

MASHREQBANK PSC GROUP

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

Mashreqbank psc Group

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

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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 September 30, 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the nine 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
October 20, 2008

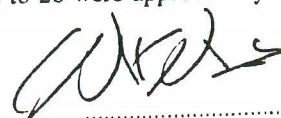
Interim Condensed Consolidated Balance Sheet
As of September 30, 2008
(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>September 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		6,689,568	20,200,123
Deposits and balances due from banks	3	9,200,303	7,959,847
Trading investments	4	4,624,844	10,023,141
Loans and advances, net	5	50,812,009	35,994,974
Islamic financing and investment products	6	6,806,880	2,345,269
Non-trading investments	4	9,668,787	4,749,018
Interest receivable and other assets		4,938,004	5,472,924
Investment property	7	817,603	498,440
Property and equipment		456,903	383,661
Total Assets		94,014,901	87,627,397
LIABILITIES			
Deposits and balances due to banks	8	14,786,157	13,397,024
Repurchase agreements with banks		4,281,066	3,834,313
Customers' deposits		48,308,379	46,133,514
Islamic customers' deposits		3,373,912	2,153,198
Insurance and life assurance funds		726,277	516,895
Interest payable and other liabilities		6,234,366	5,857,323
Medium-term floating rate notes	9	5,234,025	5,234,025
Long-term loans		12,072	16,707
Total Liabilities		82,956,254	77,142,999
EQUITY			
Share capital	10	1,463,870	1,126,054
Statutory and legal reserves		600,868	599,009
General reserves		312,000	312,000
Cumulative translation adjustment		(18,861)	(2,155)
Investments revaluation reserve		(428,370)	510,578
Retained earnings		8,247,148	7,068,366
Equity attributable to equity holders of the parent		10,176,655	9,613,852
Minority interest		881,992	870,546
Total Equity		11,058,647	10,484,398
Total Liabilities and Equity		94,014,901	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 20 were approved by the Board of Directors on October 20, 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 September 30, 2008
(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	3 months ended September 30,		9 months ended September 30,	
		2008	2007	2008	2007
		AED'000	AED'000	AED'000	AED'000
		(un-audited)	(un-audited)	(un-audited)	(un-audited)
Interest income		1,050,676	1,066,685	3,180,236	2,789,009
Income from Islamic financing and investment products		61,123	25,112	139,819	47,072
Total interest income and income from Islamic financing and investment products		1,111,799	1,091,797	3,320,055	2,836,081
Interest expense		(564,754)	(769,420)	(1,850,860)	(1,968,788)
Distribution to depositors – Islamic financing		(12,226)	(7,264)	(38,713)	(15,331)
Net interest income and income from Islamic products net of distribution to depositors		534,819	315,113	1,430,482	851,962
Fee and commission income		558,813	892,401	1,859,383	2,027,186
Fee and commission expense		(191,103)	(618,852)	(873,440)	(1,225,235)
Net fee and commission income		367,710	273,549	985,943	801,951
Net investment (loss)/income		(212,126)	56,383	74,902	553,435
Other income	11	174,454	113,605	758,364	417,626
Operating income		864,857	758,650	3,249,691	2,624,974
General and administrative expenses	12	(451,058)	(318,172)	(1,324,361)	(981,223)
Allowance for doubtful loans and advances, net of recoveries		(69,910)	(22,268)	(270,203)	(203,036)
Income before taxes		343,889	418,210	1,655,127	1,440,715
Income tax		(5,008)	(1,216)	(12,240)	(3,030)
Net income for the period		338,881	416,994	1,642,887	1,437,685
Attributed to:					
Equity holders of the parent		346,297	395,764	1,518,457	1,351,664
Minority interest		(7,416)	21,230	124,430	86,021
		338,881	416,994	1,642,887	1,437,685
Earnings per share	13	2.37	2.70	10.37	9.23

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 September 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	-	-	-	-	-	65,477	65,477	45,293	110,770
Overseas entities' translation adjustment	-	-	-	-	9,038	-	9,038	-	9,038
Total income recognised directly in equity	-	-	-	-	9,038	65,477	74,515	45,293	119,808
Net income for the period	-	-	-	1,351,664	-	-	1,351,664	86,021	1,437,685
Total income for the period	-	-	-	1,351,664	9,038	65,477	1,426,179	131,314	1,557,493
Transfer to statutory and legal reserves	-	2,587	-	(2,587)	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(31,011)	(31,011)
Bonus shares issued during the period	259,859	-	-	(259,859)	-	-	-	-	-
Reduction in minority's share capital	-	-	-	-	-	-	-	(10,369)	(10,369)
Balance at September 30, 2007 – un-audited	1,126,054	472,040	312,000	6,646,367	(2,411)	249,697	8,803,747	661,329	9,465,076
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	-	-	-	-	-	(938,948)	(938,948)	(76,936)	(1,015,884)
Overseas entities' translation adjustment	-	-	-	-	(16,706)	-	(16,706)	(76)	(16,782)
Total loss recognised directly in equity	-	-	-	-	(16,706)	(938,948)	(955,654)	(77,012)	(1,032,666)
Net income for the period	-	-	-	1,518,457	-	-	1,518,457	124,430	1,642,887
Total income for the period	-	-	-	1,518,457	(16,706)	(938,948)	562,803	47,418	610,221
Transfer to statutory and legal reserve	-	1,859	-	(1,859)	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(35,972)	(35,972)
Bonus shares issued during the period (Note 10)	337,816	-	-	(337,816)	-	-	-	-	-
Balance at September 30, 2008 – un-audited	1,463,870	600,868	312,000	8,247,148	(18,861)	(428,370)	10,176,655	881,992	11,058,647

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 September 30, 2008
(In Thousand Arab Emirates Dirhams)

	9 months ended September 30,	
	2008	2007
	AED'000	AED'000
	(un-audited)	(un-audited)
Cash flows from operating activities		
Net income for the period	1,642,887	1,437,685
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment	61,111	49,330
Fair value adjustment – trading and non-trading investments	275,320	(91,586)
Fair value adjustment – derivatives	20,927	(9,246)
Translation adjustment	(16,782)	9,038
Allowance for impairment of loans and advances	157,483	125,000
Profit on sale of property and equipment	(59,527)	(30)
Fair value adjustment – investment properties	(161,727)	-
Changes in operating assets and liabilities:	1,919,692	1,520,191
Increase in deposits with central banks for regulatory purposes	(1,001,508)	(329,129)
Increase in deposits maturing after three months	(829,035)	(1,397,753)
Increase in advances to customers	(14,974,518)	(5,777,069)
Increase in Islamic financing and investing products	(4,461,611)	(1,294,236)
Decrease/(increase) in interest receivable and other assets	513,993	(1,559,503)
Decrease/(increase) in trading securities – net	5,045,569	(1,415,692)
Increase in customers' deposits	2,174,865	8,072,331
Increase in Islamic customers' deposits	1,220,714	1,182,712
Increase in medium-term floating rate notes	-	1,836,500
Decrease in long-term loans	(4,635)	(5,763)
Increase in deposits and balances due to banks	1,835,886	2,875,199
Increase in insurance and life assurance funds	209,382	148,714
Increase in interest payable and other liabilities	377,043	1,837,492
Net cash (used in)/from operating activities	(7,974,163)	5,693,994
Cash flows from investing activities		
Purchase of property and equipment	(138,245)	(98,379)
Proceeds from sale of property and equipment	63,419	599
Purchase of non-trading investments, net	(6,015,681)	(540,246)
Net cash used in investing activities	(6,090,507)	(638,026)
Cash flows from financing activities		
Dividend paid to minority	(35,972)	(31,011)
Capital redemption by minority	-	(10,369)
Net cash used in financing activities	(35,972)	(41,380)
(Decrease)/increase in cash and cash equivalents (Note 14)	(14,100,642)	5,014,588

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 September 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 September 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 September 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 and the subsequent amendments.

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 nine-month period ended September 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 September 30, 2008

3. Deposits and balances due from banks

	September 30, 2008 AED'000 (un-audited)	December 31, 2007 AED'000 (audited)
Demand	1,470,523	1,417,089
Overnight	890,247	1,452,975
Time	6,839,533	5,089,783
	<u>9,200,303</u>	<u>7,959,847</u>

The above represent balances due from:

Banks abroad	8,460,524	7,192,177
Banks in the U.A.E.	739,779	767,670
	<u>9,200,303</u>	<u>7,959,847</u>

4. Investments

	September 30, 2008 AED'000 (un-audited)	December 31, 2007 AED'000 (audited)
(a) Trading investments		
Held for trading		
Debt securities	3,267,283	7,323,222
Equities	388,252	323,136
Discretionary managed fund	206,293	1,301,249
Other investments	763,016	1,075,534
	<u>4,624,844</u>	<u>10,023,141</u>
 Geographic regions:		
- within U.A.E.	2,094,136	4,707,553
- outside U.A.E.	2,530,708	5,315,588
	<u>4,624,844</u>	<u>10,023,141</u>

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

4. Investments (continued)

	September 30, 2008 AED'000 (un-audited)	December 31, 2007 AED'000 (audited)
(b) Non-trading investments		
(i) Designated at FVTPL		
Equities	77,408	-
(ii) Available-for-sale		
Debt securities	7,014,571	1,687,851
Equities	2,275,387	2,709,398
Others	165,369	156,700
	<u>9,455,327</u>	<u>4,553,949</u>
(iii) Held-to-maturity		
Debt securities	137,942	196,959
	<u>9,670,677</u>	<u>4,750,908</u>
Less: Provision for impairment	(1,890)	(1,890)
	<u>9,668,787</u>	<u>4,749,018</u>
Geographic regions:		
- within U.A.E.	6,939,040	3,393,295
- outside U.A.E.	2,731,637	1,357,613
	<u>9,670,677</u>	<u>4,750,908</u>
Less: Provision for impairment	(1,890)	(1,890)
	<u>9,668,787</u>	<u>4,749,018</u>

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

5. Loans and advances, net

	September 30, 2008 AED'000 (un-audited)	December 31, 2007 AED'000 (audited)
(a) Loans and advances at amortised cost		
Overdrafts	6,870,202	5,164,711
Loans	42,617,078	29,500,357
Credit cards	1,705,126	1,367,155
Others	143,129	179,447
	<u>51,335,535</u>	<u>36,211,670</u>
Less: Allowance for impairment	(1,272,783)	(1,090,555)
	<u>50,062,752</u>	<u>35,121,115</u>
Available for sale loans and advances	<u>749,257</u>	<u>873,859</u>
	<u><u>50,812,009</u></u>	<u><u>35,994,974</u></u>
(b) Analysis by economic activities:		
Manufacturing	3,755,759	3,405,263
Construction	3,204,838	2,403,216
Trade	14,419,878	7,658,305
Transport and communication	2,052,656	1,702,992
Services	6,127,605	3,910,876
Banks and Financial Institutions	4,668,902	3,744,117
Personal	11,665,748	9,091,102
Government/Public Sector	6,085,563	5,151,787
Others	103,843	17,871
	<u>52,084,792</u>	<u>37,085,529</u>
Less: Allowance for impairment	(1,272,783)	(1,090,555)
	<u><u>50,812,009</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 September 30, 2008

6. Islamic financing and investment products

	September 30, 2008 AED '000 (un-audited)	December 31, 2007 AED'000 (audited)
<u>Financing</u>		
Murabaha	3,438,434	336,118
Ijara	1,818,895	761,199
	<u>5,257,329</u>	<u>1,097,317</u>
<u>Investing</u>		
Musharaka	1,290,869	614,190
Wakala	-	292,892
Mudarbah	64,715	-
Sukuk and funds	208,429	343,189
	<u>1,564,013</u>	<u>1,250,271</u>
	6,821,342	2,347,588
Less: Unearned income	(13,968)	(1,825)
Provision for impairment	(494)	(494)
	<u>6,806,880</u>	<u>2,345,269</u>
	=====	=====

7. Investment property

Investment property comprises investment in buildings and freehold land held for capital appreciation and to earn rentals. These are initially stated at cost comprising purchase price and any directly attributable expenditure. For subsequent measurement purposes, the Group has chosen the fair value model as permitted by IAS 40, "Investment Property", under which the investment property is carried at fair value with any revaluation gains or losses recognized in the income statement. All investment properties are situated in UAE.

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

8. Deposits and balances due to banks

	September 30, 2008	December 31, 2007
	AED'000	AED'000
	(un-audited)	(audited)
Demand	1,902,201	1,550,649
Overnight	2,167,531	1,330,848
Time	10,716,425	10,515,527
	14,786,157	13,397,024
The above represent balances due to:		
Banks abroad	10,307,693	9,095,490
Banks in the U.A.E.	3,315,503	4,300,553
Due to Central Banks:		
U.A.E. - Repo	1,000,000	-
U.A.E. - Others	131,280	-
Overseas	31,681	981
	14,786,157	13,397,024

9. 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:

		September 30, 2008	December 31, 2007
		AED'000	AED'000
<u>Due date</u>	<u>Interest rate</u>	(un-audited)	(audited)
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
		5,234,025	5,234,025

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

9. Medium-term floating rate notes (continued)

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 20). 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.

10. 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 September 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.

11. Other income

Other income includes a gain of AED 161,727 thousand for the nine-month period ended September 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.

12. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 94 million for the nine-month period ended September 30, 2008 (nine-month period ended September 30, 2007: AED 83 million).

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

13. 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:

	September 30, 2008	September 30, 2007
	(un-audited)	(un-audited)
Net income for the period (AED'000) (Attributed to equity holders of the parent)	1,518,457	1,351,664
Number of ordinary shares outstanding	146,386,992	146,386,992
Earnings per share (AED)	10.37	9.23

The number of ordinary shares outstanding as of September 30, 2007 has been adjusted to reflect the bonus shares issued during 2008 (Note 10).

14. Cash and cash equivalents

	September 30, 2008	December 31, 2007
	AED'000	AED'000
	(un-audited)	(audited)
Cash on hand, current account and deposits with central banks	6,689,568	20,200,123
Deposits and balances due from banks	9,200,303	7,959,847
	15,889,871	28,159,970
Less: Deposits with central banks for regulatory purposes	(2,598,886)	(1,597,378)
Deposits maturing after three months	(5,235,859)	(4,406,824)
	(a) 8,055,126	(b) 22,155,768
Decrease in cash and cash equivalents, September 30, 2008 (a) – (b)	(14,100,642)	

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

14. Cash and cash equivalents (continued)

	September 30, 2007 AED'000 (un-audited)	December 31, 2006 AED'000 (audited)
Cash on hand, current account and deposits with central banks	9,910,190	2,405,688
Deposits and balances due from banks	7,793,880	8,556,912
	<u>17,704,070</u>	<u>10,962,600</u>
Less: Deposits with central banks for regulatory purposes	(1,509,000)	(1,179,871)
Deposits maturing after three months	(3,973,619)	(2,575,866)
	<u>(a) 12,221,451</u>	<u>(b) 7,206,863</u>
Increase in cash and cash equivalents, September 30, 2007 (a) – (b)	<u>5,014,588</u>	

15. Contra accounts and commitments

	September 30, 2008 AED '000 (un-audited)	December 31, 2007 AED'000 (audited)
(a) Contra accounts (memoranda)		
Guarantees	38,499,022	30,920,961
Letters of credit	8,588,426	7,242,966
	<u>47,087,448</u>	<u>38,163,927</u>
(b) Derivative financial instruments (Note 16)	164,732,765	213,069,614
	<u>211,820,213</u>	<u>251,233,541</u>
Total contra accounts and commitments (a + b)		

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

16. Derivatives

<u>Derivative Financial instruments</u>	<u>Positive fair value AED'000</u>	<u>Negative fair value AED'000</u>	<u>Notional amount AED'000</u>
Forward foreign exchange contracts	392,450	320,521	61,080,265
Foreign exchange options (bought)	-	577,760	38,178,213
Foreign exchange options (sold)	578,041	-	47,264,693
Equity options (index)	5,185	5,185	147,611
Interest rate swaps	463,362	541,340	16,135,178
Caps bought	-	5	73,150
Caps sold	5	-	73,150
Credit default swaps	625	8,421	201,902
Futures contracts purchased (customers)	444	-	352,836
Futures contracts sold (customers)	4,904	-	188,065
Futures contracts sold (bank)	-	444	352,837
Futures contracts purchased (bank)	-	4,904	188,065
Total return swap	-	-	434,100
Equity options sold	5,873	2,437	15,570
Equity derivatives	7,463	4,027	47,130
At September 30, 2008 – un-audited	<u>1,458,352</u>	<u>1,465,044</u>	<u>164,732,765</u>
At December 31, 2007 – audited	<u>2,433,377</u>	<u>2,482,251</u>	<u>213,069,614</u>

17. Seasonality of results

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

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

18. 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 September 30, 2008 are as follows:

	September 30, 2008	December 31, 2007
	AED’000	AED’000
	(un-audited)	(audited)
Advances to customers	1,333,809	854,140
Deposits from customers	1,809,887	931,563
Letters of credit, guarantees and acceptances	1,761,103	2,169,951

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

	9 months ended September 30, 2008	2007
	AED’000	AED’000
	(un-audited)	(un-audited)
Interest income	45,245	45,506
Interest expense	16,135	19,489
Other income	60,505	33,459

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

19. Segmental information – un-audited

	January 1, 2008 to September 30, 2008						Head Office and Others	Total
	Retail AED'000	Corporate AED'000	Financial Institutions AED'000	Treasury AED'000	Islamic Banking AED'000	Insurance AED'000	AED'000	AED'000
Net interest income and earnings from Islamic products	776,089	584,059	86,273	(20,547)	58,745	11,081	(65,218)	1,430,482
Other income	363,580	410,093	130,911	129,191	38,442	453,637	293,355	1,819,209
Operating income	1,139,669	994,152	217,184	108,644	97,187	464,718	228,137	3,249,691
General and administrative expenses								(1,324,361)
Allowances for loans and advances and other financial assets								(270,203)
Income before taxes								1,655,127
Taxation								(12,240)
Net income for the period								1,642,887
Attributed to: Equity holders of the parent								1,518,457
Minority interest								124,430
								1,642,887
Segment Assets	10,940,844	35,940,138	8,939,351	18,670,661	7,111,314	4,472,499	7,940,094	94,014,901
Segment Liabilities	10,716,400	37,850,657	4,176,554	10,209,740	6,592,600	2,200,851	11,209,452	82,956,254

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

19. Segmental information – un-audited (continued)

	January 1, 2007 to September 30, 2007					Head Office and Others		Total AED'000
	Retail AED'000	Corporate AED'000	Financial Institutions AED'000	Treasury & Investment Banking AED'000	Islamic Banking AED'000	Insurance AED'000	AED'000	
Net interest income and earnings from Islamic products	582,072	458,089	65,059	(127,748)	32,548	6,690	114,957	1,131,667
Other income	307,746	375,798	95,655	362,591	11,855	285,996	53,666	1,493,307
Operating income	889,818	833,887	160,714	234,843	44,403	292,686	168,623	2,624,974
General and administrative expenses								(981,223)
Allowances for loans and advances and other financial assets								(203,036)
Income before taxes								1,440,715
Taxation								(3,030)
Net income for the period								1,437,685
Attributed to: Equity holders of the parent								1,351,664
Minority interest								86,021
								1,437,685
Segment Assets	8,255,798	24,135,488	7,456,190	22,418,300	2,489,578	3,170,608	6,298,983	74,224,945
Segment Liabilities	8,920,400	35,089,267	2,676,800	3,917,400	1,933,051	1,700,531	10,522,420	64,759,869

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

20. Capital adequacy

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

		September 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		66,408,095	47,683,537
Off-balance sheet assets		<u>22,419,892</u>	<u>19,661,810</u>
Total risk-weighted assets	(b)	<u>88,827,987</u>	<u>67,345,347</u>
Capital adequacy ratio (%) [(a)/(b) x 100]		<u>13.46%</u>	<u>17.76%</u>

Tier 2 Capital at September 30, 2008 as shown above includes subordinated floating rate note balance of AED 1,836 million (Note 9).

21. Comparative figures

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