

MASHREQBANK PSC GROUP

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

Mashreqbank psc Group

Interim Condensed Consolidated Financial Information and Review Report

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

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Report on Review of Interim Condensed Consolidated Financial Information

To the 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 September 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 September 30, 2009, and a summary of significant accounting policies and other explanatory notes. The management of the Group 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 (“IAS 34”).

Dubai
October 29, 2009

Deloitte & Touche



Anis F. Sadek
Registration No. 521

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

	<u>Note</u>	<u>September</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		20,001,229	6,289,386
Deposits and balances due from banks, net	3	9,317,112	9,077,630
Financial assets carried at FVTPL	6	217,327	219,776
Loans and advances, net	4	44,003,339	48,434,274
Islamic financing and investment products	5	5,789,943	6,600,704
Non-trading investments	6	12,420,702	13,189,058
Interest receivable and other assets		6,823,443	8,231,536
Investment properties		629,787	724,237
Property and equipment		722,923	476,920
Total assets		99,925,805	93,243,521
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits and balances due to banks		7,942,962	12,336,491
Repurchase agreements with banks		4,169,945	5,129,883
Customers' deposits		55,792,590	48,435,538
Islamic customers' deposits		5,226,206	3,042,027
Insurance and life assurance funds		887,992	802,485
Interest payable and other liabilities		6,830,764	7,568,835
Medium-term loans	7	7,178,299	5,234,025
Long-term loans		9,680	11,838
Total liabilities		88,038,438	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		(23,646)	(33,932)
Investments revaluation reserve		(432,821)	(649,634)
Retained earnings		9,057,234	8,231,655
Equity attributable to equity holders of the parent		11,264,887	10,064,693
Non-controlling interests		622,480	617,706
Total equity		11,887,367	10,682,399
Total liabilities and equity		99,925,805	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 October 29, 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 September 30, 2009
(In Thousand Arab Emirates Dirhams)

	Note	3 months ended September 30,		9 months ended September 30,	
		2009	2008	2009	2008
		AED'000	AED'000	AED'000	AED'000
		(un-audited)	(un-audited)	(un-audited)	(un-audited)
Interest income		1,197,413	1,050,676	3,643,920	3,180,236
Income from Islamic financing and investment products		87,843	61,123	261,174	139,819
Total interest income and income from Islamic financing and investment products		1,285,256	1,111,799	3,905,094	3,320,055
Interest expense		(708,755)	(564,754)	(2,162,078)	(1,850,860)
Distribution to depositors – Islamic products		(57,920)	(12,226)	(162,186)	(38,713)
Net interest income and income from Islamic products net of distribution to depositors		518,581	534,819	1,580,830	1,430,482
Fee and commission income		628,014	558,813	1,670,098	1,859,383
Fee and commission expense		(156,796)	(191,103)	(505,473)	(873,440)
Net fee and commission income		471,218	367,710	1,164,625	985,943
Net investment income/(loss)		13,588	(212,126)	2,809	74,902
Other income		429,591	174,454	1,135,918	758,364
Operating income		1,432,978	864,857	3,884,182	3,249,691
General and administrative expenses	10	(390,097)	(451,058)	(1,310,213)	(1,324,361)
Allowance for loans and advances and other financial assets		(827,403)	(69,910)	(1,378,757)	(270,203)
Income before taxes		215,478	343,889	1,195,212	1,655,127
Overseas income tax expense		(2,768)	(5,008)	(10,263)	(12,240)
Net income for the period		212,710	338,881	1,184,949	1,642,887
Attributed to:					
Equity holders of the parent		200,476	346,297	1,119,482	1,518,457
Non-controlling interests		12,234	(7,416)	65,467	124,430
		212,710	338,881	1,184,949	1,642,887
Earnings per share	11	AED 1.24	AED 2.15	AED 6.95	AED 9.43

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 September 30, 2009
(In Thousand Arab Emirates Dirhams)

	3 months ended		9 months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	AED'000	AED'000	AED'000	AED'000
	(un-audited)	(un-audited)	(un-audited)	(un-audited)
Net income for the period	212,710	338,881	1,184,949	1,642,887
Other comprehensive income				
Changes in fair value of available for sale investments during the period	194,040	(768,466)	225,498	(1,015,884)
Overseas entities' translation adjustment	(933)	(11,385)	10,285	(16,782)
Other comprehensive income/(loss) for the period	193,107	(779,851)	235,783	(1,032,666)
Total comprehensive income/(loss) for the period	405,817	(440,970)	1,420,732	610,221
Attributed to:				
Equity holders of the parent	362,659	(345,278)	1,346,581	562,803
Non-controlling interests	43,158	(95,692)	74,151	47,418
	405,817	(440,970)	1,420,732	610,221

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 September 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	-	-	-	-	-	1,518,457	1,518,457	124,430	1,642,887
Changes in fair value of available-for-sale 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 comprehensive income for the period						1,518,457	562,803	47,418	610,221
Transfer to Statutory Legal Reserve	-	-	-	(16,706)	(938,948)	(1,859)	-	-	-
Dividend paid	-	1,859	-	-	-	-	-	(35,972)	(35,972)
Bonus shares issued during the period	337,816	-	-	-	-	(337,816)	-	-	-
Balance at September 30, 2008 – un-audited	1,463,870	600,868	312,000	(18,861)	(428,370)	8,247,148	10,176,655	881,992	11,058,647
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	-	-	-	-	-	1,119,482	1,119,482	65,467	1,184,949
Changes in fair value of available-for-sale investments during the period	-	-	-	-	216,813	-	216,813	8,685	225,498
Overseas entities' translation adjustment	-	-	-	10,286	-	-	10,286	(1)	10,285
Total comprehensive income for the period						1,119,482	1,346,581	74,151	1,420,732
Transfer to statutory and legal reserve	-	-	-	-	-	(1,129)	-	-	-
Dividend paid (Note 8)	-	1,129	-	-	-	(146,387)	(146,387)	(69,377)	(215,764)
Bonus shares issued during the period (Note 8)	146,387	-	-	-	-	(146,387)	-	-	-
Balance at September 30, 2009 – un-audited	1,610,257	741,863	312,000	(23,646)	(432,821)	9,057,234	11,264,887	622,480	11,887,367

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 September 30, 2009
(In Thousand Arab Emirates Dirhams)

	9 months ended September 30,	
	2009	2008
	AED'000	AED'000
	(un-audited)	(un-audited)
Cash flows from operating activities		
Income before taxes for the period	1,195,212	1,655,127
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment	77,622	61,111
Fair value adjustment – FVTPL investments	(50,870)	275,320
Fair value adjustment – derivatives	(118,472)	20,927
Fair value adjustment – investment property	94,450	(161,727)
Translation adjustment	10,285	(16,782)
Allowance for loans and advances and other financial assets	1,378,757	270,203
Allowance for impairment of investments	49,545	-
Profit on sale of property and equipment	(216,265)	(59,527)
Changes in operating assets and liabilities:		
Increase in deposits with central banks for regulatory purposes	(34,562)	(1,001,508)
Decrease/(increase) in deposits maturing after three months	2,572,093	611,194
Decrease/(increase) in loans and advances	3,239,658	(15,935,272)
Decrease/(increase) in Islamic financing and investing products	802,917	(4,461,611)
Decrease in interest receivable and other assets	1,526,565	513,993
(Decrease)/increase in deposits and balances due to banks	(5,353,467)	1,835,886
Decrease in financial assets carried at FVTPL	53,319	5,045,569
Increase in customers' deposits*	10,768,257	2,174,865
Increase in Islamic customers' deposits	2,184,179	1,220,714
Increase in insurance and life assurance funds	85,507	209,382
(Decrease)/increase in interest payable and other liabilities	(748,334)	364,803
Decrease in medium-term loans*	(1,499,319)	-
Decrease in long-term loans	(2,158)	(4,635)
Net cash from/(used in) operating activities	16,014,919	(7,381,968)
Cash flows from investing activities		
Purchase of property and equipment **	(155,852)	(138,245)
Proceeds from sale of property and equipment	242,541	63,419
Sale/(purchase) of non-trading investments, net	944,313	(6,015,681)
Net cash from/(used in) investing activities	1,031,002	(6,090,507)
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)	16,830,157	(13,508,447)

* Medium –term loans for the current period include a non-cash reclassification from customers deposits amounting to AED 3,444 million (Note 7).

** 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 September 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 address of the registered office of the Bank is at P.O. Box 1250, Dubai, U.A.E. 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, 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

* The 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 U.A.E. 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 September 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 properties, 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 9 months ended September 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 September 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

	September 30, 2009 AED'000 (un-audited)	December 31, 2008 AED'000 (audited)
Banks abroad	6,358,458	8,294,480
Banks in U.A.E	3,308,578	783,150
	9,667,036	9,077,630
Less: Allowance for impairment	(341,300)	-
Interest in suspense	(8,624)	-
	9,317,112	9,077,630

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

4. Loans and advances, net

	September 30, 2009 AED'000 (un-audited)	December 31, 2008 AED'000 (audited)
(a) Loans and advances:		
<i>at amortised cost</i>		
Overdrafts	6,749,775	6,304,447
Loans	36,529,392	41,023,640
Credit cards	2,251,989	1,964,967
Others	183,464	260,029
	<u>45,714,620</u>	<u>49,553,083</u>
Less: Allowance for impairment	(1,711,281)	(1,118,809)
Total loans and advances	<u><u>44,003,339</u></u>	<u><u>48,434,274</u></u>
(b) Analysis of loans and advances by economic activities:		
Manufacturing	3,871,161	3,827,464
Construction	4,982,066	3,648,212
Trade	6,390,042	13,574,319
Transport and communication	1,787,116	2,328,397
Services	5,769,853	6,462,675
Financial institutions	1,185,792	1,501,173
Personal	11,485,195	12,165,643
Government/public sector	10,233,648	5,947,823
Others	9,747	97,377
	<u>45,714,620</u>	<u>49,553,083</u>
Less: Allowance for impairment	(1,711,281)	(1,118,809)
	<u><u>44,003,339</u></u>	<u><u>48,434,274</u></u>

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

	Period/Year ended	
	September 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	645,810	191,696
Interest in suspense	49,408	50,418
Amounts written off during the period/year	(85)	(177,334)
Recoveries during the period/year	(102,661)	(36,526)
	1,711,281	1,118,809

5. Islamic financing and investment products

	September 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
<u>Financing</u>		
Murabaha	2,191,407	3,058,883
Ijara	1,700,903	1,909,519
	3,892,310	4,968,402
<u>Investing</u>		
Musharakah	1,640,811	1,433,576
Wakala	90,815	-
Mudaraba	65,222	64,865
Sukuk and funds	98,008	104,342
Others	29,384	47,031
	1,924,240	1,649,814
	5,816,550	6,618,216
Less: Unearned income	(18,763)	(17,008)
Allowance for impairment	(7,844)	(504)
	5,789,943	6,600,704

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

6. Investments

	September 30, 2009 AED'000 (un-audited)	December 31, 2008 AED'000 (audited)
(a) Financial assets carried at FVTPL		
(i) Held-for-trading		
Debt securities	103,809	78,990
Equities	7,779	4,815
Discretionary managed fund	-	55,258
Other investments	18,936	17,092
	<u>130,524</u>	<u>156,155</u>
(ii) Designated at FVTPL		
Equities	86,803	63,621
	<u>217,327</u>	<u>219,776</u>
(b) Non-trading investments		
(i) Available-for-sale		
Debt securities	1,389,773	1,354,071
Equities	1,322,548	1,561,844
Investment funds	160,175	578,298
Others	363,758	346,292
	<u>3,236,254</u>	<u>3,840,505</u>
(ii) Held-to-maturity		
Debt securities	9,187,171	9,350,443
	<u>12,423,425</u>	<u>13,190,948</u>
Less: Provision for impairment	(2,723)	(1,890)
	<u>12,420,702</u>	<u>13,189,058</u>
Total investments [(a) + (b)]	<u><u>12,638,029</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 September 30, 2009

6. Investments (continued)

	September 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
Analysis of investments by geographic regions:		
- within U.A.E	8,122,434	7,790,080
- outside U.A.E	4,515,595	5,618,754
	12,638,029	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 September 30, 2009.

Details of the fair values of reclassified investments at date of reclassification (July 1, 2008 and September 30, 2008) and September 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	(530,956)	(14,952)
Amortization of discount/premium on reclassified investments	172,707	-
Decrease in fair value (from July 1, 2008 for the Bank and from September 30, 2008 for Oman Insurance PSC to September 30, 2009)	(1,115,056)	(36,909)
Fair value of reclassified investments as at September 30, 2009	8,804,718	85,674

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to September 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 nine months period ended September 30, 2009 is an increase by AED 95.082 million representing a decline in fair value of the concerned investments which has not been recognized in the statement of income (9 months period ended September 30, 2008: AED 65.121 million).

7. Medium term loans

	September 30, 2009 AED'000 (un-audited)	December 31, 2008 AED'000 (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
	<u>7,178,299</u>	<u>5,234,025</u>
	=====	=====

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

The Group opted to convert customer deposits amounting to AED 3,444 million received from the Ministry of Finance 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.

(b) Medium term floating rate notes

During 2004, the Group 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 September 30, 2009

7. Medium term loans (continued)

(b) 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>	September 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 September 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 September 30, 2009

9. Contra accounts and commitments

	September 30, 2009	December 31, 2008
	AED'000	AED'000
	(un-audited)	(audited)
(a) Contra accounts (memoranda)		
Guarantees	40,666,352	39,539,729
Letters of credit	4,469,911	7,346,914
	45,136,263	46,886,643
(b) Derivative financial instruments (Note 13)	111,114,580	132,743,826
Total contra accounts and commitments (a + b)	156,250,843	179,630,469

10. General and administrative expenses

General and administrative expenses include senior management remuneration of AED 20 million for the nine-month period ended September 30, 2009 (nine month period ended September 30, 2008: AED 94 million).

11. Earnings per share

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

	September 30, 2009	September 30, 2008
	(un-audited)	(un-audited)
Net income for the period (AED'000)		
(Attributed to equity holders of the parent)	1,119,482	1,518,457
Number of ordinary shares outstanding	161,025,690	161,025,690
Earnings per share (AED)	6.95	9.43

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

12. Cash and cash equivalents

	September 30, 2009 AED'000 (un-audited)	December 31, 2008 AED'000 (audited)
Cash and balances with central banks	20,001,229	6,289,386
Deposits and balances due from banks, net	9,317,112	9,077,630
Add: Allowance for balance due from banks	341,300	-
	<u>29,659,641</u>	<u>15,367,016</u>
Less: Deposits with central banks for regulatory purposes	(2,459,838)	(2,425,276)
Deposits and balances due from banks maturing after three months	(2,098,828)	(4,670,922)
	<u>(a) 25,100,975</u>	<u>(b) 8,270,818</u>
Increase in cash and cash equivalents, September 30, 2009 [(a) – (b)]	<u>16,830,157</u>	
	September 30, 2008 AED'000 (un-audited)	December 31, 2007 AED'000 (audited)
Cash and balances with central banks	6,689,568	20,200,123
Deposits and balances due from banks	11,366,563	10,974,141
	<u>18,056,131</u>	<u>31,174,264</u>
Less: Deposits with central banks for regulatory purposes	(2,598,886)	(1,597,378)
Deposits and balances due from banks maturing after three months	(5,756,700)	(6,367,894)
	<u>(a) 9,700,545</u>	<u>(b) 23,208,992</u>
Decrease in cash and cash equivalents, September 30, 2008 [(a) – (b)]	<u>(13,508,447)</u>	

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to September 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	379,928	320,846	54,199,646
Foreign exchange options (bought)	-	196,391	12,527,619
Foreign exchange options (sold)	193,050	-	18,457,650
Interest rate swaps	839,913	842,329	24,391,292
Caps bought	-	-	31,350
Caps sold	-	-	31,350
Credit default swaps	-	247	40,498
Equity derivatives	5,847	5,847	146,024
Futures contracts purchased (customers)	-	4,017	105,294
Futures contracts sold (customers)	-	44,453	409,880
Futures contracts sold (bank)	4,017	-	105,294
Futures contracts purchased (bank)	44,453	-	409,880
Total return swap	-	-	122,319
Equity options bought	-	-	59,870
Equity options sold	2,595	2,771	76,614
At September 30, 2009 – un-audited	1,469,803	1,416,901	111,114,580
At December 31, 2008 – audited	2,710,007	2,930,729	132,743,826

14. 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, 2009 and 2008.

Notes to the Interim Condensed Consolidated Financial Information (continued)
For the period from January 1, 2009 to September 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 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 September 30, 2009 and as of December 31, 2008 are as follows:

	September 30, 2009	December 31, 2008
	AED’000	AED’000
	(un-audited)	(audited)
Advances to customers	1,442,292	1,404,911
Deposits from customers	1,584,533	1,958,554
Letters of credit, guarantees and acceptances	2,260,368	2,053,701
Available for sale investments	77,737	84,750
Investments revaluation reserves in equity	(23,263)	(16,250)

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

15. Related party transactions (continued)

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

	9 months ended September 30,	
	2009	2008
	AED '000	AED '000
	(un-audited)	(un-audited)
Interest income	84,534	45,245
Interest expense	45,073	16,135
Other income	59,696	60,505

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 Board of Directors 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 Capital Markets
- Islamic Banking
- Insurance
- Head office and others

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

16. Segmental information – (continued)

	January 1, 2009 to September 30, 2009 (un-audited)					Head Office and others AED'000	Total AED'000
	Retail AED'000	Corporate AED'000	Financial Institutions AED'000	Capital Markets AED'000	Islamic Banking AED'000	Insurance AED'000	
Net interest income and earnings from Islamic products	826,663	636,196	10,437	63,545	42,386	15,500	1,580,830
Other income	474,764	535,718	134,971	324,751	13,539	366,887	2,303,352
Operating income	1,301,427	1,171,914	145,408	388,296	55,925	382,387	3,884,182
General and administrative expenses							(1,310,213)
Allowances for loans and advances and other financial assets							(1,378,757)
Income before taxes							1,195,212
Taxation							(10,263)
Net income for the period							1,184,949
Attributed to:							
Equity holders of the parent							1,119,482
Non controlling interests							65,467
							1,184,949
September 30, 2009 (un-audited)							
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment Assets	12,304,353	33,232,661	3,796,398	12,457,574	6,414,931	3,809,519	99,925,805
Segment Liabilities	11,598,400	43,375,200	3,696,900	3,992,000	7,501,882	2,285,828	88,038,438

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

16. Segmental information – (continued)

	January 1, 2008 to September 30, 2008 (un-audited)					
	Retail AED'000	Corporate AED'000	Financial Institutions AED'000	Treasury & Capital Markets 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	776,089	584,059	86,273	(20,547)	58,745	11,081 (65,218)
Other income	363,580	410,093	130,911	129,191	38,442	453,637
Operating income	1,139,669	994,152	217,184	108,644	97,187	464,718
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
Non controlling interests						124,430
						1,642,887
December 31, 2008 (audited)						
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment Assets	12,109,791	36,245,019	6,660,729	17,037,300	6,892,383	3,764,204
Segment Liabilities	10,070,100	36,659,400	2,925,000	10,564,800	6,416,494	2,360,016
						13,565,312
						82,561,122

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

17. Capital adequacy

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

		September 30, 2009	December 31, 2008
		AED'000 (un-audited)	AED'000 (audited)
Capital base			
Tier 1		12,427,984	11,448,530
Tier 2		4,342,043	1,070,369
	(a)	16,770,027	12,518,899
Risk-weighted assets:			
On-balance sheet assets		59,509,711	65,610,336
Off-balance sheet assets		21,036,334	23,301,533
Total risk-weighted assets	(b)	80,546,045	88,911,869
Capital adequacy ratio (%) [(a)/(b) x 100]		20.82%	14.08%

Tier 2 Capital at September 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.