

MASHREQBANK PSC GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION AND REVIEW REPORT
FOR THE PERIOD FROM JANUARY 1, 2009
TO MARCH 31, 2009**

Mashreqbank psc Group

**Interim Condensed Consolidated Financial Information and
Review Report**

For the period from January 1, 2009 to March 31, 2009

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Ref.: 7848CFS09-March

Report on Review of Interim Condensed Consolidated Financial Information

To the Board of Directors
Mashreqbank psc
Dubai
United Arab Emirates

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mashreqbank psc (the “Bank”) and its Subsidiaries (collectively the “Group”) as of March 31, 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from January 1, 2009 to March 31, 2009, 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.

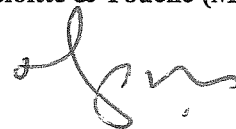
Scope of review

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 34.

Deloitte & Touche (M.E.)



Anis F. Sadek
Partner
Registration No. 521

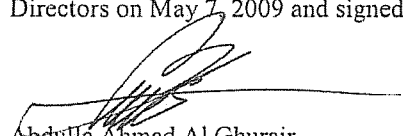
Dubai
May 7, 2009

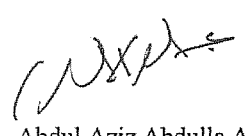
Interim Condensed Consolidated Statement of Financial Position
As of March 31, 2009
(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>March</u> <u>31, 2009</u> <u>AED'000</u> <u>(un-audited)</u>	<u>December</u> <u>31, 2008</u> <u>AED'000</u> <u>(audited)</u>
ASSETS			
Cash and balances with central banks		5,393,145	6,289,386
Deposits and balances due from banks		11,090,264	9,077,630
Financial assets carried at FVTPL	5	176,760	219,776
Loans and advances, net	3	46,894,619	48,434,274
Islamic financing and investment products	4	6,976,772	6,600,704
Non-trading investments	5	12,368,937	13,189,058
Interest receivable and other assets		6,285,961	8,231,536
Investment properties		755,580	724,237
Property and equipment		720,418	476,920
Total assets		90,662,456	93,243,521
LIABILITIES			
Deposits and balances due to banks		9,293,359	12,336,491
Repurchase agreements with banks		4,127,976	5,129,883
Customers' deposits	6	51,613,054	48,435,538
Islamic customers' deposits		2,930,583	3,042,027
Insurance and life assurance funds		899,721	802,485
Interest payable and other liabilities		6,846,963	7,568,835
Medium-term floating rate notes	7	4,029,281	5,234,025
Long-term loans		10,293	11,838
Total liabilities		79,751,230	82,561,122
EQUITY			
Issued capital	8	1,610,257	1,463,870
Statutory and legal reserves		740,734	740,734
General reserves		312,000	312,000
Cumulative translation adjustment		(38,437)	(33,932)
Investment revaluation reserve		(677,352)	(649,634)
Retained earnings		8,422,991	8,231,655
Equity attributable to equity holders of the parent		10,370,193	10,064,693
Non controlling interests		541,033	617,706
Total equity		10,911,226	10,682,399
Total liabilities and equity		90,662,456	93,243,521

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

The interim condensed consolidated financial information on pages 2 to 22 were approved by the Board of Directors on May 7, 2009 and signed on their behalf by:


Abdulla Ahmad Al Ghurair
Chairman


Abdul Aziz Abdulla Al Ghurair
Chief Executive Officer

Interim Condensed Consolidated Statement of Income
For the period from January 1, 2009 to March 31, 2009
(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>3 months ended</u>	
		<u>March 31,</u>	
		<u>2009</u>	<u>2008</u>
		<u>AED'000</u>	<u>AED'000</u>
		<u>(un-audited)</u>	<u>(un-audited)</u>
Interest income		1,241,566	1,142,829
Income from Islamic financing and investment products		90,865	35,712
Total interest income and income from Islamic financing and investment products		1,332,431	1,178,541
Interest expense		(707,617)	(744,181)
Distribution to depositors – Islamic products		(43,837)	(22,235)
Net interest income and income from Islamic products net of distribution to depositors		580,977	412,125
Fee and commission income		509,821	806,821
Fee and commission expense		(171,153)	(487,646)
Net fee and commission income		338,668	319,175
Net investment (loss)/income		(103,374)	174,967
Other income		410,526	147,680
Operating income		1,226,797	1,053,947
General and administrative expenses	10	(479,957)	(428,379)
Allowance for loans and advances and other financial assets		(232,061)	(115,726)
Income before taxes		514,779	509,842
Overseas income tax expense		(3,190)	(3,716)
Net income for the period		511,589	506,126
Attributed to:			
Equity holders of the parent		484,110	465,294
Non controlling interests		27,479	40,832
		511,589	506,126
Earnings per share	11	AED 3.01	AED 2.89

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

Interim Condensed Consolidated Statement of Comprehensive Income
For the period from January 1, 2009 to March 31, 2009
(In Thousand Arab Emirates Dirhams)

	3 months ended	
	March 31,	
	2009	2008
	AED'000	AED'000
	(un-audited)	(un-audited)
Net income for the period	511,589	506,126
Other comprehensive income		
Changes in fair value of available for sale investments during the period	(62,492)	(230,523)
Overseas entities' translation adjustment	(4,506)	642
Other comprehensive income for the period	(66,998)	(229,881)
Total comprehensive income for the period	444,591	276,245
Attributed to:		
Equity holders of the parent	451,887	228,181
Non controlling interests	(7,296)	48,064
	444,591	276,245

Interim Condensed Consolidated Statement of Changes in Equity
For the period from January 1, 2009 to March 31, 2009
(In Thousand Arab Emirates Dirhams)

	Issued capital AED'000	Statutory and legal reserves AED'000	General reserves AED'000	Cumulative translation adjustment AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Attributable to equity holders of the parent AED'000	Non controlling interests AED'000	Total AED'000
Balance at December 31, 2007 - audited	1,126,054	599,009	312,000	(2,155)	510,578	7,068,366	9,613,852	870,546	10,484,398
Net income for the period	-	-	-	-	-	465,294	465,294	40,832	506,126
Changes in fair value of available-for-sale investments during the period	-	-	-	-	(237,757)	-	(237,757)	7,234	(230,523)
Overseas entities' translation adjustment	-	-	-	644	-	-	644	(2)	642
Total comprehensive income for the period									
Dividend paid	-	-	-	644	(237,757)	465,294	228,181	48,064	276,245
Bonus shares issued during the period	337,816	-	-	-	-	(337,816)	-	(35,972)	(35,972)
Balance at March 31, 2008 - un-audited	1,463,870	599,009	312,000	(1,511)	272,821	7,195,844	9,842,033	882,638	10,724,671
Balance at December 31, 2008 - audited	1,463,870	740,734	312,000	(33,932)	(649,634)	8,231,655	10,064,693	617,706	10,682,399
Net income for the period	-	-	-	-	-	484,110	484,110	27,479	511,589
Changes in fair value of available-for-sale investments during the period	-	-	-	-	(27,718)	-	(27,718)	(34,774)	(62,492)
Overseas entities' translation adjustment	-	-	-	(4,505)	-	-	(4,505)	(1)	(4,506)
Total comprehensive income for the period									
Dividend paid	-	-	-	(4,505)	(27,718)	484,110	451,887	(7,296)	444,591
Bonus shares issued during the period	146,387	-	-	-	-	(146,387)	(146,387)	(69,377)	(215,764)
Balance at March 31, 2009 - un-audited	1,610,257	740,734	312,000	(38,437)	(677,352)	8,422,991	10,370,193	541,033	10,911,226

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

Interim Condensed Consolidated Statement of Cash Flows
For the period from January 1, 2009 to March 31, 2009
(In Thousand Arab Emirates Dirhams)

	3 months ended March 31,	
	2009	2008
	AED'000	AED'000
	(un-audited)	(un-audited)
Cash flows from operating activities		
Net income for the period	511,589	506,126
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment	26,496	19,743
Fair value adjustment – FVTPL investments	(16,201)	75,118
Translation adjustment	(4,505)	644
Allowance for impairment of loans and advances	148,283	68,329
Loss/(gain) on sale of property and equipment	1,163	(3)
Allowance for impairment of investments	43,659	-
Changes in operating assets and liabilities:		
Decrease/(increase) in deposits with central banks for regulatory purposes	217,905	(370,164)
Increase in deposits maturing after three months	1,310,840	1,215,942
Decrease in financial assets carried at FVTPL	59,217	4,180,332
Decrease/(increase) in loans and advances - net	1,394,960	(5,579,885)
Increase in Islamic financing and investing products	(379,659)	(964,585)
Decrease/(increase) in interest receivable and other assets	1,945,575	(3,020,105)
(Decrease)/increase in deposits and balances due to banks	(3,043,132)	4,370,444
Decrease in repurchase agreements with banks	(1,001,907)	(555,273)
Increase/(decrease) in customers' deposits	3,177,516	(90,245)
Decrease in Islamic customers' deposits	(111,444)	(1,261,955)
Increase in insurance and life assurance funds	97,236	78,548
(Decrease)/increase in interest payable and other liabilities	(721,872)	3,683,504
Decrease in medium-term floating rate notes	(1,204,744)	-
Decrease in long-term loans	(1,545)	(903)
Net cash from operating activities	2,449,430	2,355,612
Cash flows from investing activities		
Purchase of property and equipment	(272,452)	(42,904)
Proceeds from sale of property and equipment	1,295	9
Sale/(purchase) of non-trading investments	682,629	(4,215,926)
Net cash from/(used in) investing activities	411,472	(4,258,821)
Cash flows from financing activities		
Dividend paid to non controlling shareholders	(69,377)	(35,972)
Dividend paid to shareholders of the parent	(146,387)	-
Net cash used in financing activities	(215,764)	(35,972)
Increase/(decrease) in cash and cash equivalents (Note 12)	2,645,138	(1,939,181)

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, 2009 to March 31, 2009

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, 2009, 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
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.

** Makaseb Funds Company BSC III, Bahrain is under liquidation.

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, 2009 to March 31, 2009

2. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial information have been prepared on the historical cost basis, except for 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, 2008, except for the impact of the adoption of the Standard described below:

IAS 1 (Revised) *Presentation of Financial Statements* (effective for accounting periods beginning on or after January 1, 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

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, 2008. In addition, results for the 3 months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2009.

(a) Significant judgments and sources of estimation uncertainty

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, 2008.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

2. Significant accounting policies

Basis of preparation - 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 December 31, 2008.

3. Loans and advances, net

	March 31, 2009 AED'000 (un-audited)	December 31, 2008 AED'000 (audited)
(a) Loans and advances at amortised cost		
Overdrafts	6,391,600	6,304,447
Loans	39,416,141	41,023,640
Credit cards	2,134,964	1,964,967
Others	224,581	260,029
	48,167,286	49,553,083
Less: Allowance for impairment	(1,272,667)	(1,118,809)
Total loans and advances	46,894,619	48,434,274
(b) Analysis by economic activities:		
Manufacturing	3,786,230	3,827,464
Construction	4,044,955	3,648,212
Trade	12,526,208	13,574,319
Transport and communication	2,163,197	2,328,397
Services	6,412,388	6,462,675
Banks and Financial Institutions	921,040	1,501,173
Personal	12,402,203	12,165,643
Government/Public Sector	5,784,138	5,947,823
Others	126,927	97,377
	48,167,286	49,553,083
Less: Allowance for impairment	(1,272,667)	(1,118,809)
	46,894,619	48,434,274

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

4. Islamic financing and investment products

	March 31, 2009 AED'000 (un-audited)	December 31, 2008 AED'000 (audited)
<u>Financing</u>		
Murabaha	2,633,264	3,058,883
Ijara	1,932,816	1,909,519
	<u>4,566,080</u>	<u>4,968,402</u>
<u>Investing</u>		
Musharakah	1,444,726	1,433,576
Wakala	770,208	-
Mudaraba	65,716	64,865
Sukuk and funds	106,096	104,342
Others	47,664	47,031
	<u>2,434,410</u>	<u>1,649,814</u>
	7,000,490	6,618,216
Less: Unearned income	(17,029)	(17,008)
Provision for impairment	(4,085)	(504)
Profit in suspense	(2,604)	-
	<u>6,976,772</u>	<u>6,600,704</u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

5. Investments

	March 31, 2009 AED'000 (un-audited)	December 31, 2008 AED'000 (audited)
(a) Financial assets carried at FVTPL		
(i) Held-for-trading		
Debt securities	91,485	78,990
Equities	2,626	4,815
Discretionary managed fund	-	55,258
Other investments	15,896	17,092
	<u>110,007</u>	<u>156,155</u>
(ii) Designated at FVTPL		
Equities	66,753	63,621
	<u>176,760</u>	<u>219,776</u>
(b) Non-trading investments		
(i) Available-for-sale		
Debt securities	1,261,136	1,354,071
Equities	1,295,938	1,561,844
Investment funds	202,839	578,298
Others	388,115	346,292
	<u>3,148,028</u>	<u>3,840,505</u>
(ii) Held-to-maturity		
Debt securities	9,222,799	9,350,443
	<u>12,370,827</u>	<u>13,190,948</u>
Less: Provision for impairment	(1,890)	(1,890)
	<u>12,368,937</u>	<u>13,189,058</u>
Total investments	<u><u>12,545,697</u></u>	<u><u>13,408,834</u></u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

5. Investments (continued)

	March 31, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
Geographic regions:		
- within U.A.E	7,605,951	7,790,080
- outside U.A.E	4,939,746	5,618,754
	<u>12,545,697</u>	<u>13,408,834</u>

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", issued by the International Accounting Standards Board (IASB) on October 13, 2008, the Group reclassified certain investments from Held For Trading ("HFT") to Held To Maturity ("HTM") and to Available For Sale ("AFS"). The Bank and other subsidiaries identified those assets, eligible under the amendments, for which at July 1, 2008 (in the case of the subsidiary Oman Insurance Company psc at September 30, 2008), the management had a clear change of intent to hold for the foreseeable future or until maturity rather than to exit or trade in the short term. Under IAS 39 as amended, the reclassifications were made with effect from July 1, 2008 for the Bank and other subsidiaries and from September 30, 2008 for the subsidiary Oman Insurance Company PSC.

Further, the Group reclassified certain investments available for sale ("AFS") to investments held to maturity ("HTM") as permitted by IAS 39. The disclosures below detail the impact of the reclassifications to the Group as of March 31, 2009.

Details of the fair values of reclassified investments at date of reclassification (July 1, 2008 and September 30, 2008) and March 31, 2009 are as follows:

	The Bank and other subsidiaries	The subsidiary Oman Insurance PSC
	AED '000	AED '000
Fair value of reclassified investments of the Bank on July 1, 2008 (Oman Insurance PSC on September 30, 2008)	10,278,023	137,535
Matured and redeemed securities	(354,596)	-
Amortization of discount/premium on reclassified investments	103,329	-
Decrease in fair value (from July 1, 2008 for the Bank and from September 30, 2008 for Oman Insurance PSC to March 31, 2009)	(2,266,682)	(51,168)
Fair value of reclassified investments on March 31, 2009	<u>7,760,074</u>	<u>86,367</u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

5. Investments (continued)

As of the reclassification date, effective interest rates on reclassified investments is 6% per annum.

The effect of the reclassification on the condensed consolidated net income of the three months period ended March 31, 2009 is an increase by AED 236.84 million representing a decline in fair value of the concerned investments which has not been recognized in the statement of income (three months period ended March 31, 2008: Nil).

6. Customers' deposits

Customer deposits include an amount of AED 3,444 million received from the Ministry of Finance of the UAE (AED 1,687 million matures in October 2011 and AED 1,757 million matures in November 2013) as part of the liquidity support made available to UAE banks in view of the recent credit crisis. Interest is paid every three months and calculated on prevailing coupon on the United States Treasury benchmark 5 year note plus 120 basis points or 4% which ever is higher. The extraordinary annual general meeting held on March 15, 2009 approved the transfer of the funds received from the Ministry of Finance to a subordinated loan qualifying as Tier 2 capital and authorized the Board of Directors to complete the process and sign all necessary documents. The procedures are still in progress as at March 31, 2009.

7. 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>2009</u>	<u>December 31,</u> <u>2008</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
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%	1,733,656	1,836,500
		<u>4,029,281</u>	<u>5,234,025</u>

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

7. 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. 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 of 0.5% for next 5 years. This subordinated FRN has been approved by UAE Central Bank for recognition of Tier 2 capital. During the period, the Bank has bought back US\$ 28 million (AED 102.84 million) of its outstanding subordinated debt due on January 24, 2017.

8. Issued capital

During 2009, a proposed bonus share distribution, of 1 share for each 10 shares on account of 2008 and a 10% cash dividend amounting to AED 146,386,992 were approved by the Board of Directors and ratified by the shareholders at the Annual General Meeting.

As of March 31, 2009, 161,025,690 ordinary shares of AED 10 each (2008: 146,386,992 ordinary shares of AED 10 each) were issued and were fully paid up.

9. Contra accounts and commitments

	March 31, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
(a) Contra accounts (memoranda)		
Guarantees	37,605,636	39,539,729
Letters of credit	8,062,720	7,346,914
	45,668,356	46,886,643
(b) Derivative financial instruments (Note 13)	137,948,861	132,743,826
Total contra accounts and commitments (a + b)	183,617,217	179,630,469

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

10. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 31.97 million for the three-month period ended March 31, 2009 (three-month period ended March 31, 2008: AED 32.27 million).

11. 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:

	<u>March 31,</u> <u>2009</u> <u>(un-audited)</u>	<u>March 31,</u> <u>2008</u> <u>(un-audited)</u>
Net income for the period (AED'000) (Attributed to equity holders of the parent)	<u>484,110</u>	<u>465,294</u>
Number of ordinary shares outstanding	<u>161,025,690</u>	<u>161,025,690</u>
Earnings per share (AED)	<u>3.01</u>	<u>2.89</u>

The number of ordinary shares outstanding as of March 31, 2008 has been adjusted to reflect the bonus shares issued during 2009 (Note 8).

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

12. Cash and cash equivalents

	March 31, 2009 AED'000 (un-audited)	December 31, 2008 AED'000 (audited)
Cash on hand, current account and deposits with central banks	5,393,145	6,289,386
Deposits and balances due from banks	11,090,264	9,077,630
	16,483,409	15,367,016
Less: Deposits with central banks for regulatory purposes	(2,207,371)	(2,425,276)
Deposits maturing after three months	(3,360,082)	(4,670,922)
	(a) 10,915,956	(b) 8,270,818
Increase in cash and cash equivalents, March 31, 2009 (a) – (b)	2,645,138	
	March 31, 2008 AED'000 (un-audited)	December 31, 2007 AED'000 (audited)
Cash on hand, current account and deposits with central banks	16,815,968	20,200,123
Deposits and balances due from banks	11,573,337	10,974,141
	28,389,305	31,174,264
Less: Deposits with central banks for regulatory purposes	(1,967,542)	(1,597,378)
Deposits maturing after three months	(5,151,952)	(6,367,894)
	(a) 21,269,811	(b) 23,208,992
Decrease in cash and cash equivalents, March 31, 2008 (a) – (b)	(1,939,181)	

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

13. 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	412,539	282,174	57,589,682
Foreign exchange options (bought)	-	671,693	22,827,200
Foreign exchange options (sold)	611,843	-	35,963,510
Interest rate swaps	524,572	651,322	19,880,322
Caps bought	-	-	52,250
Caps sold	-	-	52,250
Credit default swaps	2,772	4,224	221,715
Equity derivatives	6,531	6,531	149,447
Futures contracts purchased (customers)	-	-	275,046
Futures contracts sold (customers)	-	14,871	259,389
Futures contracts sold (bank)	14,871	21,303	275,046
Futures contracts purchased (bank)	21,303	-	259,389
Total return swap	-	-	58,460
Equity options bought	-	-	31,365
Equity options sold	751	236	53,790
At March 31, 2009 – un-audited	<u>1,595,182</u>	<u>1,652,354</u>	<u>137,948,861</u>
At December 31, 2008 – audited	<u>2,710,007</u>	<u>2,930,729</u>	<u>132,743,826</u>

14. 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, 2009 and 2008.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

15. Related party transactions

- a) Certain “related parties” (such as, directors and major shareholders of the Group and companies of which they are principal owners) are customers of the Group 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, 2009 are as follows:

	<u>March 31,</u> <u>2009</u> <u>AED'000</u> <u>(un-audited)</u>	<u>December 31,</u> <u>2008</u> <u>AED'000</u> <u>(audited)</u>
Advances to customers	1,850,116	1,404,911
Deposits from customers	2,345,123	1,958,554
Letters of credit, guarantees and acceptances	2,127,837	2,053,701
Available for sale investments	84,750	84,750
Investments revaluation reserves in equity	(16,250)	(16,250)

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

	<u>3 months ended March 31,</u> <u>2009</u> <u>AED '000</u> <u>(un-audited)</u>	<u>2008</u> <u>AED '000</u> <u>(un-audited)</u>
Interest income	29,935	16,722
Interest expense	16,849	5,735
Other income	25,300	18,270

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

16. Segmental information

The Group has adopted IFRS 8 Operating Segments with effect from January 1, 2009. The segments identified in accordance with IFRS 8 do not differ materially from those previously disclosed under IAS 14.

Operating Segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's Chief Executive Officer (CEO) in order to allocate resources to the segment and to assess its performance. Information reported to the Group's CEO for the purpose of resource allocation and assessment of performance is based on following strategic business units offering products and services to different markets:

- Retail
- Corporate
- Financial Institutions
- Treasury and Investment Banking
- Islamic Banking
- Insurance

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

16. Segmental information – un-audited (continued)

	January 1, 2009 to March 31, 2009					
	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	288,043	203,611	4,458	34,887	20,293	22,396
Other income	153,079	123,619	39,364	144,116	(2,156)	57,531
Operating income	441,122	327,230	43,822	179,003	18,137	79,927
General and administrative expenses						1,226,797
Allowances for loans and advances and other financial assets						(479,957)
Income before taxes						(232,061)
Taxation						514,779
Net income for the period						(3,190)
Attributed to:						
Equity holders of the parent						511,589
Non controlling interests						
						484,110
						27,479
						511,589
Segment Assets	11,943,610	34,679,274	5,281,978	19,189,090	7,190,045	8,426,890
Segment Liabilities	10,073,900	38,587,000	3,064,100	7,898,300	6,898,928	2,987,669
						10,241,333
						90,662,456
						70,751,720

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to March 31, 2009

16. Segmental information – un-audited (continued)

	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	194,362
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
Non controlling interests						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, 2009 to March 31, 2009

17. Capital adequacy

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

		March 31, 2009	December 31, 2008
		AED'000	AED'000
		(un-audited)	(audited)
Capital base			
Tier 1		11,302,143	11,448,530
Tier 2		967,525	1,070,369
	(a)	<u>12,269,668</u>	<u>12,518,899</u>
Risk-weighted assets:			
On-balance sheet assets		64,073,960	65,610,336
Off-balance sheet assets		21,505,307	23,301,533
Total risk-weighted assets	(b)	<u>85,579,267</u>	<u>88,911,869</u>
Capital adequacy ratio (%) [(a)/(b) x 100]		<u>14.34%</u>	<u>14.08%</u>

Tier 2 Capital at March 31, 2009 as shown above includes subordinated floating rate note balance of AED 1,733.66 million (Note 7).

18. Comparative figures

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