

**NATIONAL BANK OF UMM AL-QAIWAIN (PSC)
AND SUBSIDIARY**

**Review report and consolidated interim
financial information for the period
from 1 January 2010 to 30 June 2010**

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REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

To The Board of Directors of
National Bank of Umm Al-Qaiwain (psc) and Subsidiary
Umm Al-Qaiwain
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of National Bank of Umm Al-Qaiwain (psc) (the "Bank") and Subsidiary (together the "Group"), as of 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

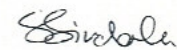
Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "*Interim Financial Reporting*".

Deloitte & Touche

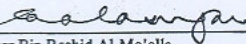


Saba Y. Sindaha
Registration No. 410
Sharjah
19 July, 2010

Condensed consolidated statement of financial position
as at June 30, 2010

	Notes	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Assets			
Cash and balances with the UAE Central Bank	8	3,357,998	3,488,956
Due from other banks	9	684,061	802,759
Loans and advances	10	8,139,276	8,287,589
Investment securities	11	669,631	476,414
Customers' acceptances		276,860	600,913
Property and equipment	12	97,333	91,673
Other assets		<u>154,129</u>	<u>136,595</u>
Total assets		<u>13,379,358</u>	<u>13,884,899</u>
Liabilities and Equity			
Liabilities			
Due to other banks	13	492,120	1,224,626
Customers' deposits	14	7,875,798	7,366,232
Customers' acceptances		276,860	600,913
Medium term loan	15	578,453	578,453
Other liabilities	16	<u>1,112,368</u>	<u>1,102,091</u>
Total liabilities		<u>10,335,599</u>	<u>10,872,315</u>
Equity			
Share capital	17	1,568,160	1,452,000
Statutory reserve		1,019,266	1,019,266
General reserve		6,440	6,440
Cumulative change in fair values		(2,038)	(3,845)
Retained earnings		<u>451,931</u>	<u>538,723</u>
Total equity		<u>3,043,759</u>	<u>3,012,584</u>
Total liabilities and equity		<u>13,379,358</u>	<u>13,884,899</u>
Commitments and contingent liabilities	18	<u>8,606,672</u>	<u>8,839,096</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

for 
Nasser Bin Rashid Al-Mo'alla
Managing Director and
Chief Executive Officer

**Condensed consolidated statement of income (unaudited)
for the period from 1 January 2010 to 30 June 2010**

	Notes	Six month period ended June 30,		Three month period ended June 30,	
		2010 AED '000	2009 AED '000	2010 AED '000	2009 AED '000
Interest income		367,345	414,389	187,732	206,931
Interest expense		<u>(87,165)</u>	<u>(108,881)</u>	<u>(43,904)</u>	<u>(54,331)</u>
Net interest income		280,180	305,508	143,828	152,600
Fees and commission income		38,373	42,189	18,847	23,199
Other operating income		<u>9,993</u>	<u>7,464</u>	<u>4,986</u>	<u>6,972</u>
Gross income		328,546	355,161	167,661	182,771
Operating expenses		<u>(73,691)</u>	<u>(70,429)</u>	<u>(37,538)</u>	<u>(35,378)</u>
Operating income		254,855	284,732	130,123	147,393
Investment revenues/(losses)		2,489	3,073	(502)	14,334
Impairment loss on held to maturity investment		(9,000)	(13,674)	(4,500)	(13,674)
Provision for loans and advances and other provisions (net of release)		<u>(44,736)</u>	<u>(54,831)</u>	<u>(21,623)</u>	<u>(39,625)</u>
Net profit for the period		203,608	219,300	103,498	108,428
		=====	=====	=====	=====
Basic earnings per share (AED)	19	0.13	0.14	0.07	0.07
		=====	=====	=====	=====

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of comprehensive income (unaudited)
for the period from 1 January 2010 to 30 June 2010**

	Six month period ended June 30,		Three month period ended June 30,	
	2010 AED '000	2009 AED '000	2010 AED '000	2009 AED '000
Net profit for the period	<u>203,608</u>	<u>219,300</u>	<u>103,498</u>	<u>108,428</u>
Other comprehensive income				
Net (loss)/gain on available for sale investments recognised directly in equity	(2,873)	(18,764)	(7,156)	1,126
Transfer from equity on sale of available for sale investments	(878)	(2,539)	(847)	(2,539)
Impairment losses on available for sale investments	<u>5,558</u>	<u>7,598</u>	<u>3,947</u>	<u>7,000</u>
Other comprehensive income/(loss) for the period	<u>1,807</u>	(13,705)	(4,056)	<u>5,587</u>
Total comprehensive income for the period	<u>205,415</u>	<u>205,595</u>	<u>99,442</u>	<u>114,015</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of changes in equity (unaudited)
for the period from 1 January 2010 to 30 June 2010**

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Cumulative change in fair values AED '000	Retained earnings AED '000	Total AED '000
Balance at 1 January 2009 (audited)	<u>1,320,000</u>	<u>1,019,266</u>	<u>6,440</u>	(25,210)	<u>461,652</u>	<u>2,782,148</u>
Net profit for the period	-	-	-	-	219,300	219,300
Other comprehensive loss for the period	-	-	-	(13,705)	-	(13,705)
Total comprehensive income for the period	-	-	-	(13,705)	219,300	205,595
Bonus shares issued during the period	132,000	-	-	-	(132,000)	-
Dividend paid	-	-	-	-	(132,000)	(132,000)
	<u>132,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(264,000)</u>	<u>(132,000)</u>
Balance at 30 June 2009 (unaudited)	<u>1,452,000</u>	<u>1,019,266</u>	<u>6,440</u>	(38,915)	416,952	2,855,743
	=====	=====	=====	=====	=====	=====
Balance at 1 January 2010 (audited)	<u>1,452,000</u>	<u>1,019,266</u>	<u>6,440</u>	(3,845)	<u>538,723</u>	<u>3,012,584</u>
Net profit for the period	-	-	-	-	203,608	203,608
Other comprehensive income for the period	-	-	-	1,807	-	1,807
Total comprehensive income for the period	-	-	-	1,807	203,608	205,415
Bonus shares issued during the period	116,160	-	-	-	(116,160)	-
Dividend paid	-	-	-	-	(174,240)	(174,240)
	<u>116,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(290,400)</u>	<u>(174,240)</u>
Balance at 30 June 2010 (unaudited)	<u>1,568,160</u>	<u>1,019,266</u>	<u>6,440</u>	(2,038)	<u>451,931</u>	<u>3,043,759</u>
	=====	=====	=====	=====	=====	=====

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of cash flows (unaudited)
for the period from 1 January 2010 to 30 June 2010**

	Six month period ended June 30,	
	2010	2009
	AED '000	AED '000
Operating activities		
Net profit for the period	203,608	219,300
Adjustments for:		
Allowance for asset impairment	38,736	68,505
Depreciation of property and equipment	6,750	6,829
Increase/(decrease) in fair value of investment in securities	4,587	(214)
Gain on sale of investment in securities	(10,990)	(3,594)
Impairment losses on available-for-sale investments	5,558	7,598
Dividend income	(552)	(2,662)
Gain on sale of property and equipment	-	(1)
	<u>247,697</u>	295,761
Operating cash flows before movements in working capital		
(Increase)/decrease in statutory deposit with the UAE Central Bank	(2,471)	37,573
Decrease in term loans to Banks	-	(32,322)
Decrease in loans and advances net of allowance and amounts written off	118,577	1,176,599
Increase in other assets	(17,604)	(4,566)
Decrease in due to other banks	(732,506)	(807,825)
Increase in customers' deposits	509,566	1,381,351
Increase/(decrease) in other liabilities	10,137	(2,427)
	<u>133,396</u>	<u>2,044,144</u>
Net cash from operating activities		
Investing activities		
Purchase of property and equipment	(12,410)	(1,187)
Proceeds from sales of property and equipment	-	1
Purchase of investment in securities	(784,155)	(241,771)
Proceeds from sale of investment in securities	584,590	52,197
Dividend received	552	2,662
	<u>211,423</u>	<u>188,098</u>
Net cash used in investing activities		
Financing activities		
Dividend paid	(174,100)	(131,484)
	<u>174,100</u>	<u>131,484</u>
Net cash used in financing activities		
Net (decrease)/ increase in cash and cash equivalents	(252,127)	1,724,562
Cash and cash equivalents, at the beginning of the period	4,028,422	2,230,878
Cash and cash equivalents, at the end of the period (see Note 21)	<u>3,776,295</u>	<u>3,955,440</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010**

1. General information

National Bank of Umm Al-Qaiwain (psc) (the “Bank”) is a Public Shareholding Company incorporated in the Emirate of Umm Al-Qaiwain (“UAQ”) in the United Arab Emirates (“UAE”) by Amiri Decree Number (1) on 5 January 1982, issued by His Highness, the Ruler of Umm Al-Qaiwain, and commenced its operations with effect from 1 August 1982. The “Group” comprises National Bank of Umm Al-Qaiwain (psc) and its subsidiary, Twin Towns Marketing Management L.L.C., Dubai. The address of the Bank’s registered head office is P.O. Box 800, Umm Al-Qaiwain, United Arab Emirates.

The Bank is engaged in providing retail and corporate banking services through a network of 17 branches and 3 Electronic Banking Service Units in the UAE.

2 Standards and Interpretations in issue not yet effective

At the date of authorisation of these condensed consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
• IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue	1 February 2010
• IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	1 January 2011
• IFRS 9 <i>Financial Instruments: Classification and Measurement</i> (intended as complete replacement for IAS 39 and IFRS 7)	1 January 2013
New Interpretations and amendments to Interpretations:	
• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
• Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i>	1 January 2011

Management anticipates that these amendments will be adopted in the Bank’s condensed consolidated financial statements for the initial period when they become effective. Management have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

3. Basis of preparation

These condensed consolidated financial statements 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 condensed consolidated financial statements are prepared in accordance with the historical cost basis, except for the revaluation of certain financial instruments.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

3. Basis of preparation (continued)

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) as that is the currency in which the majority of the Bank's transactions are denominated.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Bank's annual audited consolidated financial statements as at and for the year ended 31 December 2009. In addition, results for the six month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

4. Estimates

The preparation of condensed consolidated financial information requires management to make judgements, 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 condensed consolidated financial information, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the audited consolidated financial statements as at and for the year ended 31 December 2009.

5. Financial risk management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended 31 December 2009.

6. Summary of significant accounting policies

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, certain required accounting policies have been disclosed in the interim condensed consolidated financial statements.

Investment securities

The Bank classifies its investment securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of the investments at initial recognition.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

6. Summary of significant accounting policies (continued)

Investment securities (continued)

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets are designated at fair value through profit or loss when certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Where the Bank decides to sell other than an insignificant amount of held-to-maturity assets, the entire category is considered to be tainted and reclassified as available-for-sale.

Available-for-sale

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Initial recognition

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available-for-sale are recognised on trade date which is the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the consolidated statement of income.

Subsequent measurement

Available for sale investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the consolidated statement of income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. Once the available-for-sale financial asset is derecognised or impaired, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Foreign currency gains and losses arising on available-for-sale monetary financial assets are directly recognised in the consolidated statement of income.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

6. Summary of significant accounting policies (continued)

Investment securities (continued)

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques.

Interest earned whilst holding investment securities is reported as interest income. Dividends on equity instruments are recognised in the consolidated statement of income when the Bank's right to receive payment is established.

The Bank assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated income statement on available-for-sale equity instruments are not reversed through the consolidated statement of income.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight line method to write off the cost of such assets to their estimated residual values over their expected useful economic lives.

Land is not depreciated, as it is deemed to have an infinite life.

7. Seasonality of results

No income of seasonal nature was recorded in the consolidated statement of income for the six month period ended 30 June 2010 and 2009.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

8. Cash and balances with the UAE Central Bank

	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Balances with the UAE Central Bank:		
Current account	-	108,392
Certificates of deposit	3,000,000	3,050,000
Statutory deposit	<u>236,380</u>	<u>233,909</u>
	3,236,380	3,392,301
Cash in hand	<u>121,618</u>	<u>96,655</u>
	<u>3,357,998</u>	<u>3,488,956</u>

The statutory deposit with the UAE Central Bank is not available to finance the day to day operations of the Bank.

9. Due from other banks

	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Term deposits	606,104	702,900
Demand deposits	129,379	151,281
Syndicated loans	<u>29,384</u>	<u>29,384</u>
	764,867	883,565
Provision for impairment	<u>(80,806)</u>	<u>(80,806)</u>
	<u>684,061</u>	<u>802,759</u>
By geographical area		
Within U.A.E.	609,234	706,030
Within GCC	19,786	19,497
Other countries	<u>55,041</u>	<u>77,232</u>
	<u>684,061</u>	<u>802,759</u>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

10. Loans and advances

	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Loans	5,242,728	5,332,990
Overdrafts	2,248,166	2,320,470
Loans against trust receipts	173,073	208,915
Others	<u>706,157</u>	<u>629,159</u>
Total loans and advances	8,370,124	8,491,534
Provision for impairment	<u>(230,848)</u>	<u>(203,945)</u>
	<u>8,139,276</u>	<u>8,287,589</u>
 By economic sector		
Wholesale and retail trade	2,420,478	2,563,600
Real estate and construction	1,551,714	1,593,199
Personal loans and others	1,419,646	1,315,540
Manufacturing	393,148	445,136
Agriculture and allied activities	1,172	176
Transport and communication	127,215	152,035
Financial institutions	258,354	239,048
Services & others	<u>2,198,397</u>	<u>2,182,800</u>
	<u>8,370,124</u>	<u>8,491,534</u>
 By geographical area		
Within U.A.E.	8,112,984	8,253,329
Within GCC	<u>26,292</u>	<u>34,260</u>
	<u>8,139,276</u>	<u>8,287,589</u>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

11. Investment securities

Investment securities comprise the following:

	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Securities at fair value through profit or loss held for trading:		
Funds placed under management	<u>24,417</u>	<u>28,470</u>
Securities available for sale:		
Quoted equity securities	29,410	36,115
Unquoted equity securities	6,672	6,757
Quoted debt instruments	<u>88,076</u>	<u>151,179</u>
	<u>124,158</u>	<u>194,051</u>
Securities held-to-maturity:		
Quoted debt instruments	512,963	236,800
Unquoted debt instruments	<u>34,185</u>	<u>34,185</u>
	547,148	270,985
Provision for impairment	<u>(26,092)</u>	<u>(17,092)</u>
	<u>521,056</u>	<u>253,893</u>
	<u>669,631</u>	<u>476,414</u>
 By geographical area		
Within U.A.E.	501,839	276,890
Within GCC	167,753	199,485
Other countries	<u>39</u>	<u>39</u>
	<u>669,631</u>	<u>476,414</u>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

11. Investment securities (continued)

Reclassification of investments

During the year 2008, the Bank had reconsidered its investment strategy and accordingly the Bank adopted the amendments to IAS 39, which permits to reclassify in particular circumstances, investments held for trading for which change in fair value is recognised in the consolidated statement of income to available-for-sale investments for which the change in the fair value is recognised under equity as cumulative change in fair values.

	Six month period ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	AED '000	AED '000
Fair value of reclassified investments at the beginning of the period	16,947	43,676
Impairment loss recognised on reclassified investments	(3,315)	-
Sale of reclassified investments	-	(4,378)
Change in fair value	(285)	(18,810)
Fair value of investments reclassified at the end of the period	13,347	20,488
	=====	=====

As a result of the above reclassification, net profit for the period has increased by AED 0.28 million (30 June 2009: increased by AED 18.8 million).

12. Property and equipment

	30 June	31 December
	2010	2009
	(unaudited)	(audited)
	AED '000	AED '000
Cost	191,140	178,864
Accumulated depreciation	(93,807)	(87,191)
Carrying amount	97,333	91,673
	=====	=====

Property and equipment mainly comprise buildings with a carrying amount of AED 44.9 million and land amounting to AED 22.9 million. Buildings are depreciated over a period of 20 years. All properties and equipments are located in U.A.E.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

13. Due to other banks

	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Term deposits	448,393	471,121
Demand deposits	43,727	540
Other borrowings	<u>-</u>	<u>752,965</u>
	<u>492,120</u>	<u>1,224,626</u>

By geographical area

Within U.A.E.	308,469	1,040,975
Outside U.A.E.	<u>183,651</u>	<u>183,651</u>
	<u>492,120</u>	<u>1,224,626</u>

Due to other banks includes AED 43.13 million overdrawn in current account maintained with U.A.E. Central Bank.

During the period, the Bank prepaid total loan amount of USD 205 million arranged through a syndicate of banks before its maturity.

14. Customers' deposits

	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Time deposits	6,603,872	6,258,615
Savings deposits	131,779	123,098
Current accounts	1,046,792	885,167
Other deposits	<u>93,355</u>	<u>99,352</u>
	<u>7,875,798</u>	<u>7,366,232</u>

All customers' deposits are within UAE.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

15. Medium term loan

	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Tier 2 loan from Ministry of Finance of the U.A.E.	578,453	578,453

At the Extra Ordinary General Meeting of the Shareholders held on 18 March 2009, the Shareholders approved the conversion of the deposits amounting AED 578,453,000 received from the Ministry of Finance to Tier 2 qualifying loan. Accordingly the Bank has exercised the option to convert the deposits into Tier II loan. The loan is for a period of 7 years with interest to be paid every quarter in arrears.

For regulatory purposes, the loan qualifies for the Tier II capital for the first three year period and thereafter it will be amortised at the rate of 20% per annum till maturity date for capital adequacy calculation, if it is not repaid earlier.

16. Other liabilities

	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Accounts payable	34,447	21,313
Interest payable	35,641	53,886
Provision for employee's end of service benefits	19,673	18,798
Other staff benefits	4,245	3,373
Other liabilities	<u>1,018,362</u>	<u>1,004,721</u>
	<u>1,112,368</u>	<u>1,102,091</u>

Other liabilities include AED 918.25 million (equivalent of USD 250 million) received from Global Investment House - Kuwait (GIH) as advance payment on the proposed issue of bond to be converted in to 330 million shares of AED 1 each at a premium of AED 6.15 per share totaling AED 2.359 billion, entered through a Memorandum of Understanding (MOU) dated 16 July 2008. This amount is included in other liabilities without any interest attached towards it.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

16. Other liabilities (continued)

During December 2008, the Bank has received a letter from GIH for the cancellation of the above transaction and for refunding the advance of AED 918.25 million. On legal advice, the Bank has taken the view that GIH request is not valid and that the MOU is a binding sale purchase agreement. Accordingly, the Bank is proceeding for completion of the transaction by seeking the balance due from GIH.

GIH had filed a lawsuit during 2009 in the First Instance Court of Dubai which was rejected due to arbitration clause in the MOU. The Court of Appeal has set aside the arbitration clause in the MOU stating reasons that authorised signatory from GIH who signed the MOU was not explicitly empowered by GIH to arbitrate and thus to sign an arbitration clause which was included in the MOU.

Based on the appeal filed by GIH, the Court of Appeal has decided to return the lawsuit to Court of First Instance and to judge the case based on its merits.

17. Share capital

	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Issued and fully paid:		
1,568 million ordinary shares of AED 1 each (December 31, 2009: 1,452 million ordinary shares of AED 1 each)	<u>1,568,160</u>	<u>1,452,000</u>

During the period, the share capital of the Bank was increased by AED 116.16 million by the issue of bonus shares of AED 1 each (2009: AED 132 million by the issue of bonus shares of AED 1 each).

These issues of shares were approved by the Shareholders at the Annual General Meeting held on 24 February 2010.

At the Extra Ordinary General Meeting of the Shareholders held on 25 September 2008, the Shareholders approved the issuance of fully convertible bond for AED 2,359,500,000 to Global Investment House, Kuwait, to be converted into 330 million shares of AED 1 each at a premium of AED 6.15 per share (see Note 16).

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

18. Commitments and contingent liabilities

	30 June 2010 (unaudited) AED '000	31 December 2009 (audited) AED '000
Guarantees	6,391,986	6,648,355
Letters of credit	201,269	268,668
Commitments to extend credit	1,098,033	1,109,054
Forward exchange contracts undertaken on behalf of customers	676,639	555,909
Interest rate swaps	183,650	183,650
Credit default swaps	55,095	73,460
	8,606,672	8,839,096
By geographical area		
Within U.A.E.	8,414,311	8,579,211
Outside U.A.E.	192,361	259,885
	8,606,672	8,839,096

At 30 June 2010, the Bank has capital commitments of AED 12.66 million (2009: AED 3.97 million).

19. Basic earnings per share

	Six months ended 30 June		Three months ended 30 June	
	2010 (unaudited)	2009 (unaudited)	2010 (unaudited)	2009 (unaudited)
Net profit for the period (in AED'000)	203,608	219,300	103,498	108,428
Weighted average number of shares ('000)	1,568,160	1,568,160	1,568,160	1,568,160
Basic earnings per share (in AED)	0.13	0.14	0.07	0.07

The denominator for the purpose of calculating basic earnings per share for 2009 has been adjusted to reflect the capitalisation issue of 116.16 million bonus shares (see note 17).

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

20. Dividends

At the Annual General meeting held on 24 February 2010, the Shareholders approved a share dividend (issue of bonus shares) at 8% of the issued and paid up capital amounting to AED 116.16 million and cash dividend of 12% amounting to AED 174.24 million for 2009 (2008: stock dividend of 10% amounting to AED 132 million and cash dividend amounting to AED 132 million).

21. Cash and cash equivalents

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
	(unaudited)	(unaudited)
	AED'000	AED'000
Cash and balances with the UAE Central Bank	3,357,998	2,321,860
Due from banks	684,061	1,874,387
Statutory deposit	(236,380)	(204,077)
Loans to banks with original maturity over 3 months	(29,384)	(36,730)
	<u>3,776,295</u>	<u>3,955,440</u>

22. Related party transactions

Related parties comprise key management staff personnel, Board of Directors including non Executive Directors and their close relatives, businesses controlled by shareholders and Directors of the Bank, as well as businesses over which they exercise significant influence. During the period, the Bank entered into transactions with related parties in the ordinary course of business. These transactions were carried out on terms and conditions, and at rates, which were applicable to third parties for similar transactions.

Resultant balances were as follows:

	<u>30 June</u>	<u>31 December</u>
	<u>2010</u>	<u>2009</u>
	(unaudited)	(audited)
	AED '000	AED '000
Loans and advances	579,298	634,888
Customers' deposits	526,921	294,340
Irrevocable commitments and contingent liabilities	105,674	116,273

**Notes to the condensed consolidated financial statements
for the period from 1 January 2010 to 30 June 2010 (continued)**

23. Business segments

Primary segment information

	Retail and corporate banking	Treasury and others	Total
	(unaudited) AED' 000	(unaudited) AED' 000	(unaudited) AED' 000
Six months ended 30 June 2010			
Gross income	<u>387,350</u>	<u>20,971</u>	<u>408,321</u>
Segment result	<u>200,953</u>	<u>(2,803)</u>	<u>198,150</u>
Unallocated income			<u>5,458</u>
Profit for the period			<u>203,608</u>
Six months ended 30 June 2009			
Gross income	<u>300,784</u>	<u>58,961</u>	<u>359,745</u>
Segment result	<u>225,712</u>	<u>(10,651)</u>	<u>215,061</u>
Unallocated income			<u>4,239</u>
Profit for the period			<u>219,300</u>

24. Approval of consolidated interim financial information

The consolidated interim financial information were approved and authorised for issue on 19 July 2010.