

MASHREQBANK PSC GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION AND REVIEW REPORT
FOR THE PERIOD FROM JANUARY 1, 2008
TO MARCH 31, 2008**

Mashreqbank psc Group

Interim Condensed Consolidated Financial Information and Review Report

For the period from January 1, 2008 to March 31, 2008

Table of Contents

	<u>Page</u>
Report on Review of Interim Condensed Consolidated Financial Information	1
Interim Condensed Consolidated Balance Sheet	2
Interim Condensed Consolidated Income Statement	3
Interim Condensed Consolidated Statement of Changes in Equity	4
Interim Condensed Consolidated Cash Flow Statement	5
Notes to the Interim Condensed Consolidated Financial Information	6 - 18

Ref.: 7848CFS08-March

Report on Review of Interim Condensed Consolidated Financial Information

To the Board of Directors
Mashreqbank psc
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Mashreqbank psc (the "Bank") and its Subsidiaries (collectively the "Group") as of March 31, 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the period from January 1, 2008 to March 31, 2008, and a summary of significant accounting policies and other explanatory notes. The management of the Bank is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting ("IAS 34")'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

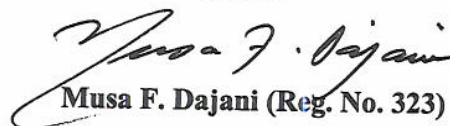
Scope of review

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 information is not prepared, in all material respects in accordance with International Accounting Standard No. 34.

Deloitte & Touche



Musa F. Dajani (Reg. No. 323)

Dubai
April 9, 2008

Interim Condensed Consolidated Balance Sheet
As of March 31, 2008
(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>March</u> <u>31, 2008</u> <u>AED'000</u> <u>(un-audited)</u>	<u>December</u> <u>31, 2007</u> <u>AED'000</u> <u>(audited)</u>
ASSETS			
Cash and balances with central banks		16,815,968	20,200,123
Deposits and balances due from banks		8,790,655	7,959,847
Trading investments	5	5,688,886	10,023,141
Loans and advances, net	3	41,274,918	35,994,974
Islamic financing and investment products	4	3,309,855	2,345,269
Non-trading investments	5	8,813,226	4,749,018
Interest receivable and other assets		8,493,030	5,472,924
Investment properties		498,440	498,440
Property and equipment		406,812	383,661
Total assets		94,091,790	87,627,397
LIABILITIES			
Deposits and balances due to banks		17,767,468	13,397,024
Repurchase agreements with banks		3,279,040	3,834,313
Customers' deposits		46,043,269	46,133,514
Islamic customers' deposits		891,243	2,153,198
Insurance and life assurance funds		595,443	516,895
Interest payable and other liabilities		9,540,827	5,857,323
Medium-term floating rate notes	6	5,234,025	5,234,025
Long-term loans		15,804	16,707
Total liabilities		83,367,119	77,142,999
EQUITY			
Share capital	7	1,463,870	1,126,054
Statutory and legal reserves		599,009	599,009
General reserves		312,000	312,000
Cumulative translation adjustment		(1,511)	(2,155)
Investment revaluation reserve		272,821	510,578
Retained earnings		7,195,844	7,068,366
Equity attributable to equity holders of the parent		9,842,033	9,613,852
Minority interest		882,638	870,546
Total equity		10,724,671	10,484,398
Total liabilities and equity		94,091,790	87,627,397

The accompanying notes are an integral part of these interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 2 to 18 were approved by the Board of Directors on April 9, 2008 and signed on their behalf by:

Abdulla Ahmed Al Ghurair
Chairman



Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

Interim Condensed Consolidated Income Statement
For the period from January 1, 2008 to March 31, 2008
(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>3 months ended</u>	
		<u>March 31,</u>	
		<u>2008</u>	<u>2007</u>
		<u>AED'000</u>	<u>AED'000</u>
		<u>(un-audited)</u>	<u>(un-audited)</u>
Interest income		1,142,829	802,629
Income from Islamic financing and investment products		35,712	6,874
Total interest income and income from Islamic financing and investment products		1,178,541	809,503
Interest expense		(744,181)	(558,905)
Distribution to depositors – Islamic products		(22,235)	(3,744)
Net interest income and income from Islamic products net of distribution to depositors		412,125	246,854
Fee and commission income		806,821	537,072
Fee and commission expense		(487,646)	(294,987)
Net fee and commission income		319,175	242,085
Net investment income		174,967	244,252
Other income		147,680	171,933
Operating income		1,053,947	905,124
General and administrative expenses	9	(428,379)	(323,927)
Allowance for loans and advances and other financial assets		(115,726)	(99,870)
Income before taxes		509,842	481,327
Overseas income tax expense		(3,716)	(1,284)
Net income for the period		506,126	480,043
Attributed to:			
Equity holders of the parent		465,294	445,076
Minority interest		40,832	34,967
		506,126	480,043
Earnings per share	10	AED 3.18	AED 3.04

The accompanying notes are an integral part of these interim condensed consolidated financial information.

**Interim Condensed Consolidated Statement of Changes in Equity
For the period from January 1, 2008 to March 31, 2008
(In Thousand Arab Emirates Dirhams)**

	Share capital AED'000	Statutory and legal reserves AED'000	General reserves AED'000	Retained earnings AED'000	Cumulative translation adjustment AED'000	Investment revaluation reserve AED'000	Attributable to equity holders of the parent AED'000	Minority interest AED'000	Total AED'000
Balance at January 1, 2007 - audited	866,195	469,453	312,000	5,557,149	(11,449)	184,220	7,377,568	571,395	7,948,963
Changes in fair value of investments during the period	-	-	-	-	-	(35,833)	(35,833)	(43,572)	(79,405)
Overseas entities' translation adjustment	-	-	-	-	1,902	-	1,902	-	1,902
Total income recognised directly in equity	-	-	-	-	1,902	(35,833)	(33,931)	(43,572)	(77,503)
Net income for the period	-	-	-	445,076	-	-	445,076	34,967	480,043
Total income for the period	-	-	-	445,076	1,902	(35,833)	411,145	(8,605)	402,540
Dividend paid	-	-	-	-	-	-	-	(31,011)	(31,011)
Bonus shares issued during the period	259,859	-	-	(259,859)	-	-	-	-	-
Reduction in minority's share capital	-	-	-	-	-	-	-	(191)	(191)
Balance at March 31, 2007 – un-audited	1,126,054	469,453	312,000	5,742,366	(9,547)	148,387	7,788,713	531,588	8,320,301
Balance at January 1, 2008 - audited	1,126,054	599,009	312,000	7,068,366	(2,155)	510,578	9,613,852	870,546	10,484,398
Changes in fair value of investments during the period	-	-	-	-	-	(237,757)	(237,757)	7,234	(230,523)
Overseas entities' translation adjustment	-	-	-	-	644	-	644	(2)	642
Total income recognised directly in equity	-	-	-	-	644	(237,757)	(237,113)	7,232	(229,881)
Net income for the period	-	-	-	465,294	-	-	465,294	40,832	506,126
Total income for the period	-	-	-	465,294	644	(237,757)	228,181	48,064	276,245
Dividend paid	-	-	-	-	-	-	-	(35,972)	(35,972)
Bonus shares issued during the period	337,816	-	-	(337,816)	-	-	-	-	-
Balance at March 31, 2008 – un-audited	1,463,870	599,009	312,000	7,195,844	(1,511)	272,821	9,842,033	882,638	10,724,671

The accompanying notes are an integral part of these interim condensed consolidated financial information.

Interim Condensed Consolidated Cash Flow Statement
For the period from January 1, 2008 to March 31, 2008
(In Thousand Arab Emirates Dirhams)

	3 months ended March 31,	
	2008	2007
	AED'000	AED'000
	(un-audited)	(un-audited)
Cash flows from operating activities		
Net income for the period	506,126	480,043
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment	19,743	15,993
Fair value adjustment – trading investments	75,118	(87,758)
Translation adjustment	644	1,902
Allowance for impairment of loans and advances	68,329	74,000
Gain on sale of property and equipment	(3)	(30)
Changes in operating assets and liabilities:		
Increase in deposits with central banks for regulatory purposes	(370,164)	(52,457)
Increase in deposits maturing after three months	348,399	(502,662)
Decrease/(increase) in trading investments	4,180,332	(404,101)
Increase in loans and advances - net	(5,348,273)	(589,728)
(Increase)/decrease in Islamic financing and investing products	(964,585)	144,594
Increase in interest receivable and other assets	(3,020,105)	(433,089)
Increase/(decrease) in deposits and balances due to banks	4,370,444	(227,262)
Decrease in repurchase agreements with banks	(555,273)	-
(Decrease)/increase in customers' deposits	(90,245)	2,467,196
Decrease in Islamic customers' deposits	(1,261,955)	(436,776)
Increase in insurance and life assurance funds	78,548	64,821
Increase in interest payable and other liabilities	3,683,504	830,141
Increase in medium-term floating rate notes	-	1,836,500
Decrease in long-term loans	(903)	(3,101)
Net cash from operating activities	1,719,681	3,178,226
Cash flows from investing activities		
Purchase of property and equipment	(42,904)	(30,892)
Proceeds from sale of property and equipment	9	30
(Purchase)/sale of non-trading investments	(4,215,926)	23,128
Net cash used in investing activities	(4,258,821)	(7,734)
Cash flows from financing activities		
Dividend paid to minority	(35,972)	(31,011)
Capital withdrawn by minority	-	(191)
Net cash used in financing activities	(35,972)	(31,202)
(Decrease)/increase in cash and cash equivalents (Note 11)	(2,575,112)	3,139,290

The accompanying notes are an integral part of these interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information
For the period from January 1, 2008 to March 31, 2008

1. Status and activities

Mashreqbank psc (the “Bank”) was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The Bank operates through its branches in the United Arab Emirates, Bahrain, Egypt, Hong Kong, India, Qatar, the United Kingdom and the United States of America.

At March 31, 2008, Mashreqbank psc Group (the “Group”) comprises the Bank and its subsidiaries as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Osool - a Finance Company (PJSC)	United Arab Emirates	98	98	Finance company
Oman Insurance Company (PSC)	United Arab Emirates	63.65	63.65	Insurance company
Mindscape Information Technology LLC	United Arab Emirates	99	99	Software/Application provider
Mashreq Securities LLC	United Arab Emirates	99.98	99.98	Brokerage
Injaz Services FZ LLC	United Arab Emirates	100	100	Service provider
Al-Badr Islamic Finance (PJSC)	United Arab Emirates	99.70	99.70	Islamic finance company
Mashreq Capital (DIFC) Limited	United Arab Emirates	100	100	Brokerage, asset management & fund management
Al Yamama Services FZ LLC	United Arab Emirates	100	100	Service provider
Makaseb Funds Company BSC	Kingdom of Bahrain	99.90	99.90	Managing funds
Makaseb Funds Company BSC II	Kingdom of Bahrain	99.90	99.90	Managing funds
Makaseb Funds Company BSC III	Kingdom of Bahrain	99.90	99.90	Managing funds
Roya Executive Limited	British Virgin Islands	*	100	General activities
Bracebridge Limited	British Virgin Islands	*	100	General activities
Orriston Limited	British Virgin Islands	*	100	General activities

* Bank participation in capital is nominal, however the above subsidiaries are considered to be subsidiaries by virtue of 100% control.

The interim condensed consolidated financial information are presented in UAE Dirhams (AED) since that is the currency in which the majority of the Group’s transactions are denominated.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

2. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial information have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment property, which are carried at fair value.

These interim condensed consolidated financial information are prepared in accordance with International Accounting Standard No. 34 - *Interim Financial Reporting* issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the audited annual consolidated financial statements for the year ended December 31, 2007.

All significant inter-group company balances, income and expense items are eliminated on consolidation.

The interim condensed financial information of subsidiaries are prepared using similar policies as those used by the Bank.

These interim condensed consolidated financial information do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's financial statements as at and for the year ended December 31, 2007. In addition, results for the 3 months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2008.

(a) Estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, 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 interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended December 31, 2007.

(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 December 31, 2007.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

3. Loans and advances, net

	March 31, 2008	December 31, 2007
	AED'000	AED'000
	(un-audited)	(audited)
(a) Loans and advances at amortised cost		
Overdrafts	5,307,655	5,164,711
Loans	34,764,631	29,500,357
Credit cards	1,399,813	1,367,155
Others	164,957	179,447
	<u>41,637,056</u>	<u>36,211,670</u>
Less: Allowance for impairment	(1,167,370)	(1,090,555)
	<u>40,469,686</u>	<u>35,121,115</u>
Available for sale loans and advances	<u>805,232</u>	<u>873,859</u>
	<u>41,274,918</u>	<u>35,994,974</u>
	<u><u>41,274,918</u></u>	<u><u>35,994,974</u></u>
(b) Analysis by economic activities:		
Manufacturing	3,974,087	3,405,263
Construction	2,022,408	2,403,216
Trade	8,224,487	7,658,305
Transport and communication	1,488,030	1,702,992
Services	5,095,667	3,910,876
Banks and Financial Institutions	7,354,302	3,744,117
Personal	9,618,756	9,091,102
Government/Public Sector	4,570,962	5,151,787
Others	93,589	17,871
	<u>42,442,288</u>	<u>37,085,529</u>
Less: Allowance for impairment	(1,167,370)	(1,090,555)
	<u>41,274,918</u>	<u>35,994,974</u>
	<u><u>41,274,918</u></u>	<u><u>35,994,974</u></u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

4. Islamic financing and investment products

	March 31, 2008	December 31, 2007
	AED'000	AED'000
	(un-audited)	(audited)
<u>Financing</u>		
Murabaha	1,254,956	336,118
Ijara	773,240	761,199
	<u>2,028,196</u>	<u>1,097,317</u>
<u>Investing</u>		
Musharakah	779,742	614,190
Wakala	238,540	292,892
Sukuk and funds	267,745	343,189
	<u>1,286,027</u>	<u>1,250,271</u>
	3,314,223	2,347,588
Less: Unearned income	(3,874)	(1,825)
Provision for impairment	(494)	(494)
	<u>3,309,855</u>	<u>2,345,269</u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

5. Investments

	March 31, 2008 AED'000 (un-audited)	December 31, 2007 AED'000 (audited)
(a) Trading investments		
Held for trading		
Debt securities	3,644,361	7,323,222
Equities	284,981	323,136
Discretionary managed fund	863,626	1,301,249
Other investments	895,918	1,075,534
	<u>5,688,886</u>	<u>10,023,141</u>
(b) Non-trading investments		
(i) Designated at FVTPL		
Equities	78,805	-
(ii) Available-for-sale		
Debt securities	5,800,982	1,687,851
Equities	2,646,547	2,709,398
Others	137,153	156,700
	<u>8,584,682</u>	<u>4,553,949</u>
(iii) Held-to-maturity		
Debt securities	151,629	196,959
	<u>151,629</u>	<u>196,959</u>
	8,815,116	4,750,908
Less: Provision for impairment	(1,890)	(1,890)
	<u>8,813,226</u>	<u>4,749,018</u>
Total investments	<u><u>14,502,112</u></u>	<u><u>14,772,159</u></u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

6. Medium-term floating rate notes

During 2004, the Bank has established a Euro Medium Term Note (EMTN) programme for US\$ 750 million (AED 2,754.75 million) under fiscal agency agreement dated February 4, 2004. The EMTN programme was increased to US\$ 2,000 million (AED 7,346 million) under fiscal agency agreement dated March 21, 2006.

The maturities are as follows:

<u>Due date</u>	<u>Interest rate</u>	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
		<u>AED'000</u> <u>(un-audited)</u>	<u>AED'000</u> <u>(audited)</u>
February 27, 2009	3 months Libor + 0.55%	1,101,900	1,101,900
March 23, 2010	3 months Libor + 0.40%	1,193,725	1,193,725
April 6, 2011	3 months Libor + 0.38%	1,101,900	1,101,900
January 24, 2017	3 months Libor + 0.625%	<u>1,836,500</u>	<u>1,836,500</u>
		<u>5,234,025</u>	<u>5,234,025</u>

The US\$ 500 million (AED 1.836 million) tranche issued during January 2007 is a subordinated floating rate note and qualifies for Tier 2 subordinated loan capital for first 5 years till 2012 and thereafter it will be amortized at the rate of 20% per annum for next five years until 2017 for capital adequacy calculations. However, FRN is callable in 5 years i.e. in 2012 if not redeemed on completion of 5 years, there is provision of step up in coupon rate for 0.5% for next 5 years. This subordinated FRN has been approved by UAE Central Bank for recognition of Tier 2 capital.

7. Share capital

During 2008, a proposed bonus share distribution, of 3 shares for each 10 shares on account of 2007, was approved by the Board of Directors and ratified by the shareholders at the Annual General Meeting.

As of March 31, 2008, 146,386,992 ordinary shares of AED 10 each (2007: 112,605,380 ordinary shares of AED 10 each) were issued and were fully paid up.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

8. Contra accounts and commitments

	March 31, 2008	December 31, 2007
	AED'000	AED'000
	(un-audited)	(audited)
(a) Contra accounts (memoranda)		
Guarantees	31,805,340	30,920,961
Letters of credit	8,376,297	7,242,966
	<u>40,181,637</u>	<u>38,163,927</u>
(b) Derivative financial instruments (Note 12)	<u>268,218,886</u>	<u>213,069,614</u>
Total contra accounts and commitments (a + b)	<u><u>308,400,523</u></u>	<u><u>251,233,541</u></u>

9. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 32.27 million for the three-month period ended March 31, 2008 (three-month period ended March 31, 2007: AED 25.59 million).

10. Earnings per share

Earnings per share are calculated by dividing the net profit for the period by the number of ordinary shares outstanding during the period as follows:

	March 31, 2008	March 31, 2007
	(un-audited)	(un-audited)
Net income for the period (AED'000)		
(Attributed to equity holders of the parent)	<u>465,294</u>	<u>445,076</u>
Number of ordinary shares outstanding	<u>146,386,992</u>	<u>146,386,992</u>
Earnings per share (AED)	<u><u>3.18</u></u>	<u><u>3.04</u></u>

The number of ordinary shares outstanding as of March 31, 2007 has been adjusted to reflect the bonus shares issued during 2008 (Note 7).

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

11. Cash and cash equivalents

	March 31, 2008	December 31, 2007
	AED'000	AED'000
	(un-audited)	(audited)
Cash on hand, current account and deposits with central banks	16,815,968	20,200,123
Deposits and balances due from banks	8,790,655	7,959,847
	<u>25,606,623</u>	<u>28,159,970</u>
Less: Deposits with central banks for regulatory purposes	(1,967,542)	(1,597,378)
Deposits maturing after three months	(4,058,425)	(4,406,824)
	<u>(a) 19,580,656</u>	<u>(b) 22,155,768</u>
Decrease in cash and cash equivalents, Mach 31, 2008 (a) – (b)	<u>(2,575,112)</u>	
	March 31, 2007	December 31, 2006
	AED'000	AED'000
	(un-audited)	(audited)
Cash on hand, current account and deposits with central banks	5,680,772	2,405,688
Deposits and balances due from banks	8,976,237	8,556,912
	<u>14,657,009</u>	<u>10,962,600</u>
Less: Deposits with central banks for regulatory purposes	(1,232,328)	(1,179,871)
Deposits maturing after three months	(3,078,528)	(2,575,866)
	<u>(a) 10,346,153</u>	<u>(b) 7,206,863</u>
Increase in cash and cash equivalents, Mach 31, 2007 (a) – (b)	<u>3,139,290</u>	

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

12. Derivatives

Derivative Financial instruments	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000
Forward foreign exchange contracts	309,047	775,237	58,479,522
Foreign exchange options (bought)	-	4,050,310	94,991,535
Foreign exchange options (sold)	4,050,316	-	99,936,329
Interest rate swaps	672,140	778,590	12,724,002
Caps bought	-	2	94,050
Caps sold	2	-	94,050
Credit default swaps	3,275	7,975	467,613
Futures contracts purchased (customers)	15,504	-	359,011
Futures contracts sold (customers)	4,741	-	142,878
Futures contracts sold (bank)	-	15,504	359,011
Futures contracts purchased (bank)	-	4,741	142,878
Total return swap	-	-	350,218
Equity options bought	-	-	31,110
Equity options sold	-	2,250	46,679
At March 31, 2008 – un-audited	5,055,025	5,634,609	268,218,886
At December 31, 2007 – audited	2,433,377	2,482,251	213,069,614

13. Seasonality of results

No income of seasonal nature was recorded in the interim condensed consolidated financial information for the three-month periods ended March 31, 2008 and 2007.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

14. Related party transactions

- a) Certain “related parties” (such as, directors and major shareholders of the Bank and companies of which they are principal owners) are customers of the Bank and its subsidiaries in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties. Such related party transactions are disclosed below.
- b) Related party balances as of March 31, 2008 are as follows:

	<u>March 31,</u> <u>2008</u> <u>AED'000</u> <u>(un-audited)</u>	<u>December 31,</u> <u>2007</u> <u>AED'000</u> <u>(audited)</u>
Advances to customers	<u>1,252,814</u>	<u>854,140</u>
Deposits from customers	<u>977,337</u>	<u>931,563</u>
Letters of credit, guarantees and acceptances	<u>2,145,562</u>	<u>2,169,951</u>

- c) Net income for the period includes related party transactions as follows:

	<u>3 months ended March 31,</u> <u>2008</u> <u>AED '000</u> <u>(un-audited)</u>	<u>2007</u> <u>AED '000</u> <u>(un-audited)</u>
Interest income	<u>16,722</u>	<u>14,178</u>
Interest expense	<u>5,735</u>	<u>7,689</u>
Other income	<u>18,270</u>	<u>29,533</u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

15. Segmental information – un-audited

	January 1, 2008 to March 31, 2008					
	Retail AED'000	Corporate AED'000	Financial Institutions AED'000	Treasury & Investment Banking AED'000	Islamic Banking AED'000	Head Office and others AED'000
Net interest income and earnings from Islamic products	246,705	198,660	29,068	(64,421)	14,450	(15,558)
Other income	117,218	154,529	38,137	(17,131)	5,766	194,315
Operating income	363,923	353,189	67,205	(81,552)	20,216	178,804
General and administrative expenses						(428,379)
Allowances for loans and advances and other financial assets						(115,726)
Income before taxes						509,842
Taxation						(3,716)
Net income for the period						506,126
Attributed to: Equity holders of the parent						465,294
Minority interest						40,832
						506,126
Segment Assets	9,566,853	32,829,028	7,841,744	27,224,333	3,430,518	9,189,514
Segment Liabilities	10,377,900	37,574,629	4,197,300	9,359,400	899,485	19,117,075
						83,367,119

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

15. Segmental information – un-audited (continued)

	January 1, 2007 to March 31, 2007					
	Retail AED'000	Corporate AED'000	Financial Institutions AED'000	Treasury & Investment Banking AED'000	Islamic Banking AED'000	Head Office and others AED'000
Net interest income and earnings from Islamic products	179,303	135,472	19,172	(118,189)	3,130	23,218
Other income	92,820	113,306	34,178	287,810	3,624	8,993
Operating income	272,123	248,778	53,350	169,621	6,754	32,211
General and administrative expenses						(323,927)
Allowances for loans and advances and other financial assets						(99,870)
Income before taxes						481,327
Taxation						(1,284)
Net income for the period						480,043
Attributed to:						
Equity holders of the parent						445,076
Minority interest						34,967
						480,043
Segment Assets	7,725,918	18,374,530	7,094,575	19,970,900	715,825	5,005,057
Segment Liabilities	8,046,100	30,469,983	2,131,900	2,520,000	312,439	8,384,918
						61,657,619
						53,337,318

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to March 31, 2008

16. Capital adequacy

The capital adequacy ratio is computed based on circulars issued by the UAE Central Bank.

		March 31, 2008	December 31, 2007
		AED'000	AED'000
		(un-audited)	(audited)
Capital base			
Tier 1		9,824,299	9,824,299
Tier 2		<u>2,133,545</u>	<u>2,133,545</u>
	(a)	<u>11,957,844</u>	<u>11,957,844</u>
Risk-weighted assets:			
On-balance sheet assets		53,949,464	47,683,537
Off-balance sheet assets		<u>22,788,548</u>	<u>19,661,810</u>
Total risk-weighted assets	(b)	<u>76,738,012</u>	<u>67,345,347</u>
Capital adequacy ratio (%) [(a)/(b) x 100]		<u>15.58%</u>	<u>17.76%</u>

Tier 2 Capital at March 31, 2008 as shown above includes subordinated floating rate note balance of AED 1,836.50 million (Note 6).

17. Comparative figures

Certain amounts for the prior period were reclassified to conform to current period presentation.