مصرف الإمارات الإسلامي

EMIRATES ISLAMIC BANK

(Public Joint Stock Company)

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Consolidated Financial Statements
As at 31st, December 2011

Emirates Islamic Bank | **Annual Report 2011**

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Our Vision

To be the leading provider of high standard Shari`a compliant innovative financial products, quality service and superior value for its customers, shareholders, employees and the community.

Our Mission

Providing innovative & high standard financial products & services governed by Islamic Shari`a provision to enrich the society.

Mr. Hesham Abdulla Al Qassim
Chairman

Chairman's Message

The Islamic finance sector has grown significantly to become a $ 1 trillion industry in 2011 according to the Global Islamic Finance report 2010. It has been growing by 25% a year and the continuous evolution of legislation governing Islamic Finance is opening up new international markets.

Following the formation of a new Board of Directors and the changes in key management positions, Emirates Islamic Bank continued to implement its strategic plans in order to achieve its vision to be a leading Islamic financial services institution with a core platform in retail banking and a strong commercial banking franchise. The aggressive three-year growth strategy will focus on strengthening our focus on mid-corp, SME & Retail and expand into HNWIs.

I strongly believe that the new board and management will continue the journey to drive the bank towards achieving its goals while protecting the interests of all its stakeholders and reinforcing our position as a top performer and one of the leading Islamic financial institutions in the region.

The key financial highlights for 2011 included:

- Total income (net of customers' share of profit) for Emirates Islamic Bank was AED 564 million for 2011, a decline of 26% from 2010.
- Income from Islamic financing and investment products declined by 8% to AED 650 million in 2011
- Non financial income declined to a negative AED 86 million due to write-downs recorded on investment properties and lower investment securities income.

In closing, I would like to take this opportunity to thank the previous Chairman, members of the board of directors and CEO for their dedicated efforts. I would also like to extend my sincere thanks and appreciation to our shareholders, the Sharia Board, our customers, our employees and strategic partners for their ongoing support and trust.

Hesham Abdulla Al Qassim
Chairman

Mr. Jamal Saeed Bin Ghalaita
CEO

CEO's Message

The global economic environment continued to pose significant challenges on Islamic Banking during 2011. The environment was shaken by several significant macroeconomic events including debt ceiling issues in US, the ongoing sovereign debt crisis in Europe and the political unrest in the region. As a result, businesses were affected worldwide and many markets witnessed weaker private sector activity and consumer confidence.

Amidst this turbulent economic environment and its accompanying liquidity shortage, Emirates Islamic Bank focused during the year on deleveraging its balance sheet and strengthening its financial position. This, while putting pressure on current year income, positions EIB rightfully for growth in 2012.

EIB's branch network was further expanded in 2011 through the addition of 3 branches in Dubai, Abu Dhabi and Sharjah, taking the total number of branches to 33. The year 2011 also saw the establishment of a new Board of Directors and changes in key management. EIB took this opportunity to review its strategy during Q4 2011, where the Bank launched an ambitious revenue growth program across all segments, including the launch a new Business Banking Unit targeting SME customers and an adjustment in the focus of the Corporate segment, where EIB will be more conservative in financing selected segments. In addition, EIB launched a cost optimization program to improve its efficiency. All these actions and changes will drive Emirates Islamic Bank's aggressive growth strategy in 2012 and the coming years. The year of 2012 will also mark the development of ties between Emirates Islamic Bank and Dubai Bank, where it is expected to create synergies for shareholders and customers.

During the year of 2011, EIB launched a number of new products in line with the bank's aim to be a leading retail bank and create greater awareness of its products and services within its target segments. These products include investment Murabaha, a key personal finance product for its retail customers, as well as a vehicle insurance product. In addition, the bank signed a strategic partnership with the Sharjah Housing Program whereby the Sharjah Government will work with Emirates Islamic Bank to provide grants and loans for all public housing projects. Also in 2011, Emirates Islamic Bank was the first Islamic bank to offer real time DEWA payment through Alternate Channels.

On a final note, I would like to thank our board of directors for their guidance and support and our customers for their trust and our employees for their dedicated efforts and loyalty.

Jamal Bin Ghalaita
CEO

Hesham Abdulla Al Qassim
Chairman

Butti Obaid Butti Al Mulla
Vice Chairman

H.E. Abdulla Sultan Al Owais
Board member

Mohamed Hadi Ahmad Al Hussaini
Board member

Mohamed Hamad Obaid Khamis Al Shehi
Board member

Shoaib Mir Hashem Khoory
Board member

Richard Anthony Pudner
Board member

Distinguished Shareholders of Emirates Islamic Bank,

Peace and Mercy of Allah be upon you.

In order to transform Bank's activities, significant organizational changes were introduced during the year including appointment of new Board of Directors and Chief Executive Officer. Among other things, new Board of Directors have set a vision for the Bank to become the leading Islamic bank in the UAE and the larger middle east. To achieve this vision, several initiatives have been launched which are as follows:

- Deleveraging and de risking balance sheet;
- Enhancing provisioning level against non performing portfolio;
- Reorganisation and rationalization of staff.
- Strategizing priority growth sectors
- Establishment of new dedicated business banking unit to target mid market segment.
- Enhancing non funded business of the Bank.

In a short period of time, changes have started having its impact on growth in The Board of Directors presents its annual report to the General Meeting of the Bank's shareholders of the business results for the financial year ended 31st December, 2011. Bank's portfolio, however, strategy of enhancing provisioning levels had negative impact on Bank's profitability for 2011. Despite short term decline in profitability, Bank continues to enjoy strong liquidity and capital adequacy ratios.

Bank also expanded its wide network of branches by opening three branches during the year taking the total to 33, supported by 101 ATM & SDM, a network covering all over the country.

The Financial Highlights:

1. Total income declined by 28% to reach AED 1.1 billion compared to 1.6 billion in 2010.
2. Total expenses, including depreciation on investments properties, reached AED 455 million against AED 396 million in the previous year, an increase of around 15%.
3. Impairment allowances net of recoveries, made during the year, reached AED 783 million against AED 531 million in the previous year, higher by 47%. This significant increase was basically due to following:
   - Increasing collective impairment provisions for financing and investing portfolio to meet the new provisioning requirements of Central Bank of UAE.
   - Provisioning against decline in value of Investment properties.
4. Total assets declined, from AED 33 billion to AED 21 billion, by 36% as a result of initiative of deleveraging and de risking of balance sheet.
5. Total customer accounts, witnessed a decline of 28% reaching AED 18.2 billion compared to AED 25.3 billion in the previous year,

6 .Capital Adequacy Ratio remained strong at 18.2% and Tier I ratio at 12.6%.

Recommendations:

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

1. To approve the consolidated Financial Statements for the year ended 31st December 2011.
2. Discharge of "Zakat" due on shareholders' equity (excluding capital) as per clause of 72-g of Articles of association.

In the end, the Board of Directors extend their gratitude to the Shareholders for their boundless support and to all customers for their continuous trust and loyalty, as well as to the executive management of the Bank and staff members for their dedication and commitment, praying to Almighty Allah for best achievements in the new year.

We pray to Almighty Allah to guide us all to the best.

Board of Directors

Fatwa and Shari'a Supervisory Board's Report Presented to the Annual General Meeting of Emirates Islamic Bank

For the Financial Year ended on 31st, December 2011

1. Fatwa's and Resolutions:

The Shari'a Board has reviewed questions and inquiries it has received from different departments of the Bank, and it has accordingly issued pertinent pronouncements and resolutions, which it has circulated for execution. It has also conducted meetings with the different departments of the Bank, in order to ensure adherence to the principles of Islamic Shari'a and implementation of the Shari'a Board resolutions.

2. Structuring Financial Transactions and Their Documentation:

The Shari'a Board has examined all the transactions presented to it by the Shari'a Structuring Unit of the Shari'a Structuring and Coordination Department; it has reviewed and endorsed these structures, as well as the related contracts and documentation.

3. Shari'a Supervision and Audit:

3.1. The Shari'a Board has reviewed the Shari'a audit reports pertaining to the transactions executed by the Bank during the year 2011. It has forwarded the relevant observations on these transactions to the Bank's management, who have expressed their keenness to comply with the Shari'a Board's directives. The Shari'a Board conducted many meetings between its members, and also with the executives in the Bank's management to discuss the matters related to the Shari'a Audit as to ascertain the extent of implementation of its Fatawa and resolutions by the Bank's management.

3.2. The Shari'a Board has forfeited what it deemed forfeitable from the income and fees relating to Shari'a repugnant transactions. It has also assured that the Bank's management had accordingly complied with the Shari'a Board instructions.

4. Training:

The Islamic Banking Training Unit of the Shari'a Structuring and Coordination Department has organized and delivered various courses and workshops on different modes of Islamic finance and investment. It has also developed the relevant training material for these courses in both Arabic and English languages.

5. Product Development:

The Shari'a Board, in cooperation with the Shari'a Structuring and Coordination Department, has made improvements to the existing Bank products, and it has developed new products that are up-to-date with the progress and developments of the Islamic Banking industry, it had also provided Shari'a compliant solutions to the issues and problems occurred due to the side effects of the global financial crisis continued to occur during the year 2011, which enabling the Bank on one hand, to strongly compete in the market and to be in line with Shari'a principles on the other.

6. Funds and Investment Portfolios:

The Shari'a Board has reviewed the structures of funds, investment portfolios and Sukuk; set up by the bank or in which the bank has invested. The Shari'a Board has examined their documentation, modus operandi, management structure, unit trading mechanisms, and restructuring modes; and it has confirmed their compliance with Islamic Shari'a.

7. Syndicated Finance:

The Shari'a Board has also reviewed the syndicated financing transactions submitted to it. It has also examined the documents of the transactions extended and re-structured; and incorporated some required amendments in them considering "the Necessity Factors". As such, the Shari'a Board confirms that these transactions are in compliance with Islamic Shari'a.

8. Bank's Books and Records:

The Shari'a Board has been given full access to the Bank's books, records and documents it desired to review, and it has received the data and information it has requested to fulfill its duties and tasks of Shari'a supervision and audit.

9. Financials Review:

The Bank's management has prepared the Financial Statements, and the profit and loss calculation for the financial year ended 31st December 2011.

The Shari'a Board has reviewed the Financial Statements items, the profit and loss calculation, the Shari'a Board has also examined the accounting policies adopted in preparing the financial statements and the principles adopted for the profit and loss distribution between shareholders and depositors on one hand, and amongst the depositors themselves on the other. The Shari'a Board is of the opinion that these policies as well as the principles do not violate the Islamic Shari'a and that - in majority- they comply with the Shari'a Board's directives in this regard. In this regards, the Shari'a Board affirms that the accuracy responsibility of the figures and information declared in the financial statements is on the Bank's management.

10. Zakat Calculation:

As per the Bank's Articles of Association, the Shari'a Board has reviewed the calculation of Zakat due on the retained shareholder's funds. The amount of Zakat that the Bank should pay out for the year 2011 is AED 1,053,488 (One million fifty three thousand and four hundred eighty eight Dirhams). The Shari'a Board has assured that the Zakat calculation has been carried out in accordance with the principles of Islamic Shari'a. As to the amount of Zakat due on the shareholders, the Shari'a Board has prepared a letter to the shareholders specifying the Zakat amount due per each share.

11. Shari'a Board's Opinion:

While confirming that the responsibility for adherence to Islamic Shari'a principles and compliance with the Shari'a Board's pronouncements in all of the Bank' activities rests mainly with the management of the Bank, the Shari'a Board declares that the activities and the transactions of the Bank in the financial year ended 31st December 2011 are by and large in conformity with the principles of Shari'a and they are consistent with the pronouncements and resolutions issued by the Shari'a Board. The Shari'a Board makes this declaration based upon the cases presented to it, the information it has received, the audit it has performed and the related observations made by it as well as the positive response from the various departments of the Bank in complying with these observations.

Finally, the Shari'a Board reminds the Bank's management and Staff with the importance of complying with Islamic Shari'a principles constantly, despite of the continuity of the exceptional economic conditions affecting the banking and finance industry for the reason of the global financial crisis.

"Allah will find a way out for him who fears Allah, and will provide him sustenance from whence he never even imagined"

For and on Behalf of the Fatwa and Shari'a Supervisory Board

Prof. Dr. Hussain Hamed Hassan
Chairman, Fatwa and Shari'a Supervisory Board

The due Zakat on Emirates Islamic Bank Shareholders for the Financial Year 2011

Shares' Zakat to be calculated using one of the following methods:

1. Zakat on shares purchased for trading purposes (to sell them when the market value rises) is as follows:

- **Zakat pool per share** = Share quoted Market value + Cash dividends per share for the year - if any.
- **Zakat per share** = Zakat pool per share X 2.5775%*
- **Net Zakat per share** = Zakat per share - 0.04335 UAE Fills (Zakat on reserves per Share, paid by the Bank)
- **Total Zakat payable on shares** = Number of shares X Net Zakat per share

2. Zakat on shares purchased for acquisition (to benefit from its returns) with no intention for its trading is equal to the amount of 2.4729 UAE Fills for each share**.

*Zakat is calculated at 2.5775% for the Gregorian year, and at 2.5% for Hijri year.
**It's equal to each share Zakat calculated by the Bank 2.5162 UAE Fills minus 0.04335 UAE Fills (Zakat on reserves per Share, paid by the Bank for the Shareholders)

Independent auditors' report

The Shareholders
Emirates Islamic Bank PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Emirates Islamic Bank PJSC (the Bank) and its subsidiaries (collectively referred to as «the Group»), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income (comprising a separate consolidated statement of income and a consolidated statement of comprehensive income), changes in equity and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the Islamic Sharia principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No.8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the Federal Law No.8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group, and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2011, which may have had a material adverse effect on the business of the Group's or its consolidated financial position.

KPMG

Emirates Islamic Bank (Public Joint Stock Company)

Consolidated Statement of Financial Position as December 31, 2011

	Note	2011 AED'000	2010 AED'000
ASSETS			
Cash, and balances with U.A.E Central Bank	4	1,195,167	1,121,466
Due from banks	5	89,241	68,813
Due from Group Holding Company, net	6	3,537,131	12,372,274
Financing receivables	7	12,969,041	14,625,722
Investments	8	2,197,591	2,839,960
Investment properties	9	1,111,317	1,317,918
Prepayments and other assets	10	285,389	295,857
Fixed Assets	11	98,918	104,505
TOTAL ASSETS		**21,483,795**	**32,746,515**
LIABILITIES			
Customers' accounts	12	17,125,152	24,222,865
Due to banks	13	87,634	3,712,076
Other liabilities	14	709,998	790,822
Zakat payable		1,053	11,704
Investment wakala	15	1,081,872	1,081,872
TOTAL LIABILITIES		**19,005,709**	**29,819,339**
SHAREHOLDERS' EQUITY			
Share capital	16	2,430,422	2,430,422
Statutory reserve	17	206,865	206,865
General reserve	17	112,644	112,644
Cumulative changes in fair value		515	-
(Accumulated losses)/Retained earnings		(315,744)	86,804
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**2,434,702**	**2,836,735**
Non-controlling interest	18	43,384	90,441
TOTAL EQUITY		**2,478,086**	**2,927,176**
TOTAL LIABILITES AND EQUITY		**21,483,795**	**32,746,515**
COMMITMENTS AND CONTINGENT LIABILIITES	**19**	**4,360,138**	**4,208,558**
ASSETS UNDER MANAGEMENT	**20**	**1,285,550**	**1,285,550**

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 13 February 2012 and signed on their behalf by:

Chairman
Chief Executive Officer

The attached notes 1 to 38 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 11.

Emirates Islamic Bank (Public Joint Stock Company)

Consolidated Statement of Income for the year ended December 31, 2011

	Note	2011 AED'000	2010 AED'000
INCOME			
Income from financing activities, net	21	699,951	919,883
(Loss)/income from investment securities, net	22	(45,531)	49,091
Income from Group Holding Company, net	23	240,642	345,419
Property related income, net	24	19,301	23,016
Commission and fee income, net	25	237,904	233,242
Other operating income, net	26	38,593	80,886
TOTAL INCOME		**1,190,860**	**1,651,537**
EXPENSES			
General and administrative expenses	27	(430,035)	(378,623)
Depreciation of investment properties		(25,144)	(17,189)
TOTAL EXPENSES		**(455,179)**	**(395,812)**
NET OPERATING INCOME BEFORE ALLOWANCES FOR IMPAIRMENT		**735,681**	**1,255,725**
Allowances for impairment, net of recoveries	28	(783,289)	(530,526)
NET OPERATING (LOSS)/INCOME AFTER ALLOWANCES FOR IMPAIRMENT		**(47,608)**	**725,199**
Investment, saving and wakala accounts' share of profit	29	(400,944)	(665,859)
NET (LOSS)/PROFIT FOR THE YEAR		**(448,552)**	**59,340**
Attributable to:			
Equity holders of the Bank		(401,495)	61,262
Non-controlling interest	18	(47,057)	(1,922)
NET (LOSS)/PROFIT FOR THE YEAR		**(448,552)**	**59,340**
(Loss)/earnings per share (Dirham)	30	(0.165)	0.025

The attached notes 1 to 38 form an integral part of these consolidated financial statements.
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Emirates Islamic Bank (Public Joint Stock Company)

Consolidated Statement of Comprehensive Income for the year ended December 31st, 2011

	2011	2010
	AED'000	AED'000
NET (LOSS)/PROFIT FOR THE YEAR	**(448,552)**	**59,340**
Other comprehensive income - Cumulative changes in fair value reserve	515	6,679
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(448,037)**	**66,019**
Attributable to:		
Equity holders of the Bank	(400,980)	67,941
Non-controlling interest	(47,057)	(1,922)
TOTAL RECOGNISED (LOSS)/INCOME FOR THE YEAR	**(448,037)**	**66,019**

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Emirates Islamic Bank (Public Joint Stock Company)

Consolidated Statement of Changes In Equity for the year ended December 31, 2011

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK						Non-controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Cumulative changes in fair value	(Accumulated losses)/ Retained earnings	Total		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
As at 1 January 2011	2,430,422	206,865	112,644	-	86,804	2,836,735	90,441	2,927,176
Net (loss) for the year	-	-	-	-	(401,495)	(401,495)	(47,057)	(448,552)
Other comprehensive income for the year	-	-	-	515	-	515	-	515
Zakat payable	-	-	-	-	(1,053)	(1,053)	-	(1,053)
As at 31 December 2011	**2,430,422**	**206,865**	**112,644**	**515**	**(315,744)**	**2,434,702**	**43,384**	**2,478,086**
As at 1 January 2010	2,314,688	200,738	106,517	(6,679)	165,234	2,780,498	92,363	2,872,861
Net profit for the year	-	-	-	-	61,262	61,262	(1,922)	59,340
Other comprehensive income for the year	-	-	-	6,679	-	6,679	-	6,679
Issue of bonus shares	115,734	-	-	-	(115,734)	-	-	-
Transfer to reserves	-	6,127	6,127	-	(12,254)	-	-	-
Zakat payable	-	-	-	-	(11,704)	(11,704)	-	(11,704)
As at 31 December 2010	**2,430,422**	**206,865**	**112,644**	**-**	**86,804**	**2,836,735**	**90,441**	**2,927,176**

The attached notes 1 to 38 form an integral part of these consolidated financial statements.
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Consolidated Statement of Cash Flows for the year ended December 31, 2011

	Note	2011 AED'000	2010 AED'000
OPERATING ACTIVITIES			
Net (loss)/profit for the year		(448,552)	59,340
Adjustments:			
Allowances for impairment on financing receivables, net		529,221	283,259
Allowances for impairment on investments, net		54,413	107,925
Allowances for impairment on investment properties		199,655	139,342
Dividend income		(14,591)	(12,411)
Gain on sale of investments		(3,426)	(18,360)
Gain on sale of investment properties		-	(3,772)
Gain on recognition of donated land		-	(46,200)
Unrealised loss on fair value of investment securities through profit and loss		99,996	32,391
Depreciation on investment properties		25,144	17,189
Depreciation on fixed assets		21,727	25,224
Operating profit before changes in operating assets and liabilities		**463,587**	**583,927**
Changes in reserve with U.A.E Central Bank		(34,593)	(62,447)
Changes in due from Group Holding Company		(3,713,819)	(1,250,453)
Changes in financing receivables		1,127,460	1,796,819
Changes in prepayments and other assets		10,468	31,392
Changes in customers` accounts		(7,097,713)	4,804,778
Changes in due to banks` investment wakala accounts		(3,628,083)	2,505,376
Changes in other liabilities		(80,824)	94,650
Cumulative changes in fair value		515	6,679
Zakat paid		(11,704)	(13,121)
Net cash (used in) / generated from operating activities		**(12,964,706)**	**8,497,600**
INVESTING ACTIVITIES			
Redemptions of investment securities', net		465,652	576,429
Proceeds from sale of investment securities		25,734	241,725
Dividend income received		14,591	12,411
Changes in investment properties		(18,198)	(21,093)
Proceeds from sale of investment properties		-	13,703
Changes in fixed assets, net		(16,140)	(15,613)
Net cash generated from investing activities		**471,639**	**807,562**
Net change in cash and cash equivalents		**(12,493,067)**	**9,305,162**
Cash and cash equivalents at the beginning of the year	31	15,234,526	5,929,364
Cash and cash equivalents at the end of the year	**31**	**2,741,459**	**15,234,526**

The attached notes 1 to 38 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 11.

Notes To The Consolidated Financial Statements for the year ended December 31, 2011

1. LEGAL STATUS AND ACTIVITIES

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

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 NBD PJSC, Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai, the company in which the Government of Dubai is the major shareholders. The Bank is listed at Dubai Financial Market.

In addition to its head office in Dubai, the Bank operates through 33 branches in the UAE. The Financial Statements combine the activities of the Bank's head office and its branches and the following two subsidiaries (together referred as "the Group").

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

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

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

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

2. BASIS OF PREPERATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), and the applicable requirements of the laws of the UAE.

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for the following, which are measured at fair value:
- Financial assets at fair value through profit or loss.
- Financial assets available for sale.

c) Functional and presentation currency

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

d) Basis of consolidation

- Subsidiaries

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

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

- **Funds under Management**

The Group manages and administers assets held in other investment vehicles on behalf of investors. The Financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds management is set out in note 20.

e) Use of estimates and judgments

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. Significant items where use of estimates and judgments required are outlined below.

i. Allowances for impairment

The Group reviews its financing receivables and investment products to assess impairment on a regular basis. In assessing impairment, the Group evaluates whether an impairment loss should be recorded in the consolidated income statement. The Group estimates cash flows, financial situations of each counterparty and net realizable value of collaterals. Further, the methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

In addition to specific allowance against individually impaired Islamic financing and investing assets, the Group also makes a collective impairment allowance to recognise, at any reporting date that there will be an amount of Islamic financing and investment products which are impaired even though a specific trigger point for recognition of the loss has not yet occurred (known as the "emergence period").

The Group determines the impairment of available-for-sale investment securities when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolong requires judgment. In making this judgment, the Group evaluates several market and non market factors.

ii. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from quoted prices such instruments are recorded at cost.

iii. Impairment of non financial assets

At each consolidated reporting date, the Bank reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such condition exists the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell or value in use.

f) Change in Accounting Policy

Disclosure pertaining to Related parties IAS 24 (revised)

The Group has adopted IAS 24 (Revised): Related Parties Disclosures. The change in accounting policy was recognized retrospectively in accordance with the transitional provisions of IAS 24 related Party Disclosures.

For more information and details of new classification see note 32.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as stated in note 2(f), which addresses the change in accounting policy, the principal accounting policies set out below have been consistently applied to all period presented.

a) Non-derivative financial instruments

(1) Classification

The Group's classifications of financial instruments include the following categories: financing receivables, held-to-maturity, available-for-sale, financial assets designated at fair value through profit or loss, and other financial assets.

Financing receivables

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

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

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

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

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

- **Musharaka:** An agreement between the Bank and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise.

Held-to-maturity investments

Held to maturity are non derivative financial assets with fixed or determinable amounts and fixed maturity that the Group's management has the positive intent and ability to hold to maturity. Investments in Sukuk constitute majority of held to maturity assets which have been defined as follows:

Sukuk: Products governed by Islamic Sharia rules and approved by the Group's Fatwa and Sharia 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.

Available-for-sale investments

Available-for-sale investments are non derivative assets that are not designated as another category of financial assets. Unquoted equity securities are valued based on internal evaluation and are also assessed for potential impairment, if any and other quoted available-for-sale investments or for which fair value can be reliably measured are carried at fair value.

Investment securities designated at fair value through profit or loss

The Group has designated financial assets at fair value through profit or loss, where assets are managed, evaluated and reported internally on a fair value basis. This eliminates or significantly reduces an accounting mismatch which otherwise arises.

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

(2) Recognition of financial instruments.

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

(3) Derecognition of financial instruments.

The Group derecognises financial assets when the contractual right to the cash flows from the financial assets expire, or when it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risk and rewards of the ownership of the financial assets are transferred to other party.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

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

All financial instruments are recognised initially at fair value including transactions cost except for financial assets at fair value through profit or loss.
Subsequent to initial measurement all financial receivables are measured at amortised cost less impairment losses, if any.

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

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

(5) Amortised cost
The amortised cost of a financial asset or liability is the amount at which the financial assets or liability is measured at initial recognition, minus principal repayment, plus or minus the cumulative amortisation using the effective profit rate method of any differences between the initial amount recognised and the maturity amount, minus impairment losses, if any.

(6) Offsetting
Financial assets and liabilities are offseted and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts.
Income and expenses are presented on a net basis only when permitted by the accounting standards.

(7) Measurement of impairment
The recoverable amounts of financing receivables are measured at the present value of the expected future cash flows, discounted at the instrument's original effective yield. Short term balances are not discounted.

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

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

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

Impairment losses on available-for-sale investment are recognised in consolidated statement of income when there is significant or prolong decline in the value by transferring the cumulative loss that has been recognised directly in consolidated statement of comprehensive income. The cumulative loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in consolidated statement of income. Improvement in impairment provisions are reflected as a component of income.

If, in a subsequent period, the fair value of an impaired available-for-sale investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated statement of

income, the impairment provision is reversed, with the amount of the reversal recognised in consolidated statement of income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised directly in consolidated statement of other comprehensive income.

In addition to the specific identified losses in the corporate financing portfolio, the group also introduced a portfolio impairment provisions methodology for its regular/ performing portfolio to cover the inherent risk of losses. Provision is made based on historical loss experience of different economic sectors adjusted by management best estimate of current and future market conditions.

b) Cash reserve requirement
Central Bank of UAE requires certain percentage of customer account balances to be kept as cash reserve with the central Bank. Such reserve does not earn any profit.

c) Due from banks
Represents the Bank's balances with correspondent banks, and are stated at cost less allowance for impairment, if any.

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

Impairment testing is conducted at each reporting date.

Investment properties are derecognised when either they have been disposed off or when they are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

e) Fixed Assets
Fixed assets include both leased and owned asset are recorded at cost, less accumulated depreciation and impairment allowance, if any. Depreciation is provided on a straight-line basis over estimated useful lives of all fixed assets, other than freehold land which is not depreciated. Useful lives of assets are mentioned below:

Leasehold improvements	3 years
Furniture	4 years
Equipments	4 years
Motor vehicles	3 years
Computer hardware	4 years
Computer software	3 years

Capital work in progress are stated at cost. When commissioned, they are transferred to the appropriate fixed assets category and depreciated in accordance with the Group's policies.

f) Customer accounts
The Bank accepts customer investment and savings accounts either on Mudaraba basis or on Wakala basis, where as current accounts and other similar in nature accounts.

g) 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 the said Wakala generates profit or loss; while the share of the profit, if any, is an incentive for the Wakeel to achieve a return higher than expected. The Wakala profit, if any, goes to the Muwakkil, and he bears the loss. However, the Wakeel bears the loss in cases of default, negligence or violation of any of the terms of the Investment Wakala.

h) Revenue recognition
Murabaha
The profit is quantifiable and contractually determined at the commencement of the contract; profit is recognised as it accrues over the period of the contract on effective yield basis.

Ijarah
Income from Ijarah is recognised on an accrual basis on effective yield basis.

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

Istisna'a
Income from Istisna'a represents the profit during the construction period of the underlying assets and is calculated based on the effective yield basis.

Mudaraba
Income or losses on mudaraba financing are recongized on an effective yield basis if they can be reliably estimated. Otherwise, income is recongised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Musharaka
Income is accounted on the basis of the reducing balance on a time apportioned basis that reflects the effective yield on the assets.

Sukuk
Income is accounted for over the term of the Sukuk on an effective yield basis.

Dividend income
Dividend income is recognised in the consolidated statement of income when Bank's right to receive income is established.

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

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

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

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

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

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

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

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

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Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

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

- Net income realised from Mudaraba Pool, at the end of each quarter, represents the net profit available for distribution.
- Net profit available for distribution between unrestricted account holders and shareholders is calculated after deducting the Mudarib fee as per the agreed and declared percentage.
- Profit Distribution is on a pro rata-basis of the weighted average balances of unrestricted customers accounts and Shareholders' funds. No priority is given to either party in the Mudaraba Pool.

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

m) Contingent liabilities
Contingent liabilities are not recognised in the consolidated statements of financial position. These are disclosed unless the possibility of an outflow of funds embodying economic benefits is remote.

n) Earnings per share
The calculation of earnings per share is calculated by dividing the profit or loss for the year by the weighted average number of shares outstanding during the year.

o) Operating segment
The Group presents segment information in respect of its business segment in accordance with the internal management model. An operating segment is the component of the Group that engages in business activities from which it may earn revenues and incur expenses including inter group transactions. Operating results are reviewed regularly by the Group management to make decision about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

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

q) New standards and interpretation not yet adopted
A number of new standards, amendments to standard and interpretation are not yet effective for the year ended 31 December 2011, and have not been early adopted by the Group in preparing the consolidated financial statements:

IFRS - 9	Financial Instruments: Effective 1 January 2013;
IFRS - 10	Consolidated Financial Statements: Effective 1 January 2013
IFRS - 12	Disclosure of interest in other entities: Effective 01 January 2013;
IFRS – 13	Fair value measurement: Effective 1 January 2013

Management is assessing the impact of these changes and preparing itself for implementation at respective due dates.

4. CASH, AND BALANCES WITH U.A.E CENTRAL BANK

	2011 AED'000	2010 AED'000
Cash in hand	114,740	88,220
Balances with U.A.E Central Bank	-	-
Current accounts	37,096	24,508
Reserve requirements	1,043,331	1,008,738
	1,195,167	**1,121,466**

5. DUE FROM BANKS

	2011 AED'000	2010 AED'000
Due from local banks	24	46
Due from foreign banks	89,217	68,767
	89,241	**68,813**

6. DUE FROM GROUP HOLDING COMPANY, NET

	2011 AED'000	2010 AED'000
Murabaha, short term	4,725,326	15,447,417
Wakala	(1,256,365)	(3,370,420)
Deposit exchange (profit free), net	50,000	30,820
Other balances	18,170	264,457
	3,537,131	**12,372,274**

7. FINANCING RECEIVABLES

	2011 AED'000	2010 AED'000
Murabaha	5,117,074	4,852,377
Ijarah	5,941,482	5,829,779
Istisna'a	1,087,428	1,570,624
Financing Wakala	1,746,843	2,631,590
Musharaka	200,000	-
Mudarabah	73,460	-
Secured Overdrafts	183,855	608,540
Credit card receivables	569,020	531,474
	14,919,162	**16,024,384**
Less: Deferred income	(598,567)	(576,329)
Less: Allowances for impairment	(1,351,554)	(822,333)
	12,969,041	**14,625,722**
Movements in allowances for specific impairment:		
Balance at the beginning of the year	580,485	345,026
Allowances for impairment made during the year	446,680	264,560
Recoveries/write backs during the year	(19,599)	(29,101)
Balance at the end of the year	**1,007,566**	**580,485**
Movements in allowances for collective impairment:		
Balance at the beginning of the year	241,848	194,048
Allowances for impairment made during the year	102,140	47,800
Balance at the end of the year	**343,988**	**241,848**
	1,351,554	**822,333**

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Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

8. INVESTMENTS

	2011 AED'000	2010 AED'000
Fair value through profit or loss		
Equity shares	90,283	143,381
Funds	-	492,834
	90,283	**636,215**
Available-for-sale		
Equity shares	677,036	657,086
Funds	869,479	895,745
Sukuks	53,766	-
	1,600,281	**1,552,831**
Held-to-maturity		
Sukuks	687,236	776,710
	2,377,800	**2,965,756**
Less: Allowance for impairment	(180,209)	(125,796)
	2,197,591	**2,839,960**
Investment securities comprise:		
Quoted	184,709	702,288
Unquoted	2,012,882	2,137,672
	2,197,591	**2,839,960**
Investments located at:		
Investments within UAE	1,620,864	1,721,951
Investments outside UAE	576,727	1,118,009
	2,197,591	**2,839,960**
Movements in allowances for impairment:		
Balance at the beginning of the year	125,796	17,871
Allowances for impairment made during the year	54,413	107,925
Balance at the end of the year	**180,209**	**125,796**

8.1 FAIR VALUE OF FINANCIALS ASSETS

	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
2011				
Available-for-sale financial assets	190,183	-	1,410,098	1,600,281
Financial assets designated at fair value through profit or loss	90,283	-	-	90,283
	280,466	**-**	**1,410,098**	**1,690,564**
2010				
Available-for-sale financial assets	136,417	-	1,416,414	1,552,831
Financial assets designated at fair value through profit or loss	462,871	173,344	-	636,215
	599,288	**173,344**	**1,416,414**	**2,189,046**

Reconciliation of securities, classified under level 3	2011	2010
Balance at the beginning of the year	1,416,414	1,661,512
Investment made during the year	19,950	-
Repayment/redemptions during the year	(23,204)	(244,989)
Revaluation of foreign currency investment	(3,062)	(109)
Balance at the end of the year	**1,410,098**	**1,416,414**

9. INVESTMENT PROPERTIES

	2011	2010
	AED'000	AED'000
Balance at the beginning of the year	1,510,072	1,498,910
Addition during the year	22,578	21,693
Properties sold	-	(9,931)
Transfer to fixed assets /other assets	(4,380)	(600)
	1,528,270	1,510,072
Less: Accumulated depreciation	(67,673)	(42,529)
Less: Allowances for impairment	(349,280)	(149,625)
	1,111,317	**1,317,918**
Investment properties comprise:		
Lands	521,873	602,015
Buildings, net	589,444	715,903
Balance at the end of the year	**1,111,317**	**1,317,918**
Movements in allowances for impairment:		
Balance at the beginning of the year	149,625	10,283
Allowances for impairment made during the year	199,655	139,342
Balance at the end of the year	**349,280**	**149,625**

The fair value of investment properties as of 31 December 2011 is AED 1,111,317,000 (2010: AED 1,317,918,000), based on valuation conducted by independent valuers and management's own assessment for expected benefit to be derived from these buildings over their expected useful lives.

All investment properties are located within the United Arab Emirates.

10. PREPAYMENTS AND OTHER ASSETS

	2011	2010
	AED'000	AED'000
Dividend and profit receivable	8,373	8,356
Overdraft accounts (profit free)	31,972	67,516
Bills under Letters of Credits	2,888	28,336
Prepaid expenses	15,935	22,235
Deferred sales commissions	16,518	16,058
Contingent customer acceptances	90,096	73,602
Goods available-for-sale	7,714	8,532
Others	111,893	71,222
	285,389	**295,857**

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Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

11. FIXED ASSETS

2011	Freehold land	Leasehold improvements	Furniture	Equipments	Motor vehicles	Computer hardware & software	Capital work in progress (C-WIP)	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
COST								
As at 1 January 2011	46,200	70,331	14,284	18,601	1,207	32,044	24,023	206,690
Additions	-	1,477	512	998	139	1,724	8,986	13,836
Transfer from C-WIP	-	3,413	450	700	-	7,475	(12,038)	-
Transfer from investment properties	4,380	-	-	-	-	-	-	4,380
Disposals	-	(3,253)	-	-	(56)	-	-	(3,309)
As at 31 December 2011	**50,580**	**71,968**	**15,246**	**20,299**	**1,290**	**41,243**	**20,971**	**221,597**
ACCUMULATED DEPRECIATION								
As at 1 January 2011	-	(51,346)	(9,878)	(14,475)	(1,106)	(25,380)	-	(102,185)
Charge for the year	-	(11,825)	(2,401)	(2,207)	(114)	(5,180)	-	(21,727)
Disposals	-	1,177	-	-	56	-	-	1,233
As at 31 December 2011	**-**	**(61,994)**	**(12,279)**	**(16,682)**	**(1,164)**	**(30,560)**	**-**	**(122,679)**
Net book value as at 31 December 2011	**50,580**	**9,974**	**2,967**	**3,617**	**126**	**10,683**	**20,971**	**98,918**

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Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

2010	Freehold land	Leasehold improvements	Furniture	Equipments	Motor vehicles	Computer hardware & software	Capital work in progress (C-WIP)	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
COST								
As at 1 January 2010	-	61,896	13,420	17,638	1,200	31,237	22,394	147,785
Additions	46,200	9,722	556	467	-	250	(10,995)	46,200
Transfer from C-WIP	-	1,611	308	568	84	1,043	12,624	16,238
Disposals	-	(2,898)	-	(72)	(77)	(486)	-	(3,533)
As at 31 December 2010	**46,200**	**70,331**	**14,284**	**18,601**	**1,207**	**32,044**	**24,023**	**206,690**
ACCUMULATED DEPRECIATION								
As at 1 January 2010	-	(40,223)	(6,881)	(11,624)	(1,017)	(20,124)	-	(79,869)
Charge for the year	-	(13,919)	(2,997)	(2,923)	(129)	(5,256)	-	(25,224)
Disposals	-	2,796	-	72	40	-	-	2,908
As at 31 December 2010	**-**	**(51,346)**	**(9,878)**	**(14,475)**	**(1,106)**	**(25,380)**	**-**	**(102,185)**
Net book value as at 31 December 2010	**46,200**	**18,985**	**4,406**	**4,126**	**101**	**6,664**	**24,023**	**104,505**

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

12. CUSTOMERS' ACCOUNTS

	2011 AED'000	2010 AED'000
Current accounts	4,202,644	3,736,722
Saving accounts	1,710,536	1,377,822
Investment accounts	8,015,538	8,579,626
Wakala accounts	3,099,326	10,434,266
Margins	97,108	94,429
	17,125,152	**24,222,865**

Customers' accounts concentrated as follows:		
Resident customer accounts	16,617,431	23,136,315
Non-Resident customer accounts	507,721	1,086,550
	17,125,152	**24,222,865**

13. DUE TO BANKS

Current accounts	8,186	4,169
Clearing accounts with U.A.E Central Bank	-	391
Overdraft with correspondents	22	7
Investment accounts	79,426	79,426
Wakala accounts	-	3,628,083
	87,634	**3,712,076**

Due to banks concentrated as follows:		
Due to local banks	-	3,357,050
Due to foreign banks	87,634	355,026
	87,634	**3,712,076**

14. OTHER LIABILITIES

Investment, saving and wakala accounts' share of profit (Note 29)	60,357	219,922
Provision for employee benefits	78,821	61,900
Manager Cheques	49,806	109,266
Trade payables	53,094	33,962
Contingent customer acceptances	90,096	73,602
Properties related liabilities	148,837	211,969
Forfeited income	569	637
Customer related liabilities	-	49,785
Others	228,418	29,779
	709,998	**790,822**

15. INVESTMENT WAKALA

The Bank has received funds, on Wakala basis, aggregating to AED 1,081,872,000 in December 2008 from the Ministry of Finance, Government of UAE, payable after five years (extendable up to seven years), subject to certain conditions as per the Wakala agreement, and carries profit at the rate of 4.5% (2010: 4%).

Emirates Islamic Bank (Public Joint Stock Company)

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

16. SHARE CAPITAL

	2011 AED'000	2010 AED'000
Authorised Share Capital		
3,000,000,000 (2010: 3,000,000,000) ordinary shares of AED 1 each (2010: AED 1 each)	3,000,000	3,000,000
Issued and fully paid up capital		
2,430,422,000 (2010: 2,430,422,000) ordinary shares of AED 1 each (2010: AED 1 each)	2,430,422	2,430,422

17. STATUTORY RESERVE & GENERAL RESERVE

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

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

18. NON-CONTROLLING INTEREST

Non controlling interest of AED 43,384,000 (2010: AED 90,441,000) represents the 60% of shares of Ithmar Real Estate Development Co. not owned by the Bank (note 1). Amount included in the profit and loss of AED 47,057,000 (2010: AED 1,922,000) represents the loss for the year ended 31 December 2011 of 60% on shares (not owned by the Bank) of Ithmar Real Estate Development Company.

19. COMMITMENTS AND CONTINGENT LIABILIITES

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

	2011 AED'000	2010 AED'000
Letters of guarantee	2,440,567	2,672,211
Letters of credit	499,245	404,703
Irrevocable financing commitments	1,240,432	1,069,488
Capital expenditure commitments	155,195	29,005
Commitments in respect of operating lease	24,699	33,151
	4,360,138	**4,208,558**

Commitments in respect of operating lease

Less than one year	16,323	17,515
Between one and five years	8,376	15,485
More than five years	-	151
	24,699	**33,151**

20. ASSETS UNDER MANAGEMENT - SUKUK

During June 2007, the Bank has facilitated issuance of "Investment Sukuk" aggregating to AED1,285,550,000 (US$ 350,000,000) (2009: AED 1,285,550,000) through the sale of "Ijarah Assets" at carrying value to Emirates Islamic Bank Sukuk Company Limited ("the Issuer"). These Sukuk are issued by the Issuer who is also acting as the trustee for the Sukuk holders.

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

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

21. INCOME FROM FINANCING ACTIVITIES, NET

	2011 AED'000	2010 AED'000
Commodities Murabaha	83,862	120,080
Vehicles Murabaha	159,891	174,869
Syndication Murabaha	6,089	9,105
Real Estates Murabaha	15,907	18,901
Ijarah	327,010	407,557
Istisna'a	20,999	50,444
Financing wakala	78,938	131,441
Others	7,255	7,486
	699,951	**919,883**

22. (LOSS)/INCOME FROM INVESTMENT SECURITIES, NET

Realised gain/(loss) - fair value through profit or loss	1,222	(5)
Realised gain - available for sale investments	2,204	18,365
Unrealised loss - fair value through porfit or loss	(99,996)	(32,391)
Dividend Income - fair value through profit or loss	14,591	12,411
Investing profit - available-for-sale investments	656	3,741
Investing profit - held-to-maturity investments	35,792	46,970
	(45,531)	**49,091**

23. INCOME FROM GROUP HOLDING COMPANY, NET

Short term murabaha	266,353	496,940
Investment wakala	(25,711)	(151,521)
	240,642	**345,419**

24. PROPERTY RELATED INCOME, NET

Rental income	25,836	24,040
Gain on sale of investment properties	-	3,772
Property related expenses	(6,535)	(4,796)
	19,301	**23,016**

25. COMMISSION AND FEE INCOME, NET

	2011 AED'000	2010 AED'000
Commissions and fees	130,367	162,801
Portfolio and management fees	4,025	6,507
Front end fees	8,922	7,425
Sukuk management fees	74,735	57,102
Others	31,514	19,140
	249,563	**252,975**
Less: Commissions and fees paid	(11,659)	(19,733)
	237,904	**233,242**

26. OTHER OPERATING INCOME, NET

Foreign exchange gains, net	29,799	32,489
Others	8,794	48,397
	38,593	**80,886**

Others for the year 2010 include gain of AED 46,200,000, recognised on land donated by Government of Dubai (Note 11).

27. GENERAL AND ADMINISTRATIVE EXPENSES

Staff related expenses	(303,455)	(268,740)
Administrative & operating expenses	(104,853)	(84,659)
Depreciation of fixed assets (Notes 11)	(21,727)	(25,224)
	(430,035)	**(378,623)**

28. ALLOWANCES FOR IMPAIRMENT, NET OF RECOVERIES

Financing receivables		
Allowances made during the year	(548,820)	(312,360)
Recoveries	19,599	29,101
	(529,221)	(283,259)
Investments		
Allowances made during the year	(54,413)	(107,925)
	(54,413)	(107,925)
Investment properties		
Allowances made during the year	(209,868)	(139,342)
Reversal	10,213	-
	(199,655)	(139,342)
	(783,289)	**(530,526)**

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

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

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

	2011 AED'000	2010 AED'000
Paid during the year	(340,587)	(445,937)
Profit Payable (Note 14)	(60,357)	(219,922)
	(400,944)	**(665,859)**

30. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on loss of AED (401,495,000) (2010: earnings of AED 61,262,000), for the year divided by the weighted average of the number of shares outstanding during the year: 2,430,422,000 shares (2010: 2,430,422,000 shares).

No figures for diluted earnings per share have been presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

31. CASH AND CASH EQUIVALENTS

Cash (Note 4)	114,740	88,220
Current account with U.A.E Central Bank (Note 4)	37,096	24,508
Due from Group Holding Company maturing within 3 months	2,508,590	15,057,552
Due from banks (Note 5)	89,241	68,813
Due to banks (Note 13)	(8,208)	(4,567)
	2,741,459	**15,234,526**

32. RELATED PARTY TRANSACTIONS

The ultimate parent of the Group is Investment Corporation of Dubai (55.6%), a company in which the Government of Dubai is the majority shareholder.

Customer accounts and financing to Government related entities other than those that have been individually disclosed amount to 12.52% and 3.77% of the total customer accounts and financing receivables of the Group respectively.

These entities are independently run business entities, and all the financial dealings with the Group are on an agreed basis.

The Group has also entered into transactions with certain other related parties who are non government related entities. Such transactions were also made on substantially the same terms, including profit rates and collaterals, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Related party transactions are as follows:

	2011 AED'000	2010 AED'000
Consolidated statement of income		
Loss from funds managed by Group Holding Company, net of dividend	(60,369)	(18,474)
Income from Group Holding Company, net (Note 23)	240,642	345,419
Key management personnel compensations	8,718	13,105
Key management personnel compensations - retirements benefits	363	431
Fees received in respect of funds managed by the Group	2,673	13,406

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

32. RELATED PARTY TRANSACTIONS (continued)

	2011 AED'000	2010 AED'000
Consolidated statement of financial position		
Due from Group Holding Company, net (Note 6)	3,537,131	12,372,274
Investment in funds managed by the Group	-	492,834
Financing receivables - Directors & affiliates	8,394	48,844
Financing receivables - Key management personnel & affiliates	33,416	14,404
Current and Investment accounts - Directors	6	15,546
Current and Investment accounts - Key management personnal	14,142	14,512
Current and Investment accouts - ultimate parent	-	618,509
Investment in Government of Dubai Sukuk	55,095	55,095
Sale of investments to Group Holding Company	378,797	-
Assets under management		
EIB Sukuk Company (Note 20)	1,285,550	1,285,550

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relations at the period end.

33. OPERATING SEGMENT

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 NBD.

Emirates Islamic Bank (Public Joint Stock Company)

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

33. OPERATING SEGMENT (continued)

	Corporate & Investment		Retail		Treasury		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Consolidated statement of income								
Segment income	490,502	771,848	258,257	285,530	240,644	258,701	989,403	1,316,079
Inter segment wakala income	(84,580)	(244,707)	226,554	344,353	(141,974)	(99,646)	-	-
Commission, Fees & Other Income	77,254	140,687	109,444	137,669	14,756	57,072	201,454	335,428
Total income	**483,176**	**667,828**	**594,255**	**767,552**	**113,426**	**216,127**	**1,190,857**	**1,651,507**
General and administrative expenses	(140,003)	(124,044)	(287,193)	(254,579)	(39)	-	(427,235)	(378,623)
Depreciation of investment properties	(25,144)	(17,189)	-	-	-	-	(25,144)	(17,189)
Total expenses	**(165,147)**	**(141,233)**	**(287,193)**	**(254,579)**	**(39)**	**-**	**(452,379)**	**(395,812)**
Net operating income	**318,029**	**526,595**	**307,062**	**512,973**	**113,387**	**216,127**	**738,478**	**1,255,695**
Allowances for impairment, net of recoveries	(735,496)	(405,020)	(47,793)	(125,506)	-	-	(783,289)	(530,526)
	(417,467)	**121,575**	**259,269**	**387,467**	**113,387**	**216,127**	**(44,811)**	**725,169**
Investment, saving and wakala accounts' share of profit	(187,098)	(316,600)	(212,854)	(349,259)	-	-	(399,952)	(665,859)
Net (loss)/profit for the year	**(604,565)**	**(195,025)**	**46,415**	**38,208**	**113,387**	**216,127**	**(444,763)**	**59,310**
Attributable to:								
Equity holders of the Bank							(401,495)	61,262
Non-controlling interest							(47,057)	(1,922)
Net (loss)/profit for the year							**(448,552)**	**59,340**

Emirates Islamic Bank (Public Joint Stock Company)

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

33. OPERATING SEGMENT (continued)

	Corporate & Investment		Retail		Treasury		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Consolidated statement of financial position								
ASSETS								
Segment assets	11,644,544	13,881,925	4,633,920	4,901,677	3,778,208	12,553,814	20,056,672	31,337,416
Central Bank Reserve Requirements	417,332	403,495	625,999	605,243	-	-	1,043,331	1,008,738
Unallocated assets	-	-	-	-	-	-	384,308	400,361
Total Assets	**12,061,876**	**14,285,420**	**5,259,919**	**5,506,920**	**3,778,208**	**12,553,814**	**21,484,311**	**32,746,515**
LIABILITIES								
Segment liabilities	5,232,917	12,262,204	13,122,097	16,928,118	-	39,248	18,355,014	29,229,570
Unallocated liabilities	-	-	-	-	-	-	651,210	589,769
Total Liabilities	**5,232,917**	**12,262,204**	**13,122,097**	**16,928,118**	**-**	**39,248**	**19,006,224**	**29,819,339**
Shareholders' equity	-	-	-	-	-	-	2,434,702	2,836,735
Non-Controlling Interest	43,384	90,441	-	-	-	-	43,384	90,441
Total Equity	**43,384**	**90,441**	**-**	**-**	**-**	**-**	**2,478,086**	**2,927,176**

34. RISK MANAGEMENT

Risk management framework and processes:
The complexity in the Group's business operations and diversity of geographical locations requires identification measurement, aggregation and effective management of risk. The Group manages its risks through a comprehensive risk management framework which incorporates organisational structure, risk measurement and monitoring processes.

The key features of the Group's comprehensive risk management framework are:
- The Board of Directors ("the Board") has the overall responsibility of managing risk and provides the overall risk management direction and oversight.
- The Group's overall risk management process is managed by the Group risk management function ("Group Risk"), headed by the Chief Risk Officer ("CRO"). This function is independent of the business divisions.
- Credit, market, operational and liquidity risks are managed in a coordinated manner within the organization.
- Board committees meet regularly and are responsible for monitoring compliance with the risk management policies and procedures, and reviewing the adequacy of the risk management framework.

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

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

a) Credit risk

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

Credit risk management and structure:
The approach to credit risk management is based on the foundation of preserving the independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structures in the business segments.

The Group's credit policy focuses on the core credit policies and includes lending parameters, target businesses, specific policy guidelines, management of high risk customers, provisioning guidelines and cross over activity.

The Board of Directors (BOD) and the Board Credit and Investment Committee ("BCIC") have delegated authority to certain members of the senior management to facilitate and effectively manage the business. A chain of specific delegated limits are vested upon individuals starting from business unit levels to the Chief Executive Officer ("CEO"). However, the Board and the BCIC retain the ultimate authority to approve larger credits.

Management of corporate credit risk:
The process of managing corporate credit risk is as follows:
- Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment considers the purpose of the facility, sources of re-payment, prevailing and potential macro-economic factors, industry trends and the customer's standing within the industry.
- The credit facility administration process is undertaken by a segregated function to ensure proper execution of all credit approvals and maintenance of documentation and proactive controls over maturities, expiry of limits and collateral valuations.

34. RISK MANAGEMENT (Continued)

- Borrower risk grading - Presently each borrower is rated on a scale of 1 to 5, in line with Central Bank of the UAE requirements. While preparing Internal rating models, each borrower is also in parallel risk graded along a 28 grade Master scale according to its risk characteristics. The Master scale introduced during the latter part of the year has twenty-four performing grades from 1a to 4f and four non-performing or default grades from 5a to 5d. Rating models have been developed and implemented across various business segments of the Group, and are presently under validation/testing.
- Management of high risk accounts - This includes identification of delinquent accounts and controls applicable for close monitoring. Policies on profit suspension and provisioning are strictly adhered to thereby reflecting actual income and quality of assets.
- Exceptions monitoring and management - Exceptions are monitored and managed in line with credit policies.

Management of consumer credit risk:
- An independent unit formulates retail credit policies and monitors compliance.
- Policies are reviewed and updated on a regular basis to ensure that current market trends are considered on a timely basis.
- Retail lending is handled through a workflow driven system that assists underwriters in assigning limits and in the approval of exceptions.
- All new products are evaluated against approved policy guidelines. The evaluation takes into account the risk and reward dynamics.
- The risk grade of an account reflects the associated risks measured by the delinquency history. Application and behavior probability of defaults ("PDs") are used to map retail exposures to the Masters scale, which is presently under validation/testing.

Credit risk monitoring:
The Group's exposures are continuously monitored through a system of triggers and early warning signals, which are used in the risk grading process. These are supplemented by monitoring of account conduct, valuation of collateral and market intelligence.

The health of the Group's credit portfolio is continuously assessed/ monitored on the basis of exception/management information reports/returns generated by the business units. Credit risk is also monitored on an ongoing basis with formal monthly and quarterly reporting to ensure senior management is aware of shifts in the credit quality of the portfolio along with changing external factors.

A specialised team in holding company "Special Loans Group" handles the management and collection of problem credit

Group credit risk mitigation strategy:
The Group operates within:
1. Exposure ceilings imposed by the Central Bank of the UAE;
2. Exposure ceilings imposed by the Board / BCIC / management;
3. Country limits approved by the Board / BCIC / management; and
4. Various sectoral / product ceilings.

Portfolio diversification is the basis of the Group's credit risk mitigation strategy. Diversification is achieved by setting customer, industry and geographical limits.

The Group monitors concentrations of credit risk by economic activity sector. The analysis by economic activity is as follows:

Analysis by economic activity	2011		2010	
	AED'000		AED'000	
	Financing Receivables	Others	Financing Receivables	Others
Agriculture and related activities	457	-	58	-
Mining and quarrying	-	-	46	-
Manufacturing	377,305	87,363	319,907	116,048
Construction	515,458	-	726,620	2,310
Trade	824,811	-	667,351	-
Transportation and communication	162,886	-	195,299	2,023
Services	1,048,554	51,000	1,075,428	124,376
Sovereign	-	164,368	-	179,241

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

34. RISK MANAGEMENT (Continued)

Group credit risk mitigation strategy: (Continued)

Analysis by economic activity	2011 AED'000 Financing Receivables	2011 AED'000 Others	2010 AED'000 Financing Receivables	2010 AED'000 Others
Personal	5,782,305	-	5,553,687	-
Real estates	4,455,436	1,244,832	5,394,276	1,491,191
Financial institutions	1,331,109	919,478	1,893,208	1,026,108
Others	420,841	-	198,504	93,272
Total	14,919,162	2,467,041	16,024,384	3,034,569
Less: Deferred income	(598,567)	-	(576,329)	-
Less: Allowances for impairment	(1,351,554)	(180,209)	(822,333)	(125,796)
Net Carrying Value	**12,969,041**	**2,286,832**	**14,625,722**	**2,908,773**

Collateral management:
Credit risk assessment identifies the primary sources of repayment which are the obligor's normal business cash flows and/or normal personal income. Where credit facilities are secured by collateral, the Group seeks to ensure the enforceability of the facilities.

Acceptable collateral includes deposit marked with lien, mortgage over land and property, movable assets including inventory, securities, investment grade bonds, gold and guarantees. The maximum lending value and the valuation frequencies are documented in the corporate credit policy.

Collaterals are revalued as a general rule as per the policy. However adhoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Group to assess the fair market value of the collateral and ensure that risks are appropriately covered.

Collaterals and guarantees are effectively used as mitigating tools by the Group. The quality of collateral is continuously monitored and assessed.

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group generally does not use non-cash collateral for its own operations.

Risk gross maximum exposure:
The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of use of master netting and collateral agreements.

	2011 AED'000	2010 AED'000
Balances with U.A.E Central Bank	1,080,427	1,033,246
Due from banks	89,241	68,813
Due from Group Holding Company, net	3,537,131	12,372,274
Financing receivables	12,969,041	14,625,722
Investments	741,002	776,710
Other assets	133,329	177,810
Total	**18,550,171**	**29,054,575**
Contingent liabilities	4,180,244	4,146,402
Total credit risk exposure	**22,730,415**	**33,200,977**

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

34. RISK MANAGEMENT (Continued)

Credit quality analysis:
The credit quality of financial assets is managed by the Group. The table below shows the credit quality by class of financial assets, based on the Groups credit rating policy.

	Carrying amount	Of which neither impaired nor past due on reporting date			Of which past due but not impaired on the reporting date				Of which individually impaired		Gross amount
2011		Low/ Fair risk	Watch list	Re-negotiated terms	< 30 days	30-60 days	61-90 days	> 90 days	Carrying amount	Allowance for impairment	
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Due from banks and Group Holding Company	3,626,372	3,626,372	-	-	-	-	-	-	-	-	-
Financing receivables:											
Retail	4,747,587	4,360,953	-	-	261,042	46,999	19,932	-	58,660	390,628	449,288
Corporate	8,565,442	2,415,067	1,438,078	1,598,703	452,255	106,715	371,119	661,281	1,522,223	616,938	2,139,161
Investments:											
Debt securities	721,588	652,850	-	-	-	-	-	-	68,738	19,414	88,152
2010											
Due from banks and Group Holding Company	12,441,087	12,441,087	-	-	-	-	-	-	-	-	-
Financing receivables:											
Retail	4,697,240	4,247,315	-	3,909	270,105	83,638	32,673	-	59,600	326,256	385,856
Corporate	9,928,482	4,716,865	1,283,322	2,654,815	11,532	4,717	30,380	207,076	1,019,775	254,229	1,274,004
Investments:											
Debt securities	768,062	765,691	-	-	-	-	-	-	2,371	8,648	11,019

34. RISK MANAGEMENT (Continued)

Financing with renegotiated terms

Financing with renegotiated terms are loans, the repayment plan of which have been restructured to align with the changed cash flows of the borrower with no other concessions by way of reduction in the amount or profit, but in some instances with improved security. These financing are treated as standard loans and continue to be reported in the renegotiated loans category until satisfactory compliance with the revised terms for a period of twelve months from the date of restructuring. Renegotiated financing are secured by a combination of tangible security and corporate/personal guarantees.

Watch list

The asset portfolio is reviewed quarterly at a minimum. Potential problem credits are identified in time and transferred to "watch list" category for close monitoring.

Past due but not impaired

Exposures where contractual profit or principal payment are past due for more than 90 days but the Group believes, on individual assessment, that the impairment is not appropriate considering the borrower's ability to pay, past track record, overall exposure levels, materiality of the past due, types of collaterals, quality of the borrower's receivables and/or the stage of collection of the amounts owed to the Group.

Definition of impaired financial assets

A counterparty is marked as impaired if:

1. In case of corporate exposures, the Group considers the counterparty unlikely to pay due to one of the following conditions:
   - A material credit obligation has been put on non-accrual status;
   - Distressed restructuring of a credit obligation;
   - Selling of a credit obligation at an economic loss; and
   - The Group or a third party has filed for the counterparty's bankruptcy.

2. In case of retail, if the exposure is past due for more than 90 days, it is considered to be impaired.

Impairment assessment

The asset portfolio is reviewed at least quarterly at a minimum or as often as necessitated. The accrual or non-accrual status of the asset is re-assessed and appropriately risk graded as per the credit policy on risk grades. Impaired assets are classified as such through approvals on a credit memorandum and reported at least on quarterly intervals to the Board sub committees.

Measurement of specific impairment

Corporate banking: The Group determines the allowances appropriate for each individually significant loan or advance on an individual basis. The impairment losses are evaluated at each reporting date. Allowances are made in accordance with IFRS where early warning signs of losses are evident. Specific impairment is assessed when a credit exposure shows a significant perceived decline in the credit quality or when an obligation is past due or over-limit for more than 90 days.

Consumer banking: Criteria for provisions are based on products, namely, credit cards and other retail loans. All retail loans are classified as non-performing at 90 days and provisions are made in line with the Group's income and loss recognition policies.

Measurement of collective impairment

Provisions for collective impairment are made based on the IAS 39 guidelines. Impairments that cannot be identified with an individual loan are identified on a portfolio basis. The Group has adopted the following methodologies for determining the collective portfolio impairment provisions:

Corporate banking: Historical loss rates for different industry sectors are calculated to determine the collective impairment provisions for the corporate portfolios. To ensure that the impact of economic cycles is incorporated, the loss rates are benchmarked against published default histories observed over economic cycles in different markets. Industry specific adjustments are made to reflect the current market conditions. A number of stress scenarios are run to ensure that the reserves are adequate and reflect a realistic level of collective impairment provisions.

Consumer banking: Collective impairment provisions for the retail portfolios are determined based on a flow rates methodology. Flow rates for various retail loan products are monitored over a period of time to determine the average flow rates. The flow rates and average loss rates for various historical windows are considered to determine the appropriate level of collective impairment provisions.

Emirates Islamic Bank (Public Joint Stock Company)

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

34. RISK MANAGEMENT (Continued)

b) Market risk

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

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

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group is not significantly exposed to any currency risk as it does not hold any open position is foreign currencies.

ii. Profit rate risk

Profit rate or pricing risk, comprising market and valuations risk, are managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value. Overall pricing or profit rate risk positions are managed by the Asset and Liability Committee (ALCO). If the market profit rate (EIBOR) declines by 100 basis points it will result in decline of income from financing receivables by AED 59,000,000 (2010: AED 58,000,000).

The Bank is not significantly exposed to risk in terms of the repricing of its liabilities since primarily in accordance with Islamic Sharia, the Bank does not provide a contractual rate of return to its depositors.

iii. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as available for sale at 31 December 2010) due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	31-December-2011			31-December-2010		
	% Change in market indices	Effect on net profit AED' 000	Effect on OCI AED' 000	% Change in market indices	Effect on net profit AED' 000	Effect on OCI AED' 000
Financial market	10	13,233	-	10	20,945	-

c) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, human error or external events. This type of risk includes fraud, unauthorized activities, errors and settlement risk arising from the large number of daily Banking transactions occurring in the normal course of business. There is also a wide variety of business risks such as legal, regulatory, human resources and reputation risks inherent in all business activities.
The Bank has standard policies and procedures for managing each of its divisions, departments and branches so as to minimize loss through a framework which requires all units to identify, assess, monitor and control operational risk. All standard policies and procedures are subject to review and approval by the Board of Directors.

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

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

34. RISK MANAGEMENT (Continued)

The Group has implemented the following processes to proactively monitor and manage operational risks:

- For the assessment of any operational risk of a new or amended product or process prior to its implementation, the Group established the Control Risk Self Assessment (CRSA) process. This enables identification and mitigation of operational risks prior to the introduction of new products, processes, systems or any major change initiatives.

- The internal loss data collection process enables an effective and efficient management of the risk, i.e. analyzing the root cause, improving controls and mitigating the loss potential. The responsibility for the identification of and notification on operational risk events lies with the line managers of the business and support units, i.e. where these events are encountered. The operation risk management function supports the respective units in the analysis of operational risk events and provides Group-wide reporting on these events.

- IT Security processes ensure confidentiality, integrity and availability of Group's information, information systems and its resources through the selection and application of appropriate safeguards. The Group operational risk function ensures that security processes are integrated with strategic and operational planning processes to secure the organization's mission.

- A comprehensive insurance program is in place as an integral component of the Group's operational risk mitigation strategy. The Group Business Continuity Management (BCM) policy enables the implementation of measures to protect the Group's resources and maintain the availability of business operations in the event of a disaster.

d) Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management:

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

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

Liquidity risk monitoring:

All funded liquidity risk positions are monitored and evaluated by Group risk to identify mismatches of future cash inflows and corresponding maturity of liabilities over the short term and by major currencies.

The Group ALCO reviews the funding capacity, and its sensitivity to any key event, based on the judgment of Group Treasury that is responsible for maintaining diversified funding sources within capital and money markets.

The Group applies a prudent mix of liquidity controls which provide security of access to funds without undue exposure to increased costs of funds from the liquidation of assets or aggressive bidding for deposits. The Group's approach to manage the liquidity risk is to ensure that it has adequate funding from diversified sources at all times. The Group ALCO monitors the concentration risk through a combination of indicative triggers (as opposed to prescriptive Limits) that include:

- Depositor concentration;
- Maturity analysis;
- Varied funding programs; and
- Investor diversification.

Liquidity risk mitigation

The ALCO, in conjunction with Treasury is primarily responsible for implementing the liquidity management strategies on structural positions, and maintaining adequate liquidity buffers for possible distress situations. Other business units contribute to overall structural liquidity management through product mix strategies and deposit targets.

The ALCO, in line with the best practices, recognises that users and providers of liquidity as a resource should be incentivized an equitable and transparent manner. This is achieved through the Funds Transfer Pricing (FTP) system which is aligned to charge/compensate for liquidity of the underlying assets or structural nature of underlying liabilities.

34. RISK MANAGEMENT (Continued)

d) Liquidity risk (Continued)

Maturity profile of financial assets and liabilities

	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year to 3 years AED'000	Over 3 years to 5 years AED'000	Over 5 years AED'000	Total AED'000
2011						
ASSETS:						
Cash and balances with U.A.E Central Bank	1,195,167	-	-	-	-	1,195,167
Due from banks	89,241	-	-	-	-	89,241
Due from Group Holding Company, net	1,598,747	1,938,384	-	-	-	3,537,131
Financing receivables	2,563,993	1,204,623	2,177,448	2,724,199	4,298,778	12,969,041
Investments	24,980	925,080	815,446	432,085	-	2,197,591
Other financial assets	40,345	-	-	-	-	40,345
Total Assets	**5,512,473**	**4,068,087**	**2,992,894**	**3,156,284**	**4,298,778**	**20,028,516**
LIABILITIES:						
Customers' accounts	(6,713,094)	(5,962,026)	(4,450,032)	-	-	(17,125,152)
Due to banks	(87,634)	-	-	-	-	(87,634)
Other financial liabilities	(163,826)	-	-	-	-	(163,826)
Zakat payable	(1,053)	-	-	-	-	(1,053)
Investment wakala	-	-	-	(1,081,872)	-	(1,081,872)
Total Liabilities	**(6,965,607)**	**(5,962,026)**	**(4,450,032)**	**(1,081,872)**	**-**	**(18,459,537)**
Liquidity (deficit)/surplus	**(1,453,134)**	**(1,893,939)**	**(1,457,138)**	**2,074,412**	**4,298,778**	**1,568,979**
Cumulative liquidity (deficit)/surplus	**(1,453,134)**	**(3,347,073)**	**(4,804,211)**	**(2,729,799)**	**1,568,979**	

The Group is also exposed to financial commitments disclosed in note 19 to the financial statements.

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

34. RISK MANAGEMENT (Continued)

d) Liquidity risk (Continued)
Maturity profile of financial assets and liabilities (continued)

	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year to 3 years AED'000	Over 3 years to 5 years AED'000	Over 5 years AED'000	Total AED'000
2010						
ASSETS:						
Cash, and balances with U.A.E Central Bank	1,121,466	-	-	-	-	1,121,466
Due from banks	68,813	-	-	-	-	68,813
Due from Group Holding Company, net	11,984,082	388,192	-	-	-	12,372,274
Financing receivables	3,316,868	1,162,959	3,773,436	2,278,074	4,094,384	14,625,721
Investments	48,983	184,428	2,057,087	549,462	-	2,839,960
Other financial assets	75,872	-	-	-	-	75,872
Total Assets	**16,616,084**	**1,735,579**	**5,830,523**	**2,827,536**	**4,094,384**	**31,104,106**
LIABILITIES:						
Customers' accounts	(14,413,497)	(5,789,949)	(4,019,419)	-	-	(24,222,865)
Due to banks	(3,712,076)	-	-	-	-	(3,712,076)
Other financial liabilities	(413,572)	-	-	-	-	(413,572)
Zakat payable	(11,704)	-	-	-	-	(11,704)
Investment wakala	-	-	-	(1,081,872)	-	(1,081,872)
Total Liabilities	**(18,550,849)**	**(5,789,949)**	**(4,019,419)**	**(1,081,872)**	**-**	**(29,442,089)**
Liquidity (deficit)/surplus	**(1,934,765)**	**(4,054,370)**	**1,811,104**	**1,745,664**	**4,094,384**	**1,662,017**
Cumulative liquidity (deficit)/surplus	**(1,934,765)**	**(5,989,135)**	**(4,178,031)**	**(2,432,367)**	**1,662,017**	

The Group is exposed to financial commitments disclosed in note 19 to the financial statements.

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

34. RISK MANAGEMENT (Continued)

d) Liquidity risk (Continued)

Analysis of financial liabilities by remaining contractual maturities

	Carrying amount AED'000	Gross naminal outflows AED'000	Within 3 months AED'000	3 months to 1 year AED'000	1 year to 3 years AED'000	3 years to 5 years AED'000	Over 5 years AED'000
As at 31 December 2011							
FINANCIAL LIABILITES							
Customers' accounts	(17,125,152)	(17,125,152)	(6,713,094)	(5,962,026)	(4,450,032)	-	-
Due to banks	(87,634)	(87,634)	(87,634)	-	-	-	-
Investment wakala	(1,081,872)	(1,306,360)	(13,523)	(40,570)	(170,395)	(1,081,872)	-
	(18,294,658)	**(18,519,146)**	**(6,814,251)**	**(6,002,596)**	**(4,620,427)**	**(1,081,872)**	**-**

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

34. RISK MANAGEMENT (Continued)

e) Legal risk

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

f) Capital Adequacy Ratio

The Bank's capital adequacy ratio is regularly monitored by ALCO and managed by the Group risk, following table shows the details of calculating capital adequacy ratio as at 31 December 2011 and 31 December 2010:

	2011	2010
	AED'000	AED'000
TIER I CAPITAL		
Share capital	2,430,422	2,430,422
Statutory reserve	206,865	206,865
General reserve	112,644	112,644
Cumulative changes in fair value	515	-
(Accumulated losses)/Retained earnings	(315,744)	86,804
Total tier I capital	**2,434,702**	**2,836,735**
TIER II CAPITAL		
Investment Wakala from the Ministry of Finance	1,081,872	1,081,872
Capital base	**3,516,574**	**3,918,607**
RISK WEIGHTED ASSETS		
Credit risk, on-balance sheet items	16,952,005	20,284,321
Credit risk, off-balance sheet items	2,030,445	1,490,648
	18,982,450	**21,774,969**
CAPITAL ADEQUACY RATIO (BASEL I)	**18.53%**	**18.00%**

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

35. FAIR VALUE

Fair value represents the amount at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Difference can therefore arise between book value under the historical cost method and fair value.

The fair value of the Bank's assets and liabilities is not materially different from the carrying value at 31 December 2011 for the reasons set out below:

a. Due from banks

Due from Banks includes current accounts with Banks.

b. Due from Group Holding Company

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

c. Financing receivables

Financing receivables are net of deferred income and allowances for impairment.

Ijarah facilities are given at a variable rate determined, generally, with reference to the market rates besides the usual parameters of tenor and risk evaluation.

The average profit rate on financing receivables at the year end is in line with the rate charged for such financing in the local Banking market.

d. Investments securities

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

e. Investment properties

Investment properties are stated at cost less accumulated depreciation and impairment. The fair value of investment properties is disclosed in note 9.

f. Customers' accounts

A significant portion of customers' accounts comprise investment accounts with an original maturity up to two years. A significant portion of these accounts have been maintained with the Bank for a number of years on a roll over basis.

Customers' accounts primarily comprising profit bearing saving and investment and wakala accounts, paid on quarterly basis, and non-profit bearing current accounts, repayable on demand.

g. Due to Banks

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

h. Other assets and liabilities

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

Carrying and fair value of financial assets and liabilities

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

35. FAIR VALUE (continued)

	2011		2010	
	AED'000		AED'000	
Financial Assets	**Carrying value**	**Fair Value**	**Carrying Value**	**Fair Value**
Due from banks	89,241	89,241	68,813	68,813
Due from Group Holding Company, net	3,537,131	3,537,131	12,372,274	12,372,274
Financing receivables	12,969,041	12,969,041	14,625,722	14,625,722
Investments	2,197,591	2,197,591	2,839,960	2,839,960
Financial Liabilities				
Customers' accounts	17,125,152	17,125,152	24,222,865	24,222,865
Due to banks	87,634	87,634	3,712,076	3,712,076
Investment wakala	1,081,872	1,081,872	1,081,872	1,081,872

36. FINANCIAL INSTRUMENTS

2011

					AED'000
Financial Assets	**Designated at fair value**	**Available for sale**	**Held to Maturity**	**Amortized Cost**	**Total**
Due from banks	-	-	-	89,241	89,241
Due from Group Holding Company, net	-	-	-	3,537,131	3,537,131
Financing receivables	-	-	-	12,969,041	12,969,041
Investments	90,283	1,420,072	687,236	-	2,197,591
Financial Liabilities					
Customers' accounts	-	-	-	17,125,152	17,125,152
Due to banks	-	-	-	87,634	87,634
Investment wakala	-	-	-	1,081,872	1,081,872

2010

					AED'000
Financial Assets	**Designated at fair value**	**Available for sale**	**Held to Maturity**	**Amortized Cost**	**Total**
Due from banks	-	-	-	68,813	68,813
Due from Group Holding Company, net	-	-	-	12,372,274	12,372,274
Financing receivables	-	-	-	14,625,722	14,625,722
Investments	636,215	1,427,035	776,710	-	2,839,960
Financial Liabilities					
Customers' accounts	-	-	-	24,222,865	24,222,865
Due to banks	-	-	-	3,712,076	3,712,076
Investment wakala	-	-	-	1,081,872	1,081,872

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

37. GEOGRAPHICAL DISTRIBUTION OF ASSETS AND LIABILITIES

2011

	GCC	Other Middle East	Europe	North America	Asia	Far East	Others	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
ASSETS:								
Cash and balances with U.A.E Central Bank	1,195,167	-	-	-	-	-	-	1,195,167
Due from banks	5,750	552	29,421	52,654	732	-	132	89,241
Due from Group Holding Company, net	3,537,131	-	-	-	-	-	-	3,537,131
Financing receivables	12,969,041	-	-	-	-	-	-	12,969,041
Investments	1,594,702	603,504	-	-	(615)	-	-	2,197,591
Investment properties	1,111,317	-	-	-	-	-	-	1,111,317
Prepayments and other assets	285,389	-	-	-	-	-	-	285,389
Fixed Assets	98,918	-	-	-	-	-	-	98,918
Total Assets	**20,797,415**	**604,056**	**29,421**	**52,654**	**117**	**-**	**132**	**21,483,795**
LIABILITIES:								
Customers' accounts	16,784,653	92,054	95,151	71,726	46,473	21	35,074	17,125,152
Due to banks	87,612	-	-	22	-	-	-	87,634
Other liabilities	709,998	-	-	-	-	-	-	709,998
Zakat payable	1,053	-	-	-	-	-	-	1,053
Investment wakala	1,081,872	-	-	-	-	-	-	1,081,872
Total Liabilities	**18,665,188**	**92,054**	**95,151**	**71,748**	**46,473**	**21**	**35,074**	**19,005,709**
Shareholders' equity	-	-	-	-	-	-	-	2,434,702
Non-Controlling Interest	-	-	-	-	-	-	-	43,384
Total Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,478,086**

Notes To The Consolidated Financial Statements for the year ended December 31, 2011 (Continued)

37. GEOGRAPHICAL DISTRIBUTION OF ASSETS AND LIABILITIES (continued)

	GCC	Other Middle East	Europe	North America	Asia	Far East	Others	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
2010								
ASSETS:								
Cash, and balances with U.A.E Central Bank	1,121,466	-	-	-	-	-	-	1,121,466
Due from banks	5,569	-	60,129	-	803	-	2,312	68,813
Due from Group Holding Company, net	12,372,274	-	-	-	-	-	-	12,372,274
Financing receivables	14,622,279	-	3,443	-	-	-	-	14,625,722
Investments	2,231,319	603,504	-	-	5,137	-	-	2,839,960
Investment properties	1,317,918	-	-	-	-	-	-	1,317,918
Prepayments and other assets	295,857	-	-	-	-	-	-	295,857
Fixed Assets	104,505	-	-	-	-	-	-	104,505
Total Assets	**32,071,187**	**603,504**	**63,572**	**-**	**5,940**	**-**	**2,312**	**32,746,515**
LIABILITIES:								
Customers' accounts	23,887,453	5,799	146,242	26,640	38,282	-	118,449	24,222,865
Due to banks	3,710,382	-	-	7	-	-	1,687	3,712,076
Other liabilities	790,822	-	-	-	-	-	-	790,822
Zakat payable	11,704	-	-	-	-	-	-	11,704
Investment wakala	1,081,872	-	-	-	-	-	-	1,081,872
Total Liabilities	**29,482,233**	**5,799**	**146,242**	**26,647**	**38,282**	**-**	**120,136**	**29,819,339**
Shareholders' equity	-	-	-	-	-	-	-	2,836,735
Non-Controlling Interest	-	-	-	-	-	-	-	90,441
Total Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,927,176**

38. COMPARATIVE FIGURES

Certain prior year balances have been reclassified to conform to the current year.

List of branches

Branch		P.O.Box	Telephone	Fax
Emirates Islamic Bank Main Branch	Al Gurg Tower 2, Riggat Al Buteen, near Hilton Creek Hotel	6564, Dubai	+971 4 213 1660	+971 4 222 3732
Al Rigga Branch	Omar Bin Al Khattab Street	6564, Dubai	+971 4 224 8442	+971 4 222 5835
Al Garhoud Branch	Sunshine Building, next to Al Tayer Showroom	6564, Dubai	+971 4 282 2454	+971 4 282 1382 / 282 0659
Al Twar Branch	Al Nahda Road, near Al Twar Centre	6564, Dubai	+971 4 7023880	+971 4 261 8056
Abu Hail Branch	Khalifa Al Nayeli Building, Show Room # 2, Plot # 10/1, Hor Al Anz East, near Abu Hail Centre, Abu Hail Road	6564, Dubai	+971 4 266 8566	+971 4 2668 776
Al Mizhar Branch	ASWAQ Centre, near Al Mizhar Mall, Al Mizhar 1	6564, Dubai	+971 4 284 5799	+971 4 284 5796
Nad Al Hamar Branch	Bel Remaitha Club Building Show Rooms # S-8 & S-9, Nad Al Hamar Area, Al Rebat Street	6564, Dubai	+971 4 284 5999	+971 4 284 5224
Al Diyafa Road Branch	Diyafa Street	6564, Dubai	+971 4 398 5478	+971 4 398 7959
Bur Dubai branch	Showroom # 6 & 7, Atrium Centre, Al Mankool, Khalid Bin Al Waleed Road,	6564, Dubai	+971 4 359 7888	+971 4 355 1190
Jebel Ali Branch	Banking Complex, JAFZA Main Gate, Jebel Ali	6564, Dubai	+971 4 881 1133	+971 4 881 1159
Oud Metha Branch	Showroom No. 2 and 3, Eleganza Apartments, Oud Metha	6564, Dubai	+971 4 337 3337	+971 4 334 9703
Khaleej Centre Branch	Al Mankhool Road, near Ramada Hotel	6564, Dubai	+971 4 355 0993	+971 4 355 0224
Sheikh Zayed Branch	Al Wasl Tower, Showroom 2, Sheikh Zayed Road	6564, Dubai	+971 4 331 2020	+971 4 331 3180
Umm Suqueim Branch	Villa A, near Jumeirah Beach Park, Jumeirah Beach Road	6564, Dubai	+971 4 394 9968	+971 4 394 9934
Jumeirah Villa Branch	Villa # 78 & 79, near Village Mall/McDonalds, Jumeirah Beach Road	6564, Dubai	+971 4 344 4243	+971 4 344 9670
Media City Branch	Business Central Towers, Show Room # 16, Dubai Media City, Sheikh Zayed Road	6564, Dubai	+971 4 438 0200	+971 4 438 0204
Dubai Investment Park Branch	Showroom # 2, Dubai Investment House Building, Dubai Investment Park, Dubai	6564, Dubai	+971 4 885 5005	+971 4 887 8934
Dubai Mall Branch	Showroom LG -157, Lower Ground Floor Adjacent - DU Outlet, Arabian Court, Dubai Mall	6564, Dubai	+971 4 382 8010	+971 4 325 3721
Abu Dhabi Branch	Sheikh Rashid Bin Saeed Al Maktoum Street	46077, Abu Dhabi	+971 2 446 4000	+971 2 445 9000
Al Khalidiya Branch	Street No. 26, intersecting with Zayed the 1st Street	108330, Abu Dhabi	+971 2 667 9000	+971 2 266 56008

List of branches (Continued)

Branch		P.O.Box	Telephone	Fax
Tourist Club Area Branch	Al Zarooni Building, Al Meena Street 10	46077, Abu Dhabi	+971 2 644 8820	+971 2 644 2268
Khalifa City Branch	Villa # 104, Sector SE-02, Khalifa City "A", Abu Dhabi	46077 Abu Dhabi	+971 2 557 1741	+971 2 557 1704
Al Ain Branch	Jawazat Street, near Sheikh Salama Mosque	15095, Al Ain	+971 3 751 1159	+971 3 766 1296
Al Mutaradh Branch	Show Rooms # 14, 15 & 16 Arabia Centre, Al Mutaradh Area	15095, Al Ain	+971 3 755 9840	+971 3 754 8969
Sharjah Branch	Al Arooba Bank Street, near Rolla Square, Al Bourj Avenue	5169, Sharjah	+971 6 568 6166	+971 6 568 6860
Qasimiyah Branch	Al Otaiba Building, King Abdul Aziz Road	67622, Sharjah	+971 6 572 0002 / 572 0008	+971 6 572 0006 / 572 0007
Sharjah Court Branch	Al Meena Street	5169, Sharjah	+971 6 528 2248	+971 6 528 2588
Halwaan Branch	Wasit Street, Sheikh Ismail Building	67621, Sharjah	+9716 566 3555	+971 6 566 3553
Al Muwaileh Branch	Dr. Faisal Al Qasimi Building Show Rooms # 6 & 7, Maleeha Street, near National Paints, Industrial Area # 15	5169, Sharjah	+971 6 535 8855	+971 6 535 8150
Corniche Branch	Ground Floor, EIB Tower, Buheira Corniche, Al Majaz Area Sharjah	5169, Sharjah	+971 6 544 4555	+971 6 544 4751
Khorfakan Branch	Corniche Street	18969, Khorfakan	+971 9 238 1122	+971 9 237 1996
Ajman Branch	Sheikh Khalifa Bin Zayed Road	6688, Ajman	+971 6 746 4000	+971 6 746 4400
Umm Al Qaiwain Branch	King Faisal Road	315, Umm Al Qaiwain	+971 6 764 6443	+971 6 764 6113
Ras Al Khaimah Branch	Emirates Islamic Bank Tower, Ground Floor, Al Muntaser Road, Al Nakheel Area	5198, Ras Al Khaimah	+971 7 226 0044	+971 7 226 0477
Fujairah Branch	Sheikh Hamad Bin Abdulla Street	1472, Fujairah	+971 9 222 3423	+971 9 222 3433