

**MASHREQBANK PSC GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION AND REVIEW REPORT  
FOR THE PERIOD FROM JANUARY 1, 2007  
TO MARCH 31, 2007**

**Mashreqbank psc Group**

**Interim Condensed Consolidated Financial Information and  
Review Report  
For the period from January 1, 2007 to March 31, 2007**

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Ref.: 7848CFS07-March

## **Report on Review of Interim Condensed Consolidated Financial Information**

**To the Board of Directors  
Mashreqbank psc  
Dubai  
United Arab Emirates**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated balance sheet of **Mashreqbank psc** (the “**Bank**”) and its **Subsidiaries** (collectively the “**Group**”) as of March 31, 2007 and the related interim condensed consolidated statements of income, changes in shareholders’ equity and cash flows for three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management of the Bank is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, ‘Interim Financial Reporting (“IAS 34”)’. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects in accordance with IAS 34.

**Deloitte & Touche**



**Saba Y. Sindaha  
(Registration No. 410)**

**Dubai  
April 15,2007**

**Interim Condensed Consolidated Balance Sheet****As of March 31, 2007****(In Thousand Arab Emirates Dirhams)**

	Note	<b>March 31, 2007</b>	December 31, 2006
		AED'000 (reviewed)	AED'000 (audited)
<b>ASSETS</b>			
Cash and balances with central banks		5,680,772	2,405,688
Deposits and balances due from banks		8,976,237	8,556,912
Loans and advances, net	3	29,087,961	28,572,233
Islamic financing and investment products	4	684,420	829,014
Customer acceptances		1,167,283	1,157,635
Interest receivable and other assets		2,057,258	1,624,170
Investment in securities	5	13,341,630	12,935,449
Investment property		344,885	361,739
Property and equipment		317,173	302,275
<b>Total assets</b>		<b>61,657,619</b>	<b>56,745,115</b>
<b>LIABILITIES</b>			
Customers' deposits		36,375,430	33,908,235
Islamic customers' deposits		311,114	747,890
Deposits and balances due to banks		6,760,888	6,988,150
Insurance and life assurance funds		438,761	373,940
Medium-term floating rate notes	6	5,234,025	3,397,525
Long-term loans		20,440	23,541
Customer acceptances		1,167,283	1,157,635
Interest payable and other liabilities		3,029,377	2,199,236
<b>Total liabilities</b>		<b>53,337,318</b>	<b>48,796,152</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	1,126,054	866,195
Statutory and legal reserves		469,453	469,453
General reserves		312,000	312,000
Cumulative translation adjustment		(9,547)	(11,449)
Investment revaluation reserve		148,387	184,220
Retained earnings		5,742,366	5,557,149
<b>Equity attributable to equity holders of the parent</b>		<b>7,788,713</b>	<b>7,377,568</b>
<b>Minority interest</b>		<b>531,588</b>	<b>571,395</b>
<b>Total shareholders' equity</b>		<b>8,320,301</b>	<b>7,948,963</b>
<b>Total liabilities and shareholders' equity</b>		<b>61,657,619</b>	<b>56,745,115</b>

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

The interim condensed consolidated financial information on pages 2 to 18 were approved by the Board of Directors on April 15, 2007 and signed on their behalf by:

Abdulla Ahmed Al Ghurair  
Chairman

Abdul Aziz Abdulla Al Ghurair  
Chief Executive Officer

**Interim Condensed Consolidated Income Statement**  
**For the period from January 1, 2007 to March 31, 2007**  
**(In Thousand Arab Emirates Dirhams)**

	Note	3 months ended	
		March 31,	
		2007	2006
		AED'000	AED'000
		(reviewed)	(un-audited)
Interest income		887,274	641,640
Income from Islamic financing and investment products		6,874	-
<b>Total interest income and income from Islamic financing and investment products</b>		<b>894,148</b>	<b>641,640</b>
Interest expense		(558,905)	(403,050)
Distribution to depositors – Islamic financing		(3,744)	-
<b>Net interest income and income from Islamic products net of distribution to depositors</b>		<b>331,499</b>	<b>238,590</b>
Net commission income		120,843	75,068
Other income		452,782	338,199
<b>Operating income</b>		<b>905,124</b>	<b>651,857</b>
General and administrative expenses	9	(323,927)	(219,917)
Allowance for loans and advances and other financial assets		(99,870)	(51,749)
<b>Income before taxes</b>		<b>481,327</b>	<b>380,191</b>
Income tax		(1,284)	(1,233)
<b>Net income for the period</b>		<b>480,043</b>	<b>378,958</b>
<b>Attributed to:</b>			
Equity holders of the parent		445,076	342,200
Minority interest		34,967	36,758
		<b>480,043</b>	<b>378,958</b>
<b>Earnings per share</b>	10	<b>AED 3.95</b>	<b>AED 3.04</b>

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

**Interim Condensed Consolidated Statement of Changes in Shareholders' Equity**

**For the period from January 1, 2007 to March 31, 2007**

**(In Thousand Arab Emirates Dirhams)**

	Share capital AED'000	Statutory and legal reserves AED'000	General reserves AED'000	Retained earnings AED'000	Cumulative translation adjustment AED'000	Investment revaluation reserve AED'000	Attributable to equity holders of the parent AED'000	Minority interest AED'000	Total AED'000
<b>Balance at January 1, 2006 – audited</b>	<b>866,195</b>	<b>468,839</b>	<b>312,000</b>	<b>4,160,362</b>	<b>(16,005)</b>	<b>1,467,341</b>	<b>7,258,732</b>	<b>896,087</b>	<b>8,154,819</b>
Changes in fair value of investments during the period	-	-	-	-	-	(525,185)	(525,185)	(163,578)	(688,763)
Overseas entities' translation adjustment	-	-	-	-	724	-	724	-	724
Total income recognised directly in equity	-	-	-	-	724	(525,185)	(524,461)	(163,578)	(688,039)
Net income for the period	-	-	-	342,200	-	-	342,200	36,758	378,958
<b>Total income for the period</b>	-	-	-	<b>342,200</b>	<b>724</b>	<b>(525,185)</b>	<b>(182,261)</b>	<b>(126,820)</b>	<b>(309,081)</b>
Dividend paid	-	-	-	-	-	-	-	(35,442)	(35,442)
<b>Balance at March 31, 2006 – un-audited</b>	<b>866,195</b>	<b>468,839</b>	<b>312,000</b>	<b>4,502,562</b>	<b>(15,281)</b>	<b>942,156</b>	<b>7,076,471</b>	<b>733,825</b>	<b>7,810,296</b>
<b>Balance at January 1, 2007 - audited</b>	<b>866,195</b>	<b>469,453</b>	<b>312,000</b>	<b>5,557,149</b>	<b>(11,449)</b>	<b>184,220</b>	<b>7,377,568</b>	<b>571,395</b>	<b>7,948,963</b>
Changes in fair value of investments during the period	-	-	-	-	-	(35,833)	(35,833)	(43,572)	(79,405)
Overseas entities' translation adjustment	-	-	-	-	1,902	-	1,902	-	1,902
Total income recognised directly in equity	-	-	-	-	1,902	(35,833)	(33,931)	(43,572)	(77,503)
Net income for the period	-	-	-	445,076	-	-	445,076	34,967	480,043
<b>Total income for the period</b>	-	-	-	<b>445,076</b>	<b>1,902</b>	<b>(35,833)</b>	<b>411,145</b>	<b>(8,605)</b>	<b>402,540</b>
Dividend paid	-	-	-	-	-	-	-	(31,011)	(31,011)
Bonus shares issued during the period	259,859	-	-	(259,859)	-	-	-	-	-
Reduction in minority's share capital	-	-	-	-	-	-	-	(191)	(191)
<b>Balance at March 31, 2007 – reviewed</b>	<b>1,126,054</b>	<b>469,453</b>	<b>312,000</b>	<b>5,742,366</b>	<b>(9,547)</b>	<b>148,387</b>	<b>7,788,713</b>	<b>531,588</b>	<b>8,320,301</b>

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

**Interim Condensed Consolidated Cash Flow Statement**  
**For the period from January 1, 2007 to March 31, 2007**  
**(In Thousand Arab Emirates Dirhams)**

	<b>3 months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>AED'000</b>	<b>AED'000</b>
	<b>(reviewed)</b>	<b>(un-audited)</b>
<b>Cash flows from operating activities</b>		
Net income for the period	480,043	378,958
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation of property and equipment	15,993	10,256
Fair value adjustment – trading investments	(87,758)	(74,026)
Translation adjustment	1,902	724
Allowance for impairment of loans and advances	74,000	24,000
Gain on sale of property and equipment	(30)	(21,471)
<b>Changes in operating assets and liabilities:</b>		
Increase in deposits with central banks for regulatory purposes	(52,457)	(28,084)
Increase in deposits maturing after three months	(502,662)	(1,143,059)
Increase in advances to customers	(589,728)	(5,254,459)
Decrease in Islamic financing and investing products	144,594	-
Increase in interest receivable and other assets	(433,089)	(212,950)
Increase in trading securities, net	(404,101)	(1,102,506)
Increase in customers' deposits	2,467,196	2,176,223
Decrease in Islamic customers' deposits	(436,776)	-
Increase in medium-term floating rate notes	1,836,500	-
Decrease in long-term loans	(3,101)	(1,135)
(Decrease)/increase in deposits and balances due to banks	(227,262)	1,395,667
Increase in insurance and life assurance funds	64,821	36,532
Increase in interest payable and other liabilities	830,141	908,193
<b>Net cash from/(used in) operating activities</b>	<b>3,178,226</b>	<b>(2,907,137)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(30,892)	(22,401)
Proceeds from sale of property and equipment	30	24,051
Sale/(purchase) of non-trading investments, net	23,128	(384,332)
<b>Net cash used in investing activities</b>	<b>(7,734)</b>	<b>(382,682)</b>
<b>Cash flows from financing activities</b>		
Dividend paid to minority	(31,011)	(35,442)
Capital withdrawn by minority	(191)	-
<b>Net cash used in financing activities</b>	<b>(31,202)</b>	<b>(35,442)</b>
<b>Increase/(decrease) in cash and cash equivalents (Note 11)</b>	<b>3,139,290</b>	<b>(3,325,261)</b>

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

**Notes to the Interim Condensed Consolidated Financial Information  
For the period from January 1, 2007 to March 31, 2007**

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**1. Status and activities**

Mashreqbank psc (the “Bank”) was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The Bank operates through its branches in the United Arab Emirates, Bahrain, Egypt, Hong Kong, India, Qatar, the United Kingdom and the United States of America.

At March 31, 2007, Mashreqbank psc Group (the “Group”) comprises the Bank and its subsidiaries as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Osool - a Finance Company (PJSC)	United Arab Emirates	98	98	Finance company.
Oman Insurance Company (PSC)	United Arab Emirates	63.65	63.65	Insurance company.
Mindscape Information Technology L.L.C.	United Arab Emirates	99	99	Software/Application provider.
Mashreq Securities LLC	United Arab Emirates	99.98	99.98	Brokerage.
Injaz Services FZ LLC	United Arab Emirates	100	100	Service provider.
Al-Badr Islamic Finance (PJSC)	United Arab Emirates	99.70	99.70	Islamic finance company.
Mashreq Capital (DIFC) Limited	United Arab Emirates	100	100	Brokerage, asset management & fund management.
Al Yamama Services FZ LLC	United Arab Emirates	100	100	Service provider.
Makaseb Funds Company BSC	Kingdom of Bahrain	99.90	99.90	Managing funds.
Makaseb Funds Company BSC II	Kingdom of Bahrain	99.90	99.90	Managing funds.
Makaseb Funds Company BSC III	Kingdom of Bahrain	99.90	99.90	Managing funds.
Roya Executive Ltd.	British Virgin Islands	*	100	General activities.
Bracebridge Limited	British Virgin Islands	*	100	General activities.
Orriston Limited	British Virgin Islands	*	100	General activities.

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

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

**Notes to the Interim Condensed Consolidated Financial Information (continued)**  
**For the period from January 1, 2007 to March 31, 2007**

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## **2. Significant accounting policies**

### **Basis of preparation**

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

These interim condensed consolidated financial information are prepared in accordance with International Accounting Standard No. 34 - *Interim Financial Reporting* issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the audited annual consolidated financial statements for the year ended December 31, 2006.

All significant inter-group company balances, income and expense items are eliminated on consolidation.

The interim condensed financial information of subsidiaries are prepared using similar policies as those used by the Bank.

These interim condensed consolidated financial information do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's financial statements as at and for the year ended December 31, 2006.

For the purpose of these interim condensed financial information, the Bank has adopted revised and amended Standards issued by the International Accounting Standards Board (IASB) and the IFRIC that are relevant to its operations for the period beginning January 1, 2007. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Bank's presentation and certain disclosures in the interim condensed consolidated financial information.

#### **(a) Estimates**

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

In preparing these interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended December 31, 2006.

**Notes to the Interim Condensed Consolidated Financial Information (continued)**  
**For the period from January 1, 2007 to March 31, 2007**

**2. Significant accounting policies (continued)**

**Basis of preparation (continued)**

(b) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2006.

**3. Loans and advances, net**

	<b>March 31, 2007</b>	December 31, 2006
	<b>AED'000 (reviewed)</b>	AED'000 (audited)
(a)		
Overdrafts	4,531,181	4,481,428
Loans	24,242,566	23,780,624
Credit Cards	1,155,936	1,090,454
Others	140,059	143,581
	<u>30,069,742</u>	<u>29,496,087</u>
Less: Allowance for impairment	(981,781)	(923,854)
	<u><u>29,087,961</u></u>	<u><u>28,572,233</u></u>
(b) Analysis by economic activities:		
Manufacturing	3,165,802	3,485,517
Construction	1,926,350	1,513,268
Trade	6,645,655	5,923,022
Transport and Communication Services	1,336,857	1,119,054
Services	2,979,604	2,320,828
Banks and Financial Institutions	4,124,831	4,313,330
Personal	8,185,996	8,405,769
Government/Public Sector	1,662,999	2,116,029
Others	41,648	299,270
	<u>30,069,742</u>	<u>29,496,087</u>
Less: Allowance for impairment	(981,781)	(923,854)
	<u><u>29,087,961</u></u>	<u><u>28,572,233</u></u>

**Notes to the Interim Condensed Consolidated Financial Information (continued)**  
**For the period from January 1, 2007 to March 31, 2007**

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**4. Islamic financing and investment products**

	<b>March 31, 2007</b>	December 31,
	<b>AED'000</b>	2006
	<b>(reviewed)</b>	AED'000
		(audited)
<u>Financing</u>		
Murabaha share	22,436	20,072
Ijara	150,298	75,595
	<hr/>	<hr/>
	172,734	95,667
<u>Investing</u>		
Musharaka	312,205	128,969
Wakala	163,590	606,391
Sukuk	36,730	-
	<hr/>	<hr/>
	512,525	735,360
	<hr/>	<hr/>
	685,259	831,027
Less: Unearned income	(839)	(2,013)
	<hr/>	<hr/>
	<b>684,420</b>	<b>829,014</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the Interim Condensed Consolidated Financial Information (continued)**  
**For the period from January 1, 2007 to March 31, 2007**

**5. Investment in securities**

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
	AED'000 (reviewed)	AED'000 (audited)
<b>Trading portfolio</b>		
Debt securities	7,504,543	7,065,331
Equities	184,635	201,945
Discretionary managed fund	1,881,400	1,852,963
Other investments	1,015,737	974,217
	<u>10,586,315</u>	<u>10,094,456</u>
<b>Available-for-sale</b>		
Debt securities	423,468	425,201
Equities	2,161,878	2,313,092
Other investments	123,174	82,751
	<u>2,708,520</u>	<u>2,821,044</u>
<b>Held-to-maturity</b>		
Debt securities	61,081	34,235
Less: Provision for impairment	(14,286)	(14,286)
	<u>46,795</u>	<u>19,949</u>
<b>Total</b>	<u><u>13,341,630</u></u>	<u><u>12,935,449</u></u>

**Notes to the Interim Condensed Consolidated Financial Information** (continued)  
**For the period from January 1, 2007 to March 31, 2007**

**6. Medium-term floating rate notes**

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

The maturities are as follows:

<u>Due date</u>	<u>Interest rate</u>	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
		AED'000 (reviewed)	AED'000 (audited)
February 27, 2009	3 months Libor + 0.55%	<b>1,101,900</b>	1,101,900
March 23, 2010	3 months Libor + 0.40%	<b>1,193,725</b>	1,193,725
April 6, 2011	3 months Libor + 0.38%	<b>1,101,900</b>	1,101,900
* January 23, 2017	3 months Libor + 0.625%	<b>1,836,500</b>	-
		<b>5,234,025</b>	3,397,525

\* The subordinated floating rate notes maturing January 23, 2017 qualify as Tier 2 subordinated loan capital for the first 5 year period till 2011 and thereafter it will be amortized at the rate of 20% per annum till 2016 for capital adequacy calculation (Note 16) if these are not redeemed during 2011. This has been approved by the Central Bank of the United Arab Emirates.

**7. Share capital**

During 2007, a proposed bonus share distribution, of 3 shares for each 10 shares on account of 2006, was approved by the Board of Directors and ratified by the shareholders at the Annual General Meeting.

As of March 31, 2007, 112,605,380 ordinary shares of AED 10 each (2006: 86,619,520 ordinary shares of AED 10 each) were issued and were fully paid up.

**Notes to the Interim Condensed Consolidated Financial Information (continued)**  
**For the period from January 1, 2007 to March 31, 2007**

**8. Contra accounts and commitments**

	<b>March 31, 2007</b>	December 31, 2006
	<b>AED'000 (reviewed)</b>	AED'000 (audited)
<b>(a) Contra accounts (memoranda)</b>		
Guarantees	23,359,726	19,600,484
Letters of credit	4,668,216	4,821,188
	<u>28,027,942</u>	<u>24,421,672</u>
<b>(b) Derivative financial instruments (Note 12)</b>	<b>151,266,538</b>	153,833,802
	<u>179,294,480</u>	<u>178,255,474</u>
<b>Total contra accounts and commitments (a + b)</b>	<b>179,294,480</b>	178,255,474

**9. General and administrative expenses**

General and administrative expenses include higher management remuneration of AED 25.59 million for the three month period ended March 31, 2007 (three month period ended March 31, 2006: AED 26.28 million).

**10. Earnings per share**

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

	<b>March 31, 2007</b>	March 31, 2006
	<b>(reviewed)</b>	(un-audited)
Net income for the period (AED'000) (Attributed to equity holders of the parent)	<u>445,076</u>	<u>342,200</u>
Number of ordinary shares outstanding	<u>112,605,380</u>	<u>112,605,380</u>
Earnings per share (AED)	<u>3.95</u>	<u>3.04</u>

The number of ordinary shares outstanding as of March 31, 2006 has been adjusted to reflect the bonus shares issued during 2007 (Note 7).

**Notes to the Interim Condensed Consolidated Financial Information (continued)**  
**For the period from January 1, 2007 to March 31, 2007**

**11. Cash and cash equivalents**

	<b>March 31, 2007</b>	December 31, 2006
	<b>AED'000 (reviewed)</b>	AED'000 (audited)
Cash on hand, current account and deposits with central banks	5,680,772	2,405,688
Deposits and balances due from banks	8,976,237	8,556,912
	<u>14,657,009</u>	<u>10,962,600</u>
Less: Deposits with central banks for regulatory purposes	(1,232,328)	(1,179,871)
Deposits maturing after three months	(3,078,528)	(2,575,866)
	<u>(a) 10,346,153</u>	<u>(b) 7,206,863</u>
<b>Increase in cash and cash equivalents, Mach 31, 2007 (a) – (b)</b>	<b><u>3,139,290</u></b>	
	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	<b>AED'000 (un-audited)</b>	<b>AED'000 (audited)</b>
Cash on hand, current account and deposits with central banks	2,794,193	4,004,935
Deposits and balances due from banks	6,123,119	7,066,495
	<u>8,917,312</u>	<u>11,071,430</u>
Less: Deposits with central banks for regulatory purposes	(990,819)	(962,735)
Deposits maturing after three months	(3,095,209)	(1,952,150)
	<u>(a) 4,831,284</u>	<u>(b) 8,156,545</u>
<b>Decrease in cash and cash equivalents, March 31, 2006 (a) – (b)</b>	<b><u>(3,325,261)</u></b>	

**Notes to the Interim Condensed Consolidated Financial Information (continued)**  
**For the period from January 1, 2007 to March 31, 2007**

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**12. Derivatives**

<b>Derivative</b>	<b>Positive</b>	<b>Negative</b>	<b>Notional</b>
<b><u>Financial instruments</u></b>	<b><u>fair value</u></b>	<b><u>fair value</u></b>	<b><u>amount</u></b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
Forward foreign exchange contracts	144,667	108,591	23,435,165
Foreign exchange options (bought)	-	626,892	61,088,132
Foreign exchange options (sold)	626,938	-	61,088,132
Interest rate swaps	216,697	213,958	5,335,625
Caps bought	-	13	135,850
Caps sold	13	-	135,850
Futures contracts purchased (customers)	34	-	14,679
Futures contracts sold (customers)	-	50	9,213
Futures contracts sold (bank)	-	34	14,679
Futures contracts purchased (bank)	50	-	9,213
	<hr/>	<hr/>	<hr/>
<b>At March 31, 2007 – reviewed</b>	<b>988,399</b>	<b>949,538</b>	<b>151,266,538</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At December 31, 2006 – audited	838,808	790,409	153,833,802
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**13. Seasonality of results**

No income of seasonal nature was recorded in the interim condensed consolidated income information for the three months periods ended March 31, 2007 and 2006.

**Notes to the Interim Condensed Consolidated Financial Information (continued)**  
**For the period from January 1, 2007 to March 31, 2007**

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**14. Related party transactions**

- a) Certain “related parties” (such as, directors and major shareholders of the Bank and companies of which they are principal owners) are customers of the Bank and its subsidiaries in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties. Such related party transactions are disclosed below.
- b) Related party balances for the period ended March 31, 2007 are as follows:

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
	<b>AED’000 (reviewed)</b>	<b>AED’000 (audited)</b>
Advances to customers	<b>848,545</b>	646,675
Deposits from customers	<b>793,081</b>	685,763
Letters of credit, guarantees and acceptances	<b>1,666,693</b>	1,562,630
Interest income	<b>14,178</b>	52,250
Interest expense	<b>7,689</b>	18,052
Other income	<b>29,533</b>	49,524

Notes to the Interim Condensed Consolidated Financial Information (continued)  
For the period from January 1, 2007 to March 31, 2007

15. Segmental information - reviewed

	January 1, 2007 to March 31, 2007						Total AED'000
	Retail AED'000	Corporate AED'000	Financial Institutions AED'000	Treasury & Investment Banking AED'000	Islamic Banking AED'000	Insurance AED'000	
Net interest income and earnings from Islamic products	179,303	135,472	19,172	(33,544)	3,130	4,748	331,499
Other income	92,820	113,306	34,178	203,155	3,624	117,539	573,625
<b>Operating income</b>	<b>272,123</b>	<b>248,778</b>	<b>53,350</b>	<b>169,611</b>	<b>6,754</b>	<b>122,287</b>	<b>905,124</b>
General and administrative expenses							(323,927)
Allowances for loans and advances and other financial assets							(99,870)
<b>Income before taxes and minority interest</b>							<b>481,327</b>
Taxation							(1,284)
<b>Net income after taxation and before before minority interest</b>							<b>480,043</b>
Minority interest							(34,967)
<b>Net income for the period</b>							<b>445,076</b>
<b>Segment Assets</b>	<b>7,725,918</b>	<b>18,374,530</b>	<b>7,094,575</b>	<b>19,970,900</b>	<b>715,825</b>	<b>2,770,814</b>	<b>61,657,619</b>
<b>Segment Liabilities</b>	<b>8,046,100</b>	<b>30,469,983</b>	<b>2,131,900</b>	<b>2,520,000</b>	<b>312,439</b>	<b>1,471,978</b>	<b>53,337,318</b>

Notes to the Interim Condensed Consolidated Financial Information (continued)  
For the period from January 1, 2007 to March 31, 2007

15. Segmental information – un-audited (continued)

	January 1, 2006 to March 31, 2006						Total AED'000
	Retail AED'000	Corporate AED'000	Financial Institutions AED'000	Treasury & Investment Banking AED'000	Islamic Banking AED'000	Insurance AED'000	
Net interest income and earnings from Islamic products	143,065	109,873	18,079	(24,521)	-	1,107	238,590
Other income	67,416	85,532	26,694	95,715	-	117,539	413,267
Operating income	210,481	195,405	44,773	71,194	-	118,646	651,857
General and administrative expenses							(219,917)
Allowances for loans and advances and other financial assets							(51,749)
Income before taxes and minority interest							380,191
Taxation							(1,233)
Net income after taxation and before minority interest							378,958
Minority interest							(36,758)
Net income for the period							342,200
Segment Assets	6,363,597	18,903,910	5,349,962	11,481,430	-	3,033,539	49,913,424
Segment Liabilities	7,276,000	23,025,600	1,327,200	2,045,600	-	1,059,613	42,836,953

**Notes to the Interim Condensed Consolidated Financial Information (continued)**  
**For the period from January 1, 2007 to March 31, 2007**

**16. Capital adequacy**

The capital adequacy ratio is computed based on circulars issued by the U.A.E. Central Bank.

		<b>March 31, 2007</b>	<b>December 31, 2006</b>
		<b>AED'000 (reviewed)</b>	<b>AED'000 (audited)</b>
<b>Capital base</b>			
Tier 1		7,725,077	7,725,077
Tier 2		<u>1,937,249</u>	<u>100,749</u>
	(a)	<u>9,662,326</u>	<u>7,825,826</u>
<b>Risk-weighted assets:</b>			
On-balance sheet assets		35,417,938	33,158,257
Off-balance sheet assets		<u>13,625,150</u>	<u>11,519,476</u>
<b>Total risk-weighted assets</b>	(b)	<u>49,043,088</u>	<u>44,677,733</u>
<b>Capital adequacy ratio (%) [(a)/(b) x 100]</b>		<u>19.70%</u>	<u>17.52%</u>

Tier 2 Capital at March 31, 2007 as shown above includes subordinated floating rate note balance of AED 1,836.50 million (Note 6) and remaining amount of AED 100.75 million (2006: AED 100.75 million) represents forty five percent of Investment Revaluation Reserve.

**17. Comparative figures**

Certain amounts for the prior period were reclassified to conform to current period presentation. The comparative figures for the 3-month period ended March 31, 2006 are un-audited, and not reviewed.