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

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2008 (UNAUDITED)

Ernst & Young
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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 30 June 2008 and the related interim statements of income for the three months and six months periods then ended, and the related statements of cash flows and changes in equity for the six months 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 the 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

11 August 2008

Dubai, United Arab Emirates

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

INTERIM INCOME STATEMENT

30 June 2008 (Unaudited)

		Three months ended 30 June		*Six months ended 30 June*	
	Note	***2008 AED***	*2007 AED*	***2008 AED***	*2007 AED*
Interest income		**629,862**	1,103,359	**1,453,215**	2,144,468
Net income from investments		**4,220,429**	8,431,283	**21,925,509**	19,370,220
		4,850,291	9,534,642	**23,378,724**	21,514,688
Interest expense		**(1,952,264)**	(4,138,836)	**(4,743,911)**	(7,819,310)
NET INTEREST INCOME AND INCOME FROM INVESTMENTS		**2,898,027**	5,395,806	**18,634,813**	13,695,378
Other income		**896,322**	349,370	**1,313,178**	1,029,928
OPERATING INCOME		**3,794,349**	5,745,176	**19,947,991**	14,725,306
General and administrative expenses		**(2,314,658)**	(1,320,945)	**(3,544,371)**	(2,678,540)
Other expenses		**(100,092)**	(77,792)	**(174,192)**	(155,962)
OPERATING EXPENSES		**(2,414,750)**	(1,398,737)	**(3,718,563)**	(2,834,502)
NET PROFIT FOR THE PERIOD		**1,379,599**	4,346,439	**16,229,428**	11,890,804
Basic and diluted earnings per share	3	**3.07**	9.67	**36.11**	26.46

The attached notes 1 to 7 form part of these interim condensed financial statements.

INTERIM BALANCE SHEET

At 30 June 2008 (Unaudited)

	30 June 2008 AED	*Audited 31 December 2007 AED*
ASSETS		
Cash and balances with the UAE Central Bank	**3,844,109**	4,939,244
Due from banks	**35,463,278**	49,459,008
Loans and advances	**25,070,398**	25,450,733
Investments	**557,592,887**	512,632,852
Property and equipment	**378,839**	153,911
Other assets	**4,913,162**	12,699,521
TOTAL ASSETS	**627,262,673**	605,335,269
LIABILITIES AND EQUITY		
Liabilities		
Due to banks	**62,530,870**	32,000,000
Customer deposits	**215,239,870**	229,026,965
Other liabilities	**5,555,459**	3,485,531
TOTAL LIABILITIES	**283,326,199**	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 value	**186,737,161**	191,549,409
Translation reserve	**684,041**	-
Retained earnings	**78,273,653**	62,044,225
Proposed cash dividend	**-**	8,987,520
Total equity	**343,936,474**	340,822,773
TOTAL LIABILITIES AND EQUITY	**627,262,673**	605,335,269

Omar Abdulla Al Futtaim
(Chairman)
11 August 2008

The attached notes 1 to 7 form part of these interim condensed financial statements.

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

INTERIM CASH FLOW STATEMENT

30 June 2008 (Unaudited)

	Six months ended 30 June	
	2008	*2007*
	AED	*AED*
OPERATING ACTIVITIES		
Net profit for the period	**16,229,428**	11,890,804
Adjustments for:		
Depreciation	**81,710**	95,962
Gain on sale of property and equipment	**(63,627)**	-
Change in loans and advances	**380,335**	6,849,913
Change in investments (net)	**(49,088,242)**	(45,089,237)
Change in other assets	**7,786,359**	3,704,670
Change in customer deposits	**(13,787,095)**	25,832,133
Change in other liabilities	**2,069,928**	1,715,918
Net cash (used in) from operating activities	**(36,391,204)**	5,000,163
INVESTING ACTIVITIES		
Purchase of property and equipment	**(329,365)**	(8,650)
Proceeds from sale of property and equipment	**86,354**	-
Net cash used in investing activities	**(243,011)**	(8,650)
FINANCING ACTIVITY		
Dividends paid	**(8,987,520)**	(6,740,265)
Cash used in financing activity	**(8,987,520)**	(6,740,265)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(45,621,735)**	(1,748,752)
Cash and cash equivalents at 1 January	**22,398,252**	(33,005,287)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**(23,223,483)**	(34,754,039)

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

Cash and cash balances with the UAE Central Bank	**3,844,109**	2,698,964
Due from banks maturing within ninety days	**35,463,278**	31,821,099
Due to banks maturing within ninety days	**(62,530,870)**	(69,274,102)
	(23,223,483)	(34,754,039)

The attached notes 1 to 7 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF CHANGES IN EQUITY

30 June 2008 (Unaudited)

	Share capital AED	*Legal reserve AED*	*Special reserve AED*	*Cumulative changes in fair value AED*	*Translation reserve 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 value recognised directly in equity	-	-	-	(4,812,248)	-	-	-	(4,812,248)
Exchange gain on non-monetary available for sale investments	-	-	-	-	684,041	-	-	684,041
Total income and expense for the period recognised directly in equity	-	-	-	(4,812,248)	684,041	-	-	(4,128,207)
Profit for the period	-	-	-	-	-	16,229,428	-	16,229,428
Total income and expense for the period	-	-	-	**(4,812,248)**	**684,041**	**16,229,428**	-	**12,101,221**
Dividends paid - 2007	-	-	-	-	-	-	(8,987,520)	(8,987,520)
Balance at 30 June 2008	**44,937,600**	**20,500,585**	**12,803,434**	**186,737,161**	**684,041**	**78,273,653**	-	**343,936,474**
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 value recognised directly in equity	-	-	-	38,368,475	-	-	-	38,368,475
Total income and expense for the period recognised directly in equity	-	-	-	38,368,475	-	-	-	38,368,475
Profit for the period	-	-	-	-	-	11,890,804	-	11,890,804
Total income and expense for the period	-	-	-	38,368,475	-	11,890,804	-	50,259,279
Dividends paid - 2006	-	-	-	-	-	-	(6,740,265)	(6,740,265)
Balance at 30 June 2007	44,935,100	17,853,925	10,156,774	135,566,840	-	61,899,267	-	270,411,906

The attached notes 1 to 7 form part of these interim condensed financial statements.

1 INCORPORATION AND ACTIVITIES

Arab Emirates Investment Bank P.J.S.C. (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 conjunction with the Bank's annual financial statements as at 31 December 2007. In addition, results for the six months ended 30 June 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 net profit of AED 16,229,428 for the six months period to 30 June 2008 (30 June 2007: net profit of AED 11,890,804) by the weighted average number of shares outstanding during the period of 449,376 of AED 100 each (30 June 2007: 449,351 shares of AED 100 each).

The figures for basic and diluted earnings per share are 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*	
	30 June 2008 AED	*30 June 2007 AED*	***30 June 2008 AED***	*30 June 2007 AED*	***30 June 2008 AED***	*30 June 2007 AED*
Interest and other income	**2,042,043**	2,180,922	**22,649,859**	20,363,694	**24,691,902**	22,544,616
Inter-segment adjustment	**4,387,622**	6,141,697	**(4,387,622)**	(6,141,697)	**-**	-
	6,429,665	8,322,619	**18,262,237**	14,221,997	**24,691,902**	22,544,616
Profit for the period	**1,285,412**	147,466	**14,944,016**	11,743,338	**16,229,428**	11,890,804

	Development Banking		*Investment Banking*		*Total*	
	30 June 2008 AED	*31 December 2007 AED*	***30 June 2008 AED***	*31 December 2007 AED*	***30 June 2008 AED***	*31 December 2007 AED*
Segment assets	**67,608,439**	91,391,023	**559,654,234**	513,944,246	**627,262,673**	605,335,269
Segment liabilities and equity	**283,326,199**	264,514,996	**343,936,474**	340,820,273	**627,262,673**	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 CONTINGENT LIABILITIES AND COMMITMENTS

The Bank has the following credit related contingent liabilities and commitments:

	30 June 2008 AED	*Audited 31 December 2007 AED*
Contingent liabilities:		
Letters of credit	**914,665**	744,442
Guarantees and acceptances	**3,889,871**	4,290,899
	4,804,536	5,035,341
Commitments:		
Undrawn loan commitments	**52,517,826**	51,174,830

In addition, the Bank has commitments totaling to AED 9,038,000 (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:

	30 June 2008 AED	*Audited 31 December 2007 AED*
Directors, their related parties and key management personnel:		
Loans and advances	**11,909,213**	13,025,869
Customer deposits	**63,306,618**	74,065,726
Contingent liabilities and commitments	**50,786,342**	39,700,105

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

	Six months ended	
	30 June 2008 AED	*30 June 2007 AED*
Directors, their related parties and key management personnel:		
Net interest income	**336,822**	274,571
Other income	**47,428**	170,622
Interest expense	**857,912**	2,118,708

Compensation of key management personnel:

	Six months ended	
	30 June 2008 AED	*30 June 2007 AED*
Salaries and other benefits	**1,339,107**	956,950

7 COMPARATIVE INFORMATION

Exchange gain on investments for six months period ended 30 June 2007 amounting to AED 518,454 (three months ended 30 June 2007: AED 193,972) which was previously included in net income from investments has now been reclassified to other income.

Exchange loss on dealing in foreign currencies amounting to AED 80,969 which was netted off against other income for the three months period ended 30 June 2007 has now been reclassified to general and administrative expenses.

Such reclassifications have been done to conform to the current period's presentation and do not affect previously reported net profit or shareholders' equity.