

First Gulf Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2014 (UNAUDITED)

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

Introduction

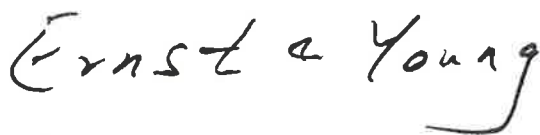
We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC and its Subsidiaries (the “Bank”) as at 31 March 2014 and the related interim consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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



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

23 April 2014
Abu Dhabi

First Gulf Bank PJSC

INTERIM CONSOLIDATED BALANCE SHEET

31 March 2014 (Unaudited)

		<i>Unaudited</i> 31 March <i>2014</i> AED 000	<i>Audited</i> 31 December <i>2013</i> AED 000
	<i>Notes</i>		
Assets			
Cash and balances with Central Banks		15,313,592	15,944,554
Due from banks and financial institutions	5	19,403,450	22,864,465
Loans and advances		123,406,492	125,594,434
Investments	6	17,498,692	17,113,420
Investment in associates		147,924	147,145
Investment properties	7	8,071,662	8,044,163
Other assets		8,196,323	7,692,123
Property and equipment		<u>847,403</u>	<u>809,997</u>
Total assets		<u>192,885,538</u>	<u>198,210,301</u>
Liabilities			
Due to banks		8,238,058	5,204,642
Customers' deposits	8	129,646,109	137,953,532
Term loans	9	11,744,929	11,729,095
Sukuk financing instruments	10	4,223,950	4,223,950
Other liabilities		<u>8,901,721</u>	<u>7,328,611</u>
Total liabilities		<u>162,754,767</u>	<u>166,439,830</u>
Equity			
Equity attributable to equity holders of the Bank			
Share capital	11	3,900,000	3,000,000
Capital notes	12	4,000,000	4,000,000
Legal reserve		8,780,110	8,780,110
Special reserve		1,500,000	1,500,000
General reserve		120,000	120,000
Revaluation reserve		87,554	87,554
Proposed bonus shares	13	-	900,000
Proposed cash dividends	13	-	3,000,000
Retained earnings		10,802,774	9,592,434
Cumulative changes in fair values		412,786	263,999
Foreign currency translation reserve		<u>(15,237)</u>	<u>(13,149)</u>
		29,587,987	31,230,948
Non-controlling interests		<u>542,784</u>	<u>539,523</u>
Total equity		<u>30,130,771</u>	<u>31,770,471</u>
Total equity and liabilities		<u>192,885,538</u>	<u>198,210,301</u>

Chairman

Managing Director

Chief Executive Officer

The attached explanatory notes 1 to 17 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

31 March 2014 (Unaudited)

	<i>Notes</i>	<i>Three- month ended 31 March</i>	
		2014 AED 000	2013 AED 000
Interest income and income from Islamic financing		2,067,599	1,895,656
Interest expense and Islamic financing expense		<u>(466,903)</u>	<u>(520,924)</u>
NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING		1,600,696	1,374,732
Share of profits of associates		779	6,135
Other operating income	14	<u>649,729</u>	<u>494,069</u>
OPERATING INCOME		2,251,204	1,874,936
General and administrative expenses		<u>(475,082)</u>	<u>(386,166)</u>
PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE AND TAX		1,776,122	1,488,770
Provision for impairment of loans and advances		<u>(436,149)</u>	<u>(433,258)</u>
PROFIT FOR THE PERIOD BEFORE TAXATION		1,339,973	1,055,512
Income taxes		<u>(4,393)</u>	<u>(5,010)</u>
PROFIT FOR THE PERIOD		<u>1,335,580</u>	<u>1,050,502</u>
Profit attributable to:			
Equity holders of the Bank		1,330,340	1,045,800
Non-controlling interest		<u>5,240</u>	<u>4,702</u>
		<u>1,335,580</u>	<u>1,050,502</u>
Basic and diluted earnings per share (AED)	16	<u>0.33</u>	<u>0.25</u>

The attached explanatory notes 1 to 17 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

31 March 2014 (Unaudited)

	<i>Three- month ended</i>	
	<i>31 March</i>	
	2014	2013
	AED 000	AED 000
PROFIT FOR THE PERIOD	1,335,580	1,050,502
OTHER COMPREHENSIVE INCOME (LOSS):		
Items that may be reclassified subsequently to the consolidated statement of income		
Gain on available for sale investments, net	153,696	12,993
Net unrealised loss on cash flow hedge	(4,909)	(35,938)
Foreign exchange translation	<u>(4,067)</u>	<u>(15,931)</u>
Other comprehensive income (loss) for the period	<u>144,720</u>	<u>(38,876)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,480,300</u>	<u>1,011,626</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	1,477,039	1,014,272
Non-controlling interest	<u>3,261</u>	<u>(2,646)</u>
	<u>1,480,300</u>	<u>1,011,626</u>

The attached explanatory notes 1 to 17 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

31 March 2014 (Unaudited)

		<i>Three-month ended 31 March</i>	
	<i>Note</i>	2014 AED 000	2013 AED 000
OPERATING ACTIVITIES			
Profit for the period before tax		1,339,973	1,055,512
Adjustments for:			
Depreciation		19,096	13,794
Provision for impairment of loans and advances		436,149	433,258
Gain on sale of investment properties		(41,229)	(986)
Gain from investments		(73,689)	(52,951)
Share of profit of associates		(779)	(6,135)
Operating profit before changes in operating assets and liabilities		1,679,521	1,442,492
Deposits with banks		(4,149,381)	(155,885)
Loans and advances		1,746,884	(3,629,449)
Mandatory cash reserve with U.A.E. Central Bank		(175,681)	192,128
Other assets		(504,200)	246,388
Due to banks		3,033,416	3,225,545
Customers' deposits		(8,307,423)	(152,208)
Other liabilities		677,452	(486,371)
Net cash (used in) from operating activities		(5,999,412)	682,640
INVESTING ACTIVITIES			
Purchase of investments		(2,138,442)	(1,596,397)
Proceeds from redemption and sale of investments		1,980,555	3,377,696
Purchase of property and equipment		(56,595)	(18,612)
Proceeds from sale of property and equipment		93	12
Deposits with UAE Central Bank		(1,500,000)	-
Additions to investment properties		(129,706)	(52,944)
Proceeds from sale of investment properties		143,436	6,936
Net cash (used in) from investing activities		(1,700,659)	1,716,691
FINANCING ACTIVITIES			
Dividends paid		(2,108,735)	(1,945,792)
Interest on capital notes		(120,000)	(120,000)
Movement in term loans		15,834	(3,818,662)
Net cash used in financing activities		(2,212,901)	(5,884,454)
DECREASE IN CASH AND CASH EQUIVALENTS		(9,912,972)	(3,485,123)
Cash and cash equivalents at the beginning of the period		23,903,638	17,320,401
Net changes in foreign currency translation reserve		(4,067)	(15,931)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17	<u>13,986,599</u>	<u>13,819,347</u>
Operating cash flows from interest and Islamic financing			
Interest and Islamic financing income received		2,066,627	1,988,604
Interest and Islamic financing expense paid		587,140	620,457

The attached explanatory notes 1 to 17 form part of the interim condensed consolidated financial statements.

First Gulf Bank PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2014 (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	Proposed bonus shares AED 000	Proposed cash dividends AED 000	Retained earnings AED 000	Cumulative changes in fair values AED 000	Foreign currency translation reserve AED 000	Total AED 000	Non- controlling interests AED 000	Total equity AED 000
At : 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	-	-	-	-	-	-	-	-	1,045,800	(22,945)	(8,583)	1,014,272	(2,646)	1,011,626
Transfer to dividends payable	-	-	-	-	-	-	-	(2,500,000)	-	-	-	(2,500,000)	-	(2,500,000)
Interest on capital notes (note 12)	-	-	-	-	-	-	-	-	(120,000)	-	-	(120,000)	-	(120,000)
As of 31 March 2013	3,000,000	4,000,000	8,780,110	1,262,083	120,000	87,554	-	-	10,153,277	370,294	(30,836)	27,742,482	512,234	28,254,716
At : January 2014	3,000,000	4,000,000	8,780,110	1,500,000	120,000	87,554	900,000	3,000,000	9,592,434	263,999	(13,149)	31,230,948	539,523	31,770,471
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,330,340	148,787	(2,088)	1,477,039	3,261	1,480,300
Transfer to dividends payable	-	-	-	-	-	-	-	(3,000,000)	-	-	-	(3,000,000)	-	(3,000,000)
Proposed bonus shares converted to shares (note 13)	900,000	-	-	-	-	-	(900,000)	-	-	-	-	-	-	-
Interest on capital notes (note 12)	-	-	-	-	-	-	-	-	(120,000)	-	-	(120,000)	-	(120,000)
As of 31 March 2014	3,900,000	4,000,000	8,780,110	1,500,000	120,000	87,554	-	-	10,802,774	412,786	(15,237)	29,587,987	542,784	30,130,771

The attached explanatory notes 1 to 17 form part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

1 ACTIVITIES

First Gulf Bank PJSC 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). First Gulf Bank PJSC, its branches and subsidiaries (the "Bank") carry on commercial and retail banking, investment and real estate activities in Abu Dhabi, Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah. The representative office of the Bank in Singapore has commenced operations from September 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 P O 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 23 April 2014.

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 2013. In addition, results for the three-months period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 2013, except for the adoption of the following amendments to standards and new standards as of 1 January 2014:

- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
- IFRIC 21 Levies

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

During the period ended 31 March 2014, the Bank changed its policy in respect of accounting for (i) acceptances issued to clients from disclosing those as part of commitments and contingencies to recognizing them within other assets and other liabilities and (ii) discounted acceptances from classifying them under loans and advances to including them under other assets. As a result of the change in accounting policy, the comparative figures as at 31 December 2013 for other assets, other liabilities and loans and advances were adjusted for consistency purposes and, accordingly for, other assets and other liabilities were increased by AED 4,525,016 thousand and AED 3,177,931 thousand, respectively, and loans and advances were decreased by AED 1,347,085 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (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>	
			2014	2013
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%
FGB Sukuk Company II Limited	Special purpose vehicle	Cayman Islands	100%	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%
Aseel Finance PJSC	Islamic finance	United Arab Emirates	100%	100%
Dubai First PJSC	Credit card finance	United Arab Emirates	100%	100%
First Gulf Information Technologies LLC	Information technology services	United Arab Emirates	100%	-

*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 period 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 when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Bank's voting rights and potential voting rights.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

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

The Bank has the following commitments and contingent liabilities:

	<i>Unaudited</i> <i>31 March</i> <i>2014</i> <i>AED 000</i>	<i>Audited</i> <i>31 December</i> <i>2013</i> <i>AED 000</i>
<i>Contingent liabilities:</i>		
Letters of credit	32,963,725	29,468,971
Guarantees	<u>48,653,964</u>	<u>50,010,780</u>
	<u>81,617,689</u>	<u>79,479,751</u>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	4,344,407	5,875,627
Commitments for future capital expenditure	1,411,890	1,538,662
Commitments for future private equity investments	<u>730,517</u>	<u>775,172</u>
	<u>6,486,814</u>	<u>8,189,461</u>
Total commitments and contingent liabilities	<u>88,104,503</u>	<u>87,669,212</u>

Derivatives -

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

	<i>Unaudited</i> <i>31 March</i> <i>2014</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2013</i> <i>AED'000</i>
<i>Derivatives held for trading</i>		
Forward foreign exchange contracts	41,646,188	39,939,567
Interest rate swaps, caps and collars	15,194,518	13,137,725
Credit default swaps	356,500	-
Commodity linked swaps	734,600	734,600
Equity swaps	160,295	160,132
Swaptions	1,469,200	1,469,200
Options	12,759,928	9,314,711
Futures	<u>73,270</u>	<u>38,347</u>
	<u>72,394,499</u>	<u>64,794,282</u>
<i>Derivatives held as a fair value hedge:</i>		
Interest rate swaps	3,324,678	3,363,951
Cross currency swaps	<u>4,081,749</u>	<u>3,206,570</u>
	<u>7,406,427</u>	<u>6,570,521</u>
Total	<u>79,800,926</u>	<u>71,364,803</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

4 SEGMENTAL INFORMATION

A segment represents a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Operating segment information

For management purposes the Bank is organised into five major business segments:

Wholesale Banking Group ("WBG") – Covering corporate and institutional clients, as well as high net worth individuals, through dedicated client segments. WBG offers credit facilities, Global Transaction Services, Debt Markets (loan, bond, structured finance), Islamic Finance, Treasury and Global Markets products to both UAE and international clients.

Treasury and Global Markets, including investment operations - Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of government securities and placements and deposits with other banks..

Consumer banking - Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities.

Real estate activities – Principally the acquisition, leasing, brokerage, management and resale of properties carried out through its subsidiaries and associate companies.

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

As of and for three-month period ended 31 March 2014:

	<i>Wholesale Banking Group</i>					<i>Other operations</i>	<i>Total</i>
	<i>UAE Operations</i>	<i>International banking</i>	<i>Treasury & Global markets</i>	<i>Consumer banking</i>	<i>Real estate</i>		
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
Assets	<u>62,858,951</u>	<u>14,281,339</u>	<u>47,483,151</u>	<u>46,875,440</u>	<u>10,867,994</u>	<u>10,518,663</u>	<u>192,885,538</u>
Liabilities	<u>105,733,446</u>	<u>6,714,699</u>	<u>6,600,160</u>	<u>35,188,068</u>	<u>1,413,475</u>	<u>7,104,919</u>	<u>162,754,767</u>
Operating income							
excluding associates	<u>738,268</u>	<u>108,810</u>	<u>343,691</u>	<u>855,104</u>	<u>81,102</u>	<u>123,450</u>	<u>2,250,425</u>
Net interest income and income from Islamic financing	<u>483,423</u>	<u>73,411</u>	<u>222,941</u>	<u>693,701</u>	<u>-</u>	<u>127,220</u>	<u>1,600,696</u>
Share of profit from associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340</u>	<u>439</u>	<u>779</u>
Provision for impairment of loans and advances and available for sale investments	<u>(156,000)</u>	<u>(20,536)</u>	<u>-</u>	<u>(173,835)</u>	<u>-</u>	<u>(85,778)</u>	<u>(436,149)</u>
Profit attributable to equity holders of the Bank	<u>490,145</u>	<u>56,359</u>	<u>320,612</u>	<u>473,833</u>	<u>71,047</u>	<u>(81,656)</u>	<u>1,330,340</u>
Other segment information							
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,144</u>	<u>22,780</u>	<u>147,924</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,490</u>	<u>56,811</u>	<u>186,301</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232</u>	<u>18,864</u>	<u>19,096</u>
As of 31 December 2013:							
Assets	<u>68,556,042</u>	<u>12,387,080</u>	<u>52,368,689</u>	<u>46,660,838</u>	<u>9,873,699</u>	<u>8,363,953</u>	<u>198,210,301</u>
Liabilities	<u>114,577,711</u>	<u>6,283,282</u>	<u>4,182,216</u>	<u>33,696,653</u>	<u>1,332,461</u>	<u>6,367,507</u>	<u>166,439,830</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

4 SEGMENTAL INFORMATION continued

As of and for three-month period ended 31 March 2013:

	<i>Wholesale Banking Group</i>						
	<i>UAE Operations</i>	<i>International banking</i>	<i>Treasury & Global markets</i>	<i>Consumer banking</i>	<i>Real estate</i>	<i>Other operations</i>	<i>Total</i>
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
Assets	<u>69,912,243</u>	<u>9,684,350</u>	<u>38,395,505</u>	<u>42,339,008</u>	<u>9,886,598</u>	<u>4,419,250</u>	<u>174,636,954</u>
Liabilities	<u>98,725,923</u>	<u>6,683,652</u>	<u>6,828,151</u>	<u>28,530,894</u>	<u>1,361,940</u>	<u>4,251,678</u>	<u>146,382,238</u>
Operating income excluding associates	<u>673,569</u>	<u>85,614</u>	<u>270,382</u>	<u>791,997</u>	<u>34,555</u>	<u>12,684</u>	<u>1,868,801</u>
Net interest income and income from Islamic financing	<u>460,364</u>	<u>42,473</u>	<u>164,600</u>	<u>659,580</u>	<u>-</u>	<u>47,715</u>	<u>1,374,732</u>
Share of profit from associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339</u>	<u>5,796</u>	<u>6,135</u>
Provision for impairment of loans and advances and available for sale investments	<u>(140,000)</u>	<u>(13,252)</u>	<u>-</u>	<u>(204,006)</u>	<u>-</u>	<u>(76,000)</u>	<u>(433,258)</u>
Profit attributable to equity holders of the Bank	<u>448,850</u>	<u>44,323</u>	<u>251,783</u>	<u>390,164</u>	<u>26,057</u>	<u>(115,377)</u>	<u>1,045,800</u>
Other segment information							
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,451</u>	<u>259,649</u>	<u>399,100</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,106</u>	<u>18,450</u>	<u>71,556</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>659</u>	<u>13,135</u>	<u>13,794</u>

5 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

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

	<i>Unaudited 31 March 2014 AED'000</i>	<i>Audited 31 December 2013 AED'000</i>
Within U.A.E	<u>7,351,551</u>	<u>7,036,582</u>
Outside U.A.E	<u>12,051,899</u>	<u>15,827,883</u>
	<u>19,403,450</u>	<u>22,864,465</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

6 INVESTMENTS

	<i>Unaudited 31 March 2014 AED 000</i>	<i>Audited 31 December 2013 AED 000</i>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	179,353	184,520
Investments in equities - Quoted	276,136	112,369
- Unquoted	20,199	20,198
Debt securities	<u>18,056</u>	<u>7,165</u>
	<u>493,744</u>	<u>324,252</u>
<i>Available for sale investments</i>		
Investments in equities - Quoted	34,120	26,184
- Unquoted	79,147	79,148
Investments in private equity funds	1,354,982	1,372,356
Debt securities		
- Quoted	8,337,683	7,296,614
- Unquoted	359,787	347,197
Structured debt notes - Unquoted	<u>-</u>	<u>550,950</u>
	<u>10,165,719</u>	<u>9,672,449</u>
<i>Held to maturity investments</i>		
Debt securities - Quoted	5,824,362	6,098,535
- Unquoted	<u>1,014,867</u>	<u>1,018,184</u>
	<u>6,839,229</u>	<u>7,116,719</u>
Total	<u>17,498,692</u>	<u>17,113,420</u>

Geographic analysis of investments is as follows:

Within U.A.E	8,254,250	7,969,591
Outside U.A.E	<u>9,244,442</u>	<u>9,143,829</u>
	<u>17,498,692</u>	<u>17,113,420</u>

Debt securities represent bonds with maturities ranging up to 10 years from the balance sheet date. Of the debt securities at 31 March 2014, 52% (31 December 2013: 53%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

The fair value of held to maturity investments at 31 March 2014 amounted to AED 7,106,727 thousand (31 December 2013: AED 7,370,168 thousand).

First Gulf Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

7 INVESTMENT PROPERTIES

	<i>Unaudited</i> 31 March 2014 <i>AED 000</i>	<i>Audited</i> 31 December 2013 <i>AED 000</i>
Balance at 1 January	8,044,163	7,771,812
Additions	129,706	52,944
Disposals	<u>(102,207)</u>	<u>(5,950)</u>
Balance at 31 March	<u>8,071,662</u>	7,818,806
Additions		196,965
Disposals		(220,266)
Gain from fair value adjustment		125,192
Acquired in business combination		97,986
Properties disposed of as part of property exchange		(71,941)
Properties acquired as part of property exchange		107,600
Transfer to other assets		<u>(10,179)</u>
At 31 December		<u>8,044,163</u>

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

All investment properties are located in the U.A.E.

8 CUSTOMERS' DEPOSITS

In December 2006, the Bank entered into arrangement with the Government of Abu Dhabi (the "Government") to fund an interest-free housing loans scheme for UAE Nationals. The scheme is being administered by the Bank based on various terms and conditions agreed with the Government. As of 31 March 2014, the Government time deposit amounted to AED 15,621 million (31 December 2013: AED 15,067 million) and housing loans amounting to AED 15,495 million (31 December 2013: AED 14,864 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.

9 TERM LOANS

	<i>Unaudited</i> 31 March 2014 <i>AED 000</i>	<i>Audited</i> 31 December 2013 <i>AED 000</i>
Syndicated loan	3,305,700	3,305,700
Bank loans	1,469,200	1,469,200
Euro Medium Term Notes	4,849,356	4,846,298
Medium term bonds	1,661,181	1,648,405
Repurchase agreements	<u>459,492</u>	<u>459,492</u>
	<u>11,744,929</u>	<u>11,729,095</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

9 TERM LOANS continued**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 II 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 at 31 March 2014 and 31 December 2013 are 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	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>		

Euro Medium Term Note:

During 2007, the Bank established a US\$ 3.5 billion, Euro Medium Term Notes Programme (the "Programme"). The Bank subsequently issued the following notes under the Programme:

- (i) During 2009, the Bank issued a 3 year Euro Medium Term Note (EMTN) of US\$ 500 million (equivalent to AED 1,837 million). The notes have been repaid in full on 26 November 2012.
- (ii) On 9 October 2012, the Bank issued Euro Medium Term Note (EMTN) of US\$ 650 million (equivalent to AED 2,387 million) under the same EMTN programme. The notes are due in October 2017 and carry a coupon rate of 2.862% per annum payable semi-annually in arrears.
- (iii) 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.
- (iv) 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.
- (v) On 19 September 2013, the Bank issued a Euro Medium Term Note (EMTN) of JPY 4,700 million (equivalent to AED 167 million). The notes are due in September 2016 and carry a coupon rate of 1.00% per annum payable semi-annually in arrears.
- (vi) On 14 November 2013, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 500 million (equivalent to AED 1,836 million). The notes are due in January 2019 and carry a coupon rate of 3.250% per annum payable semi-annually in arrears.
- (vii) On 12 December 2013, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 25 million (equivalent to AED 92 million). The notes are due in December 2016 and carry a coupon of 3 months USD LIBOR plus a margin of 1.23% per annum payable quarterly in arrears.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

9 TERM LOANS continued**Medium Term Bonds:**

On 16 February 2011, the Bank issued 5 year bonds of CHF 200 million (equivalent of AED 830 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 415 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 415 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.

Subsequent to 31 March 2014, the Bank issued AUD 250 million bonds (equivalent of AED 849 million). The bonds are due in April 2019 and carry a coupon at the rate of 5.0% per annum payable semi-annually in arrears.

Repurchase Agreements:

During 2010, the Bank entered into several transactions with a foreign bank to obtain financing against the sale of debt securities with arrangements to repurchase them at a fixed future date. As at 31 March 2014, the carrying value of debt securities sold under these arrangements amounted to AED 495,483 thousand (2013: AED 503,453 thousand). The amount and maturity of outstanding transactions are as follows:

No.	2014		2013		Maturity
	Amount US\$ 000	Amount AED 000	Amount US\$ 000	Amount AED 000	
1	54,900	201,648	54,900	201,648	8-April-2014
2	13,500	49,585	13,500	49,585	8-October-2014
3	40,500	148,756	40,500	148,756	25-October-2017
4	7,200	26,446	7,200	26,446	1-August-2018
5	9,000	33,057	9,000	33,057	8-April-2019
	<u>125,100</u>	<u>459,492</u>	<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 three- months period ended 31 March 2014 and year ended 31 December 2013.

10 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 pari 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

11 SHARE CAPITAL

	<i>Unaudited</i> 31 March 2014 <i>AED 000</i>	<i>Audited</i> 31 December 2013 <i>AED 000</i>
Ordinary shares of AED 1 each	<u>3,900,000</u>	<u>3,000,000</u>

In its meeting held on 29 January 2014, the Board of Directors of the Bank proposed to distribute 900 million shares amounting to AED 900 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 26 February 2014.

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 31 March 2013: AED 120 million).

13 DIVIDENDS

	<i>Unaudited</i> 2014 <i>AED 000</i>	<i>Unaudited</i> 2013 <i>AED 000</i>
Dividends on ordinary shares declared during the three-month period: Final cash dividend for 2013: AED 1 (2012: Declared AED 83 fils)	<u>3,000,000</u>	<u>2,500,000</u>
Bonus shares issued in respect of 2013: AED 0.3 (2012: Declared nil)	<u>900,000</u>	<u>-</u>
Dividends on ordinary shares paid during the three-month period: Final cash dividend	<u>2,108,735</u>	<u>1,945,792</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

14 OTHER OPERATING INCOME

	<i>Three-month ended</i> <i>31 March</i>	
	2014	2013
	AED 000	AED 000
Investment income:		
Gain on disposal of available for sale investments	48,006	47,210
Gain on disposal of investments carried at fair value through income statement	22,443	5,189
Change in fair value of investments carried at fair value through income statement	3,240	552
Dividend income	<u>7,002</u>	<u>9,028</u>
Total investment gain	80,691	61,979
Commission income	136,395	129,970
Fee income	171,995	129,550
Fees and commissions on credit cards	131,028	86,427
Brokerage and fund management fee income	2,349	4,340
Foreign exchange income	22,850	27,611
Derivative income	18,682	18,055
Gain on sale of investment properties	41,229	986
Rental income	25,842	18,128
Management fees on leasing properties	13,521	12,940
Other income	<u>5,147</u>	<u>4,083</u>
Total	<u>649,729</u>	<u>494,069</u>

15 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 7,002 thousand (31 March 2013: AED 9,028 thousand) recorded in the interim consolidated statement of income for the three-month period ended 31 March 2014.

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.

First Gulf Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

16 BASIC AND DILUTED EARNINGS PER SHARE continued

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

	<i>Three month ended 31 March</i>	
	<i>Unaudited 2014</i>	<i>Unaudited 2013</i>
Profit for the period attributable to ordinary equity holders (AED 000)	1,330,340	1,045,800
Deduct: Interest on capital notes (AED 000)	(36,973)	(59,391)
Profit attributable to ordinary equity holders (AED 000)	<u>1,293,367</u>	<u>986,409</u>
Weighted average number of ordinary shares in issue (000's)	<u>3,900,000</u>	<u>3,900,000</u>
Basic and diluted earnings per share (AED)	<u>0.33</u>	<u>0.25</u>

17 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 31 March 2014 AED 000</i>	<i>Audited 31 December 2013 AED 000</i>
Cash and balances with Central Banks	15,313,592	15,944,554
Due from banks and financial institutions	<u>19,403,450</u>	<u>22,864,465</u>
	34,717,042	38,809,019
Less: balances with U.A.E. Central Bank maturing after three months of placement	8,500,000	7,000,000
Less: Mandatory cash reserve with U.A.E. Central Bank	4,558,394	4,382,713
Less: Due from banks and financial institutions maturing after three months of placement	<u>7,672,049</u>	<u>3,522,668</u>
Cash and cash equivalents	<u>13,986,599</u>	<u>23,903,638</u>