Arab Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2008 (UNAUDITED)

ERNST & YOUNG

P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax:+971 4 332 4004
dubai.uae@ae.ey.com
www.ey.com/me

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ARAB EMIRATES INVESTMENT BANK PUBLIC JOINT STOCK COMPANY

Introduction

We have reviewed the accompanying interim balance sheet of Arab Emirates Investment Bank Public Joint Stock Company (the "Bank") as at 31 March 2008, the related interim statements of income, cash flows and changes in equity for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

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

Ernst & Young

Signed by:
Edward B Quinlan
Partner
Registration No. 93

8 May 2008

Dubai, United Arab Emirates

INTERIM INCOME STATEMENT

For the three months ended 31 March 2008 (Unaudited)

		Three months ended 31 March	
		2008	*2007*
	Note	***AED***	*AED*
Interest income		**823,353**	1,041,109
Income from investments		**18,469,076**	11,263,419
		19,292,429	12,304,528
Interest expenses		**(2,791,647)**	(3,680,474)
NET INTEREST INCOME AND INCOME FROM INVESTMENTS		**16,500,782**	8,624,054
Other income		**336,901**	356,076
OPERATING INCOME		**16,837,683**	8,980,130
General and administrative expenses		**(1,229,713)**	(1,357,595)
Other expenses		**(74,100)**	(78,170)
OPERATING EXPENSES		**(1,303,813)**	(1,435,765)
PROFIT FOR THE PERIOD		**15,533,870**	7,544,365
BASIC AND DILUTED EARNINGS PER SHARE	3	**34.57**	16.79

The attached notes 1 to 6 form part of these interim condensed financial statements.

Arab Emirates Investment Bank P.J.S.C.

INTERIM BALANCE SHEET
At 31 March 2008 (Unaudited)

	31 March 2008 AED	*Audited 31 December 2007 AED*
ASSETS		
Cash and balances with the UAE Central Bank	**2,604,717**	4,939,244
Due from banks	**48,489,240**	49,459,008
Loans and advances	**22,250,905**	25,450,733
Investments	**508,078,980**	512,632,852
Property and equipment	**254,818**	153,911
Other assets	**5,996,439**	12,699,521
TOTAL ASSETS	**587,675,099**	605,335,269
LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks	**42,000,000**	32,000,000
Customers' deposits	**202,585,687**	229,026,965
Other liabilities	**3,809,380**	3,485,531
TOTAL LIABILITIES	**248,395,067**	264,512,496
EQUITY		
Share capital	**44,937,600**	44,937,600
Legal reserve	**20,500,585**	20,500,585
Special reserve	**12,803,434**	12,803,434
Cumulative changes in fair values	**174,472,798**	191,549,409
Retained earnings	**77,578,095**	62,044,225
Proposed cash dividend	**8,987,520**	8,987,520
TOTAL EQUITY	**339,280,032**	340,822,773
TOTAL LIABILITIES AND EQUITY	**587,675,099**	605,335,269

Omar Abdulla Al Futtaim
(Chairman)
1 May 2008

Buti Obaid Al Mulla
(Director)
8 May 2008

The attached notes 1 to 6 form part of these interim condensed financial statements.

INTERIM CASH FLOW STATEMENT

For the three months ended 31 March 2008 (Unaudited)

	Three months ended 31 March	
	2008	*2007*
	AED	*AED*
OPERATING ACTIVITIES		
Profit for the period	**15,533,870**	7,544,365
Adjustments for:		
Depreciation	**32,100**	48,170
Gain on sale of property and equipment	**(28,000)**	-
Change in loans and advances	**3,199,828**	(2,511,181)
Change in due from banks	**(23,930,553)**	(23,507,200)
Change in other assets	**6,703,082**	(1,334,668)
Change in investments (net)	**(12,522,739)**	(39,300,164)
Change in customers' deposits	**(26,441,278)**	21,953,887
Change in other liabilities	**323,849**	358,363
Net cash used in operating activities	**(37,129,841)**	(36,748,428)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(133,007)**	(4,075)
Proceeds from sale of property and equipment	**28,000**	-
Net cash used in investing activities	**(105,007)**	(4,075)
FINANCING ACTIVITIES		
Dividends paid	**-**	(6,740,265)
Net cash used in financing activities	**-**	(6,740,265)
DECREASE IN CASH AND CASH EQUIVALENTS	**(37,234,848)**	(43,492,768)
Cash and cash equivalents at 1 January	**22,398,252**	(33,005,287)
CASH AND CASH EQUIVALENTS AT 31 MARCH	**(14,836,596)**	(76,498,055)

Cash and cash equivalents comprise the following balance sheet amounts with original maturities of three months or less:

Cash and balances with UAE Central Bank	**2,604,717**	2,465,485
Due from banks	**24,558,687**	4,230,392
Due to banks	**(42,000,000)**	(83,193,932)
	(14,836,596)	(76,498,055)

The attached notes 1 to 6 form part of these interim condensed financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2007 (Unaudited)

	Share capital AED	*Legal reserve AED*	*Special reserve AED*	*Cumulative changes in fair values AED*	*Retained earnings AED*	*Proposed cash dividend AED*	*Total AED*
At 1 January 2008	44,937,600	20,500,585	12,803,434	191,549,409	62,044,225	8,987,520	340,822,773
Net movement in cumulative changes in fair values recognised directly in equity	-	-	-	(17,076,611)	-	-	(17,076,611)
Total income and expense for the period recognised directly in equity	-	-	-	(17,076,611)	-	-	(17,076,611)
Profit for the period	-	-	-	-	15,533,870	-	15,533,870
Total income and expense for the period	**-**	**-**	**-**	**(17,076,611)**	**15,533,870**	**-**	**(1,542,741)**
Balance at 31 March 2008	**44,937,600**	**20,500,585**	**12,803,434**	**174,472,798**	**77,578,095**	**8,987,520**	**339,280,032**
At 1 January 2007	44,935,100	17,853,925	10,156,774	97,198,365	50,008,463	6,740,265	226,892,892
Net movement in cumulative changes in fair values recognised directly in equity	-	-	-	(4,237,488)	-	-	(4,237,488)
Total income and expense for the period recognised directly in equity	-	-	-	(4,237,488)	-	-	(4,237,488)
Profit for the period	-	-	-	-	7,544,365	-	7,544,365
Total income and expense for the period	-	-	-	(4,237,488)	7,544,365	-	3,306,877
Cash dividends paid	-	-	-	-	-	(6,740,265)	(6,740,265)
Balance at 31 March 2007	44,935,100	17,853,925	10,156,774	92,960,877	57,552,828	-	223,459,504

The attached notes 1 to 6 form part of these interim condensed financial statements.

1 INCORPORATION AND ACTIVITIES

Arab Emirates Investment Bank PJSC (the Bank) was incorporated on 17 February 1976 in Dubai by a decree of HH The Ruler of Dubai as Arab Emirates Investment Bank Limited. In 1999, the Bank was registered under the UAE Commercial Companies Law No. (8) of 1984 (as amended) as a Public Joint Stock Company. The Bank is engaged in the business of development banking, investment banking and investment portfolio management. The address of the Bank's registered office is P. O. Box 5503, Dubai, United Arab Emirates.

2 ACCOUNTING POLICIES

The interim condensed financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2007.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjuction with the Bank's annual financial statements as at 31 December 2007. In addition, results for the 3 months ended 31 March 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit of AED 15,533,870 for the period to 31 March 2008 (31 March 2007: AED 7,544,365) by the weighted average number of shares outstanding during the period of 449,376 of AED 100 each (31 March 2007: 449,351 shares of AED 100 each).

The figures for basic and diluted earnings per share is the same as the bank has not issued any instruments which would have an impact on earnings per share when exercised.

4 SEGMENTAL INFORMATION

For operating purposes, the Bank is organised into two major business segments: Development Banking, which principally provides loans and other credit facilities and deposit and current accounts for corporate and individual customers and Investment Banking, which involves the management of the Bank's own investment portfolio and treasury services and providing investment portfolio management services. These segments are the basis on which the Bank reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds and an equitable allocation of expenses.

	Development Banking		*Investment Banking*		*Total*	
	31 March 2008 AED	*31 March 2007 AED*	***31 March 2008 AED***	*31 March 2007 AED*	***31 March 2008 AED***	*31 March 2007 AED*
Interest and other income	**949,368**	1,145,511	**18,679,962**	11,515,093	**19,629,330**	12,660,604
Inter-segment adjustment	**2,288,215**	2,985,801	**(2,288,215)**	(2,985,801)	**-**	-
	3,237,583	4,131,312	**16,391,747**	8,529,292	**19,629,330**	12,660,604
Profit for the period	**272,287**	228,688	**15,261,583**	7,315,677	**15,533,870**	7,544,365

	Development Banking		*Investment Banking*		*Total*	
	31 March 2008 AED	*31 December 2007 AED*	***31 March 2008 AED***	*31 December 2007 AED*	***31 March 2008 AED***	*31 December 2007 AED*
Segment assets	**78,269,963**	91,391,023	**509,405,136**	513,944,246	**587,675,099**	605,335,269
Segment liabilities and equity	**248,395,067**	264,514,996	**339,280,032**	340,820,273	**587,675,099**	605,335,269

For operational and management reporting purposes the Bank is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

5 COMMITMENTS AND CONTINGENT LIABILITIES

The Bank has the following credit related commitments:

	31 March 2008 AED	*Audited 31 December 2007 AED*
Contingent liabilities:		
Letters of credit	**665,089**	744,442
Guarantees and acceptances	**4,310,333**	4,290,899
	4,975,422	5,035,341
Undrawn loan commitments	**54,864,031**	51,174,830

In addition, the Bank has commitments totaling to AED 8,889,298 (2007: AED 8,889,298) on account of investments made in securities and limited partnership funds. The bank has to pay as and when calls are made by the funds' managers/investee company.

6 RELATED PARTY TRANSACTIONS

The Bank enters into transactions in the ordinary course of business with related parties, defined as major shareholders, directors, key management personnel and their related companies. All loans and advances to related parties are performing advances and are free of any provision for possible loan losses.

The significant balances outstanding in respect of related parties included in the financial statements are as follows:

	31 March 2008 AED	*Audited 31 December 2007 AED*
Directors, their related parties and key management personnel:		
Loans and advances	**9,695,289**	13,025,869
Customers' deposits	**63,161,778**	74,065,726
Commitments and contingencies	**52,573,884**	49,700,105

The income and expenses in respect of related parties included in the financial statements are as follows:

	Three months ended	
	31 March 2008 AED	*31 March 2007 AED*
Directors, their related parties and key management personnel:		
Interest income	**182,245**	134,652
Interest expenses	**857,912**	1,056,971
Commission and fees	**15,017**	97,426

Compensation of key management personnel:

	Three months ended	
	31 March 2008 AED	*31 March 2007 AED*
Salaries and other benefits	**443,496**	400,062