

MASHREQBANK PSC GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION AND REVIEW REPORT
FOR THE PERIOD FROM JANUARY 1, 2009
TO JUNE 30, 2009**

Mashreqbank psc Group

Interim Condensed Consolidated Financial Information and Review Report

For the period from January 1, 2009 to June 30, 2009

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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 June 30, 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 June 30, 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.

Dubai
July 29, 2009

Deloitte & Touche



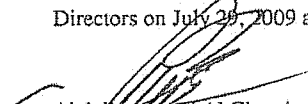
Anis F. Sadek
Partner
Registration No. 521

Interim Condensed Consolidated Statement of Financial Position
As of June 30, 2009
(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>June</u> <u>30, 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		12,959,059	6,289,386
Deposits and balances due from banks, net	3	11,850,780	9,077,630
Financial assets carried at FVTPL	6	163,883	219,776
Loans and advances, net	4	45,414,749	48,434,274
Islamic financing and investment products	5	6,326,426	6,600,704
Non-trading investments	6	12,331,988	13,189,058
Interest receivable and other assets		6,247,786	8,231,536
Investment properties		664,787	724,237
Property and equipment		735,432	476,920
Total assets		96,694,890	93,243,521
LIABILITIES			
Deposits and balances due to banks		9,480,238	12,336,491
Repurchase agreements with banks		4,042,854	5,129,883
Customers' deposits		52,619,214	48,435,538
Islamic customers' deposits		4,168,360	3,042,027
Insurance and life assurance funds		893,388	802,485
Interest payable and other liabilities		6,820,942	7,568,835
Medium-term loans	7	7,178,299	5,234,025
Long-term loans		10,045	11,838
Total liabilities		85,213,340	82,561,122
EQUITY			
Issued capital	8	1,610,257	1,463,870
Statutory and legal reserves		741,863	740,734
General reserves		312,000	312,000
Cumulative translation adjustment		(22,713)	(33,932)
Investments revaluation reserve		(595,919)	(649,634)
Retained earnings		8,856,740	8,231,655
Equity attributable to equity holders of the parent		10,902,228	10,064,693
Non controlling interests		579,322	617,706
Total equity		11,481,550	10,682,399
Total liabilities and equity		96,694,890	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 23 were approved by the Board of Directors on July 29, 2009 and signed on their behalf by:


Abdul Aziz Abdulla 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 June 30, 2009
(In Thousand Arab Emirates Dirhams)

	Note	3 months ended June 30,		6 months ended June 30,	
		2009	2008	2009	2008
		AED'000	AED'000	AED'000	AED'000
		(un-audited)	(un-audited)	(un-audited)	(un-audited)
Interest income		1,204,941	986,731	2,446,507	2,129,560
Income from Islamic financing and investment products		82,466	42,984	173,331	78,696
Total interest income and income from Islamic financing and investment products		1,287,407	1,029,715	2,619,838	2,208,256
Interest expense		(745,706)	(541,925)	(1,453,323)	(1,286,106)
Distribution to depositors – Islamic products		(60,429)	(4,252)	(104,266)	(26,487)
Net interest income and income from Islamic products net of distribution to depositors		481,272	483,538	1,062,249	895,663
Fee and commission income		532,263	493,749	1,042,084	1,300,570
Fee and commission expense		(177,524)	(194,691)	(348,677)	(682,337)
Net fee and commission income		354,739	299,058	693,407	618,233
Net investment income/(loss)		92,595	112,061	(10,779)	287,028
Other income		295,801	436,230	706,327	583,910
Operating income		1,224,407	1,330,887	2,451,204	2,384,834
General and administrative expenses	10	(440,159)	(444,924)	(920,116)	(873,303)
Allowance for loans and advances and other financial assets		(319,293)	(84,567)	(551,354)	(200,293)
Income before taxes		464,955	801,396	979,734	1,311,238
Overseas income tax expense		(4,305)	(3,516)	(7,495)	(7,232)
Net income for the period		460,650	797,880	972,239	1,304,006
Attributed to:					
Equity holders of the parent		434,870	706,868	918,988	1,172,161
Non controlling interests		25,780	91,012	53,251	131,845
		460,650	797,880	972,239	1,304,006
Earnings per share	11	AED 2.70	AED 4.39	AED 5.71	AED 7.28

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 June 30, 2009
(In Thousand Arab Emirates Dirhams)

	<u>3 months ended June 30,</u>		<u>6 months ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>AED'000</u>	<u>AED'000</u>	<u>AED'000</u>	<u>AED'000</u>
	<u>(un-audited)</u>	<u>(un-audited)</u>	<u>(un-audited)</u>	<u>(un-audited)</u>
Net income for the period	460,650	797,880	972,239	1,304,006
Other comprehensive income				
Changes in fair value of available for sale investments during the period	93,950	(16,895)	31,458	(247,418)
Overseas entities' translation adjustment	15,724	(6,039)	11,218	(5,397)
Other comprehensive income/(loss) for the period	109,674	(22,934)	42,676	(252,815)
Total comprehensive income for the period	570,324	774,946	1,014,915	1,051,191
Attributed to:				
Equity holders of the parent	532,035	679,900	983,922	908,081
Non controlling interests	38,289	95,046	30,993	143,110
	570,324	774,946	1,014,915	1,051,191

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, 2009 to June 30, 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	Investments 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	-	-	-	-	-	1,172,161	1,172,161	131,845	1,304,006
Changes in fair value of available-for-sale investments during the period	-	-	-	-	(258,721)	-	(258,721)	11,303	(247,418)
Overseas entities' translation adjustment	-	-	-	(5,359)	-	-	(5,359)	(38)	(5,397)
Total comprehensive income for the period									
Dividend paid	-	-	-	(5,359)	(258,721)	1,172,161	908,081	143,110	1,051,191
Bonus shares issued during the period	337,816	-	-	-	-	(337,816)	-	-	(35,972)
Balance at June 30, 2008 - un-audited	1,463,870	599,009	312,000	(7,514)	251,857	7,902,711	10,521,933	977,684	11,499,617
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	-	-	-	-	-	918,988	918,988	53,251	972,239
Changes in fair value of available-for-sale investments during the period	-	-	-	-	53,715	-	53,715	(22,257)	31,458
Overseas entities' translation adjustment	-	-	-	11,219	-	-	11,219	(1)	11,218
Total comprehensive income for the period									
Transfer to statutory and legal reserve	-	-	-	11,219	53,715	918,988	983,922	30,993	1,014,915
Dividend paid-(Note 8)	-	1,129	-	-	-	(1,129)	-	-	-
Bonus shares issued during the period-(Note 8)	146,387	-	-	-	-	(146,387)	(146,387)	(69,377)	(215,764)
Balance at June 30, 2009 - un-audited	1,610,257	741,863	312,000	(22,713)	(595,919)	8,856,740	10,902,228	579,322	11,481,550

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 June 30, 2009
(In Thousand Arab Emirates Dirhams)

	6 months ended June 30,	
	2009	2008
	AED'000	AED'000
	(un-audited)	(un-audited)
Cash flows from operating activities		
Income before taxes for the period	979,734	1,311,238
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment	50,450	40,668
Fair value adjustment – FVTPL investments	(37,045)	150,005
Fair value adjustment – derivatives	-	8,493
Fair value adjustment-investment property	(74,450)	(161,727)
Translation adjustment	11,218	(5,359)
Allowance for impairment of loans and advances	192,996	116,747
Allowance for impairment of other debtors	-	1,803
Allowance for impairment of investments	49,545	-
Allowance for impairment of balances due from banks	200,000	-
Loss/(gain) on sale of property and equipment	797	(59,558)
Changes in operating assets and liabilities:		
Decrease/(increase) in deposits with central banks for regulatory purposes	96,106	(709,666)
Decrease/(increase) in deposits maturing after three months	1,830,823	644,289
Decrease/(increase) in loans and advances - net	2,668,436	(9,594,370)
Decrease/(increase) in Islamic financing and investing products	270,687	(3,116,550)
Decrease/(increase) in interest receivable and other assets	1,983,746	(361,120)
Decrease in deposits and balances due to banks	(2,856,253)	(304,434)
Decrease in in financial assets carried at FVTPL	92,938	4,721,950
Increase in customers' deposits	4,151,296	5,226,063
Increase/(decrease) in Islamic customers' deposits	1,126,341	(912,937)
Increase in insurance and life assurance funds	90,903	138,567
(Decrease)/increase in interest payable and other liabilities	(755,380)	800,000
Increase in medium-term loans	1,944,274	-
Decrease in long-term loans	(1,793)	(2,571)
Increase in repurchase agreements with banks	(1,087,029)	446,753
Net cash from/(used in) operating activities	10,928,340	(1,621,716)
Cash flows from investing activities		
Purchase of property and equipment*	(116,614)	(92,633)
Proceeds from sale of property and equipment	905	63,284
Sale/(purchase) of non-trading investments	972,886	(5,282,590)
Net cash from/(used in) investing activities	857,177	(5,311,939)
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)	11,569,753	(6,969,627)

*Additions to property and equipment exclude a non-cash transaction amounting to AED 194.05 million which represents property acquired in settlement of debt.

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 June 30, 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 June 30, 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	98.00	98.00	Finance company
Oman Insurance Company (PSC)	United Arab Emirates	63.65	63.65	Insurance company
Mindscape Information Technology LLC	United Arab Emirates	99.00	99.00	Software/Application provider
Mashreq Securities LLC	United Arab Emirates	99.98	99.98	Brokerage
Injaz Services FZ LLC	United Arab Emirates	100.00	100.00	Service provider
Al-Badr Islamic Finance (PJSC)	United Arab Emirates	99.70	99.70	Islamic finance company
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00	100.00	Brokerage, asset management & fund management
Al Yamama Services FZ LLC	United Arab Emirates	100.00	100.00	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
Bracebridge Limited	British Virgin Islands	*	100.00	General activities
Orriston Limited	British Virgin Islands	*	100.00	General activities

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

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

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 2009

2. Significant accounting policies

Basis of preparation

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

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. 34: *Interim Financial Reporting*, issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of the 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 6 months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2009.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 2009

2. Significant accounting policies (continued)

Basis of preparation (continued)

(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, 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.

(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. Deposits and balances due from banks, net

	June 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
Banks abroad	8,701,072	8,294,480
Banks in U.A.E	3,349,708	783,150
	12,050,780	9,077,630
Less: Allowance for impairment	(200,000)	-
	11,850,780	9,077,630

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 2009

4. Loans and advances, net

	June 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
(a) Loans and advances at amortised cost		
Overdrafts	6,327,685	6,304,447
Loans	37,855,215	41,023,640
Credit cards	2,263,586	1,964,967
Others	215,194	260,029
	46,661,680	49,553,083
Less: Allowance for impairment	(1,246,931)	(1,118,809)
Total loans and advances	45,414,749	48,434,274
(b) Analysis by economic activities:		
Manufacturing	3,474,491	3,827,464
Construction	3,827,012	3,648,212
Trade	11,669,441	13,574,319
Transport and communication	2,123,055	2,328,397
Services	6,700,465	6,462,675
Financial institutions	778,880	1,501,173
Personal	11,748,188	12,165,643
Government/public sector	6,263,384	5,947,823
Others	76,764	97,377
	46,661,680	49,553,083
Less: Allowance for impairment	(1,246,931)	(1,118,809)
	45,414,749	48,434,274

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 2009

4. Loans and advances, net (continued)

The movement in the allowance for impairment of loans and advances during the period/year was as follows:

	June 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
Balance at beginning of the period/year	1,118,809	1,090,555
Impairment allowance for the period/year	188,410	191,696
Interest in suspense	33,587	50,418
Amounts written off during the period/year	(76)	(177,334)
Recoveries during the period/year	(93,799)	(36,526)
Balance at the end of period/year	1,246,931	1,118,809

5. Islamic financing and investment products

	June 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
<u>Financing</u>		
Murabaha	2,395,701	3,058,883
Ijara	1,772,231	1,909,519
	4,167,932	4,968,402
<u>Investing</u>		
Musharakah	1,540,487	1,433,576
Wakala	440,749	-
Mudaraba	64,625	64,865
Sukuk and funds	90,786	104,342
Others	48,644	47,031
	2,185,291	1,649,814
	6,353,223	6,618,216
Less: Unearned income	(19,722)	(17,008)
Allowance for impairment	(7,075)	(504)
	6,326,426	6,600,704

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 2009

6. Investments

	June 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
(a) Financial assets carried at FVTPL		
(i) Held-for-trading		
Debt securities	63,814	78,990
Equities	4,429	4,815
Discretionary managed fund	-	55,258
Other investments	17,059	17,092
	85,302	156,155
(ii) Designated at FVTPL		
Equities	78,581	63,621
	163,883	219,776
(b) Non-trading investments		
(i) Available-for-sale		
Debt securities	1,345,333	1,354,071
Equities	1,242,235	1,561,844
Investment funds	174,285	578,298
Others	389,870	346,292
	3,151,723	3,840,505
(ii) Held-to-maturity		
Debt securities	9,183,424	9,350,443
	12,335,147	13,190,948
Less: Provision for impairment	(3,159)	(1,890)
	12,331,988	13,189,058
Total investments	12,495,871	13,408,834

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 2009

6. Investments (continued)

	June 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
Geographic regions:		
- within U.A.E	8,030,907	7,790,080
- outside U.A.E	4,464,964	5,618,754
	12,495,871	13,408,834

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 June 30, 2009.

Details of the fair values of reclassified investments at date of reclassification (July 1, 2008 and September 30, 2008) and June 30, 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	(455,433)	-
Amortization of discount/premium on reclassified investments	137,395	-
Decrease in fair value (from July 1, 2008 for the Bank and from September 30, 2008 for Oman Insurance PSC to June 30, 2009)	(1,771,164)	(52,750)
Fair value of reclassified investments on June 30, 2009	8,188,821	84,785

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 2009

6. Investments (continued)

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

The effect of the reclassification on the condensed consolidated net income of the six months period ended June 30, 2009 is an increase by AED 149.43 million representing a decline in fair value of the concerned investments which has not been recognized in the statement of income (six months period ended June 30, 2008: AED Nil.).

7. Medium term notes

	June 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
Tier 2 loan from the Ministry of Finance of the U.A.E.	3,443,593	-
Medium term floating rate notes	3,734,706	5,234,025
	7,178,299	5,234,025

Tier 2 loan from the Ministry of Finance of the U.A.E.

The Bank opted to convert customer deposits amounting to AED 3,444 million received from the Federal Government in 2008 to Tier 2 qualifying loan ("Tier 2 loan"). The conversion process has been approved by the shareholders in the Extraordinary General Meeting held on March 15, 2009. The Tier 2 loan will mature in October 2011 and November 2013. Interest is paid every three months and calculated on the prevailing coupon rate on the United States Treasury benchmark 5 year note plus 120 basis points or 4%, which ever is higher.

Medium term floating rate notes

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

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 2009

7. Medium term notes and subordinated loans (continued)

Medium term floating rate notes (continued)

The maturities of the medium term floating rate notes are as follows:

<u>Due date</u>	<u>Interest rate</u>	June 30,	December 31,
		2009	2008
		AED'000	AED'000
		(un-audited)	(audited)
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%	1,439,081	1,836,500
		3,734,706	5,234,025

The US\$ 500 million (AED 1,836 million) tranche issued during January 2007 is a subordinated Floating Rate Note (FRN) and qualifies for Tier 2 subordinated loan capital for the first 5 years until 2012, after which it will be amortized at the rate of 20% per annum for the next five years until 2017 for capital adequacy calculations. However, the FRN is callable in 5 years i.e. in 2012, if not redeemed on completion of 5 years, there is a provision of step up in coupon rate of 0.5% for the 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\$ 108.2 million (AED 397.42 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 June 30, 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.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 2009

9. Contra accounts and commitments

	June 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
(a) Contra accounts (memoranda)		
Guarantees	36,231,654	39,539,729
Letters of credit	5,212,131	7,346,914
	<u>41,443,785</u>	<u>46,886,643</u>
(b) Derivative financial instruments (Note 13)	145,992,825	132,743,826
	<u>145,992,825</u>	<u>132,743,826</u>
Total contra accounts and commitments (a + b)	187,436,610	179,630,469
	<u><u>187,436,610</u></u>	<u><u>179,630,469</u></u>

10. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 53.40 million for the six-month period ended June 30, 2009 (six month period ended June 30, 2008: AED 71.60 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:

	June 30, 2009	June 30, 2008
	(un-audited)	(un-audited)
Net income for the period (AED'000)		
(Attributed to equity holders of the parent)	918,988	1,172,161
	<u>918,988</u>	<u>1,172,161</u>
Number of ordinary shares outstanding	161,025,690	161,025,690
	<u>161,025,690</u>	<u>161,025,690</u>
Earnings per share (AED)	5.71	7.28
	<u><u>5.71</u></u>	<u><u>7.28</u></u>

The number of ordinary shares outstanding as of June 30, 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 June 30, 2009

12. Cash and cash equivalents

	<u>June 30, 2009</u> AED'000 (un-audited)	<u>December 31, 2008</u> AED'000 (audited)
Cash on hand, current account and deposits with central banks	12,959,059	6,289,386
Deposits and balances due from banks	11,850,780	9,077,630
Adding back allowance for balance due from banks	200,000	-
	<u>25,009,839</u>	<u>15,367,016</u>
Less: Deposits with central banks for regulatory purposes	(2,329,169)	(2,425,276)
Deposits maturing after three months	(2,840,099)	(4,670,922)
	<u>(a) 19,840,571</u>	<u>(b) 8,270,818</u>
Increase in cash and cash equivalents, June 30, 2009 (a) – (b)	<u><u>11,569,753</u></u>	
	<u>June 30, 2008</u> AED'000 (un-audited)	<u>December 31, 2007</u> 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	11,867,095	10,974,141
	<u>24,270,014</u>	<u>31,174,264</u>
Less: Deposits with central banks for regulatory purposes	(2,307,044)	(1,597,378)
Deposits maturing after three months	(5,723,605)	(6,367,894)
	<u>(a) 16,239,365</u>	<u>(b) 23,208,992</u>
Decrease in cash and cash equivalents, June 30, 2008 (a) – (b)	<u><u>(6,969,627)</u></u>	

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 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	397,310	294,522	75,267,608
Foreign exchange options (bought)	-	352,981	18,310,838
Foreign exchange options (sold)	322,744	-	28,133,413
Interest rate swaps	533,243	623,446	22,706,884
Caps bought	-	-	41,800
Caps sold	-	-	41,800
Credit default swaps	117	508	62,441
Equity derivatives	4,685	4,685	149,447
Futures contracts purchased (customers)	-	13,485	261,382
Futures contracts sold (customers)	-	30,613	296,652
Futures contracts sold (bank)	13,485	-	261,382
Futures contracts purchased (bank)	30,613	-	296,652
Total return swap	-	-	74,082
Equity options bought	-	-	33,057
Equity options sold	1,146	1,243	55,387
At June 30, 2009 – un-audited	<u>1,303,343</u>	<u>1,321,483</u>	<u>145,992,825</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 six-month periods ended June 30, 2009 and 2008.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 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 June 30, 2009 are as follows:

	June 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
Advances to customers	1,498,149	1,404,911
Deposits from customers	1,507,216	1,958,554
Letters of credit, guarantees and acceptances	2,823,017	2,053,701
Available for sale investments	77,737	84,750
Investments revaluation reserves in equity	(23,263)	(16,250)

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

	6 months ended June 30, 2009	2008
	AED '000	AED '000
	(un-audited)	(un-audited)
Interest income	60,493	29,353
Interest expense	38,458	8,597
Other income	41,759	43,899

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 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 June 30, 2009

16. Segmental information – (continued)

	January 1, 2008 to June 30, 2008 (un-audited)					
	Retail AED'000	Corporate AED'000	Financial Institutions AED'000	Treasury & Investment Banking 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	496,140	381,145	56,791	(46,679)	(30,506)	895,663
Other income	240,624	306,730	81,011	131,248	175,385	1,489,171
Operating income	736,764	687,875	137,802	84,569	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
Non controlling interests						131,845
						1,304,006
As of December 31, 2008 (audited)						
Segment Assets (AED'000)	12,109,791	36,245,019	6,660,729	6,892,383	17,037,300	3,764,204
Segment Liabilities (AED'000)	10,070,100	36,659,400	2,925,000	6,416,494	10,564,800	2,360,016
						93,243,521
						82,561,122

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to June 30, 2009

17. Capital adequacy

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

		June 30, 2009	December 31, 2008
		AED'000	AED'000
		(un-audited)	(audited)
Capital base			
Tier 1		12,216,225	11,448,530
Tier 2		4,148,006	1,070,369
	(a)	16,364,231	12,518,899
Risk-weighted assets:			
On-balance sheet assets		61,882,892	65,610,336
Off-balance sheet assets		20,456,246	23,301,533
Total risk-weighted assets	(b)	82,339,138	88,911,869
Capital adequacy ratio (%) [(a)/(b) x 100]		19.87%	14.08%

Tier 2 Capital at June 30, 2009 as shown above includes subordinated floating rate note balance of AED 1,439 million and the subordinated loan from the Ministry of Finance of the U.A.E. amounting to AED 3,444 million (Note 7).

18. Comparative figures

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