# EMIRATES BANK INTERNATIONAL PJSC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2006

**EMIRATES BANK INTERNATIONAL PJSC**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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The Board of Directors
Emirates Bank International PJSC

**REVIEW REPORT**

We have reviewed the accompanying condensed consolidated interim balance sheet of Emirates Bank International PJSC ("the Bank") as of 30 June 2006, and the related condensed consolidated interim statements of income, cash flows and changes in equity for the six month period then ended.

These condensed consolidated interim financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Bank personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The comparative figures shown as at 30 June 2005 and for the period then ended have not been reviewed as this is the first time condensed consolidated interim financial statements for a six month period have been reviewed.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not presented fairly, in all material respects in accordance with International Accounting Standard 34: Interim financial reporting.

Vijendra Nath Malhotra

Registration No: B 48

23 JUL 2006

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**EMIRATES BANK INTERNATIONAL PJSC**

**GROUP CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**
**AS AT 30 JUNE 2006**

| | Note | Unaudited 30 June 2006 AED 000 | Audited 31 December 2005 AED 000 | Restated Unaudited 30 June 2005 AED 000 |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and deposits with Central Banks | 3 | 4,285,440 | 2,067,870 | 2,001,656 |
| Due from banks | | 6,044,906 | 7,770,730 | 6,944,495 |
| Loans and receivables | 4 | 46,286,303 | 38,567,246 | 31,119,606 |
| Islamic financing and investment products | 5 | 4,336,718 | 2,133,267 | 1,381,413 |
| Investment securities | 7 | 5,138,246 | 3,547,021 | 2,166,837 |
| Investment in associate companies | | 2,097,142 | 1,980,239 | 1,285,373 |
| Investment properties | | 264,224 | 128,729 | 48,897 |
| Property and equipment | | 340,558 | 242,885 | 191,974 |
| Positive fair value of derivatives | | 1,583,303 | 890,393 | - |
| Customer acceptances | | 995,004 | 856,448 | 609,673 |
| Other assets | | 1,033,430 | 1,208,039 | 1,107,459 |
| TOTAL ASSETS | | 72,405,274 | 59,392,867 | 46,857,383 |
| LIABILITIES | | | | |
| Customer deposits | | 31,670,701 | 29,464,340 | 22,325,157 |
| Islamic customer deposits | | 6,245,435 | 3,593,716 | 1,683,096 |
| Due to banks | | 12,513,737 | 8,951,118 | 5,603,027 |
| Deposits under repurchase agreement | | 355,087 | 355,087 | 355,087 |
| Medium term borrowing | 8 | 9,829,290 | 6,409,385 | 7,566,380 |
| Initial Public Offering Share Applications received | | - | - | 562,495 |
| Negative fair value of derivatives | | 1,663,982 | 923,578 | - |
| Customer acceptances | | 995,004 | 856,448 | 609,673 |
| Other liabilities | | 1,202, 698 | 1,088,976 | 1,455,714 |
| TOTAL LIABILITIES | | 64,475,934 | 51,642,648 | 40,160,629 |
| EQUITY | | | | |
| Issued capital | | 2,331,896 | 1,793,766 | 1,793,766 |
| Legal and statutory reserve | | 792,205 | 792,205 | 619,205 |
| Other reserves | | 3,240,484 | 3,778,614 | 2,743,614 |
| Cumulative changes in fair value | | 302,659 | 647,135 | 605,634 |
| Retained earnings | | 1,260,662 | 737,211 | 932,797 |
| TOTAL EQUITY HOLDERS' FUNDS | | 7,927,906 | 7,748,931 | 6,695,016 |
| Minority interests | | 1,434 | 1,288 | 1,738 |
| TOTAL LIABILITIES AND EQUITY | | 72,405,274 | 59,392,867 | 46,857,383 |
| CONTINGENT LIABILITIES | | 24,528,582 | 18,032,298 | 12,418,184 |

The notes set out on pages 6 to 17 form part of these condensed consolidated interim financial statements.
The Review report of the auditors is set out on page 1.

Chairman

Chief Executive Officer

**EMIRATES BANK INTERNATIONAL PJSC**

**GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2006 (UNAUDITED)**

| | Note | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | | 2006 AED 000 | 2005 AED 000 | 2006 AED 000 | 2005 AED 000 |
| Interest income | | 905,048 | 509,113 | 1,832,227 | 912,508 |
| Income from Islamic financing and investment products | | 90,539 | 21,671 | 148,978 | 39,229 |
| Total interest income and income from Islamic financing and investment products | | 995,587 | 530,784 | 1,981,205 | 951,737 |
| Interest expense | | (578,752) | (233,602) | (1,150,366) | (392,299) |
| Distribution to depositors | | (40,723) | (6,715) | (65,072) | (11,440) |
| Net interest income and income from Islamic products net of distribution to depositors | | 376,112 | 290,467 | 765,767 | 547,998 |
| Fees, commissions and other income | | 241,026 | 291,107 | 646,528 | 439,820 |
| Property related income | | 1,954 | 10,025 | 2,877 | 12,096 |
| Total income | | 619,092 | 591,599 | 1,415,172 | 999,914 |
| General and administrative expenses | | (279,068) | (177,315) | (508,365) | (330,088) |
| Net impairment allowances on loans and receivables | 6 | (22,588) | (992) | (35,741) | (4,793) |
| Share of profit of associate companies | | 51,249 | 29,061 | 100,895 | 47,819 |
| Group profit for the period | | 368,685 | 442,353 | 971,961 | 712,852 |
| **Attributable to:** | | | | | |
| Equity holders of the Bank | | 368,022 | 443,112 | 971,893 | 714,512 |
| Minority interests | | 663 | (759) | 68 | (1,660) |
| Group profit for the period | | 368,685 | 442,353 | 971,961 | 712,852 |

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | 2006 (AED) | 2005 (AED) | 2006 (AED) | 2005 (AED) |
| **EARNINGS PER SHARE** | | | | |
| **Basic and diluted** | **0.16** | **0.19** | **0.42** | **0.31** |

The notes set out on pages 6 to 17 form part of these condensed consolidated interim financial statements.
The Review report of the auditors is set out on page 1.

**EMIRATES BANK INTERNATIONAL PJSC**

**GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2006 (UNAUDITED)**

| | Note | 30 June 2006 AED 000 | 30 June 2005 AED 000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Group profit for the period | | 971,961 | 712,852 |
| **Adjustment for non cash items** | | | |
| Impairment allowances on loans and receivables | | 64,656 | 34,883 |
| Depreciation on property and equipment | | 30,326 | 23,365 |
| Share of profit of associated companies | | (100,895) | (47,819) |
| **Operating profit before changes in operating assets and liabilities** | | 966,048 | 723,281 |
| Increase in statutory deposits | | (534,737) | (174,394) |
| (Increase)/decrease in amounts due from banks maturing after three months | | (176,711) | 168,886 |
| Decrease in amounts due to banks maturing after three months | | (43,744) | (354,856) |
| Net change in other liabilities/other assets | | 335,824 | 206,926 |
| Increase in customer deposits | | 4,858,080 | 3,635,896 |
| Increase in loans and receivables | | (7,772,918) | (4,116,362) |
| Increase in Islamic financing and investment products | | (1,906,162) | (961,643) |
| **Net cash flow used in operating activities** | | (4,274,320) | (872,266) |
| **Investing activities** | | | |
| Increase in trading and investment securities | | (2,259,793) | (811,065) |
| (Increase)/decrease in investment and development properties | | (135,495) | 123,558 |
| Additions to property and equipment (net) | | (127,999) | (36,108) |
| **Net cash flow used in investing activities** | | (2,523,287) | (723,615) |
| **Financing Activities** | | | |
| Increase in medium term borrowing | | 3,419,905 | 2,564,280 |
| Increase in minority interest | | 78 | - |
| Dividends paid | | (448,442) | (287,003) |
| **Net cash flow from financing activities** | | 2,971,541 | 2,277,277 |
| **Net (decrease)/increase in cash and cash equivalents** | 13 | (3,826,066) | 681,396 |

The notes set out on pages 6 to 17 form part of these condensed consolidated interim financial statements.
The Review report of the auditors is set out on page 1.

**EMIRATES BANK INTERNATIONAL PJSC**

**GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2005 (RESTATED UNAUDITED)**

| | Issued Capital AED '000 | Legal & Statutory Reserve AED '000 | Other Reserves AED '000 | Cumulative changes in fair value AED '000 | Retained Earnings AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|
| Balance at 01 January 2005 (Restated) | 1,435,014 | 619,205 | 3,102,366 | 154,575 | 505,288 | 5,816,448 |
| Group profit for the period | - | - | - | - | 714,512 | 714,512 |
| Net movement in cumulative changes in fair value | - | - | - | 451,059 | - | 451,059 |
| Dividends paid | - | - | - | - | (287,003) | (287,003) |
| Issue of bonus shares | 358,752 | - | (358,752) | - | - | - |
| Balance as at 30 June 2005 | 1,793,766 | 619,205 | 2,743,614 | 605,634 | 932,797 | 6,695,016 |

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2006 (UNAUDITED)**

| | Issued Capital AED '000 | Legal & Statutory Reserve AED '000 | Other Reserves AED '000 | Cumulative changes in fair value AED '000 | Retained Earnings AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|
| Balance at 01 January 2006 | 1,793,766 | 792,205 | 3,778,614 | 647,135 | 737,211 | 7,748,931 |
| Group profit for the period | - | - | - | - | 971,893 | 971,893 |
| Dividends paid | - | - | - | - | (448,442) | (448,442) |
| Net movement in cumulative changes in fair value | - | - | - | (311,012) | - | (311,012) |
| Net movement in cumulative cash flow hedge reserve | - | - | - | (33,464) | - | (33,464) |
| Issue of bonus shares | 538,130 | - | (538,130) | - | - | - |
| Balance as at 30 June 2006 | 2,331,896 | 792,205 | 3,240,484 | 302,659 | 1,260,662 | 7,927,906 |

Note : No allocation to legal and statutory and other reserves has been made for the six months ended 30 June 2006 as this will be effected at the year end.

The notes set out on pages 6 to 17 form part of these condensed consolidated interim financial statements.

EMIRATES BANK INTERNATIONAL PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2006

## 1 LEGAL STATUS AND ACTIVITIES

Emirates Bank International PJSC ("the Bank") was incorporated in Dubai as a commercial bank with limited liability by a decree of the Ruler of Dubai on 27 March 1977. The Bank was registered as a Public Joint Stock Company in June 1995.

The condensed consolidated interim financial statements of the Bank comprise the Bank and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The registered address of the Bank is Post Box No.2923, Dubai, United Arab Emirates.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

Except as described in paragraph (c) below, the accounting policies applied by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those applied by the Group in the annual consolidated financial statements of the Bank as at and for the year ended 31 December 2005.

These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with financial statements as at and for the year ended 31 December 2005.

(a) Estimates

The preparation of condensed consolidated interim financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2005, except as described in paragraph (c) below.

EMIRATES BANK INTERNATIONAL PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2006

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2005.

(c) Staff long term incentive scheme

With effect from 01 April 2006, the Group has introduced a key employee Long Term Incentive Plan (LTIP) for selected employees. The LTIP is a cash settled share based incentive plan where participants are awarded with Long Term Incentive (LTI) units which will be converted into cash after vesting over a three year period. Subject to continued employment with the Group, 30% of the LTI units can be cashed after two years and the remaining 70% after three years. The Group has applied IFRS 2 "Share Based Payment" to the options granted. The expense of this plan is measured based on the fair value of the equity shares, its term, the risk free interest rate and the expected number of staff who will exercise the option rights. The fair valuation of the plan is carried out on a quarterly basis and is expensed on a straight line basis over the vesting period. The fair value charge for the three months to 30 June 2006 was AED 2.3 million.

## 3 CASH AND DEPOSITS WITH CENTRAL BANKS

| | Unaudited 30 June 2006 AED 000 | Audited 31 December 2005 AED 000 | Unaudited 30 June 2005 AED 000 |
|---|---|---|---|
| Cash | 386,222 | 382,531 | 564,402 |
| Interest free statutory and special deposits with Central Bank | 2,194,214 | 1,635,339 | 1,287,254 |
| Overdraft balance with Central Bank | (659,996) | - | - |
| Interest bearing certificates of deposits with Central Bank | 2,365,000 | 50,000 | 150,000 |
| | 4,285,440 | 2,067,870 | 2,001,656 |

## 4 LOANS AND RECEIVABLES

| | Unaudited 30 June 2006 AED 000 | Audited 31 December 2005 AED 000 | Unaudited 30 June 2005 AED 000 |
|---|---|---|---|
| Overdrafts | 13,983,655 | 11,242,488 | 9,241,417 |
| Time loans | 28,347,928 | 24,043,753 | 19,192,751 |
| Loans against trust receipts | 1,516,347 | 1,230,153 | 952,648 |
| Bills discounted | 566,032 | 544,678 | 674,206 |
| Others | 152,177 | 212,676 | 120,733 |
| Gross loans and receivables | 44,566,139 | 37,273,748 | 30,181,755 |
| Allowances for impairment | (713,610) | (673,750) | (639,005) |
| Net loans and receivables | 43,852,529 | 36,599,998 | 29,542,750 |
| Other debt instruments | 2,433,774 | 1,967,248 | 1,576,856 |
| Total loans and receivables | 46,286,303 | 38,567,246 | 31,119,606 |
| Analysis by Economic Activity | | | |
| Agriculture and allied activities | 46,100 | 50,094 | 48,302 |
| Mining and quarrying | 70,887 | - | 54,185 |
| Manufacturing | 3,288,597 | 3,116,359 | 3,311,824 |
| Construction | 2,828,387 | 2,509,620 | 2,269,131 |
| Trade | 2,707,596 | 2,899,508 | 2,849,465 |
| Transport and communication | 3,434,095 | 2,285,520 | 2,295,478 |
| Services | 9,547,078 | 8,923,713 | 5,977,080 |
| Sovereign | 6,624,358 | 4,614,904 | 3,490,945 |
| Personal | 15,634,298 | 12,374,747 | 9,297,450 |
| Others | 384,743 | 499,283 | 587,895 |
| Loans and receivables before impairment allowances | 44,566,139 | 37,273,748 | 30,181,755 |
| Allowances for impairment | (713,610) | (673,750) | (639,005) |
| Net loans and receivables | 43,852,529 | 36,599,998 | 29,542,750 |
| Other debt instruments | 2,433,774 | 1,967,248 | 1,576,856 |
| Total loans and receivables | 46,286,303 | 38,567,246 | 31,119,606 |

EMIRATES BANK INTERNATIONAL PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2006

## 4 LOANS AND RECEIVABLES (continued)

| | Unaudited 30 June 2006 AED 000 | Audited 31 December 2005 AED 000 | Unaudited 30 June 2005 AED 000 |
|---|---|---|---|
| Movement in allowances for impairment | | | |
| Balance as at 1 January | 673,750 | 629,498 | 629,498 |
| Impairment allowances made | 53,861 | 98,735 | 33,157 |
| Recoveries | (14,223) | (39,146) | (18,436) |
| Amounts written off | (2,710) | (15,337) | (5,214) |
| Amount transferred from Islamic financing and investment products | 2,932 | - | - |
| Balance | 713,610 | 673,750 | 639,005 |
| Total of classified loans and receivables on which interest is not taken into income amounted to | 539,550 | 574,814 | 611,130 |

## 5 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

| | Unaudited 30 June 2006 AED 000 | Audited 31 December 2005 AED 000 | Unaudited 30 June 2005 AED 000 |
|---|---|---|---|
| Murabaha | 2,881,350 | 1,696,681 | 1,182,027 |
| Ijara | 1,040,545 | 603,582 | 343,689 |
| Secured overdraft and credit cards receivable | 710,904 | 85,436 | - |
| Istissna'a | 109,729 | 12,949 | - |
| Total Islamic financing and investment products | 4,742,528 | 2,398,648 | 1,525,716 |
| Deferred income | (328,025) | (195,459) | (80,922) |
| Allowances for impairment | (77,785) | (69,922) | (63,381) |
| Net Islamic financing and investment products | 4,336,718 | 2,133,267 | 1,381,413 |
| Analysis by Economic Activity | | | |
| Agriculture and allied activities | 82,468 | 26,660 | 22,296 |
| Manufacturing | 192,280 | 130,244 | 171,152 |
| Construction | 1,165,027 | 130,062 | 56,430 |
| Trade | 1,156,946 | 419,231 | 106,832 |
| Transport and communication | 359,484 | 3,905 | 3,905 |
| Services and personal | 1,593,446 | 1,022,989 | 871,255 |
| Others | 192,877 | 665,557 | 293,846 |
| | 4,742,528 | 2,398,648 | 1,525,716 |
| Deferred income | (328,025) | (195,459) | (80,922) |
| Allowances for impairment | (77,785) | (69,922) | (63,381) |
| | 4,336,718 | 2,133,267 | 1,381,413 |

## 5 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

| | Unaudited 30 June 2006 AED 000 | Audited 31 December 2005 AED 000 | Unaudited 30 June 2005 AED 000 |
|---|---|---|---|
| Movement in allowances for impairment | | | |
| Balance as at 1 January | 69,922 | 61,655 | 61,655 |
| Impairment allowances made | 10,795 | 8,267 | 1,726 |
| Amount transferred to loans and receivables | (2,932) | - | - |
| Balance | 77,785 | 69,922 | 63,381 |
| Total of classified Islamic financing and investing products on which fees is not taken into income amounted to | 101,120 | 73,725 | - |

## 6 NET IMPAIRMENT ALLOWANCES ON LOANS AND RECEIVABLES

The charge to the Income Statement for net impairment allowances on loans and receivables is made up as follows :

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | Unaudited 2006 AED 000 | Unaudited 2005 AED 000 | Unaudited 2006 AED 000 | Unaudited 2005 AED 000 |
| Net impairment of loans and receivables | (25,378) | (1,652) | (39,638) | (14,721) |
| Net impairment of Islamic financing and investment products | (7,685) | (1,196) | (10,795) | (1,726) |
| Net special asset recoveries | 10,475 | 1,856 | 14,692 | 3,128 |
| Others | - | - | - | 8,526 |
| Net allowances for impairment losses for the period | (22,588) | (992) | (35,741) | (4,793) |

## 7 INVESTMENT SECURITIES

| | | Unaudited 30 June 2006 AED 000 | Audited 31 December 2005 AED 000 | Unaudited 30 June 2005 AED 000 |
|---|---|---|---|---|
| (a) | HOLD TO MATURITY: | | | |
| | Government securities | 198,467 | 206,768 | 207,487 |
| | Non-Government securities | 675,387 | 543,322 | 252,175 |
| | | 873,854 | 750,090 | 459,662 |
| (b) | FAIR VALUE THROUGH PROFIT OR LOSS: | | | |
| | Held for trading | 2,091,254 | 1,194,723 | 133,899 |
| | Designated by Group as fair value through profit or loss | 61,124 | 59,569 | 57,116 |
| | | 2,152,378 | 1,254,292 | 191,015 |
| (c) | AVAILABLE-FOR-SALE: | | | |
| | Government securities | 646,979 | 127,192 | 140,127 |
| | Non Government securities: | | | |
| | - Quoted | 1,196,858 | 1,285,584 | 1,180,607 |
| | - Unquoted | 268,177 | 129,863 | 195,426 |
| | | 2,112,014 | 1,542,639 | 1,516,160 |
| | Total investment securities | 5,138,246 | 3,547,021 | 2,166,837 |

## 7 INVESTMENT SECURITIES (continued)

Income from investment securities taken to the Income Statement is made up as follows:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | Unaudited 2006 AED 000 | Unaudited 2005 AED 000 | Unaudited 2006 AED 000 | Unaudited 2005 AED 000 |
| Interest income | | | | |
| Interest from investment securities | 53,417 | 26,129 | 93,456 | 54,359 |
| Other income | | | | |
| (Loss)/profit on sale of investment securities | (10,443) | 12,084 | 4,397 | 11,976 |
| Revaluation (loss)/profit on investment securities held as fair value through profit or loss | (20,929) | 19,677 | (56,207) | 19,677 |
| Dividends received | 14,619 | 20,080 | 21,852 | 20,330 |
| | 36,664 | 77,970 | 63,498 | 106,342 |

## 8 MEDIUM TERM BORROWING

| | Unaudited 30 June 2006 AED 000 | Audited 31 December 2005 AED 000 | Unaudited 30 June 2005 AED 000 |
|---|---|---|---|
| Eurobond issue | 8,984,500 | 5,564,595 | 5,619,690 |
| Syndicated borrowings from banks | 844,790 | 844,790 | 1,946,690 |
| | 9,829,290 | 6,409,385 | 7,566,380 |

The Bank has outstanding medium term borrowing which will be repaid as follows:

| | 30 June 2006 USD million | 31 December 2005 USD million | 30 June 2005 USD million |
|---|---|---|---|
| 2006 | 260 | 230 | 300 |
| 2007 | 230 | 230 | 460 |
| 2008 | 78 | - | - |
| 2009 | 666 | 550 | 550 |
| 2010 | 750 | 735 | 750 |
| 2011 | 692 | - | - |
| | 2,676 | 1,745 | 2,060 |

## 9 EQUITY HOLDERS' FUNDS

At the meeting of the equity holders' held on 18 March 2006, the following were approved :

(a) An issue of bonus shares for 2005 of 30% (2004 : 25%) of the issued and paid up capital amounting to AED 538 million (2004 : AED 358 million).

(b) A cash dividend of 25% (2004 : 20%) of the capital be paid which amounted to AED 448 million (2004 : AED 287 million).

(c) During the year, following a stock split the nominal value of the equity shares was changed from AED 2.50 per share to AED 1.00 per share. The comparative earnings per share calculations have been restated to reflect the revised nominal share price of AED 1.00 per share.

EMIRATES BANK INTERNATIONAL PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2006

## 10 BUSINESS SEGMENT REPORTING (UNAUDITED)

| | Government, Corporate & Commercial AED 000 | Retail AED 000 | Investment & Funds Management AED 000 | Islamic Banking Activities AED 000 | Other AED 000 | Total AED 000 |
|---|---|---|---|---|---|---|
| 30 June 2006 | | | | | | |
| Net interest income and income from Islamic products net of distribution to depositors | 305,479 | 290,451 | 76,972 | 92,865 | - | 765,767 |
| Net fees, commission and other income | 458,596 | 73,306 | 84,268 | 30,358 | - | 646,528 |
| Property related income | - | - | - | 2,877 | - | 2,877 |
| Total Income | 764,075 | 363,757 | 161,240 | 126,100 | - | 1,415,172 |
| General and administrative expenses | | | | | | (508,365) |
| Net (allowances)/ recoveries on loans and receivables | | | | | | (35,741) |
| Share of profit of associate companies | | | | | | 100,895 |
| Group profit for the period | | | | | | 971,961 |
| Segment Assets | 39,374,214 | 8,404,282 | 14,414,687 | 6,475,382 | 3,736,709 | 72,405,274 |
| Segment Liabilities | 21,755,199 | 15,660,748 | 26,089,641 | 6,514,096 | 2,385,590 | 72,405,274 |

Included in segment liabilities are equity holders' funds which have been allocated to the different segments based on the relative size of the segment assets.

From 1 January 2006, a new Funds Transfer Pricing module was implemented whereby funding income and expenses for interest bearing assets and liabilities are calculated after taking account of their maturity profile and the relevant interest yield curve. Comparative figures for the six months to 30 June 2006 have not been presented as they were prepared on a different basis and are not comparable.

## 11 COMMITMENTS AND CONTINGENCIES

The Group in the ordinary course of business enters into various types of transactions that involve undertaking certain commitments such as letters of credit and undrawn loan commitments.

## 12 RELATED PARTY TRANSACTIONS

Banking transactions are carried out with certain related parties. Such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Related party transactions are as follows:

| | Unaudited 30 June 2006 AED 000 | Audited 31 December 2005 AED 000 | Unaudited 30 June 2005 AED 000 |
|---|---|---|---|
| Loans to majority shareholder | 6,516,695 | 4,004,715 | 3,142,924 |
| Deposits from majority shareholder | 268,841 | 380,348 | 219,286 |
| Investment in Government of Dubai bonds | 73,781 | 75,000 | 73,179 |
| Loans to directors and related companies | 503,155 | 485,600 | 389,451 |
| Loans to and investments in funds managed by the Group | 327,711 | 646,190 | 54,954 |
| Fees received in respect of funds managed by the Group | 22,063 | 66,043 | 28,948 |
| Interest paid to funds managed by the Group | 8,489 | 6,680 | 875 |

The total amount of compensation paid to directors and key management personnel during the period/year is as follows :

| | Unaudited 30 June 2006 AED 000 | Audited 31 December 2005 AED 000 | Unaudited 30 June 2005 AED 000 |
|---|---|---|---|
| Short term employee benefits | 10,505 | 17,958 | 7,211 |
| Post employment benefits | 577 | 1,006 | 478 |

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

## 13 NOTE TO THE CASH FLOW STATEMENT

| | | Unaudited 30 June 2006 AED 000 | Unaudited 30 June 2005 AED 000 |
|---|---|---|---|
| (a) | Analysis of changes in cash and cash equivalents during the period | | |
| | Balance at beginning of period | (1,353,366) | 721,229 |
| | Net cash outflow | (3,826,066) | 681,396 |
| | Balance at end of period | (5,179,432) | 1,402,625 |
| (b) | Analysis of cash and cash equivalents | | |
| | Cash and deposits with Central Banks | 4,285,440 | 2,001,656 |
| | Due from banks | 6,044,906 | 6,944,495 |
| | Due to banks | (12,513,737) | (5,603,027) |
| | | (2,183,391) | 3,343,124 |
| | Less : deposits with Central Banks for regulatory purposes | (2,170,077) | (1,392,358) |
| | Less : amounts due from banks maturing after 3 months | (1,112,825) | (548,141) |
| | Add : amounts due to banks maturing after 3 months | 286,861 | - |
| | | (5,179,432) | 1,402,625 |