In the Name of Allah
The most Gracious and Merciful

مصرف الإمارات الإسلامي

EMIRATES ISLAMIC BANK

(Public Joint Stock Company)

**Head Office**
13th Floor, Office Tower,
Dubai Festival City, Dubai
Tel.: +971 4 2287474
Fax: +97 1 4 2227321

P.O. Box: 6564, Dubai, United Arab Emirates
Website: www.emiratesislamicbank.ae

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) AS OF 31 MARCH 2008

P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

# Independent Auditors' Report on Review of Interim Financial Information

## To the Board of Directors
## Emirates Islamic Bank PJSC

*Introduction*

We have reviewed the accompanying consolidated condensed balance sheet of Emirates Islamic Bank PJSC ("the Bank") and its subsidiary Emirates Islamic Financial Brokerage LLC (referred to as "the Group") as at 31 March 2008, and the related consolidated condensed income statement, changes in equity and cash flows for the three months period then ended (the interim financial information). Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information as at 31 March 2008 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' also taking cognizance of relevant provisions of Federal Law No. 6 of 1985 applicable to Islamic Banks.

KPMG
Munther Dajani
Registration No.:268

22 APR 2008

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# Emirates Islamic Bank (PJSC)
## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (un-audited)
For the three months ended 31 March 2008

| | | For 3 months ended 31 March 2008 AED'000 | For 3 months ended 31 March 2007 AED'000 |
|---|---|---|---|
| **INCOME** | | | |
| Income from financing activities, net | | 186,054 | 107,539 |
| Income from investment securities designated at fair value | | (7,308) | (4,640) |
| Income from other investments | | 34,237 | 10,228 |
| Income from Group Holding Company, net | | 26,186 | 17,259 |
| Property related income | | 6,164 | 13,041 |
| Commissions and fees income, net | | 95,523 | 34,651 |
| Other operating income | | 18,364 | 11,484 |
| **TOTAL INCOME** | | **359,220** | **189,562** |
| **EXPENSES** | | | |
| General and administrative expenses | | 82,403 | 52,439 |
| Depreciation of investment properties | | 2,063 | 1,251 |
| Allowances for impairment net of recoveries | | 2,525 | 17,328 |
| **TOTAL EXPENSES** | | **86,991** | **71,018** |
| **NET OPERATING INCOME** | | **272,229** | **118,544** |
| Depositors' share of profit | | (123,634) | (76,541) |
| **SHAREHOLDERS' PROFIT (NET INCOME)** | | **148,595** | **42,003** |
| Earnings per share (Dirham) | 6 | 0.20 | 0.06 |

The attached notes 1 to 18 form part of these financial statements.

The auditors' report is set out on page 1.

# Emirates Islamic Bank (PJSC)
## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (un-audited)
At 31 March 2008

| | Note | 31 March 2008 AED'000 | 31 December 2007 AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash, and balances with U.A.E Central Bank | | 1,104,289 | 867,912 |
| Due from banks and other financial institutions | | 26,832 | 23,340 |
| Due from Group Holding Company, net | | 1,769,483 | 985,482 |
| Financing receivables | 7 | 13,188,745 | 10,836,828 |
| Loans and receivables | | 39,536 | 39,909 |
| Investment securities designated at fair value | 8 | 1,152,797 | 1,187,157 |
| Other investments | 9 | 2,265,029 | 1,592,993 |
| Investment properties | 10 | 753,703 | 606,905 |
| Prepayments and other assets | | 556,746 | 536,353 |
| Fixed assets | | 298,269 | 277,030 |
| **TOTAL ASSETS** | | **21,155,429** | **16,953,909** |
| **LIABILITIES** | | | |
| Customers' accounts | | 18,149,251 | 13,909,058 |
| Due to banks and other financial institutions | | 40,576 | 158,200 |
| Other liabilities | | 744,101 | 800,319 |
| Zakat payable | | - | 13,426 |
| Investment Wakala | 11 | 740,000 | 740,000 |
| **TOTAL LIABILITIES** | | **19,673,928** | **15,621,003** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | | 747,500 | 747,500 |
| Statutory reserve | | 147,599 | 147,599 |
| General reserve | | 74,750 | 74,750 |
| Revaluation reserve | | 144,000 | 144,000 |
| Mudaraba pool reserve | | 6,175 | 6,175 |
| Retained earnings | | 361,477 | 212,882 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **1,481,501** | **1,332,906** |
| **TOTAL LIABILITES AND SHAREHOLDERS' EQUITY** | | **21,155,429** | **16,953,909** |
| **COMMITMENTS AND CONTINGENT LIABILIITES** | | **3,029,348** | **2,827,222** |
| **ASSETS UNDER MANAGEMENT** | 12 | **2,785,550** | **2,785,550** |
| **RESTRICTED INVESTMENT ACCOUNTS** | 13 | **1,114,404** | **519,177** |

These financial statements were authorized for issue on 22nd April 2008.

Chairman

Chief Executive Officer

The attached notes 1 to 18 form part of these financial statements.
The auditors' report is set out on page 1.

# Emirates Islamic Bank (PJSC)

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (un-audited)

For the three months ended 31 March 2008

| | For 3 months ended 31 March 2008 AED'000 | For 3 months ended 31 March 2007 AED'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit for the year | 148,595 | 42,003 |
| *Adjustments:* | | |
| Allowances for impairment on financing receivables | 2,525 | 17,328 |
| Gain on sale of investment properties | (669) | (9,430) |
| Loss on revaluation of investment securities | 14,637 | 9,714 |
| Depreciation on investment properties | 2,063 | 1,251 |
| Depreciation on fixed assets | 4,060 | 3,451 |
| Zakat paid | (13,426) | (1,284) |
| Directors' Remuneration | (2,800) | (2,100) |
| **Operating profit before changes in assets and liabilities** | 154,985 | 60,933 |
| Change in reserves with U.A.E Central Bank | 17,287 | (103,771) |
| Change in due from Group Holding Company | (1,894,937) | 44,465 |
| Change in financing receivables | (2,354,442) | (897,394) |
| Change in loans and receivables | 373 | 338 |
| Change in prepayments and other assets | (20,393) | (163,004) |
| Change in customers' accounts | 4,240,193 | 1,767,979 |
| Change in other liabilities | (53,419) | 252,716 |
| **Net cash from operating activities** | 89,647 | 962,262 |
| **INVESTING ACTIVITIES** | | |
| Purchase of investment properties | (153,692) | (41,943) |
| Proceeds from sale of investments properties | 5,500 | 28,797 |
| Purchase of investment securities | (716,817) | (77,880) |
| Proceeds from sale of investment securities | 79,141 | - |
| Loss on revaluation of Investment securities | (14,637) | (14,248) |
| Additions to fixed assets | (25,299) | (11,180) |
| Proceed from sale of fixed assets | - | 50 |
| **Net cash used in investing activities** | (825,804) | (116,404) |
| **Net Increase/decrease in cash and cash equivalents** | **(736,157)** | **845,858** |
| Cash and Cash equivalent at the beginning of the year | 2,855,313 | 318,609 |
| **Cash and cash equivalents at the end of the year** | **2,119,156** | **1,164,467** |

The attached notes 1 to 18 form part of these financial statements.

# Emirates Islamic Bank (PJSC)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY** (un-audited)

For the three months ended 31 March 2008

| | Share capital | Statutory reserve | General reserve | Revaluation reserve | Mudaraba Pool Reserve | Retained earning | Total |
|---|---|---|---|---|---|---|---|
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| As of 1 January 2007 | 650,000 | 123,746 | 65,000 | - | - | 127,126 | 965,872 |
| Issue of bonus shares | 97,500 | - | - | - | - | (97,500) | - |
| Fair value revaluation | - | - | - | 120,000 | - | - | 120,000 |
| Net income for the period | - | - | - | - | - | 42,003 | 42,003 |
| Transfer to reserves | - | - | - | - | - | - | - |
| Zakat payable | - | - | - | - | - | - | - |
| Directors remuneration | - | - | - | - | - | - | - |
| **As of 31 March 2007** | **747,500** | **123,746** | **65,000** | **120,000** | **-** | **71,629** | **1,127,875** |
| As of 1 January 2008 | 747,500 | 147,599 | 74,750 | 144,000 | 6,175 | 212,882 | 1,332,906 |
| Issue of bonus shares | - | - | - | - | - | - | - |
| Fair value revaluation | - | - | - | - | - | - | - |
| Net income for the year | - | - | - | - | - | 148,595 | 148,595 |
| Transfer to reserves | - | - | - | - | - | - | - |
| Zakat payable | - | - | - | - | - | - | - |
| Directors remuneration | - | - | - | - | - | - | - |
| **As of 31 March 2008** | **747,500** | **147,599** | **74,750** | **144,000** | **6,175** | **361,477** | **1,481,501** |

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 18 form part of these financial statements

## 1. 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**").

In addition to its head office in Dubai, the Bank operates through 22 branches in the UAE. The accompanying consolidated financial statements combine the activities of the Bank's head office and its branches and its subsidiaries. During the year ended December 31, 2006, the Bank established a brokerage company 'Emirates Islamic Financial Brokerage' (the "**Subsidiary**") a wholly owned subsidiary.

The Bank provides full banking services, and a variety of products through Islamic financing and investing instruments.

As of 31st of March 2008 the Bank employed 1,013 employees (31 December 2007: 929 employees).

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

## 2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standard ("IFRS") IAS 34 *'Interim Financial Reporting'*. They do not include all the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

The Condensed consolidated interim financial statements have been presented in UAE Dirham, rounded to the nearest thousand.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its most recent annual consolidated financial statements as at and for the year ended 31 December 2007.

### i. New standards and interpretation

**New standards and interpretation not yet adopted**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the Standing Interpretations Committee of the International Accounting Standards Board ("IASB").

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

New standards and interpretations that are issued but not yet effective for accounting periods beginning on 1 January 2008 are as follows:

i. IFRS – 8: Operating Segments (effective 1 January 2009);
ii. IAS – 23 (Revised): Borrowing costs (1 January 2009);
iii. IAS – 1 (Revised): Presentation of financial statements (1 January 2009);
iv. IFRIC – 13: Customer loyalty programs (1 July 2008); and

**ii. Derecognition of financial instruments**

The derecognition of financial instruments take place when the Group no longer controls the contractual rights that comprise the financial instruments, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

**iii. Fiduciary activities**

The Bank acts as an agent / trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts and other institutions. These assets and income arising thereon, where the Bank is not carrying substantial risk, are excluded from these financial statements, as they are not assets of the Bank.

**iv. Sukuk**

Sukuk (an Islamic product 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.

**v. Investment Wakala**

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 if 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 fraud, negligence or violation 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.

**vi. Restricted Investment Accounts**

Restricted Investment Accounts are the accounts governed by restricted Investment Wakala agreements where the related funds are invested in certain activities, as specified by the owners of these accounts, in return for a fixed fee. The Bank is entitled for the fee whether the Wakala generates profit or losses. Profits belong to the owners of such accounts, and they bear the related losses, except for cases of default, negligence or violation of the terms and conditions of the wakala agreement, the Bank is liable to refund the Wakala Capital to the owners of these accounts. Accordingly, transactions and balances of such accounts are excluded from these financial statements. Profit arising from the management of the restricted investment accounts is recognised on the basis of the Bank's entitlement to receive such revenue.

## 4. ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key bases of estimation and uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2007.

## 5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at 31 December 2007.

## 6. EARNINGS PER SHARE

The calculation of earnings per share is based on earnings of AED 148,595,000 for the period of three months ended 31 March 2008 (31 March 2007: AED 42,003,000), for the period divided by the weighted average of the number of shares outstanding during the period 747,500,000 (31 March 2007: 747,500,000 shares).

## 7. FINANCING RECEIVABLES

| | 31-March 2008 AED'000 | Audited 31-December 2007 AED'000 |
|---|---|---|
| **Financing receivables comprise:** | | |
| Commodities Murabaha | 2,319,901 | 2,006,613 |
| Vehicles Murabaha | 2,332,187 | 2,177,992 |
| Syndication Murabaha | 168,656 | 360,589 |
| Real Estates Murabaha | 191,828 | 261,262 |
| Total Murabaha | 5,012,572 | 4,806,456 |
| Istisnaa | 777,277 | 739,659 |
| Ijarah | 3,194,297 | 2,578,078 |
| Credit card receivables | 312,671 | 292,089 |
| Others | 1,060,836 | 847,200 |
| | 10,357,653 | 9,263,482 |
| Less: Deferred income | (621,568) | (545,594) |
| Less: Allowance for Impairment | (162,751) | (157,748) |
| | **9,573,334** | **8,560,140** |
| Wakala | 3,615,411 | 2,276,688 |
| **Total financing receivables** | **13,188,745** | **10,836,828** |
| **Analysis by Economic Activity** | | |
| Agriculture and related activities | 8,370 | 8,017 |
| Manufacturing | 224,892 | 390,740 |
| Construction | 1,400,833 | 802,347 |
| Trade | 2,724,366 | 2,646,657 |
| Transportation and communication | 152,232 | 137,308 |
| Services and personal | 5,904,458 | 4,615,735 |
| Real Estates | 2,819,798 | 2,472,700 |
| Others | 738,115 | 466,666 |
| | 13,973,064 | 11,540,170 |
| Less: Deferred income | (621,568) | (545,594) |
| Less: Allowance for impairment | (162,751) | (157,748) |
| | **13,188,745** | **10,836,828** |

| | 2008 AED'000 | 2007 AED'000 |
|---|---|---|
| **Movement in allowances for impairment:** | | |
| Balances at the beginning of the year | 157,748 | 94,113 |
| Allowances for impairment made during the year | 7,858 | 73,728 |
| Recoveries | (2,855) | (10,093) |
| **Balance at the end of the year** | **162,751** | **157,748** |

## 8. INVESTMENT SECURITIES DESIGNATED AT FAIR VALUE

| | 31-March 2008 AED'000 | Audited 31-December 2007 AED'000 |
|---|---|---|
| Equity Shares | 297,316 | 317,223 |
| Equity Funds | 670,131 | 665,388 |
| Hybrid Debt Instruments | 185,350 | 204,546 |
| | **1,152,797** | **1,187,157** |
| Investment securities comprise: | | |
| Quoted | 826,681 | 862,516 |
| Unquoted | 326,116 | 324,641 |
| | **1,152,797** | **1,187,157** |

## 9. OTHER INVESTMENTS

| | 31-March 2008 AED'000 | Audited 31-December 2007 AED'000 |
|---|---|---|
| Held to Maturity - Sukuk | 498,389 | 509,253 |
| Available for Sale | 1,766,640 | 1,083,740 |
| | **2,265,029** | **1,592,993** |
| Investment securities comprise: | | |
| Quoted | 61,837 | 75,691 |
| Unquoted | 2,203,192 | 1,517,302 |
| | **2,265,029** | **1,592,993** |

## 10. INVESTMENT PROPERTIES

| | 31-March 2008 AED'000 | Audited 31-December 2007 AED'000 |
|---|---|---|
| Balance at the beginning of the year | 614,211 | 271,533 |
| Properties purchased | 153,692 | 367,045 |
| Properties sold | (4,831) | (24,367) |
| | 763,072 | 614,211 |
| Less: Accumulated depreciation | (9,369) | (7,306) |
| | **753,703** | **606,905** |
| Investment properties comprise: | | |
| Lands | 599,608 | 452,810 |
| Buildings, net | 154,095 | 154,095 |
| | **753,703** | **606,905** |

Management assessed that the fair value of investment properties as of March 31, 2008 have not materially changed from their fair value, which was conducted by independent valuers, of AED 648,641,000 as of December 31, 2007 for the properties carried forward from the year 2007.

## 11. DUE TO GROUP HOLDING COMPANY (Investment Wakala)

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, a beneficial owner of this Investment Wakala. The Wakeel has received AED 740,000,000 in tranches under the Investment Wakala during the year ended 31st December 2007.

## 12. 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, in his capacity, as a trustee, by the virtue of the Management Agreement, has assigned the management of 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, separate Financial Statements of the Bank and its subsidiary have shown these assets as Off Balance Sheet as required by the Bank's Fatwa and Sharia Supervisory Board.

## 12. ASSETS UNDER MANAGEMENT (Continued)

### (b) Wakala assets

The balance of Wakala assets under management as at 31st March 2008 is AED 1,500,000,000; out of which AED 1,300,000,000 belong to the Group Holding Company. The risks of these investments are borne by respective parties.

## 13. RESTRICTED INVESTMENT ACCOUNTS

The Bank has received funds from certain customers to invest on their behalf as restricted investment accounts in the form of Investment Wakala Agreements in return for management fees. The risk of such accounts is borne by the customers except for performance risk relating to cases of fraud or negligence by the Bank or its violation of the terms governing these accounts.

## 14. 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:

| | 31 March 2008 AED'000 | Audited 31 December 2007 AED'000 |
|---|---|---|
| **Balance sheet** | | |
| Due from Group Holding Company, net | 1,769,483 | 985,482 |
| Investment Wakala | 740,000 | 740,000 |
| Investment in funds managed by Group | 670,131 | 665,389 |
| Financing receivables - Directors | 152,629 | 113,610 |
| Financing receivables - Key management personnel | 42,939 | 31,382 |
| Current and Investment accounts - Directors | 9,466 | - |

| | For 3 months ended 31 March 2008 | For 3 months ended 31 March 2007 |
|---|---|---|
| **Income Statement** | | |
| Income from fund managed by Group Holding Company | 9,297 | 8,837 |
| Income from group holding company, net | 26,186 | 17,259 |
| Key management personnel compensations | 2,511 | 1,203 |
| Key management personnel compensations - Retirements benefits | 76 | 72 |

## 15. SEGMENT REPORTING

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

**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.

**Retail**

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

**Treasury**

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

**Subsidiary**

The wholly owned subsidiary 'Emirates Islamic Financial Brokerage' ("the subsidiary), a brokerage company engaged in offering brokerage services for trading in Islamic Sharia compliant shares. The consolidated financial statements include the following items:

| | |
|---|---|
| Assets | AED 118,357,000 |
| Liabilities | AED 86,323,000 |
| Net profit | AED 2,126,000 |

**15. SEGMENT REPORTING" (Continued)**

| | 3 months 31-March 2008 AED'000 | 3 months 31-March 2007 AED'000 | 3 months 31-March 2008 AED'000 | 3 months 31-March 2007 AED'000 | 3 months 31-March 2008 AED'000 | 3 months 31-March 2007 AED'000 | 3 months 31-March 2008 AED'000 | 3 months 31-March 2007 AED'000 |
|---|---|---|---|---|---|---|---|---|
| | Corporate & Investment | | Retail | | Treasury | | Total | |
| **Income Statement** | | | | | | | | |
| Segment income | 170,440 | 91,027 | 48,707 | 34,984 | 26,186 | 17,259 | 245,333 | 143,270 |
| Inter segment wakala income/(expense) | (87,031) | (43,538) | 78,156 | 43,538 | 8,875 | - | - | - |
| Commission, Fees & Other Income | 85,599 | 24,357 | 28,288 | 21,937 | - | - | 113,887 | 46,294 |
| **Total income** | **169,008** | **71,846** | **155,151** | **100,459** | **35,061** | **17,259** | **359,220** | **189,564** |
| General and administrative expenses | (28,830) | (17,747) | (53,573) | (34,694) | - | - | (82,403) | (52,441) |
| Depreciation of investment properties | (2,063) | (1,251) | - | - | - | - | (2,063) | (1,251) |
| **Total expenses** | **(30,893)** | **(18,998)** | **(53,573)** | **(34,694)** | **-** | **-** | **(84,466)** | **(53,692)** |
| **Net operating income** | **138,115** | **52,848** | **101,578** | **65,765** | **35,061** | **17,259** | **274,754** | **135,872** |
| Allowance for Impairment net of recoveries | 4,873 | 1,707 | (7,398) | (19,035) | - | - | (2,525) | (17,328) |
| | **142,988** | **54,555** | **94,180** | **46,730** | **35,061** | **17,259** | **272,229** | **118,544** |
| Depositors' share of profit for the year | (36,377) | (30,129) | (87,257) | (46,412) | - | - | (123,634) | (76,541) |
| **Shareholders' profit (Net profit for the period)** | **106,611** | **24,426** | **6,923** | **318** | **35,061** | **17,259** | **148,595** | **42,003** |

| **Balance Sheet** | 31-March 2008 | 31-December 2007 | 31-March 2008 | 31-December 2007 | 31-March 2008 | 31-December 2007 | 31-March 2008 | 31-December 2007 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | Corporate & Investment | | Retail | | Treasury | | Total | |
| Segment assets | 14,288,373 | 11,678,695 | 3,111,359 | 2,583,093 | 2,304,251 | 1,069,438 | 19,703,983 | 15,331,226 |
| Central Bank Reserve Requirements | 296,349 | 303,263 | 444,523 | 454,895 | - | - | 740,872 | 758,158 |
| Unallocated assets | - | - | - | - | - | - | 710,574 | 864,525 |
| **Total assets** | **14,584,722** | **11,981,958** | **3,555,882** | **3,037,988** | **2,304,251** | **1,069,438** | **21,155,429** | **16,953,909** |
| **Liabilities** | | | | | | | | |
| Segment liabilities | 6,138,646 | 4,363,751 | 12,134,240 | 9,661,030 | 2,221,499 | 2,075,663 | 20,494,385 | 16,100,444 |
| Unallocated liabilities | - | - | - | - | - | - | 661,044 | 853,465 |
| **Total liabilities and Equity** | **6,138,646** | **4,363,751** | **12,134,240** | **9,661,030** | **2,221,499** | **2,075,663** | **21,155,429** | **16,953,909** |

## 16. CAPITAL ADEQUACY RATIO

| | As at 31 March 2008 AED'000 | As at 31 December 2007 AED'000 |
|---|---|---|
| **TIER I CAPITAL** | | |
| Share capital | 747,500 | 747,500 |
| Legal reserves | 147,599 | 147,599 |
| General reserves | 74,750 | 74,750 |
| Other reserves | 6,175 | 6,175 |
| Retained earnings | 361,477 | 212,882 |
| **Total tier I capital** | **1,337,501** | **1,188,906** |
| **TIER II CAPITAL** | | |
| Investment Wakala (Subordinated Term Loan) | 740,000 | 740,000 |
| Asset revaluation reserves | 64,800 | 54,000 |
| **Total tier II capital** | **804,800** | **794,000** |
| **CAPITAL BASE** | **2,142,301** | **1,982,906** |
| **RISK WEIGHTED ASSETS** | | |
| Credit risk (on-balance sheet) | 16,948,815 | 15,266,397 |
| Credit risk (off-balance sheet) | 1,495,260 | 1,444,751 |
| | **18,444,075** | **16,711,148** |
| **CAPITAL ADEQUACY RATIO BASEL I** | **11.61** | **11.86** |

## 17. 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.

## 18. COMPARATIVE FIGURES

Certain prior period / year balances have been reclassified/ restated, wherever necessary to conform to the presentation adopted in these condensed consolidated interim financial statements.