
MASHREQBANK PSC GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION AND REVIEW REPORT
FOR THE PERIOD FROM JANUARY 1, 2008
TO JUNE 30, 2008**

Mashreqbank psc Group

Interim Condensed Consolidated Financial Information and Review Report For the period from January 1, 2008 to June 30, 2008

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Ref.: 7848CFS08-June

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 June 30, 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six months period then ended, 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



Anis F. Sadek (Reg. No. 521)

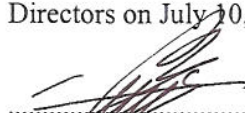
Dubai
July 23, 2008

Interim Condensed Consolidated Balance Sheet
As of June 30, 2008
(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>June 30,</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>
ASSETS			
Cash and balances with central banks		12,402,919	20,200,123
Deposits and balances due from banks		8,522,664	7,959,847
Trading investments	5	5,254,239	10,023,141
Loans and advances, net	3	45,802,734	35,994,974
Islamic financing and investment products	4	5,461,819	2,345,269
Non-trading investments	5	9,533,177	4,749,018
Interest receivable and other assets		5,834,044	5,472,924
Investment properties		797,800	498,440
Property and equipment		431,893	383,661
Total Assets		94,041,289	87,627,397
LIABILITIES			
Deposits and balances due to banks		13,092,590	13,397,024
Repurchase agreements with banks		4,281,066	3,834,313
Customers' deposits		51,359,577	46,133,514
Islamic customers' deposits		1,240,261	2,153,198
Insurance and life assurance funds		655,462	516,895
Interest payable and other liabilities		6,664,555	5,857,323
Medium-term floating rate notes	6	5,234,025	5,234,025
Long-term loans		14,136	16,707
Total Liabilities		82,541,672	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		(7,514)	(2,155)
Investments revaluation reserve		251,857	510,578
Retained earnings		7,902,711	7,068,366
Equity attributable to equity holders of the parent		10,521,933	9,613,852
Minority interest		977,684	870,546
Total Equity		11,499,617	10,484,398
Total Liabilities and Equity		94,041,289	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 July 10, 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 June 30, 2008
(In Thousand Arab Emirates Dirhams)

	Note	3 months ended June 30,		6 months ended June 30,	
		2008	2007	2008	2007
		AED'000	AED'000	AED'000	AED'000
		(un-audited)	(un-audited)	(un-audited)	(un-audited)
Interest income		986,731	919,695	2,129,560	1,722,324
Income from Islamic financing and investment products		42,984	15,086	78,696	21,960
Total interest income and income from Islamic financing and investment products		1,029,715	934,781	2,208,256	1,744,284
Interest expense		(541,925)	(640,463)	(1,286,106)	(1,199,368)
Distribution to depositors – Islamic products		(4,252)	(4,323)	(26,487)	(8,067)
Net interest income and income from Islamic products net of distribution to depositors		483,538	289,995	895,663	536,849
Fee and commission income		493,749	597,713	1,300,570	1,134,785
Fee and commission expense		(194,691)	(311,396)	(682,337)	(606,383)
Net fee and commission income		299,058	286,317	618,233	528,402
Net investment income		112,061	252,800	287,028	497,052
Other income	9	436,229	132,088	583,910	304,021
Operating income		1,330,886	961,200	2,384,834	1,866,324
General and administrative expenses	10	(444,924)	(339,124)	(873,303)	(663,051)
Allowance for loans and advances and other financial assets		(84,567)	(80,898)	(200,293)	(180,768)
Income before taxes		801,395	541,178	1,311,238	1,022,505
Overseas income tax expense		(3,516)	(530)	(7,232)	(1,814)
Net income for the period		797,879	540,648	1,304,006	1,020,691
Attributed to:					
Equity holders of the parent		706,867	510,824	1,172,161	955,900
Minority interest		91,012	29,824	131,845	64,791
		797,879	540,648	1,304,006	1,020,691
Earnings per share	11	AED 4.82	AED 3.48	AED 8.01	AED 6.53

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 June 30, 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	Investments 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	-	-	-	-	-	74,650	74,650	23,932	98,582
Overseas entities' translation adjustment	-	-	-	-	6,359	-	6,359	-	6,359
Total income recognised directly in equity	-	-	-	-	6,359	74,650	81,009	23,932	104,941
Net income for the period	-	-	-	955,900	-	-	955,900	64,791	1,020,691
Total income for the period	-	-	-	955,900	6,359	74,650	1,036,909	88,723	1,125,632
Transfer to statutory and legal reserves	-	2,535	-	(2,535)	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(31,011)	(31,011)
Bonus shares issued during the period	259,859	-	-	(259,859)	-	-	-	-	-
Reduction in minority's share capital	-	-	-	-	-	-	-	(10,176)	(10,176)
Balance at June 30, 2007 - reviewed	1,126,054	471,988	312,000	6,250,655	(5,090)	258,870	8,414,477	618,931	9,033,408
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	-	-	-	-	-	(258,721)	(258,721)	11,303	(247,418)
Overseas entities' translation adjustment	-	-	-	-	(5,359)	-	(5,359)	(38)	(5,397)
Total income recognised directly in equity	-	-	-	-	(5,359)	(258,721)	(264,080)	11,265	(252,815)
Net income for the period	-	-	-	1,172,161	-	-	1,172,161	131,845	1,304,006
Total income for the period	-	-	-	1,172,161	(5,359)	(258,721)	908,081	143,110	1,051,191
Dividend paid	-	-	-	-	-	-	-	(35,972)	(35,972)
Bonus shares issued during the period (Note 7)	337,816	-	-	(337,816)	-	-	-	-	-
Balance at June 30, 2008 - un-audited	1,463,870	599,009	312,000	7,902,711	(7,514)	251,857	10,521,933	977,684	11,499,617

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 June 30, 2008
(In Thousand Arab Emirates Dirhams)

	6 months ended June 30,	
	2008	2007
	AED'000	AED'000
	(un-audited)	(un-audited)
Cash flows from operating activities		
Net income for the period	1,304,006	1,020,691
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment	40,668	32,148
Fair value adjustment – trading investments	150,005	(153,502)
Fair value adjustment – derivatives	8,493	1,761
Translation adjustment	(5,359)	6,359
Allowance for impairment of loans and advances	116,747	125,000
Allowance for impairment of other debtors	1,803	(8,342)
Profit on sale of property and equipment	(59,558)	(30)
Fair value adjustment of investment properties	(161,727)	-
Changes in operating assets and liabilities:		
Increase in deposits with central banks for regulatory purposes	(709,666)	(207,687)
Increase in deposits maturing after three months	(227,671)	(835,527)
Increase in advances to customers	(9,924,507)	(2,472,002)
Increase in Islamic financing and investing products	(3,116,550)	(617,483)
Increase in interest receivable and other assets	(361,120)	(650,467)
Decrease/(increase) in trading securities – net	4,721,950	(1,211,354)
Increase in customers' deposits	5,226,063	10,475,185
Decrease in Islamic customers' deposits	(912,937)	(189,390)
Increase in medium-term floating rate notes	-	1,836,500
Decrease in long-term loans	(2,571)	(4,204)
Decrease in deposits and balances due to banks	(304,434)	(419,239)
Increase in insurance and life assurance funds	138,567	103,176
Increase in interest payable and other liabilities	807,232	933,730
Increase in repurchase agreements with banks	446,753	-
Net cash (used in)/from operating activities	(2,823,813)	7,765,323
Cash flows from investing activities		
Purchase of property and equipment	(92,633)	(84,927)
Proceeds from sale of property and equipment	63,284	11,460
(Purchase)/sale of non-trading investments, net	(5,282,590)	2,291
Net cash used in investing activities	(5,311,939)	(71,176)
Cash flows from financing activities		
Dividend paid to minority	(35,972)	(31,011)
Capital redemption by minority	-	(10,176)
Net cash used in financing activities	(35,972)	(41,187)
(Decrease)/increase in cash and cash equivalents (Note 12)	(8,171,724)	7,652,960

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 June 30, 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 June 30, 2008, Mashreqbank psc Group (the "Group") comprises the Bank and its subsidiaries as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation (or registration) and operation</u>	<u>Proportion of ownership interest %</u>	<u>Proportion of voting power held %</u>	<u>Principal activity</u>
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 Limited (DIFC)	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 Ltd.	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 companies 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 June 30, 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 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 six-month period ended June 30, 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 June 30, 2008

3. Loans and advances, net

	June 30, 2008 AED'000 (un-audited)	December 31, 2007 AED'000 (audited)
(a) Loans and advances at amortised cost		
Overdrafts	5,938,296	5,164,711
Loans	38,611,741	29,500,357
Credit cards	1,470,917	1,367,155
Others	138,358	179,447
	<u>46,159,312</u>	<u>36,211,670</u>
Less: Allowance for impairment	(1,224,122)	(1,090,555)
	<u>44,935,190</u>	<u>35,121,115</u>
Available for sale loans and advances	867,544	873,859
	<u><u>45,802,734</u></u>	<u><u>35,994,974</u></u>
(b) Analysis by economic activities:		
Manufacturing	3,990,696	3,405,263
Construction	2,660,088	2,403,216
Trade	8,397,636	7,658,305
Transport and communication	1,791,180	1,702,992
Services	5,849,016	3,910,876
Banks and Financial Institutions	7,869,266	3,744,117
Personal	10,663,675	9,091,102
Government/Public Sector	5,771,677	5,151,787
Others	33,622	17,871
	<u>47,026,856</u>	<u>37,085,529</u>
Less: Allowance for impairment	(1,224,122)	(1,090,555)
	<u><u>45,802,734</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 June 30, 2008

4. Islamic financing and investment products

	June 30, 2008 AED '000 (un-audited)	December 31, 2007 AED'000 (audited)
<u>Financing</u>		
Murabaha	1,726,330	336,118
Ijara	1,746,620	761,199
	<u>3,472,950</u>	<u>1,097,317</u>
<u>Investing</u>		
Musharaka	998,988	614,190
Wakala	696,251	292,892
Mudarbah	36,580	-
Sukuk and funds	263,665	343,189
	<u>1,995,484</u>	<u>1,250,271</u>
	5,468,434	2,347,588
Less: Unearned income	(6,121)	(1,825)
Provision for impairment	(494)	(494)
	<u><u>5,461,819</u></u>	<u><u>2,345,269</u></u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to June 30, 2008

5. Investments

	June 30, 2008	December 31, 2007
	AED'000	AED'000
	(un-audited)	(audited)
(a) Trading investments		
Held for trading		
Debt securities	3,335,280	7,323,222
Equities	511,266	323,136
Discretionary managed fund	547,469	1,301,249
Other investments	860,224	1,075,534
	<u>5,254,239</u>	<u>10,023,141</u>
(b) Non-trading investments		
(i) Designated at FVTPL		
Equities	103,061	-
(ii) Available-for-sale		
Debt securities	6,551,303	1,687,851
Equities	2,625,113	2,709,398
Others	120,763	156,700
	<u>9,297,179</u>	<u>4,553,949</u>
(iii) Held-to-maturity		
Debt securities	134,827	196,959
	<u>9,535,067</u>	<u>4,750,908</u>
Less: Provision for impairment	(1,890)	(1,890)
	<u>9,533,177</u>	<u>4,749,018</u>
Total investments	<u><u>14,787,416</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 June 30, 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>June 30,</u>	<u>December 31,</u>
		<u>2008</u>	<u>2007</u>
		<u>AED'000</u>	<u>AED'000</u>
		<u>(un-audited)</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%	1,836,500	1,836,500
		<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 (Note 17). 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 June 30, 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 June 30, 2008

8. Contra accounts and commitments

	June 30, 2008	December 31, 2007
	AED '000	AED'000
	(un-audited)	(audited)
(a) Contra accounts (memoranda)		
Guarantees	35,828,300	30,920,961
Letters of credit	9,763,129	7,242,966
	45,591,429	38,163,927
(b) Derivative financial instruments (Note 13)	266,900,281	213,069,614
Total contra accounts and commitments (a + b)	312,491,710	251,233,541

9. Other income

Other income includes a gain of AED 161,727 thousand for the six month period ended June 30, 2008 arising from revaluation of investment properties by an independent valuer. Previously, management's practice was to carry out the independent valuation on an annual basis and any gains or losses were reflected in the last quarter of the financial year.

10. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 71.60 million for the six-month period ended June 30, 2008 (six-month period ended June 30, 2007: AED 55.50 million).

11. Earnings per share

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

	June 30, 2008	June 30, 2007
	(un-audited)	(un-audited)
Net income for the period (AED'000)		
(Attributed to equity holders of the parent)	1,172,611	955,900
Number of ordinary shares outstanding	146,386,992	146,386,992
Earnings per share (AED)	8.01	6.53

The number of ordinary shares outstanding as of June 30, 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 June 30, 2008

12. Cash and cash equivalents

	June 30, 2008 AED'000 (un-audited)	December 31, 2007 AED'000 (audited)
Cash on hand, current account and deposits with central banks	12,402,919	20,200,123
Deposits and balances due from banks	8,522,664	7,959,847
	<u>20,925,583</u>	<u>28,159,970</u>
Less: Deposits with central banks for regulatory purposes (	2,307,044)	(1,597,378)
Deposits maturing after three months	(4,634,495)	(4,406,824)
	<u>(a) 13,984,044</u>	<u>(b) 22,155,768</u>
Decrease in cash and cash equivalents, June 30, 2008 (a) – (b)	<u>(8,171,724)</u>	
	June 30, 2007 AED'000 (un-audited)	December 31, 2006 AED'000 (audited)
Cash on hand, current account and deposits with central banks	11,572,758	2,405,688
Deposits and balances due from banks	8,086,016	8,556,912
	<u>19,658,774</u>	<u>10,962,600</u>
Less: Deposits with central banks for regulatory purposes (	1,387,558)	(1,179,871)
Deposits maturing after three months	(3,411,393)	(2,575,866)
	<u>(a) 14,859,823</u>	<u>(b) 7,206,863</u>
Increase in cash and cash equivalents, June 30, 2007 (a) – (b)	<u>7,652,960</u>	

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to June 30, 2008

13. Derivatives

Derivative Financial instruments	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000
Forward foreign exchange contracts	342,973	459,077	102,436,507
Foreign exchange options (bought)	-	1,481,146	69,964,661
Foreign exchange options (sold)	1,481,146	-	76,455,054
Interest rate swaps	639,008	715,658	15,341,630
Caps bought	-	11	83,600
Caps sold	11	-	83,600
Credit default swaps	3,315	7,520	551,578
Futures contracts purchased (customers)	9,752	-	419,577
Futures contracts sold (customers)	2,425	-	220,818
Futures contracts sold (bank)	-	9,752	419,577
Futures contracts purchased (bank)	-	2,425	220,818
Total return swap	-	-	687,291
Equity options bought	-	-	-
Equity options sold	883	3,353	15,570
At June 30, 2008 – un-audited	<u>2,479,513</u>	<u>2,678,942</u>	<u>266,900,281</u>
At December 31, 2007 – audited	<u>2,433,377</u>	<u>2,482,251</u>	<u>213,069,614</u>

14. Seasonality of results

No income of seasonal nature was recorded in the interim condensed consolidated financial information for the six-month periods ended June 30, 2008 and 2007.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to June 30, 2008

15. 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 included in the balance sheet as of June 30, 2008 are as follows:

	<u>June 30,</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	1,524,823	854,140
Deposits from customers	911,269	931,563
Letters of credit, guarantees and acceptances	2,018,571	2,169,951

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

	<u>6 months ended June 30,</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	29,353	29,295
Interest expense	8,597	13,904
Other income	43,899	39,862

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to June 30, 2008

16. Segmental information – un-audited

	January 1, 2008 to June 30, 2008							
	Head Office and							
	Retail AED'000	Corporate AED'000	Financial Institutions AED'000	Treasury AED'000	Islamic Banking AED'000	Insurance AED'000	Others AED'000	Total AED'000
Net interest income and earnings from Islamic products	496,140	381,145	56,791	(46,679)	31,404	7,368	(30,506)	895,663
Other income	240,624	306,730	81,011	131,248	19,785	534,388	175,385	1,489,171
Operating income	736,764	687,875	137,802	84,569	51,189	541,756	144,879	2,384,834
General and administrative expenses								(873,303)
Allowances for loans and advances and other financial assets								(200,293)
Income before taxes								1,311,238
Taxation								(7,232)
Net income for the period								1,304,006
Attributed to:								
Equity holders of the parent								1,172,161
Minority interest								131,845
								1,304,006
Segment Assets	10,020,570	32,770,566	8,543,618	24,595,171	5,552,401	4,453,639	8,105,324	94,041,289
Segment Liabilities	11,258,600	40,635,657	5,469,200	7,429,540	4,932,674	1,845,519	10,970,482	82,541,672

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to June 30, 2008

16. Segmental information – un-audited (continued)

	January 1, 2007 to June 30, 2007					
	Retail AED '000	Corporate AED '000	Financial Institutions AED '000	Treasury AED '000	Islamic Banking AED '000	Insurance AED '000
					Head Office and Others AED '000	Total AED '000
Net interest income and earnings from Islamic products	373,740	287,201	40,753	(258,793)	13,893	7,902
Other income	196,379	246,701	63,219	549,910	5,236	224,427
						72,153
						43,603
Operating income	570,119	533,902	103,972	291,117	19,129	232,329
						115,756
General and administrative expenses						1,866,324
						(663,051)
Allowances for loans and advances and other financial assets						(180,768)
Income before taxes						1,022,505
Taxation						(1,814)
Net income for the period						1,020,691
Attributed to:						
Equity holders of the parent						955,900
Minority interest						64,791
						1,020,691
Segment Assets	8,032,701	21,089,701	7,663,384	24,420,100	1,464,764	3,056,540
						4,869,995
Segment Liabilities	8,637,600	37,817,107	3,169,200	1,807,400	914,347	1,620,419
						7,597,704
						61,563,777

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2008 to June 30, 2008

17. Capital adequacy

The capital adequacy ratio is computed based on circulars issued by the U.A.E. Central Bank.

		June 30, 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		59,179,667	47,683,537
Off-balance sheet assets		<u>21,089,120</u>	<u>19,661,810</u>
Total risk-weighted assets	(b)	<u>80,268,787</u>	<u>67,345,347</u>
Capital adequacy ratio (%) [(a)/(b) x 100]		<u>14.90%</u>	<u>17.76%</u>

Tier 2 Capital at June 30, 2008 as shown above includes subordinated floating rate note balance of AED 1,836 million (Note 6).

18. Comparative figures

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