

Directors Report
&
Financial Statements
For
2008

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Board of the Directors' Report For the Year 2008

Distinguished Shareholders of Emirates Islamic Bank,

Assalamu Alaikum Wa-Rahmatu Allah Wa-Barkatuh!

It gives the Board of Directors great pleasure to welcome you and to extend their gratitude to you for accepting the invitation to attend the Ordinary Annual General Meeting of the Bank, and to present before you the final report on the Bank's results for the financial year ending on 31st December 2008, and which underscores the achievements realized in most of the Bank's activities. The facts and figures indicate that, for the 4th consecutive year, all growth rates exceeded 50% compared to the year 2007. In recognition of its achievements, the Bank was awarded with the ***Ethos*** Award for "Best Islamic Bank of U.A.E for the year 2008".

The year 2008 was, form the start, promising to be a record year for the Bank as its financial results exceeded all expectations and its growth rates for the first nine months reached unprecedented levels. However, the outbreak of the global financial turmoil during the last quarter of the year 2008 cast a dark shadow on all financial institutions in the world and pushed the market value of the investment portfolios down to their lowest levels in the last 20 years.

In addition to achieving record growth rates which, by the Grace of Almighty Allah, has become customary for the Bank during the past few years, there was a continuous effort on the management's part to provide costumers with distinctive products and services that meet their evolving needs. On top of those products and services offered during the year 2008, the Bank launched *"Skywards EIB Credit Card"*, the first Sharia compliant credit card with air miles which has been developed to meet the needs of frequent fliers.

During the past year, the Bank along with other Gulf and Arab financial institutions, as Gulf Finance House, have established in the Kingdom of Bahrain both of *"First Energy Bank"* with a capital of USD 1 billion (of which the Bank's share is USD 103 million) and *"Cement Middle East North Africa Holding Co."* for cement production with a capital of USD 500 million (of which the Bank's share is USD 60 million).

The Bank has also launched a number of investment funds, out of which the most prominent are:

Paid up Capital : AED. 500 Million, Commercial Registration: 45433 EMIRATES ISLAMIC BANK PJSC رأس المـــال المدفـــوع: ٥٠٠ مليـــون درهـــم، سجـل تجـاري: ٤٥٤٣٣ مصرف الإمـارات الإسلامـي ش.م.ع
المكتب الرئيسي: رقـة البـطـين ص.ب: ٦٥٦٤، دبي، الإمارات العربية المتحدة ،هـاتف: ٢٢٨ ٧٤٧٤ (٠٤) فاكس: ٢٢٤ ٠٧٣٧ (٠٤)، تلكس: ٤٦٠٧٤
Head Office: Riggat Al Butten, P.O. Box 6564, Dubai, United Arab Emirates. Tel: 228 7474, Fax: 224 0737, Tlx: 46074 MEBANK, www.emiratesislamicbank.ae

- The *"Jawhara Greens"* in the State of Qatar, with a value of USD 250 million (of which the Bank's share is USD 30 million), and
- The *"Danat India"* in the State of India with a value of USD 163 million (of which the Bank's share is USD 10 million).

The Bank's management has strengthened and expanded the Bank's network of branches and *ATMs* in conjunction with its plan of geographic expansion which aims at providing the Bank's services to all customer sectors across the country. As such, the Bank opened four new branches during the year 2008 bringing up the total number of branches to 26 from 22 at the end of previous year. The number of *ATMs* has increased to 85 machines at the end of 2008 compared to 70 machines at the end of the previous year. It is expected that, by the Will of Almighty Allah, this network will be expanded in 2009 to reach up to 31 branches and 95 *ATMs*.

The Financial Highlights:

1. Total income for the year 2008 has grown to AED 1.5 billion from AED 961 million in the previous year, reflecting a strong growth of 56%. These revenues resulted from the following:

   - Financing activities: AED 890 million.
   - Investing activities: AED 77 million.
   - Transactions with the Holding Company: AED 79 million.
   - Real Estate Investments: AED 21 million.
   - Commissions and fees: AED 433 million.

2. Total expenses, including depreciation on real estate investments, reached AED 396 million against AED 277 million in the previous year, with an increase of 43%, due to the following reasons:

   - Increase in staff cost amounting to AED 88 million, an increase of 46%, as a result of new recruits, salary increments and bonuses of the Bank's employees, who reached 1,281 against 929 employees in the year 2007, an increase of 38%.
   - Increase in other general and administrative expenses amounting to AED 25 million, an increase of 40%, due to the expansion of the Bank's activities and opening of new branches.
   - Increase in depreciation of the fixed assets amounting to AED 4 million resulting from furnishing the new location of the Real Estate Department as well as the new branches.

3. Net profits of the year (after deducting the profit share of the Investment, Savings and Wakala accounts), reached AED 401 million against AED 239 million in the previous year. This substantial increase of 68% has pushed up the profitability per share from 32 Fills in 2007, to 43 Fills.

Paid up Capital : AED. 500 Million, Commercial Registration: 45433 رأس المال المدفوع: ٥٠٠ مليون درهم، سجل تجاري: ٤٥٤٣٣ EMIRATES ISLAMIC BANK P.J.S.C مصرف الإمارات الإسلامي ش.م.ع
المكتب الرئيسي: رقة البطين ص.ب: ٦٥٦٤، دبي، الإمارات العربية المتحدة ،هاتف: ٧٤٧٤ ٢٢٨ (٠٤) فاكس: ٠٧٣٧ ٢٢٤ (٠٤)، تلكس: ٤٦٠٧٤
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4. Total assets have hiked to AED 26 billion against AED 17 billion at the end of the previous year with a growth of 56%. This growth is due mainly to the following:
   - Cash reserves with the UAE Central Bank, increased by AED 332 million or 44%.
   - Financing and Investment Portfolio, including the transactions with the Holding Company, increased by AED 8.8 billion or 57%.

5. Total customers' accounts, including banks and government accounts, reached AED 23.7 billion, a growth of 60% compared to the previous year, as detailed below:

   - Investment accounts: AED 13.1 billion.
   - Saving accounts: AED 1.4 million.
   - Investment Wakala accounts: AED 4.8 billion.
   - Current and other accounts: AED 4.4 billion.

6. Shareholders' equity, after addition of net profit for the year 2008, reached up to AED 1.6 billion against AED 1.3 billion in the previous year with an increase of 19%.

7. The Bank complying with the UAE Central Bank's requirements, has maintained a capital adequacy ratio (as per the Basel-I standard), of 10.81% against 11.86% in 2007.

Recommendations

The Board of Directors raises the following recommendations to the Annual General Meeting:

1. To approve the consolidated Financial Statements for the year ended 31st December 2008.

2. To appropriate the net profit for the year and the Retained Earnings of the previous year as follows:

▪ Transfer to the statutory reserve as per clause (72-a) of the Articles of Association	AED 40.1 million
▪ Transfer to the general reserve as per clause (72-a) of the Articles of Association	AED 18.7 million
▪ Discharge of Zakah due on Shareholders' Equity (Excluding the capital) as per the Clause (72- g)	AED 17.2 million
▪ Dividends at 30% of the paid-up capital as bonus shares	AED 280.3 million
▪ Approve Board of Directors' remuneration	AED 2.8 million
▪ Transfer the balance to Retained Earnings	AED 73.7 million

Paid up Capital : AED. 500 Million, Commercial Registration: 45433 EMIRATES ISLAMIC BANK PJSC مصرف الامارات الإسلامي ش.م.ع رأس المال المدفوع: ٥٠٠ مليون درهم، سجل تجاري: ٤٥٤٣٣
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Independent auditor's report

The Shareholders
Emirates Islamic Bank PJSC

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Emirates Islamic Bank ("the Bank") and its subsidiaries ("referred to as the Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the Islamic Shari'a principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, also taking cognizance of relevant provisions of Federal Law No. 6 of 1985 applicable to Islamic Banks, and comply with the relevant Articles of the Association of the Bank and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements
As required by the Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group, and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2008, which may have had a material adverse effect on the business of the Group's or its financial position.

KPMG

By: Munther Dajani
Registration No.:268

27 JAN 2009

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Emirates Islamic Bank (PJSC)
CONSOLIDATED STATEMENT of Income
For the year ended 31 December 2008

	Note	2008 AED'000	2007 AED'000
INCOME			
Income from financing activities, net	4	889,853	498,399
(Loss)/income from investment securities designated at fair value	5	(48,316)	40,620
Income from other investments	6	124,854	69,784
Income from short term Murabaha with Group Holding Company, net	7	79,427	129,855
Property related income, net	8	20,727	27,037
Commissions and fees income, net	9	314,176	110,311
Other operating income ,net	10	118,640	85,474
TOTAL INCOME		**1,499,361**	**961,480**
EXPENSES			
General and administrative expenses	11	(388,038)	(271,050)
Depreciation of investment properties		(8,248)	(5,817)
Allowances for impairment net of recoveries	12	(68,205)	(41,872)
TOTAL EXPENSES		**(464,491)**	**(318,739)**
NET OPERATING INCOME		**1,034,870**	**642,741**
Investment, saving and wakala accounts' share of profit	13	(634,398)	(404,208)
Minority Interest	14	111	-
SHAREHOLDERS' PROFIT (NET INCOME)		**400,583**	**238,533**
Basic and diluted earnings per share (Dirham)	15	0.43	0.26

The attached notes 1 to 48 form part of these consolidated financial statements.

The auditors' report is set out on page 1.

Emirates Islamic Bank (PJSC)
CONSOLIDATED BALANCE SHEET
As at 31 December 31, 2008

	Note	31 December 2008 AED'000	31 December 2007 AED'000
ASSETS			
Cash, and balances with U.A.E Central Bank	16	1,643,918	867,912
Due from banks		27,389	23,340
Due from Group Holding Company, net	17	849,958	985,482
Financing receivables	18	17,772,987	10,836,828
Loans and receivables	19	39,320	39,909
Investment securities designated at fair value	20	1,107,107	1,187,157
Other investments	21	3,095,915	1,592,993
Investment properties	22	504,130	262,472
Investment properties under development	23	751,063	427,470
Prepayments and other assets	24	552,044	536,353
Fixed assets	25	56,619	193,993
TOTAL ASSETS		**26,400,450**	**16,953,909**
LIABILITIES			
Customers' accounts	26	19,582,652	13,909,058
Due to banks	27	2,099,912	158,200
Other liabilities	28	1,004,743	800,319
Zakat payable	29	17,185	13,426
Investment Wakala	30	2,021,872	740,000
TOTAL LIABILITIES		**24,726,364**	**15,621,003**
SHAREHOLDERS' EQUITY			
Share capital	31	934,375	747,500
Statutory reserve	32	187,659	147,599
General reserve	32	93,438	74,750
Fair value reserve	33	11,693	-
Revaluation reserve	34	-	144,000
Mudaraba pool reserve	35	-	6,175
Retained earnings		354,032	212,882
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS		**1,581,197**	**1,332,906**
MINORITY INTEREST	36	**92,889**	-
TOTAL EQUITY		**1,674,086**	**1,332,906**
TOTAL LIABILITES AND EQUITY		**26,400,450**	**16,953,909**
COMMITMENTS AND CONTINGENT LIABILITES	37	**3,708,609**	**2,827,222**
ASSETS UNDER MANAGEMENT	38	**1,485,550**	**2,785,550**
RESTRICTED INVESTMENT ACCOUNTS	39	**150,000**	**519,177**

These consolidated financial statements were authorized for issue in accordance with a resolution of Board of Directors, on 27 January 2009.

Chairman Director Chief Executive Officer

The attached notes 1 to 48 form part of these consolidated financial statements.
The auditors' report is set out on page 1.

Emirates Islamic Bank (PJSC)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2008

	Note	31 December 2008 AED'000	31 December 2007 AED'000
OPERATING ACTIVITIES			
Profit for the year		400,583	238,533
Adjustments for:			
Allowances for impairment on financing receivables, net		40,553	73,728
Allowances for impairment on other investments		27,591	-
Gain on sale of investments		(21,636)	(8,937)
Gain on sale of investment properties		(669)	(10,678)
Loss on revaluation of investment securities		90,933	5,065
Depreciation on investment properties		8,248	5,817
Depreciation on fixed assets		18,747	14,162
Operating profit before changes in assets and liabilities		**564,350**	**317,690**
Change in reserves with U.A.E Central Bank		(331,742)	(368,282)
Change in due from Group Holding Company		2,055,861	2,804,344
Change in financing receivables		(6,976,712)	(4,352,247)
Change in loans and receivables		589	2,563
Change in prepayments and other assets		(15,691)	(289,073)
Change in customers' accounts		5,673,594	4,862,963
Change in Banks' investment and Wakala accounts		2,011,225	-
Change in other liabilities		201,623	403,063
Change in Zakat		(13,426)	(10,613)
Net cash provided by operating activities		**3,169,671**	**3,370,408**
INVESTING ACTIVITIES			
Acquisition of investment securities		(1,920,400)	(1,370,711)
Proceeds from sale/redemption of investment securities		412,337	211,733
Acquisition of investment properties		(254,741)	(115,560)
Proceeds from the sale of investment properties		5,500	35,045
Acquisition of investment properties under development		(323,593)	(251,485)
Acquisition of fixed assets		(25,373)	(82,726)
Net cash used in investing activities		**(2,106,270)**	**(1,573,704)**
FINANCING ACTIVITIES			
Due to Group Holding Company (Investment Wakala)		200,000	740,000
Investment Wakala from Ministry of Finance		1,081,872	-
Minority interest		92,889	-
Net cash provided by financing activities		**1,374,761**	**740,000**
Net increase in cash and cash equivalents		**2,438,162**	**2,536,704**
Cash and cash equivalent, beginning of the year	40	2,855,313	318,609
Cash and cash equivalent, end of the year	40	**5,293,475**	**2,855,313**

The attached notes 1 to 48 form part of these consolidated financial statements.

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Emirates Islamic Bank (PJSC)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2008

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Fair Value Reserve AED'000	Revaluation reserve AED'000	Mudaraba Pool Reserve AED'000	Retained earnings AED'000	Total AED'000
As at 1st January 2008	747,500	147,599	74,750	-	144,000	6,175	212,882	1,332,906
Fair value revaluation	-	-	-	11,693	-	-	-	11,693
Revaluation reserve (Note 34)	-	-	-	-	(144,000)	-	-	(144,000)
Total income and expenses recognized directly in Shareholders' equity	-	-	-	11,693	(144,000)	-	-	(132,307)
Net income for the year	-	-	-	-	-	-	400,583	400,583
Total income and expenses recognised	-	-	-	11,693	(144,000)	-	400,583	268,276
Issue of bonus shares	186,875	-	-	-	-	-	(186,875)	-
Transferred to/from reserves	-	40,060	18,688	-	-	(6,175)	(52,573)	-
Zakat	-	-	-	-	-	-	(17,185)	(17,185)
Directors remuneration	-	-	-	-	-	-	(2,800)	(2,800)
As at 31st December 2008	**934,375**	**187,659**	**93,438**	**11,693**	**-**	**-**	**354,032**	**1,581,197**

In accordance with the Ministry of Economy & Commerce interpretation of Article (118) of Commercial Companies Law No: (8) of 1984, Directors' remuneration has been treated as an appropriation from equity.

The attached notes 1 to 48 form part of these consolidated financial statements.

The auditors' report is set out on page 1.

Emirates Islamic Bank (PJSC)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2008

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Fair Value Reserve AED'000	Revaluation reserve AED'000	Mudaraba Pool Reserve AED'000	Retained earnings AED'000	Total AED'000
As at 1st January 2007	650,000	123,746	65,000	-	-	-	127,126	965,872
Revaluation reserve (total income and expenses recognized directly in Shareholders' equity)	-	-	-	-	144,000	-	-	144,000
Net income for the year	-	-	-	-	-	-	238,533	238,533
Total income and expenses recognised	-			-	144,000	-	238,533	382,533
Issue of bonus shares	97,500	-	-	-	-	-	(97,500)	-
Transfer to reserves	-	23,853	9,750	-	-	6,175	(39,778)	-
Zakat	-	-	-	-	-	-	(12,699)	(12,699)
Directors remuneration	-	-	-	-	-	-	(2,800)	(2,800)
As at 31st December 2007	**747,500**	**147,599**	**74,750**	**-**	**144,000**	**6,175**	**212,882**	**1,332,906**

In accordance with the Ministry of Economy & Commerce interpretation of Article (118) of Commercial Companies Law No: (8) of 1984, Directors' remuneration has been treated as an appropriation from equity.

The attached notes 1 to 48 form part of these consolidated financial statements.

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1. LEGAL STATUS AND ACTIVITIES

Emirates Islamic Bank formerly Middle East Bank (the "**Bank**") was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with limited liability in the Emirate of Dubai on 3rd of October 1975. The Bank was reregistered as a Public Joint Stock Company in July 1995.

At an extraordinary general meeting held on 10th of March 2004, a resolution was passed to transform the Bank's activities to be in full compliance with the Islamic Sharia. The entire process was completed on 9th of October 2004 (the "**Transformation Date**") when the Bank obtained UAE Central Bank and other UAE authorities' approvals.

The Bank is a subsidiary of Emirates Bank International PJSC, Dubai (the "Group Holding Company") and Emirates Bank International is a subsidiary of Emirates NBD Company. The Bank is listed at Dubai Financial Market.

In addition to its head office in Dubai, the Bank operates through 26 branches in the UAE. The accompanying Consolidated Financial Statements combining the activities of Bank's head office, branches and its subsidiaries (together referred to as "The Group").

The Bank has the following subsidiaries:

	Principal Activity	Date of Incorporation & Country	Registered percentage of Equity
Emirates Islamic Financial Brokerage Co. LLC	Financial brokerage services	26 April 2006, UAE	100%
Ithmar Real Estate Development Co. PSC	Real estate holding and trust companies	9 June 2008, UAE	40%

The Bank exercises the controls on the management of Ithmar Real Estate Development Co. PSC through holding the majority of votes of its Board of Directors.

The Bank provides full commercial banking services in accordance with Islamic Sharia and offers a variety of products through Islamic financing and investing instruments.

As at 31st of December 2008 the Bank employed 1,281 employees (2007: 929 employees).

The Bank's registered office address is P.O. Box 6564, Dubai, United Arab Emirates.

2. BASIS OF PREPERATION

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"),guidance of the UAE Central Bank, Sharia rules and principles as approved by the Bank's Fatwa and Sharia Supervisory Board, and the requirements of Federal Law number 6 of 1985 regarding Islamic Banks, Financial Institutions and Investment companies.

b. Basis of Measurement.

The consolidated financial statements have been prepared under the historical cost convention except for the following:

(i) financial assets at fair value through income statement are measured at fair value
(ii) available- for-sale financial assets are measured at fair value
(iii) land classified under fixed assets is measured at fair value

2. Basis of preparation *(continued)*

c. Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham (AED), which is the Group's functional currency. Except as indicated, financial information in Dirham has been rounded to neared thousand.

d. Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires the management to use certain critical accounting estimates. It also requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and an in any future period effected.

3. Significant accounting policies.

(a) Basis of consolidation

(i) Subsidiaries.

Subsidiaries are all entities over which the Bank exercises control, directly or indirectly over the financial and operating policies so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which the Bank exercises control. It is de-consolidated from the date that control ceases. These consolidated financial statements include the operations of the subsidiaries over which the Bank has control. The consolidated financial statement have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(ii) Fund Management.

The Group manages and administers assets held in other investment vehicles on behalf of investors. The Financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds management is set out in note 38.

(iii) Transaction eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains and losses) arising form intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are also eliminated in the same way as unrealized gain, but only to the extent there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Foreign currencies.

Transactions in foreign currencies are translated to UAE Dirham at the foreign exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to UAE Dirham at the foreign exchange rate prevailing at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost, are translated to UAE Dirham at the foreign exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign currency gains and losses arising on translation are recognized in the income statement.

(c) Non-derivative financial instruments

(i) Classification

The Bank's classifications of financial assets include the following categories: financing receivables, leased assets ("Ijarah"), loans and receivables, held-to-maturity, financial assets at fair value through profit or loss and available-for-sale financial assets. Management determines the classification of its investment at initial recognition.

Financing receivables

- **Murabaha:** An agreement whereby the Bank sells to a customer a commodity or a property which the Bank has purchased and acquired based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises of the cost of the commodity and an agreed profit margin.

- **Financing Ijarah**: An agreement whereby the Bank (lessor) leases an asset to a customer (lessee), for a specific period against certain rent installments. Ijarah could end in transferring the ownership of the asset to the lessee at the end of the lease period. Also, the Bank transfers substantially all the risks and returns related to the ownership of the leased asset to the lessee.

- **Istisnaa**: An agreement between the Bank and a customer, whereby the Bank develops and sells a property to the customer according to agreed upon specifications. The Bank may develop the property on its own or through a subcontractor, and then hand it over to the customer on a pre agreed date and against fixed price.

- **Wakala:** An agreement whereby the Bank provides a certain sum of money to an agent, who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to guarantee the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

- **Mudaraba**: An agreement between two parties; one of them provides the funds and is called Rub-Ul-Mal, and the other provides efforts and expertise and is called Mudarib who is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of profit as Mudaraba fee. In case of normal loss; Rab-Ul-Mal would bear the loss of his funds while Mudarib would bear the loss of his efforts. However, in case of default, negligence or violation of any of the terms and conditions of the Mudaraba agreement, the Mudarib would bear the losses. The Bank may acts as Mudarib when accepting funds from investors, and as Rub-Ul-Mal when investing such funds on Mudaraba basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Non-derivative financial instruments *(continued)*

(i) Classification (continued)

- **Sukuk:** Islamic products governed by Shari'a rules and approved by the Bank's Fatwa and Shari'a Supervisory Board, are certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or in the ownership of the assets of particular projects or special investment activity

- **Investment Wakala:** is an agreement whereby one party (the "Muwakkil" / "Principal") appoints an investment agent (the "Wakeel" / "Agent") to invest the Muwakkil 's funds (the "Wakala Capital") on the basis of an agency contract (the "Wakala") in return for a specified fee. The agency fee can be a lump sum or a fixed percentage of the Wakala Capital and is payable regardless the said Wakala generates profit or loss; while the share of the profit, if any, is an incentive for the Wakeel to achieve a return higher than expected. The Wakala profit, if any, goes to the Muwakkil, and he bears the loss. However, the Wakeel bears the loss in cases of default, negligence or violation of any of the terms of the Investment Wakala. The Bank, as an agent, is not bearing any substantial underlying risks, therefore the investment Wakala are excluded from these financial statements.

Held-to-maturity investments

Held-to-maturity investments are non derivative financial assets with fixed or determinable payment and fixed maturity that the Bank's management has the positive intent and ability to hold to maturity. In case the Bank sells other than an insignificant amount of held-to-maturity assets, then the entire category would be reclassified as available- for-sale and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two years.. The majority of the investments classified under this class are sukuk.

Available-for-sale investments

Available-for-sale investments are non derivative investments that are not designated as another category of financial assets. Unquoted equity securities for which fair value can not be reliably measured are carried at cost and all other available-for-sale investments are carried at fair value.

Investment securities designated at fair value through profit or loss

The Group has designated financial assets at fair value through income statement in the following circumstances:

- Assets are managed, evaluated and reported internally on a fair value basis
- Designation eliminates or significantly reduces an accounting mismatch which other wise arises.

Financial assets classified under these categories are equity shares, funds and sukuk with convertibility clause. Investments are initially recognised at cost excluding transaction cost and subsequently measured at fair value. Any gain or losses arising from subsequent fair value measurement are recognised in statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ii) Recognition of financial instruments.

Financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provision of the instruments. Regular way purchase and sale of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the assets. Financing receivables are recognized on the day the risk on underlying asset is transferred to the counter party or in accordance with the contractual terms.

(iii) Derecognition of financial instruments.

The Bank derecognizes financial assets when the contractual right to the cash flows from the financial assets expire, or when it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risk and rewards of the ownership of the financial assets are transferred. Any interest in transferred financial assets is created or retained by the Group is recognised as a separate asset or liability.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv)Fair value measurement

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, Group measure the fair value of financial asset using quoted prices in an active market for that financial instruments. A market is regarded as active if quoted prices are readily and regularly available and presents actual and regularly occurring market transaction on an arm length basis.

If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market related profit rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date

All financial instruments are recognized initially at cost including transactions cost except investment at fair value through income statement which is recognized at cost excluding transaction cost.

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs.

All financial receivables and loans and receivables are measured at amortized cost less impairment losses if any.

Gains and losses arising from a change in the fair value of the assets at fair value through income statement are recognized in the income statement. Gains and losses on available-for-sale investments are recognized through owners equity, until the financial assets is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in the income statement.

Subsequent to initial measurement all assets at fair value through income statements are measured at fair value, except for instruments that do not have quoted market price in an active market and their fair value can not be measured which are stated at cost, including transaction cost, less any impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Amortized Cost

The amortized cost of a financial asset or liability is the amount at which the financial assets or liability is measured at initial recognition, minus principal repayment, plus or minus the cumulative amortization using the effective interest rate method of any differences between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gain and losses arising from group of similar transaction such as in the Bank trading activity.

(vii) Identification and measurement of impairment

Financial assets not carried at fair value, are reviewed at each balance sheet date to determine whether there is an objective evidence of impairment. Financial assets are impaired when objective evidence demonstrates that a loss or even has occurred after initial recognition of assets, and that the loss and event has an impact on the future cash flows of the assets than can be estimated reliably. If any such indication exists, the asset's recoverable amount is estimated.

The Bank considers evidence of impairment for loans and advances, financing receivables and held-to-maturity investment securities at both specific asset and collective level. All individually significant loans and advances, financing receivables and all held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances, financing receivables are collectively assessed for impairment by grouping together loans and advances and financing receivables with similar risk characteristics.

The recoverable amount of Islamic financial instruments and loans and receivables are measured at the present value of the expected future cash flows, discounted at the instrument's original effective profit/interest rate. Short term balances are not discounted.

Financing receivables and loans and receivables are presented net of allowances for impairment. Specific allowance are made against the carrying amount of financing receivables and loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these financing receivables and loans and receivables to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolio of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments or penalties. When a receivable or loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the receivable is written off directly.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(vii) Identification and measurement of impairment *(continued)*

Impairment losses on assets carried at amortised cost are measured at the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective profit rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Profit on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

(d) Other financial instruments

Other financial liabilities include amounts payable in the future to third parties in respect of contracts issued by the Group.

These financial liabilities are measured at fair value on initial recognition. Fair value is determined by discounting the present value of the expected future payments at the discount rate that reflects current market assessment of the time value of money for a liability of equivalent average duration.

Subsequent to initial recognition these financial liabilities are stated at amortised cost using the effective interest rate method.

The event that creates an obligation to pay the future commission payments is the acquisition of an investment management service contract. Accordingly, this obligation is taken into account when determining the value of the intangible asset representing the Group's contractual rights to provide future investment management services.

(e) Cash reserve requirement

Central Bank of UAE requires certain percentage of customer deposits to be kept as cash reserve with the central Bank. Such reserve does not earn any profit.

(f) Due from banks

Represents the Bank's balances with correspondent banks, and are stated at cost less amounts written of and allowance for impairment, if any.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investment properties

Properties held for rental income or capital appreciation purposes or for both are classified as investment property.
Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Buildings are depreciated over the period of 25 years.

(h) Investment properties under development

Properties acquired for future development either for its own use or for sale after development are classified as investment properties under development. It includes land and civil construction and is stated as cost.
The cost of investment properties under development includes the cost of land and other related expenditures which are capitalized as and when activities that is necessary to get the properties ready for sale or use.

(i) Fixed assets

Fixed Assets are recorded at cost, less impairment allowance, if any. Depreciation is provided on a straight-line basis over estimated useful lives of all fixed assets, other than freehold land which is not depreciated.

The rates of depreciation are based upon the following estimated useful lives:

- Leasehold improvement 4 years
- Other assets 4 years

(j) Customer accounts

The Bank accepts customer investment and savings accounts are on Mudaraba basis, investment accounts may be accepted on Wakala basis where as current accounts and other similar in nature accounts are guaranteed by the Bank

(k) Revenue recognition

Murabaha
The profit is quantifiable and contractually determined at the commencement of the contract; profit is recognized as it accrues over the period of the contract on effective profit rate method on the balance outstanding.

Ijarah
Income from Ijarah is recognized on an accrual basis over the period of the contract.

Wakala
Estimated income from Wakala is recognized on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

Istisna
Income from Istisna represents the profit during the construction period of the underlying assets and is calculated based on the percentage of completion method. After completion income from underlying assets are either classified as Ijarah or Murabaha income

Dividend income
Dividend income is recognized in the income statement when Bank's right to receive income is established. Usually this is the ex-dividend date for equity securities.

Commissions and fees
Commissions and fees are accounted from the date of transaction when the service has been provided by the bank, giving rise to that income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued*

(k) Revenue recognition *(continued)*

Rental Income
Rental income from investment properties are recognised in the income statement as a straight line basis over the term of lease.

Forfeited income
Forfeited income is resulting from transactions deemed to be incompliant with Islamic Sharia, as per the Fatwa and Sharia Supervisory Board. The Bank's management has to separate such income and set aside from the Bank's income and disclose it in the financial statements. This income is directed towards local social activities.

(l) Provisions

A provision is recognized if a result of past event, the bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provision is determined by discounting the future cash flows at the time value of money and, where appropriate, the risks specific to the liability.

(m) Provision for end of service benefit

Provision made for end of service benefits to its expatriate employees in accordance with the UAE labor law. The entitlement of these benefits is based upon the employees' basic salary and length of service, subject to a completion of a minimum service period. Costs of these benefits are accrued over the period of employment. Provision for employees' end of service benefits at the balance sheet date is included under "Other Liabilities".

With respect to its UAE national employees, the Bank makes contributions to a pension fund established by the General Pension and Social Security Authority as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are recognized in the statement of income.

(n) Zakat

The Bank discharges Zakat (Alms) as per its Articles of Association. The Bank calculates Zakat based on the guidance of its Fatwa and Sharia Supervisory Board as follows:

- Zakat on shareholders' equity (except paid up capital) is discharged from the net profit of the year.
- Zakat is disbursed to Sharia channels through a committee formed by management.
- Shareholders themselves are responsible to pay Zakat on their paid up capital.

Zakat on the general provision or on other reserves, if any, is calculated and discharged from the share of profit of the respective parties participating in the Mudaraba Pool

(o) Profit distribution

Profit distribution between the unrestricted account holders (investment, saving and Wakala accounts) and the shareholders, is according to the instructions of Fatwa and Sharia supervisory board.

- Net income realized from Mudaraba Pool, at the end of each quarter, represents the net profit available for distribution.
- Net profit available for distribution between unrestricted account holders and shareholders is calculated after deducting the Mudarib fee as per the agreed and declared percentage.
- Due to mingling of funds of unrestricted account holders and the shareholders, for the purpose of investment, no priority has been given to either party in the appropriation of profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Cash and cash equivalents

Cash and cash equivalent consists of cash at bank, current account with the UAE Central Bank, due from banks and Group Holding Company (including short-term Murabaha) less due to banks and Group Holding Company. Cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash with outstanding maturities up to three months from the balance sheet date.

(q) Contingent liabilities

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(t) New standards and interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements:

- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Group's 2009 consolidated financial statements and will be applicable retrospectively. The Group is currently in the process of evaluating the potential effect of this interpretation.

- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group is currently in the process of evaluating the potential effect of this amendment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) New standards and interpretation not yet adopted *(continued)*

- Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

– The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.
– Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
– Transaction costs, other than share and debt issue costs, will be expensed as incurred.
– Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.
–Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 consolidated financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6). This standard will have no effect on the Group's reported total profit or loss or equity. The Group is currently in the process of determining the potential effect of this standard on the Group's segment reporting.
- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term "total comprehensive income," which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements as the Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional requirements, the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 2009 consolidated financial statements.
- Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) New standards and interpretation not yet adopted *(continued)*

- Amendments to IAS 32 and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group's 2009 consolidated financial statements with retrospective application required, are not expected to have any significant impact on the consolidated financial statements.

  The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 consolidated financial statements. The Group does not expect these amendments to have any significant impact on the consolidated financial statements.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Group's 2010 consolidated financial statements, with retrospective application required. The Group is currently in the process of evaluating the potential effect of this amendment.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation clarifies that:
  – net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation
  – the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged
  – on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

  The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. IFRIC 16, which becomes mandatory for the Group's 2009 consolidated financial statements, applies prospectively to the Group's existing hedge relationships and net investments. The Group is currently in the process of evaluating the potential effect of this Interpretation.

4. INCOME FROM FINANCING ACTIVITIES, NET

	2008 AED'000	2007 AED'000
Income from Financing activities		
Income from commodities Murabaha	173,875	111,917
Income from vehicles Murabaha, net	180,828	120,166
Income from syndications Murabaha	14,917	78,946
Income from real estates Murabaha	19,258	12,377
Income from Istisna	67,485	18,130
Income from Ijarah	271,963	133,440
Income from Wakala	158,033	15,531
Others	3,494	7,892
	889,853	**498,399**

5. (LOSS)/INCOME FROM INVESTMENT SECURITIES DESIGNATED AT FAIR VALUE

	2008 AED'000	2007 AED'000
Realized gain	-	8,937
Unrealized losses	(90,933)	(5,065)
Dividend income	23,875	20,082
Other income	18,742	16,666
	(48,316)	**40,620**

6. INCOME FROM OTHER INVESTMENTS

	2008 AED'000	2007 AED'000
Investing income- available-for-sale investments	62,797	29,401
Investing income- held-to-maturity investments	23,252	40,383
Dividend income	17,169	-
Realized gain	21,636	-
	124,854	**69,784**

7. INCOME FROM SHORT TERM MURABAHA WITH GROUP HOLDING COMPANY, NET

	2008 AED'000	2007 AED'000
Income from Short term Murabaha	107,891	133,993
Less: Profit paid on investment Wakala from Group Holding Company (note 30. b)	(28,464)	(4,138)
	79,427	**129,855**

8. PROPERTY REALTED INCOME, NET

	2008 AED'000	2007 AED'000
Rental income	22,554	16,928
Gain on sale of investment properties	669	10,678
Property related expenses	(2,496)	(569)
	20,727	**27,037**

9. COMMISSIONS AND FEES INCOME, NET

	2008 AED'000	2007 AED'000
Commissions and fees	107,212	103,365
Portfolio management fees	20,628	8,030
Underwriting fees	175,140	-
Others	35,609	3,483
	338,589	114,878
Less: Commissions and fees paid	(24,413)	(4,567)
	314,176	**110,311**

10. OTHER OPERATING INCOME, NET

	2008 AED'000	2007 AED'000
Foreign exchange gains, net	30,843	15,796
Income from credit cards	44,179	35,950
Others	43,618	33,728
	118,640	**85,474**

11. GENERAL AND ADMINISTRATIVE EXPENSES

	2008 AED'000	2007 AED'000
Staff related expenses	(280,497)	(192,558)
Operating expenses	(50,382)	(34,533)
Administrative expenses	(38,412)	(28,833)
Depreciation of fixed assets	(18,747)	(15,126)
	(388,038)	**(271,050)**

12. ALLOWANCE FOR IMPAIRMENTS NET OF RECOVERIES

	2008 AED'000	2007 AED'000
Allowances for impairment of financing receivables	(96,138)	(73,728)
Recoveries from allowances (note 18 & 19)	27,933	31,856
	(68,205)	**(41,872)**

13. INVESTMENT, SAVING AND WAKALA ACCOUNTS' SHARE OF PROFIT

The distribution of profit between unrestricted account holders (investment, saving and wakala accounts) and shareholders is made, quarterly, in accordance with the method approved by the Bank's Fatwa and Sharia Supervisory Board.

	2008 AED'000	2007 AED'000
Profit paid for first, second and third quarters	(445,706)	(298,883)
Payable for the last quarter	(216,533)	(118,556)
Transferred from profit equalization reserve during the year	13,866	26,847
Transferred from/ (to) Mudaraba pool reserve	13,975	(13,616)
	(634,398)	**(404,208)**

14. MINORTIY INTEREST

The balance of AED 111,000 represents the loss for the year ended 31 December 2008 of 60% of shares (not owned by the Bank) of Ithmar Real Estate Development Company.

15. BASIC AND DILUTED EARNING PER SHARE

The calculation of earnings per share is based on earnings of AED 400,583,000 (2007: AED238, 533,000), for the year divided by the weighted average of the number of shares outstanding during the year 2008: 934,375,000shares (2007: 934,375,000 Shares).

There is no dilutive effect on basic earnings per share.

16. CASH, AND BALANCES WITH UAE CENTRAL BANK

	2008 AED'000	2007 AED'000
Cash in hand	81,083	55,894
Balances with UAE Central Bank:		
Current account	472,935	53,860
Reserve requirements	1,089,900	758,158
	1,643,918	**867,912**

17. DUE FROM GROUP HOLDING COMPANY, NET

	2008 AED'000	2007 AED'000
Due from Group Holding Company comprises:		
Murabaha, short term	4,800,755	3,391,469
Deposit exchange (profit free), net	(3,984,944)	(2,322,031)
Other balances	34,147	(83,956)
	849,958	**985,482**

18. FINANCING RECEIVABLES

	2008 AED'000	2007 AED'000
Financing receivables comprise:		
Commodities Murabaha	3,066,303	2, 006,613
Vehicles Murabaha	3,117,394	2, 177,992
Syndication Murabaha	146,817	360,589
Real Estates Murabaha	246,225	261,262
Total Murabaha	6,576,739	4,806,456
Istisnaa	1,486,386	739,659
Ijarah	4,835,241	2,578,078
Credit card receivables	471,789	292,089
Others	1,899,494	847,200
	15,269,649	9,263,482
Less: Deferred income	(850,515)	(545,594)
Less: Allowances for impairment	(201,320)	(157,748)
	14,217,814	**8,560,140**
Wakala	3,555,173	2,276,688
	17,772,987	**10,836,828**
Analysis by Economic Activity		
Agriculture and related activities	2,080	5,527
Manufacturing	573,404	582,541
Construction	1,911,958	1,098,848
Trade	1,130,533	703,908
Transportation and communication	590,261	469,637
Services	1,479,622	1,958,488
Personal	3,906,404	2,074,389
Real estates	4,894,461	2,559,630
Financial Institutions	3,500,331	1,824,921
Others	835,768	262,281
	18,824,822	11,540,170
Less: Deferred Income	(850,515)	(545,594)
Less: Allowance for impairment	(201,320)	(157,748)
	17,772,987	**10,836,828**
Movement in allowances for impairment:		
Balance at the beginning of the year	157,748	94,113
Allowances for impairment made during the year	68,547	73,728
Recoveries	(24,317)	(10,093)
Amount written off	(658)	-
Balance at the end of the year	**201,320**	**157,748**

19. LOANS AND RECEIVABLES

Loans and receivables are non derivative financial assets not quoted in active market granted by the Bank providing money to a debtor other than those granted for the intention of short term profit taking. Loans and receivables were originated by the Bank before the transformation date of the Bank's activities to be in full compliance with the Islamic Sharia. These are reported net of impairment allowance to reflect the estimated recoverable amounts. These products have been discontinued since the Bank transformed to the Islamic Banking system

	2008 AED'000	2007 AED'000
Overdraft	12,902	14,635
Time loans	67,854	72,132
Loans against trust receipts	9,906	10,081
Bills discounted	2,959	2,996
Others	1,633	3,143
Total loans and receivables	95,254	102,987
Less: Allowances for impairment	(55,934)	(63,078)
	39,320	**39,909**
Analysis by Economic Activity:		
Agriculture and related activities	-	802
Manufacturing	14,751	14,751
Construction	8,059	8,321
Trade	16,206	17,563
Transportation and communication	5,351	8,246
Services and Personal	50,887	53,304
Total Loans and receivables	95,254	102,987
Less: Allowances for impairment	(55,934)	(63,078)
	39,320	**39,909**
Movement in allowances for impairment:		
Balance at the beginning of the year	63,078	67,129
Recoveries	(3,616)	(412)
Amount written off	(3,528)	(3,639)
Balance at the end of the year	**55,934**	**63,078**

During 2004, the Bank transferred some of its corporate and retail loans at book value with associated allowances for impairment to the Group Holding Company.
Included in the "Others" above are delinquent loans and receivables that were identified at the time of acquisition of Middle East Bank (PJSC) by the Group Holding Company. These are managed in a workout situation. The loan balances on these accounts amounted to AED 66,749,000 (2007: AED 68,243,000) against which allowances for impairment of AED 66,749,000 (2007: AED 68,243,000) are applied. Net recoveries of AED 2,108,000 (2007: AED 21,652,000) were credited to the income statement.

20. INVESTMENT SECURITIES DESIGNATED AT FAIR VALUE

	2008 AED'000	2007 AED'000
Equity shares	322,258	317,223
Equity funds	601,199	665,388
Others	183,650	204,546
	1,107,107	**1,187,157**
Investment securities comprise:		
Quoted	782,692	862,516
Unquoted	324,415	324,641
	1,107,107	**1,187,157**
Investment securities located at:		
Local Investments within UAE	937,568	1,046,690
Foreign Investments outside UAE	169,539	140,467
	1,107,107	**1,187,157**

21. OTHER INVESTMENTS

	2008 AED'000	2007 AED'000
Investments-held-to-maturity	373,850	509,253
Investments-available-for-sale	2,749,656	1,083,740
	3,123,506	1,592,993
Less: Impairment on investments available-for-sale	(27,591)	-
	3,095,915	**1,592,993**
Investment securities comprise:		
Quoted	216,210	75,691
Unquoted	2,879,705	1,517,302
	3,095,915	**1,592,993**
Other investment located at:		
Local Investments within UAE	1,006,838	591,303
Foreign Investment outside UAE	2,089,077	1,001,690
	3,095,915	**1,592,993**

22. INVESTMENT PROPERTIES

	2008 AED'000	2007 AED'000
Balance at the beginning of the year	269,778	271,533
Properties purchased	254,740	367,045
Properties reclassified as investment properties under development (note 23)	-	(344,433)
Properties sold	(4,831)	(24,367)
	519,687	269,778
Less: Accumulated depreciation	(15,557)	(7,306)
Balance at the end of the year	**504,130**	**262,472**
Investment properties comprise:		
Lands	358,286	108,377
Buildings, net	145,844	154,095
	504,130	**262,472**

The fair value of investment properties as of December 31, 2008 is AED 576,107,000 (2007: AED 300,546,000), as per valuation conducted by independent valuer.

23. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	2008 AED'000	2007 AED'000
Property under development	474,455	-
Transfer from investment properties (note 22)	-	344,433
Transfer from fixed assets (note 25)	-	600
Civil work in progress (note 25)	276,608	82,437
	751,063	**427,470**

All investment properties under development are located within the United Arab Emirates.

24. PREPAYMENTS AND OTHER ASSETS

	2008 AED'000	2007 AED'000
Dividend and profit receivable	42,158	9,351
Overdraft accounts (interest free)	106,906	174,773
Bills under letters of credit	79,819	34,817
Prepaid expenses	10,360	10,020
Deferred sales commissions	29,303	20,335
Contingent customer acceptances	234,498	241,329
Goods available-for-sale	29,123	44,947
Others	24,582	5,486
	556,749	**541,058**
Less: Allowance for impairment	(4,705)	(4,705)
	552,044	**536,353**

25. FIXED ASSETS

	Capital work in progress & Leasehold Improvement AED'000	Other Assets AED'000	Total AED'000
Cost			
As of 1st January 2008	40,491	191,126	231,617
Additions	7,065	18,321	25,386
Write off	-	(144,000)	(144,000)
Disposals	-	(20)	(20)
As of 31st December 2008	**47,556**	**65,427**	**112,983**
Accumulated depreciation			
As of 1st January 2008	19,146	18,478	37,624
Charges for the year	9,411	9,336	18,747
Disposals	(7)	-	(7)
As of 31st December 2008	**28,550**	**27,814**	**56,364**
Net book value			
31st December 2008	**19,006**	**37,613**	**56,619**
31st December 2007	**165,345**	**28,648**	**193,993**

Land previously donated by the Government of Dubai valued at AED 144,000,000 as of 31 December 2007, has been significantly affected by the infrastructure projects by the Government of Dubai, accordingly this land has been written-off during the year.

Civil works in progress of AED 82,437,000 and land of AED 600,000 at 31 December 2007 have been re-classified as investment property under development (note 23).

26. CUSTOMERS' ACCOUNTS

	2008 AED'000	2007 AED'000
Current accounts	4,203,524	2,955,708
Saving accounts	1,435,821	1,180,863
Investment accounts	12,243,808	9,629,324
Wakala accounts	1,553,264	-
Margins	128,004	115,681
Profit equalization reserve	-	13,866
Mudaraba pool reserve (note 35)	-	13,616
Fair value reserve (note 33)	18,231	-
	19,582,652	**13,909,058**

26. CUSTOMERS' ACCOUNTS *(continued)*

	2008 AED'000	2007 AED'000
Movement in profit equalization reserve:		
Balance at the beginning of the year	13,866	41,080
Transfer to depositors' share of profit, net	(13,866)	(26,847)
Zakat payable	-	(367)
Balance at the end of the year	**-**	**13,866**

Profit equalization reserve was made in the year 2005 upon the approval of the Board of Directors and Fatwa and Sharia Supervisory Board. Zakat on this reserve is included under Zakat payable (note 29).

	2008 AED'000	2007 AED'000
Customers' accounts concentrated as follows:		
Local customer accounts	19,000,079	13,524,256
Foreign customer accounts	582,573	384,802
	19,582,652	**13,909,058**

27. DUE TO BANKS

	2008 AED'000	2007 AED'000
Current accounts	13,059	3,415
Clearing accounts with U.A.E Central Bank	-	44,920
Overdraft with correspondents	75,628	109,865
Investment accounts	800,000	-
Wakala Accounts	1,211,225	-
	2,099,912	**158,200**
Due to Banks concentrated as follows:		
Due to Local Banks	1,735,750	45,483
Due to Foreign Banks	364,162	112,717
	2,099,912	**158,200**

28. OTHER LIABILITIES

	2008 AED'000	2007 AED'000
Depositors' share of profit for the last quarter of 2008	216,533	118,556
Provision for employees' benefit	59,536	51,657
Manager cheques	113,120	139,908
Trade payables	125,916	44,255
Contingent customer acceptances	234,498	241,329
Board of directors' remuneration	2,800	2,800
Properties related liabilities	183,644	46,065
Forfeited income	213	723
Tax liability – Egypt, closed branch *	20,000	20,000
Customer - Sukuk redemption	-	79,865
Others	48,483	55,161
	1,004,743	**800,319**

* Tax liability of AED 20,000,000 represents a provision for a closed branch of the Bank in Cairo. The branch was closed during the 1990's before the transformation of the Bank's activities into Islamic Banking. The tax liability is subject to legal jurisdiction.

29. ZAKAT PAYABLE

	2008 AED'000	2007 AED'000
Zakat on shareholders' equity (except share capital)	17,185	12,699
Zakat on profit equalization reserve (Note 26)	-	367
Zakat on Mudaraba pool reserve (depositors' share)	-	360
	17,185	**13,426**

30. INVESTMENT WAKALA

	2008 AED'000	2007 AED'000
Investment wakala from Ministry of finance	1,081,872	-
Investment wakala from Group Holding Company	940,000	740,000
	2,021,872	**740,000**

a) Investment wakala from Ministry of finance

The Bank has received funds, on Wakala basis, aggregating to AED 1,081,872,000 in December 2008 from the Ministry of Finance, Government of UAE, into two trenches of AED 525,553,000 payable after three years and AED 556,319,000 payable after five years, subject to certain conditions as per the Wakala agreement.

30. Investment Wakala (continued)

b) Investment wakala from Group Holding Company

The Bank (the "Wakeel") has arranged an Investment Wakala agreement up to AED 1 billion for a term of 10 years, with effect from 27th September 2007 with Deutsche Trust Company Limited (the "Muwakkil"), which is registered in the United Kingdom. The Muwakkil is the trustee pursuant to the Trust Deed made on the same said date between the trustee and the Group Holding Company. The Wakeel has received AED 740,000,000 in trenches under the Investment Wakala during the year ended 31st December 2007 and AED 200,000,000 in December 2008.

31. SHARE CAPITAL

The Bank authorized share capital is AED 934,375,000 comprised of 934,375,000 shares of par value AED 1 each. As of 31 December 2008 the Bank issued and paid-up share capital is AED 934,375,000 (31 December 2007: 747,500,000)

The Bank has increased its paid-up capital to AED 934,375,000 through issuing 186,875,000 bonus shares based on the Annual General Meeting resolution dated April 22nd 2008.

32. STATUTORY AND GENERAL RESERVES

In accordance with the Bank's Articles of Association, Article (82) of Union Law no. 10 of 1980 and Federal Commercial Companies Law, the Bank transfers 10% of Shareholders' annual net income, if any, to the statutory reserve until such reserve equals 50% of the paid-up share capital. This reserve is not available for distribution.

A further 10% of Shareholders' annual net income, if any, is transferred to the general reserve until it reaches 10% of the paid-up capital. This transfer may be suspended by an ordinary General Meeting, based on Board of Directors' recommendation. The Board of Directors proposes the use of the general reserve at its discretion.

33. FAIR VALUE RESERVE

Fair value reserve represents revaluation surplus on available-for-sale investment for the year.
AED 11,693,000 represents the Shareholders' portion of the revaluation surplus disclosed under Shareholders' Equity. AED 18,231,000 represents the Customers' portion of the revaluation surplus included in Customers' accounts (note 26).

34. REVALUATION RESERVE

Revaluation reserve of AED 144,000,000 represents revaluation reserve of land donated by the Government of Dubai.
The Bank has reversed the revaluation reserve as of 31 December 2007 during the year (note 25).

35. MUDARABA POOL RESERVE

Mudaraba pool reserve was created during 2007, out of the Mudaraba Pool income, before the profit distribution between Depositors and Shareholders, in order to maintain a certain level of return on the investment of Mudaraba Pool funds.

The balance of Depositors' share of the reserve of AED 13,975,000 as of 31 December 2007 has been utilized to increase the customers' share of profit during year 2008. The Shareholders' share of the reserve of AED 6,175,000 as of 31 December 2007 has been transferred to retained earnings.

36. MINORITY INTEREST

Minority interest of AED 92,889,000 represents the 60% of shares, not owned by Bank, in net assets of Ithmar Real Estate Development Co. as at 31st December 2008 (note 1).

37. COMMITMENTS AND CONTINGENT LIABILITIES

The Bank provides letters of guarantee and letters of credit to meet the requirements of its customers. These commitments have fixed limits and expirations, and are not concentrated in any period, and are arising in the normal course of business, as follows:

	2008 AED'000	2007 AED'000
Letters of guarantee	2,982,866	2,126,595
Letters of credit	725,743	700,627
	3,708,609	**2,827,222**

The Bank has capital commitment of AED 384,012 for the purchase of fixed assets (2007: AED 113,950,000). The bank has underwriting commitment of AED 220,308,000 for private placement of investment (2007: nil).

38. ASSETS UNDER MANAGEMENT

Assets under management comprise:

(a) Sukuk assets
During June 2007, the Bank has facilitated issuance of "Investment Sukuk" aggregating to AED 1,285,550,000 (US$ 350,000,000) through the sale of "Ijarah Assets" at carrying value to Emirates Islamic Bank Sukuk Company Limited ("the Issuer"). These Sukuk are issued by the Issuer who is also acting as the trustee for the Sukuk holders.

The issuer, by the virtue of the Management Agreement, has assigned the management of the sukuk assets of the issuer to the Bank. The Bank is managing these assets for management fees in accordance with the provisions of this agreement.

On maturity of the Sukuk, the Sukuk holder has the option to redeem the Sukuk at face value. This option is guaranteed by the Group Holding Company of the Bank. Therefore the separate financial statements of the Bank and its subsidiaries have shown these assets as Off Balance Sheet as required by the Bank's Fatwa and Sharia Supervisory Board.

(b) Wakala assets
The balance of Wakala assets under management as at 31st December 2008 is AED 200,000,000 (31st December 2007: AED 1,300,000,000) and belongs to the Group Holding Company which bears the risks of these assets.

39. RESTRICTED INVESTMENT ACCOUNTS

The Bank received funds from certain customers to invest, on their behalf, in certain projects or activities in return for management fees. The risk of such accounts is borne by the customers, unless the Bank defaults, neglects or violates any of the terms and conditions of the agreement.

40. CASH AND CASH EQUIVALENTS

	2008 AED'000	2007 AED'000
Cash	81,083	55,894
Current account with UAE Central Bank	472,935	53,860
Due from Group Holding Company maturing within 3 months	4,800,755	2,880,419
Due from Banks	27,389	23,340
Due to Banks	(88,687)	(158,200)
	5,293,475	**2,855,313**

41. RELATED PARTY TRANSACTIONS

The Bank has transactions carried out in the normal course of business with the Emirates Bank International Group and with certain staff, shareholders, directors and entities in which the Bank, its shareholders and directors have significant interests. Related party transactions are as follows:

	2008 AED'000	2007 AED'000
Balance Sheet		
Due from the Group holding company	849,958	985,482
Investment Wakala from Group Holding Company	940,000	740,000
Investment Wakala Account from National Bank Of Dubai (a subsidiary of ENBD Group)	650,000	-
Investment in funds managed by the Group	597,534	665,389
Financing receivables – Directors	136,927	113,610
Financing receivables - Key management personnel	45,187	31,382
Current and investment accounts – Directors	80,330	-
Income Statement		
Income from funds managed by the Group Holding Company	79,606	54,180
Income from Group Holding Company, net	79,427	129,855
Key management personal compensations	9,231	7,974
Key management personal compensations- Retirements benefits	533	337

42. SEGMENT REPORTING

The Bank's activities comprise the following main business segments:

a. Corporate and Investment
Within this business segment, the Bank provides to corporate customers a range of products and services and accepts their deposits. This segment invests in investment securities, Sukuk, Funds and Real Estate.

b. Retail
Retail segment provides a wide range of products and services to individuals and accepts their deposits.

c. Treasury
This segment mainly includes Murabaha deals with Emirates Bank International (PJSC).

d. Subsidiaries
The condensed consolidated interim financial statements include the following figures related to subsidiaries:

	Assets	Liabilities	Net profit/(loss)
	AED	AED	AED
Emirates Islamic Financial Brokerage Co. LLC	43,595,000	10,633,000	3,053,000
Ithmar Real Estate Development Co. PSC	-	-	(185,000)

42. SEGMENT REPORTING *(continued)*

	Corporate & Investment		Retail		Treasury		Total	
	2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000
Income Statement								
Segment income	712,770	487,641	274,349	148,199	79,426	129,855	1,066,545	765,695
Inter segment Wakala income	(320,899)	(249,773)	320,420	242,837	479	6,936	-	-
Commissions, fees & other Income	288,843	118,609	143,973	77,176	-	-	432,816	195,785
Total income	**680,714**	**356,477**	**738,742**	**468,212**	**79,905**	**136,791**	**1,499,361**	**961,480**
General and administrative expenses	(137,328)	(84,899)	(250,710)	(186,151)	-	-	(388,038)	(271,050)
Depreciation of investment properties	(8,248)	(5,817)	-	-	-	-	(8,248)	(5,817)
Total expenses	**(145,576)**	**(90,716)**	**(250,710)**	**(186,151)**	**-**	**-**	**(396,286)**	**(276,867)**
Net operating income	**535,138**	**265,761**	**488,032**	**282,061**	**79,905**	**136,791**	**1,103,075**	**684,613**
Allowances for impairment net of recoveries	(37,386)	16,168	(30,819)	(58,040)	-	-	(68,205)	(41,872)
	497,752	**281,929**	**457,213**	**224,021**	**79,905**	**136,791**	**1,034,870**	**642,741**
Investments, Saving and Wakala accounts' share of profit for the year	(234,435)	(146,702)	(399,963)	(257,506)	-	-	(634,398)	(404,208)
Minority Interest	-	-	-	-	-	-	111	-
Shareholders' profit (Net Income)	**263,317**	**135,227**	**57,250**	**(33,485)**	**79,905**	**136,791**	**400,583**	**238,533**

42. SEGMENT REPORTING *(continued)*

	Corporate & Investment		Retail		Treasury		Total	
	2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000
Balance Sheet								
Assets								
Segment assets	17,812,286	11,678,695	4,707,172	2,583,093	1,431,366	1,069,438	23,950,824	15,331,226
Central Bank Reserve Requirements	435,960	303,263	653,940	454,895	-	-	1,089,900	758,158
Unallocated assets	-	-	-	-	-	-	1,359,726	864,525
Total assets	**18,248,246**	**11,981,958**	**5,361,112**	**3,037,988**	**1,431,366**	**1,069,438**	**26,400,450**	**16,953,909**
Liabilities								
Segment liabilities	9,065,037	4,363,751	13,027,025	9,661,030	3,409,884	2,075,663	25,501,946	16,100,444
Unallocated liabilities	-	-	-	-	-	-	805,615	853,465
Minority Interest	-	-	-	-	-	-	92,889	-
Total liabilities and Equity	**9,065,037**	**4,363,751**	**13,027,025**	**9,661,030**	**3,409,884**	**2,075,663**	**26,400,450**	**16,953,909**

43. RISK MANAGEMENT

The activities of the Bank require continuous management of particular risks or combinations of risks. Risk management is the identification, analysis, evaluation and management of the factors that could adversely affect the Bank's resources, operations and financial results. The main risk factors that concern the Bank are credit, operational, market, liquidity, legal and currency risks. The Bank aims to manage its exposure to these risks conservatively.

The responsibility for overall risk management for the Emirates Bank group (The Group Holding Company and its Subsidiaries) lies with the Group Chief Risk Officer. However, at the Bank level, risk management is overseen by the Assets and Liabilities Committee (ALCO) of the Bank. The Bank is also represented at some Emirates Bank group risk committee levels as well.

Each department of the Bank is responsible for:

- Identifying and measuring the risks that the Bank is exposed to and considering whether those risks are significant;
- Developing and recommending for approval appropriate risk management policies and procedures regarding those activities and business units which are susceptible to significant risk, including business continuity plans. All risk management policies must be approved by the Board of Directors;
- Providing direction regarding the Bank's overall risk philosophy and risk tolerance, including considering whether certain new business proposals referred to ALCO are acceptable from a risk management perspective;
- Monitoring compliance with risk management policies and procedures;
- Adherence to risk guidelines under Basel II, and
- Reporting any policy or major practice changes, unusual situations, significant exceptions and new strategies to the Board of Directors for review, approval and/or ratification.

Distributions of profit to shareholders and unrestricted customers' accounts (investment, saving and wakala) is subject to a comprehensive risk management system that is reviewed at the management level, the Sharia Board level and ALCO level to ensure the appropriate distribution levels taking into account the Bank's performance, competitors' profit distributions and market conditions.

a. Anti money laundering (AML) and know your client (KYC) policies

The Bank has implemented AML and KYC rules and procedures as required by the UAE Central Bank regulations and other laws. All prospective customers must undergo identity checks based on the Bank's internal compliance requirements. The Bank arranges regular training for staff members on AML and KYC. The continuous development, control and enforcement of the Bank's AML and KYC regulations are the responsibility of the Bank's compliance section.

b. Credit Risk

Credit risk is the risk that a customer or counter party in a financial assets fails to meet its contractual obligations and causes the Group to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Credit risk concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

43. RISK MANAGEMENT *(continued)*

b. Credit Risk *(continued)*

The Group seeks to manage its credit risk exposure through diversification of financial product offerings and investments to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Group also obtains security for the financial obligations of the counterparties whenever appropriate.

Credit limits are also established for countries and industry sectors to ensure that the Bank's credit risk profile is diverse. The Bank's credit risk limits and actual levels of exposure are regularly reviewed by the Bank's Executive Committee and the Bank's Board of Directors.

c. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, human error or external events. This type of risk includes fraud, unauthorized activities, errors and settlement risk arising from the large number of daily Banking transactions occurring in the normal course of business. There is also a wide variety of business risks such as legal, regulatory, human resources and reputation risks inherent in all business activities.

The Bank has standard policies and procedures for managing each of its divisions, departments and branches so as to minimize loss through a framework which requires all units to identify, assess, monitor and control operational risk. All standard policies and procedures are subject to review and approval by the Board of Directors.

The Group manages operational risk through disciplined application and evaluation of internal controls, appropriate segregation of duties, independent authorization of transactions and regular, systematic reconciliation and monitoring of transactions. This control structure is complemented by independent and periodic reviews by the Bank's internal audit department.

The Bank follows the Emirates Bank group policy in relation to compliance with the Office of Foreign Assets Control (OFAC) regulations which are in line with international practices and guidelines. The Bank maintains a "restricted customer" database which is checked when prospective customers of the Bank are initially assessed. This database is linked to the OFAC list of sanctioned individuals as updated from time to time.

d. Market Risk

Market risk is the risk of loss arising from unexpected changes in financial prices, for instance, as a result of fluctuations in profit rates and/or exchange rates, equity and commodity prices. Consistent with the Bank's approach to strict compliance with Islamic Sharia, the Bank does not enter into speculative foreign exchange and currency transactions. The Bank only enters into a limited amount of foreign exchange and currency transactions to hedge its commercial activities.

The Bank's market risk is managed through risk limits set by the ALCO and approved by the Bank's Board of Directors. Risk limits are reviewed by the ALCO on an annual basis. The market risk limits are monitored independently by the Emirates Bank group risk department on a regular basis, and exceptions, if any, are reported to senior management and approved by the ALCO.

e. Liquidity Risk

Liquidity risk is the risk that the Group's will be unable to meet its maturing obligations to counterparty. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately.

43. RISK MANAGEMENT *(continued)*

e. Liquidity Risk *(continued)*

To guard against this risk, the Group has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. Liquidity is managed by the Treasury department under guidance from the ALCO, and is monitored using short-term cash-flow reports and medium-term maturity mismatch reports. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. They do not take into account the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

The maturity profile of the Group's assets and liabilities is monitored by management to ensure adequate liquidity is maintained (note 47).

f. Legal Risk

The Bank has full-time legal advisor and is actively supported at Group level Legal department who deal, with both routine and more complex legal cases. Situations of a particular complexity and sensitivity are referred to external firms of lawyers, either in the UAE or overseas, as appropriate.

g. Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is not exposed to significant currency risks resulting from foreign currency transactions undertaken by the Bank for its customers. Customers bear the currency risks as per the contractual terms of the transaction. The Bank does not have any substantial assets or liabilities in foreign currencies other than the US Dollar which is currently pegged to the UAE dirham.

The Bank does not deal in derivatives such as foreign exchange contracts and foreign currency swaps nor does it undertake any hedging transactions that are considered to be non-compliant with Islamic Sharia.

43. RISK MANAGEMENT *(continued)*

h. Capital Adequacy Ratio

The Bank's capital adequacy ratio is regularly monitored by ALCO and managed by the Group risk, following table shows the details of calculating capital adequacy ratio as at 31 December 2008 and 31 December 2007:

	As at 31 Dec 2008 AED'000	As at 31 Dec 2007 AED'000
TIER I CAPITAL		
Share capital	934,375	747,500
Legal reserves	187,659	147,599
General reserves	93,438	74,750
Other reserve	-	6,175
Retained earnings	354,032	212,882
Total tier I capital	**1,569,504**	**1,188,906**
TIER II CAPITAL		
Investment Wakala (Subordinated Term Loan)	940,000	740,000
Asset revaluation reserves	5,262	54,000
Total tier II capital	**945,262**	**794,000**
CAPITAL BASE	**2,514,766**	**1,982,906**
RISK WEIGHTED ASSETS		
Credit risk (on-balance sheet)	21,398,230	15,266,397
Credit risk (off-balance sheet)	1,871,079	1,444,751
	23,269,309	**16,711,148**
CAPITAL ADEQUACY RATIO (BASEL I)	**10.81%**	**11.86 %**

i. Basel II

Implementation of and compliance with the Basel II framework to the satisfaction of the UAE Central Bank, has been undertaken at the Group level. Regular meetings are held between the Bank's representatives and the risk management division of the Emirates Bank group to understand the scope the requirements of implementing Basel II including changes required to internal systems (in particular changes required to IT systems) and to monitor progress made towards the implementation of Basel II. The Bank has implemented the Moody's KMV regulatory capital calculator as a credit risk analysis tool allowing the Bank to calculate its regulatory capital on a consistent and continuous basis for the purposes of compliance with Basel II.

43. RISK MANAGEMENT *(continued)*

j. Risk rating

The Bank has a risk rating system for transactions and customers. The risk rating system is used as a credit risk management tool whereby any risks taken on the Bank's books are rated against a set of predetermined standards established in accordance with the UAE Central Bank's guidelines and international guidelines. The principal objectives of establishing the risk rating system are to:

- Ensure the credit quality of the obligors;
- Determine the pricing and the tenor of the credit facility for a particular type of obligor; and
- Act as an effective tool for determining the degree of risk and its mitigating factors.

Risk ratings are reviewed and set by the Bank's Credit Department on an ongoing basis. Risks are classified according to the risk profile of the asset or risk and the probability of default. The Bank has adopted "10 point rating system" in line with the risk rating system adopted by the Emirates Bank group as per international risk rating parameters.

Below is a table showing the risk rating matrix used by the Bank:

Bank Risk Grades	Classification	Equivalent S&P Rating	Equivalent Moody's Rating
1A	Excellent investment grade	AAA	Aaa
1B	Very Good investment grade	AA+ to AA-	Aa1 to Aa3
1C	Good investment grade	A+ to A-	A1 to A3
1D	Above average large size company – investment grade	BBB+ to BBB-	Baa1 to Baa3
1E	Average large size company and excellent medium size company	BB+ to BB-	Ba1 to Ba3
2A	Below average large size company Good - average medium size company	B+ to B-	B1 to B3
2B	OLEM close follow up	CCC+ to CC	Caa to C
3	Substandard	R	C
4	Doubtful	SD	C
5	Loss	D	C

k. Collateral management

Separate Corporate and Retail Banking operations units exist to evaluate and maintain the collateral and credit facilities for each client. In the case of certain products, for example, financing covered by a percentage of share securities, there is a mechanism to maintain securities at a specified level and in case there is a shortfall below the "trigger level", customers are contacted to either reduce their liabilities or cover the margin.

43. RISK MANAGEMENT *(continued)*

l. Limits on financing

The Bank's credit limit policies are monitored through a regular reporting system that involves several departments including the credit, finance and business units as well as senior management. Country limits are approved by the Board Credit Investment Committee and Board of Directors and for certain sectors / sub-sectors and limits are implemented for the purposes of diversification and risk control. These limits are determined as part of the overall credit and investment policy based on industry and economic data reviewed at committee / senior management levels and appropriate portfolio strategies are suggested accordingly on a periodical basis.

m. Provision and write-offs

Financing is monitored through a Management Information System (MIS) and periodical reports.

The Bank has formulated what it believes to be a prudent loss provisioning and write-offs policy to ensure the quality of the Bank's asset portfolio. The risk-rating criteria set out above and the classification of accounts as sub-standard (risk grade 3) and below is used as the basis for the Bank's provisioning policy.

Financing receivables are presented net of allowances for impairment. Specific allowances are made against the carrying amount of financing receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these financing receivables and loans (a small amount of "loans" were carried over from Middle East Bank PJSC and have not been converted to Sharia compliant transactions at the request of the relevant customers) to their estimated recoverable amounts at the balance sheet date. The expected cash flows for a portfolio of similar assets are estimated based on previous experience with similar assets and considering the credit rating of the underlying customers and the frequency of late payments. When any receivable is known to be uncollectible, all the necessary legal procedures to recover such monies have been exhausted, and the final loss has been determined, the receivable is written-off at various levels within the Bank depending on the amount.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the income statement.

The retail credit portfolio is monitored regularly and accounts are downgraded based upon the number of days amounts are overdue by way of MIS generated reports and subsequently each month end respective report is generated for follow up of necessary cases. The delinquent customers are monitored at an individual level through a centralized collection department on a day-to-day basis.

Corporate accounts are also reviewed regularly through various MIS reports and monthly risk meetings are conducted with the corresponding business units to classify them as per the Bank's risk rating system.

Provisions under the retail portfolio are done as block provisions at each month based upon the respective risk grades. For Corporate Banking, provisions are based on the International Accounting Standard (IAS) 39 (Financial Instruments: Recognition and Measurement) based on net present value (NPV) of future cash flows. The exercise is normally conducted at quarter ends.

In the case of Retail Banking, the Bank's Central Collection Unit follow-up overdue accounts as shown in an automated collection system through the life cycle of such accounts. In the case of Corporate Banking, affected accounts are initially followed up by the Bank's Credit Department through the business. Accounts which remain overdue after a follow up by the Bank's Credit Department are transferred to the Group Special Loans Group unit for further follow-up after being fully provided. Assistance of external collection agencies is also taken in some cases. The Bank adheres to International Financial Reporting Standards which lay down strict principles and guidelines for the recognition and provisioning of impaired financing receivables.

43. RISK MANAGEMENT *(continued)*

n. Risk Concentration

	Financing Receivables 2008 AED'000	Loans Advances 2008 AED'000	Others 2008 AED'000	Total 2008 AED'000
Agriculture and allied activities	2,080	-	-	2,080
Manufacturing	573,404	14,751	130,392	718,547
Construction	1,911,958	8,059	635,592	2,555,609
Trade	1,130,533	16,206	-	1,146,739
Transport and communication	590,261	5,351	417,012	1,012,624
Services	1,479,622	50,887	233,870	1,764,379
Personnel	3,906,404	-	-	3,906,404
Real Estate	4,894,461	-	1,721,628	6,616,089
Financial institutions	3,500,331	-	1,969,466	5,469,797
Others	835,768	-	-	835,768
Total	18,824,822	95,254	5,107,960	24,028,036
Less: Deferred Income	(850,515)	-	-	(850,515)
Less: Provisions	(201,320)	(55,934)	(27,592)	(284,846)
Net Carrying Value	**17,772,987**	**39,320**	**5,080,368**	**22,892,675**

	2007 AED'000 Financing Receivables	2007 AED'000 Loans Advances	2007 AED'000 Others	2007 AED'000 Total
Agriculture and allied activities	5,527	802	-	6,329
Manufacturing	582,541	14,751	133,936	731,228
Construction	1,098,848	8,321	151,563	1,258,732
Trade	703,908	17,563	-	721,471
Transport and communication	469,637	8,246	-	477,883
Services	1,958,488	53,304	297,190	2,308,982
Personnel	2,074,389	-	-	2,074,389
Real Estate	2,559,630	-	1,321,048	3,880,678
Financial institutions	1,824,921	-	1,885,235	3,710,156
Others	262,281	-	-	262,281
Total	11,540,170	102,987	3,788,972	15,432,129
Less: Deferred Income	(545,594)	-	-	(545,594)
Less: Provisions	(157,748)	(63,078)	-	(220,826)
Net Carrying Value	**10,836,828**	**39,909**	**3,788,972**	**14,665,709**

43. RISK MANAGEMENT *(continued)*

o. Portfolio review -2008

AED' 000

Type of receivable	Carrying amount	Of which neither impaired nor past due on reporting date			Of which past due but not impaired on the reporting date				Of which individually Impaired			
		Low/ Fair risk	Watch list	Renegotiated terms	< 30 days	30-60 days	60-91 days	> 91 days	Carrying amount	Allowance for impairment	Profit suspense	Gross amount
Due from Banks	877,347	877,347	-	-	-	-	-	-	-	-	-	-
Financing Receivables												
Retail	4,707,172	4,375,360	-	-	225,566	68,130	36,019	-	2,097	184,943	-	187,040
Corporate	13,065,815	10,952,570	38,852	-	614,039	186,226	130,752	1,139,473	3,903	19,082	2,018	25,003
Loans & receivables:												
Retail	26,105	-	-	-	-	-	-	-	26,105	37,136	82,486	145,727
Corporate	13,215	-	-	-	-	-	-	-	13,215	18,798	71,352	103,365
Financial investments:												
Quoted-Government debt	-	-	-	-	-	-	-	-	-	-	-	-
Quoted-Other debt securities	48,973	48,973	-	-	-	-	-	-	-	-	-	-
Unquoted-Debt securities	1,042,230	1,042,230	-	-	-	-	-	-	-	-	-	-

43. RISK MANAGEMENT *(continued)*

o. Portfolio review (continued) -2007

AED' 000

Type of receivable	Carrying amount	Of which neither impaired nor past due on reporting date			Of which past due but not impaired on the reporting date				Of which individually Impaired			
		Low/ Fair risk	Watch list	Renegotiated terms	< 30 days	30-60 days	60-91 days	> 91 days	Carrying amount	Allowance for impairment	Profit suspended	Gross amount
Due from banks	1,008,823	1,008,823	-	-	-	-	-	-	-	-	-	-
Financing Receivables												
Retail	2,583,093	2,563,091	-	-	166,630	67,038	29,847	-	26,487	148,091	-	174,578
Corporate	8,253,735	7,711,664	-	-	181,083	39,354	65,995	213,230	42,409	9,657	-	52,066
Loans & receivables:												
Retail	27,424	-	-	-	-	-	-	-	27,424	43,344	81,805	152,573
Corporate	12,485	-	-	-	-	-	-	-	12,485	19,734	60,114	92,333
Financial investments:												
Quoted-Government debt	-	-	-	-	-	-	-	-	-	-	-	-
Quoted-Other debt securities	75,691	75,691	-	-	-	-	-	-	-	-	-	-
Unquoted-Debt securities	964,192	964,192	-	-	-	-	-	-	-	-	-	-

44. FAIR VALUE

- Fair value represents the amount at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Difference can therefore arise between book value under the historical cost method and fair value.
- The fair value of the Bank's assets and liabilities is not materially different from the carrying value at 31 December 2008 for the reasons set out below:

a. Due from banks
Due from Banks includes current accounts with these Banks.

b. Due from Group Holding Company
Due from Group Holding Company comprises the Bank's Murabaha, deposit exchange, Wakala and other balances. Such Murabaha contracts are short term and priced with reference to the market rates at the contractual date. The Murabaha is expected to be realized at maturity.

c. Financing receivables
- Financing receivables are net of deferred income and allowances for impairment.
- Ijarah facilities are given at a variable rate determined, generally, with reference to the market rates besides the usual parameters of tenor and risk evaluation.
- The average profit rate on financing receivables at the year end is in line with the rate charged for such financing in the local Banking market.

d. Loans and receivables
- Loans and receivables are net of allowances for impairment.
- Loans and receivables were given, prior to Transformation Date, at variable interest rates. Such rates were in line with the local banking market at the granting dates, and based on the usual parameters of tenor and risk evaluation.

e. Investments securities
Investments securities comprise quoted and unquoted equity securities. The quoted equity securities are valued at fair value through income statement, and the unquoted securities are stated at cost less any provision for impairment. The assessment of the fair value of unquoted investments cannot be determined in an accurate measurement.

f. Investment properties
Investment properties are stated at cost. The fair value of investment properties is disclosed in note 22.

g. Customers' accounts
A significant portion of customers' accounts comprise investment accounts with an original maturity up to two years. A significant portion of these accounts have been maintained with the Bank for a number of years on a roll over basis.
Customers' accounts primarily comprising profit bearing saving and investment and wakala accounts, paid on quarterly basis, and non-profit bearing current accounts, repayable on demand.

44. FAIR VALUE *(continued)*

h. Due to Banks
Due to Banks includes non-profit bearing current accounts payable on demand.

i. Other assets and liabilities
Other assets and liabilities primarily comprise assets and liabilities which are primarily short term in nature.

Carrying and fair value of financial assets and liabilities.

	2008 AED'000	2008 AED'000	2007 AED'000	2007 AED'000
Financial Assets	**Carrying Value**	**Fair Value**	**Carrying value**	**Fair Value**
Due from Banks	27,389	27,389	23,340	23,340
Due from Group holding company, net	849,958	849,958	985,482	985,482
Financing receivables	17,772,987	17,772,987	10,836,828	10,836,828
Loans & receivables	39,320	39,320	39,909	39,909
Financial assets designated at fair value	1,107,107	1,107,107	1,187,157	1,187,157
Other investments	3,095,915	3,095,915	1,592,993	1,592,993
Financial Liabilities				
Customers' accounts	19,582,652	19,582,652	13,909,058	13,909,058
Due to Banks	2,099,912	2,099,912	158,200	158,200
Investment Wakala	2,021,872	2,021,872	740,000	740,000

45. FINANCIAL INSTRUMENTS

Financial Assets	2008 AED'000 Designated at fair value	2008 AED'000 Available -for- sale	2008 AED'000 Held-to-Maturity	2008 AED'000 Loans & receivables	2008 AED'000 Amortized Cost	2008 AED'000 Total
Due from Banks	-	-	-	-	27,389	27,389
Due from Group holding company, net	-	-	-	-	849,958	849,958
Financing receivables	-	-	-	-	17,772,987	17,772,987
Loans & receivables	-	-	-	39,320	-	39,320
Financial assets designated at fair value	1,107,107	-	-	-	-	1,107,107
Other investments	-	2,722,065	373,850	-	-	3,095,915
Financial Liabilities						
Customers' accounts	-	-	-	-	19,582,652	19,582,652
Due to banks	-	-	-	-	2,099,912	2,099,912
Investment Wakala	-	-	-	-	2,021,872	2,021,872

Financial Assets	2007 AED'000 Designated at fair value	2007 AED'000 Available-for -sale	2007 AED'000 Held- to-Maturity	2007 AED'000 Loans & receivables	2007 AED'000 Amortized Cost	2007 AED'000 Total
Due from Banks	-	-	-	-	23,340	23,340
Due from Group holding company, net	-	-	-	-	985,482	985,482
Financing receivables	-	-	-	-	10,836,828	10,836,828
Loans and receivables	-	-	-	39,909	-	39,909
Financial assets designated at fair value	1,187,157	-	-	-	-	1,187,157
Other investments	-	1,083,740	509,253	-	-	1,592,993
Financial Liabilities						
Customers' accounts	-	-	-	-	13,909,058	13,909,058
Due to Banks	-	-	-	-	158,200	158,200
Investment Wakala	-	-	-	-	740,000	740,000

46. GEOGRAPHICAL DISTRIBUTION OF ASSETS AND LIABILITIES

2008	GCC	Other Middle East	Europe	North America	Asia	Far East	Others	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
ASSETS:								
Cash, and balances with UAE Central Bank	1,643,918	-	-	-	-	-	-	1,643,918
Due from Banks	4,528	660	12,435	3,612	917	-	5,237	27,389
Due from Group Holding Company, net	849,958	-	-	-	-	-	-	849,958
Financing receivables	17,683,728	23,296	28,018	-	4,866	33,079	-	17,772,987
Loans and receivables	39,320	-	-	-	-	-	-	39,320
Investment securities designated at fair value	1,107,107	-	-	-	-	-	-	1,107,107
Other investments	2,325,974	148,757	18,198	-	602,986	-	-	3,095,915
Investments properties	504,130	-	-	-	-	-	-	504,130
Investment properties under development	751,063	-	-	-	-	-	-	751,063
Prepayment and other assets	551,682	362	-	-	-	-	-	552,044
Fixed assets	56,619	-	-	-	-	-	-	56,619
TOTAL ASSETS	**25,518,027**	**173,075**	**58,651**	**3,612**	**608,769**	**33,079**	**5,237**	**26,400,450**
LIABILITIES AND EQUITY:								
Customers' accounts	19,582,652	-	-	-	-	-	-	19,582,652
Due to Banks	2,024,283	-	-	75,420	209	-	-	2,099,912
Other liabilities	1,004,743	-	-	-	-	-	-	1,004,743
Zakat payable	17,185	-	-	-	-	-	-	17,185
Investment Wakala	2,021,872	-	-	-	-	-	-	2,021,872
Shareholders' Equity	1,581,197	-	-	-	-	-	-	1,581,197
Minority interest	92,889	-	-	-	-	-	-	92,889
TOTAL LIABILITIES AND EQUITY	**26,324,821**	**-**	**-**	**75,420**	**209**	**-**	**-**	**26,400,450**

46. GEOGRAPHICAL DISTRIBUTION OF ASSETS AND LIABILITIES *(continued)*

2007	GCC	Other Middle East	Europe	North America	Asia	Far East	Others	Total
ASSETS:	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Cash, and balances with UAE Central Bank	867,912	-	-	-	-	-	-	867,912
Due from Banks	14,864	707	2,010	4,465	272	370	652	23,340
Due from Group Holding Company, net	985,482	-	-	-	-	-	-	985,482
Financing receivables and investments	10,620,345	171,511	-	-	44,972	-	-	10,836,828
Loans and receivables	39,909	-	-	-	-	-	-	39,909
Investment securities designated at fair value	1,187,157	-	-	-	-	-	-	1,187,157
Other investments	1,357,246	152,760	27,892	-	55,095	-	-	1,592,993
Investments properties	262,472	-	-	-	-	-	-	262,472
Investment properties under development	427,470							427,470
Prepayment and other assets	536,353	-	-	-	-	-	-	536,353
Fixed assets	193,993	-	-	-	-	-	-	193,993
TOTAL ASSETS	**16,493,203**	**324,978**	**29,902**	**4,465**	**100,339**	**370**	**652**	**16,953,909**
LIABILITIES AND SHAREHOLDERS' EQUITY:								
Customers' accounts	13,909,058	-	-	-	-	-	-	13,909,058
Due to Banks	64,159	-	-	91,085	-	2,956	-	158,200
Other liabilities	800,319	-	-	-	-	-	-	800,319
Zakat payable	13,426	-	-	-	-	-	-	13,426
Investment wakala	740,000	-	-	-	-	-	-	740,000
Shareholders' Equity	1,332,906	-	-	-	-	-	-	1,332,906
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**16,859,868**	**-**	**-**	**91,085**	**-**	**2,956**	**-**	**16,953,909**

47. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

2008	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year to 3 years AED'000	Over 3 years to 5 years AED'000	Over 5 years AED'000	Total AED'000
FINANCIAL ASSETS:						
Cash, and balances with UAE Central Bank	1,643,918	-	-	-	-	1,643,918
Due from Banks	27,389	-	-	-	-	27,389
Due from Group Holding Company, net	849,958	-	-	-	-	849,958
Financing receivables	5,725,484	3,263,683	3,753,491	2,266,675	2,763,654	17,772,987
Loans and receivables	39,320	-	-	-	-	39,320
Investment securities designated at fair value	-	-	1,107,107	-	-	1,107,107
Other investments	28,284	35,215	1,301,647	1,218,514	512,255	3,095,915
TOTAL FINANCIAL ASSETS	**8,314,353**	**3,298,898**	**6,162,245**	**3,485,189**	**3,275,909**	**24,536,594**
FINANCIAL LIABILITIES:						
Customers' accounts	(8,338,225)	(6,986,429)	(4,257,998)	-	-	(19,582,652)
Due to Banks	(1,299,912)	(800,000)	-	-	-	(2,099,912)
Other liabilities	(1004,743)	-	-	-	-	(1,004,743)
Zakat payable	(17,185)	-	-	-	-	(17,185)
Investment Wakala	-	-	(525,553)	(1,496,319)	-	(2,021,872)
TOTAL FINANCIAL LIABILITIES	**(10,660,065)**	**(7,786,429)**	**(4,783,551)**	**(1,496,319)**	**-**	**(24,726,364)**
Liquidity gap	**(2,345,712)**	**(4,487,531)**	**1,378,694**	**1,998,870**	**3,275,909**	**(189,770)**
Cumulative Liquidity gap	**(2,345,712)**	**(6,833,243)**	**(5,454,549)**	**(3,465,679)**	**(189,770)**	**(379,540)**

47. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES *(continued)*

2007	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year to 3 years AED'000	Over 3 years to 5 years AED'000	Over 5 years AED'000	Total AED'000
FINANCIAL ASSETS:						
Cash, and balances with UAE Central Bank	867,912	-	-	-	-	867,912
Due from banks	23,340	-	-	-	-	23,340
Due from Group Holding Company, net	474,432	511,050	-	-	-	985,482
Financing receivables	3,619,608	1,797,541	1,433,335	1,570,536	2,415,808	10,836,828
Loans and receivables	39,909	-	-	-	-	39,909
Investment securities designated at fair value	-	-	1,187,157	-	-	1,187,157
Other investments	344,824	144,802	507,239	403,795	192,333	1,592,993
TOTAL FINANCIAL ASSETS	**5,370,025**	**2,453,393**	**3,127,731**	**1,974,331**	**2,608,141**	**15,533,621**
FINANCIAL LIABILITIES:						
Customers' accounts	(3,698,121)	(6,158,483)	(4,052,454)	-	-	(13,909,058)
Due to banks	(158,200)	-	-	-	-	(158,200)
Other liabilities	(800,319)	-	-	-	-	(800,319)
Zakat payable	(13,426)	-	-	-	-	(13,426)
TOTAL FINACIAL LIABILITIES	**(4,670,066)**	**(6,158,483)**	**(4,052,454)**	**-**	**-**	**(14,881,003)**
Liquidity gap	**699,959**	**(3,705,090)**	**(924,723)**	**1,974,331**	**2,608,141**	**652,618**
Cumulative Liquidity gap	**699,959**	**(3,005,131)**	**(3,929,854)**	**(1,955,523)**	**652,618**	**1,305,236**

48. COMPARATIVE FIGURES

Certain prior year balances have been reclassified to conform to the current year presentation in accordance with new International Finacial Reporting Standards.