,406</u>
Net cash (used in) from investing activities		<u>(412,059)</u>	<u>2,834,833</u>
FINANCING ACTIVITIES			
Dividends paid		(2,465,372)	(1,475,513)
Movement in non-controlling interests		4,650	-
Interest on capital notes		(240,000)	(240,000)
Sukuk financing instruments		-	1,836,500
Movement in term loans		<u>(3,596,286)</u>	<u>(653,814)</u>
Net cash used in financing activities		<u>(6,297,008)</u>	<u>(532,827)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		5,430,561	2,412,259
Cash and cash equivalents at the beginning of the period		20,784,145	10,251,155
Net changes in foreign currency translation reserve		<u>4,348</u>	<u>4,051</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	20	<u>26,219,054</u>	<u>12,667,465</u>
Operating cash flows from interest and Islamic financing			
Interest and Islamic financing income received		5,737,250	5,512,107
Interest and Islamic financing expense paid		1,527,893	1,414,118

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 September 2013 (Unaudited)

Attributable to equity holders of the Bank

	Share capital 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	Total equity AED 000	Non-controlling interests AED 000	Total equity AED 000
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	83,053	(22,503)	26,651,428	115,688	26,767,116
Total comprehensive income for the period	-	-	-	-	-	-	-	-	3,005,675	245,815	4,051	3,255,541	-	3,255,541
Transfer to dividends payable	-	-	-	-	-	-	-	(1,500,000)	-	-	-	(1,500,000)	-	(1,500,000)
Proposed bonus shares converted to shares	1,500,000	-	-	-	-	-	(1,500,000)	-	-	-	-	-	-	-
Interest on capital notes (note 12)	-	-	-	-	-	-	-	-	(240,000)	-	-	(240,000)	-	(240,000)
As of 30 September 2012	3,000,000	4,000,000	8,780,110	846,648	120,000	87,554	-	-	11,022,241	328,868	(18,452)	28,166,969	115,688	28,282,657
At 1 January 2013	3,000,000	4,000,000	8,780,110	1,262,083	120,000	87,554	-	2,500,000	9,227,477	393,239	(22,253)	29,348,210	514,880	29,863,090
Total comprehensive income for the period	-	-	-	-	-	-	-	-	3,402,240	(223,156)	4,348	3,183,432	4,650	3,188,082
Transfer to dividends payable	-	-	-	-	-	-	-	(2,500,000)	-	-	-	(2,500,000)	-	(2,500,000)
Interest on capital notes (note 12)	-	-	-	-	-	-	-	-	(240,000)	-	-	(240,000)	-	(240,000)
As of 30 September 2013	3,000,000	4,000,000	8,780,110	1,262,083	120,000	87,554	-	-	12,389,717	170,083	(17,905)	29,791,642	519,530	30,311,172

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 September 2013 (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. In December 2012, the Bank established a representative office in Hong Kong.

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 28 October 2013.

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 2012. In addition, results for the nine-month period ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

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 2012, except for the adoption of the following new standards and amendments to standards as of 1 January 2013:

- IAS 1 Presentation of Items of Other Comprehensive Income (Amendments)
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)
- IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
- IAS 19 Employee Benefits (Revised 2011) (IAS 19R)
- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

Significant accounting policies continued

The new standards and amendments to standards listed above had no significant impact on the Bank's financial position or performance or disclosures.

The Bank has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

2.2 BASIS OF CONSOLIDATION

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

	Activity	Country of incorporation	Percentage of holding	
			2013	2012
Mismak Properties Co. LLC (Mismak)	Real estate investments	United Arab Emirates	100%	100%
Aseel Finance P JSC	Islamic Finance	United Arab Emirates	100%	40%
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%
FGB Sukuk Company II Limited	Special purpose vehicle	Cayman Islands	100%	-
First Gulf Libyan Bank	Banking services	Libya	50%	50%
First Gulf Properties LLC	Management and brokerage of real estate properties	United Arab Emirates	100%	100%

During the period ended 30 September 2013, the Bank acquired an additional stake of 60% in Aseel Finance PJSC ("Aseel"). The Bank obtained control over Aseel on 31 July 2013 (note 19).

Although the Bank owns 50% of the outstanding shares of First Gulf Libyan Bank, the investment has been classified as a subsidiary as the Bank exercises control over the investee because it casts the majority of the votes on the board of directors.

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 September 2013 (Unaudited)

3 OFF-BALANCE SHEET ITEMS

Commitments and contingent liabilities

The Bank has the following commitments and contingent liabilities:

	<i>Unaudited</i> 30 September 2013 AED'000	<i>Audited</i> 31 December 2012 AED'000
<i>Contingent liabilities:</i>		
Acceptances	4,311,688	4,456,375
Letters of credit	29,760,411	25,696,127
Guarantees	<u>50,170,860</u>	<u>43,541,455</u>
	<u>84,242,959</u>	<u>73,693,957</u>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	4,559,738	2,943,782
Commitments for future capital expenditure	1,402,960	1,430,169
Commitments for future private equity investments	<u>720,853</u>	<u>517,583</u>
	<u>6,683,551</u>	<u>4,891,534</u>
Total commitments and contingent liabilities	<u>90,926,510</u>	<u>78,585,491</u>

During the period, the Bank signed an agreement to purchase 100% shares of a financial services company for a consideration of AED 601 million. Payment of the amount is subject to completion of certain formalities and expected by end of 2013.

Derivatives

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

	<i>Unaudited</i> 30 September 2013 AED'000	<i>Audited</i> 31 December 2012 AED'000
<i>Derivatives held for trading:</i>		
Forward foreign exchange contracts	39,318,653	26,016,703
Interest rate swaps, caps and collars	12,798,946	13,997,867
Credit default swaps	-	73,460
Commodity linked swap	734,600	734,600
Equity swaps	159,427	158,434
Swaptions	1,469,200	1,469,200
Options	9,663,008	6,603,216
Futures	<u>20,335</u>	<u>1,209,222</u>
	<u>64,164,169</u>	<u>50,262,702</u>
<i>Derivatives held for hedging:</i>		
Interest rate swaps	2,920,283	2,714,659
Cross currency swaps	<u>3,028,911</u>	<u>2,037,269</u>
	<u>5,949,194</u>	<u>4,751,928</u>
Total	<u>70,113,363</u>	<u>55,014,630</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

3 OFF-BALANCE SHEET ITEMS continued

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.

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 nine-month period ended 30 September 2013:

	<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>72,458,247</u>	<u>47,606,097</u>	<u>45,107,941</u>	<u>9,471,203</u>	<u>14,919,055</u>	<u>189,562,543</u>
Liabilities	<u>108,009,486</u>	<u>7,463,027</u>	<u>33,733,279</u>	<u>1,428,473</u>	<u>8,617,106</u>	<u>159,251,371</u>
Operating income excluding associates	<u>2,108,446</u>	<u>770,550</u>	<u>2,497,903</u>	<u>146,397</u>	<u>395,822</u>	<u>5,919,118</u>
Net interest income and income from Islamic financing	<u>1,450,458</u>	<u>564,785</u>	<u>2,055,799</u>	<u>-</u>	<u>303,822</u>	<u>4,374,864</u>
Share of profits of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,815</u>	<u>13,401</u>	<u>26,216</u>
Provision for impairment of loans and advances	<u>419,431</u>	<u>-</u>	<u>529,502</u>	<u>-</u>	<u>325,262</u>	<u>1,274,195</u>
Profit (loss) attributable to the equity holders of the Bank	<u>1,426,401</u>	<u>711,265</u>	<u>1,333,221</u>	<u>129,618</u>	<u>(198,265)</u>	<u>3,402,240</u>
Other segment information						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,566</u>	<u>33,250</u>	<u>173,816</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,358</u>	<u>208,071</u>	<u>332,429</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,554</u>	<u>42,416</u>	<u>43,970</u>
As of 31 December 2012:						
Assets	<u>68,110,862</u>	<u>44,728,622</u>	<u>41,191,577</u>	<u>9,403,617</u>	<u>11,598,931</u>	<u>175,033,609</u>
Liabilities	<u>98,271,120</u>	<u>5,292,473</u>	<u>26,766,312</u>	<u>1,386,108</u>	<u>13,454,506</u>	<u>145,170,519</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

4 SEGMENTAL INFORMATION continued

As of and for nine-month period ended 30 September 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>68,697,194</u>	<u>33,949,344</u>	<u>40,296,893</u>	<u>8,341,292</u>	<u>12,034,264</u>	<u>163,318,987</u>
Liabilities	<u>92,180,075</u>	<u>5,991,625</u>	<u>23,908,516</u>	<u>1,800,958</u>	<u>11,155,156</u>	<u>135,036,330</u>
Operating income excluding associates	<u>2,019,262</u>	<u>627,782</u>	<u>2,183,470</u>	<u>96,665</u>	<u>316,913</u>	<u>5,244,092</u>
Net interest income and income from Islamic financing	<u>1,431,403</u>	<u>511,885</u>	<u>1,867,987</u>	<u>-</u>	<u>239,308</u>	<u>4,050,583</u>
Share of profits of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,994</u>	<u>12,231</u>	<u>19,225</u>
Provision for impairment of loans and advances	<u>(496,121)</u>	<u>-</u>	<u>(388,262)</u>	<u>-</u>	<u>(340,833)</u>	<u>(1,225,216)</u>
Profit (loss) attributable to the equity holders of the Bank	<u>1,282,250</u>	<u>578,617</u>	<u>1,303,127</u>	<u>76,127</u>	<u>(234,446)</u>	<u>3,005,675</u>
Other segment information						
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,614</u>	<u>248,423</u>	<u>369,037</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,922</u>	<u>42,469</u>	<u>462,391</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,657</u>	<u>41,663</u>	<u>44,320</u>

5 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

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

	<i>Unaudited 30 September 2013 AED 000</i>	<i>Audited 31 December 2012 AED 000</i>
Within U.A.E	<u>7,500,182</u>	6,464,070
Outside U.A.E	<u>6,677,758</u>	<u>11,865,011</u>
	<u>14,177,940</u>	<u>18,329,081</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

6 INVESTMENTS

	<i>Unaudited</i> <i>30 September</i> <i>2013</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2012</i> <i>AED 000</i>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	167,603	168,258
Investments in equities - Quoted	125,364	149,120
- Unquoted	20,022	19,178
Debt securities	<u>-</u>	<u>159,765</u>
	<u>312,989</u>	<u>496,321</u>
Available for sale investments		
Investments in equities -Quoted	18,605	28,599
-Unquoted	70,638	70,632
Investments in private equity funds	1,384,902	1,398,028
Debt securities - Quoted	6,381,748	4,008,194
- Unquoted	352,850	13,053
Structured debt notes - Unquoted	<u>826,425</u>	<u>1,193,725</u>
	<u>9,035,168</u>	<u>6,712,231</u>
Held to maturity investments		
Debt securities - Quoted	6,679,618	9,061,135
- Unquoted	<u>598,295</u>	<u>1,008,579</u>
	<u>7,277,913</u>	<u>10,069,714</u>
Total	<u>16,626,070</u>	<u>17,278,266</u>
Geographic analysis of investments is as follows:		
Within U.A.E.	8,473,450	9,783,025
Outside U.A.E.	<u>8,152,620</u>	<u>7,495,241</u>
	<u>16,626,070</u>	<u>17,278,266</u>

Of the debt securities at 30 September 2013, 56% (31 December 2012: 55%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

The fair value of held to maturity investments at 30 September 2013 amounted to AED 7,554,337 thousand (31 December 2012: AED 10,464,545 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

7 INVESTMENT PROPERTIES

	<i>Unaudited</i> <i>2013</i> <i>AED 000</i>	<i>Audited</i> <i>2012</i> <i>AED 000</i>
Balance at 1 January	7,771,812	7,537,900
Acquired in business combination (note 19)	97,986	-
Additions	122,564	419,201
Properties disposed off as part of property exchange	(71,941)	-
Other disposals	(23,451)	(3,778)
Properties acquired as part of property exchange	<u>107,600</u>	<u>-</u>
Closing balance at 30 September	<u>8,004,570</u>	7,953,323
Additions		113,338
Disposals		(357,109)
Gain from fair value adjustment		<u>62,260</u>
At 31 December		<u>7,771,812</u>

Investment properties are stated at fair value, which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

During the period ended 30 September 2013, a subsidiary of the Bank (the "Subsidiary") entered into an agreement with a property developer (the "Developer") to exchange certain plots of lands the Subsidiary had purchased, with other plots in a different location. The acquired properties have been recorded at their fair value on the date of exchange. The exchange transaction resulted in a gain of AED 35,659 thousand. This non-cash transaction has been excluded from the interim statement of cash flows.

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 over a specific period of time. As a result, the bank has acquired a certain number of shares.

The carrying amount of the interest bearing asset amounted to AED 177 million (31 December 2012: AED 689 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

9 CUSTOMERS' DEPOSITS

In December 2006, the Bank entered into an 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 2013, the Government time deposit amounted to AED 14,673 million (31 December 2012: AED 12,845 million) and housing loans amounting to AED 14,358 million (31 December 2012: AED 12,515 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</i> <i>30 September</i> <i>2013</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2012</i> <i>AED 000</i>
Syndicated loan	3,305,700	3,305,700
Bank loans	1,469,200	1,469,200
Euro Medium Term Note	2,943,182	2,387,450
Federal Government loan	-	4,510,087
Medium term bonds	1,626,911	1,202,728
Repurchase agreements	<u>459,492</u>	<u>525,606</u>
	<u>9,804,485</u>	<u>13,400,771</u>

Syndicated Loan:

On 6 December 2012, the Bank obtained a loan of US\$ 900 million (equivalent to AED 3,306 million) from a syndicate comprising of several foreign and local banks. The loan is repayable in full in December 2015. The loan accrues interest at the rate of LIBOR plus a margin of 1.30% per annum plus a mandatory cost, if any, calculated by the facility agent as the weighted average of the lenders' additional cost rates. 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</i> <i>US\$ 000</i>	<i>Loan amount</i> <i>AED 000</i>	<i>Maturity</i>	<i>Interest</i>
1	2012	200,000	734,600	April 2014	Libor + 150 bps
2	2013	150,000	550,950	December 2014	Libor + 100 bps
3	2013	50,000	183,650	March 2016	Libor + 130 bps
		<u>400,000</u>	<u>1,469,200</u>		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

10 TERM LOANS continued

Euro Medium Term Note:

On 9 October 2012, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 650 million (equivalent to AED 2,387 million). The notes are due in October 2017 and carry a coupon rate of 2.862% per annum payable semi-annually in arrears.

On 8 August 2013, the Bank issued a Euro Medium Term Note (EMTN) of HKD 400 million (equivalent to AED 189 million). The notes are due in August 2023 and carry a coupon rate of 4.18% per annum payable annually in arrears.

On 15 August 2013, the Bank issued a Euro Medium Term Note (EMTN) of HKD 400 million (equivalent to AED 189 million). The notes are due in August 2023 and carry a coupon rate of 4.18% per annum payable annually in arrears.

On 19 September 2013, the Bank issued a Euro Medium Term Note (EMTN) of JPY 4,700 million (equivalent to AED 177 million). The notes are due in September 2016 and carry a coupon rate of 1.00% per annum payable semi-annually in arrears.

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 purpose 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 had the option at any time during the option period to repay the loan in whole or in part subject to meeting certain conditions.

The Federal Government Loan of AED 4,510,087 thousand was repaid in full on 3 March 2013.

Medium Term Bonds:

On 16 February 2011, the Bank issued 5 year bonds of CHF 200 million (equivalent of AED 813 million). The bonds are due in February 2016 and carry a coupon rate of 3% per annum payable annually in arrears.

On 27 November 2012, the Bank issued CHF 100 million bonds (equivalent of AED 407 million). The bonds are due in January 2016 and carry a coupon at the rate of 3 months CHF LIBOR plus a margin of 1.15% per annum payable quarterly in arrears.

On 23 April 2013, the Bank issued CHF 100 million bonds (equivalent of AED 407 million). The bonds are due in April 2015 and carry a coupon at the rate of 3 months CHF LIBOR plus a margin of 0.60% per annum payable quarterly in arrears.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (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 outstanding transactions are as follows:

<i>No.</i>	<i>Amount US\$ 000</i>	<i>Amount AED 000</i>	<i>Maturity</i>
1	54,900	201,647	8-Apr-14
2	13,500	49,585	8-Oct-14
3	40,500	148,756	25-Oct-17
4	7,200	26,446	1-Aug-18
5	9,000	33,058	8-Apr-19
	<u>125,100</u>	<u>459,492</u>	

The Bank has not had any defaults of principal, interest or other breaches with regard to all borrowings during the nine-month period ended 30 September 2013 and year ended 31 December 2012.

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 January 2017 under the same trust certificate issuance program. The Sukuk carries a fixed profit rate of 4.046 percent per annum payable semi annually and is listed on the London Stock Exchange.

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 240 million (period ended 30 September 2012: AED 240 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (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>Nine month ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</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	352	24,002	64,306	45,969
Gain on disposal of investments carried at fair value through income statement	11,629	7,254	24,362	13,600
Changes in fair value of investments carried at fair value through income statement	21,325	3,941	732	2,566
Other investment (loss) income	<u>(4,272)</u>	<u>1,105</u>	<u>6,518</u>	<u>9,847</u>
Total investment income	29,034	36,302	95,918	71,982
Commission income	131,500	112,608	391,118	337,257
Fee income	126,316	92,221	492,399	382,585
Fees and commission on credit cards	105,836	78,461	285,999	214,645
Brokerage and fund management fee income	454	12,225	7,018	17,341
Foreign exchange income	18,323	16,925	64,647	49,765
Derivative gains	20,181	13,774	51,347	18,479
Gain on sale of investment properties	2,748	123	4,738	3,628
Gain on exchange of investment properties (note 7)	35,659	-	35,659	-
Rental income	29,016	16,576	67,265	47,347
Management fees on leasing properties	14,671	11,894	38,858	39,551
Gain (loss) on sale of property and equipment	2	(8)	2	(14)
Other income	<u>49</u>	<u>4,232</u>	<u>9,286</u>	<u>10,943</u>
Total	<u>513,789</u>	<u>395,333</u>	<u>1,544,254</u>	<u>1,193,509</u>

15 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 6,518 thousand (30 September 2012: AED 9,847 thousand) recorded in the consolidated statement of income for the nine-month period ended 30 September 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (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 30 September</i>		<i>Nine month ended 30 September</i>	
	<i>Unaudited 2013</i>	<i>Unaudited 2012</i>	<i>Unaudited 2013</i>	<i>Unaudited 2012</i>
Profit for the period attributable to ordinary equity holders (AED 000)	1,189,611	1,054,246	3,402,240	3,005,675
Deduct: Interest on capital notes (AED 000)	<u>(37,790)</u>	<u>(60,409)</u>	<u>(157,174)</u>	<u>(180,000)</u>
Profit attributable to ordinary equity holders (AED 000)	<u>1,151,821</u>	<u>993,837</u>	<u>3,245,066</u>	<u>2,825,675</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>3,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.38</u>	<u>0.33</u>	<u>1.08</u>	<u>0.94</u>

17 DIVIDENDS

	<i>30 September</i>	
	<i>Unaudited 2013 AED 000</i>	<i>Unaudited 2012 AED 000</i>
Dividends on ordinary shares declared during the nine-month period: Final cash dividend for 2012: AED 83 fils (2011: Declared AED 1)	<u>2,500,000</u>	<u>1,500,000</u>
Dividends on ordinary shares paid during the nine-month period: Final cash dividend	<u>2,465,372</u>	<u>1,475,513</u>

18 SHARE CAPITAL

	<i>Unaudited 30 September 2013 AED 000</i>	<i>Audited 31 December 2012 AED 000</i>
Ordinary shares of AED 1 each	<u>3,000,000</u>	<u>3,000,000</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

19 BUSINESS COMBINATIONS

Acquisition of Aseel Finance PJSC:

During the period ended 30 September 2013, the Bank acquired an additional stake of 60% in Aseel Finance PJSC (“Aseel”) for a consideration of AED 367 million. The Bank obtained control over Aseel on 31 July 2013 (“Acquisition date”). Aseel is a company based in UAE specializing in providing Islamic finance.

The Bank has performed a preliminary purchase price allocation exercise, and determined that the carrying values of Aseel’s identifiable assets and liabilities approximate their fair values at the Acquisition date. No significant intangible assets have been identified at the Acquisition date.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Aseel as at the Acquisition date were:

	<i>Fair value recognized on acquisition date AED 000</i>
Assets	
Cash and balances with Central Banks	868
Loans and advances	1,341,450
Investments properties	97,986
Other assets	35,157
Property, plant and equipment	<u>2,790</u>
	<u>1,478,251</u>
Liabilities	
Due to banks	(270,400)
Customers’ deposits	(285,723)
Other liabilities	<u>(8,714)</u>
	<u>(564,837)</u>
Total identifiable net assets at fair value, after capital injection	913,415
Less: capital injected before Acquisition date	<u>(300,000)</u>
Total identifiable net assets at fair value on Acquisition date	<u>613,415</u>
Total identifiable net assets at fair value acquired	368,049
Gain on bargain purchase	<u>(628)</u>
Purchase consideration transferred	<u>367,421</u>
Analysis of cash flows on Acquisition date:	
	<i>AED 000</i>
Purchase consideration transferred	(367,421)
Net cash acquired with Aseel	<u>868</u>
Net cash outflow on acquisition (included in cash flows from investing activities)	<u>(366,553)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

19 BUSINESS COMBINATIONS continued

From the date of acquisition, Aseel has contributed AED 15,324 thousand of interest income and income from Islamic financing and AED 8,438 thousand to the profit before tax of the Bank. If the combination had taken place at the beginning of the period, interest income and income from Islamic financing would have been AED 5,860,886 thousand and the profit before tax for the Bank would have been AED 3,455,897 thousand.

Prior to the Acquisition date, the Bank transferred AED 300 million to Aseel to further increase its share capital. The amount has been excluded from the calculation of the total identifiable net assets on Acquisition date as it was not a component of net assets when determining the consideration for the net assets of Aseel.

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> <i>30 September</i> <i>2013</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2012</i> <i>AED 000</i>
Cash and balances with Central Banks	20,240,317	12,844,336
Due from banks and financial institutions	<u>14,177,940</u>	<u>18,329,081</u>
	34,418,257	31,173,417
Less: Balances with Central Banks maturing after three months of placement	7,000,000	7,000,000
Less: Due from banks and financial institutions maturing after three months of placement	<u>1,199,203</u>	<u>3,389,272</u>
Cash and cash equivalents	<u>26,219,054</u>	<u>20,784,145</u>