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

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2007 (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 2007 and the related interim statements of income for the three month and six month periods then ended, and the related statements of cash flows and changes in equity for the six 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 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. The comparative figures of 2006 in the interim income statement and the cash flow statement have not been reviewed or audited by us.

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

22 July 2007

Dubai, United Arab Emirates

INTERIM INCOME STATEMENT

For the six months ended 30 June 2007 (Unaudited)

	Note	*Three months ended 30 June*		*Six months ended 30 June*	
		2007	*2006*	***2007***	*2006*
		AED	*AED*	***AED***	*AED*
Interest income		**1,103,359**	917,992	**2,144,468**	1,335,052
Income from investments		**8,625,255**	25,895,633	**19,888,674**	33,918,017
		9,728,614	26,813,625	**22,033,142**	35,253,069
Interest expenses and similar charges		**(4,138,836)**	(3,391,457)	**(7,819,310)**	(6,343,928)
NET INTEREST INCOME AND INCOME FROM INVESTMENTS		**5,589,778**	23,422,168	**14,213,832**	28,909,141
Other income		**236,367**	547,565	**511,474**	1,146,652
OPERATING INCOME		**5,826,145**	23,969,733	**14,725,306**	30,055,793
General and administrative expenses		**(1,401,914)**	(1,277,461)	**(2,678,540)**	(2,479,737)
Other expenses		**(77,792)**	(76,457)	**(155,962)**	(149,818)
OPERATING EXPENSES		**(1,479,706)**	(1,353,918)	**(2,834,502)**	(2,629,555)
NET PROFIT FOR THE PERIOD		**4,346,439**	22,615,815	**11,890,804**	27,426,238
Basic and diluted earnings per share (AED)	3	**9.67**	50.33	**26.46**	61.03

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

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

INTERIM BALANCE SHEET

At 30 June 2007 (Unaudited)

	30 June 2007 AED	*Audited 31 December 2006 AED*
ASSETS		
Cash and balances with the Central Bank	**2,698,964**	1,864,087
Due from banks	**31,821,099**	44,840,626
Loans and advances	**33,453,867**	40,303,780
Investments	**486,514,130**	403,056,418
Property and equipment	**224,915**	312,227
Other assets	**4,247,490**	7,952,160
TOTAL ASSETS	**558,960,465**	498,329,298
LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks	**69,274,102**	79,710,000
Customers' deposits	**214,367,455**	188,535,322
Other liabilities	**4,907,002**	3,191,084
Total liabilities	**288,548,559**	271,436,406
EQUITY		
Share capital	**44,935,100**	44,935,100
Legal reserve	**17,853,925**	17,853,925
Special reserve	**10,156,774**	10,156,774
Cumulative changes in fair values	**135,566,840**	97,198,365
Retained earnings	**61,899,267**	50,008,463
Proposed cash dividend	-	6,740,265
Total equity	**270,411,906**	226,892,892
TOTAL LIABILITIES AND EQUITY	**558,960,465**	498,329,298

Omar Abdulla Al Futtaim
(Chairman)
22 July 2007

Buti Obaid Al Mulla
(Director)
22 July 2007

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

INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2007 (Unaudited)

	Six months ended 30 June	
	2007	2006
	AED	AED
OPERATING ACTIVITIES		
Net profit for the period	**11,890,804**	27,426,238
Adjustments for:		
Depreciation	**95,962**	106,357
Gain on sale of property and equipments	-	(5,000)
Change in other assets	**3,704,670**	886,204
Change in loans and advances	**6,849,913**	(25,327,950)
Change in investments (net)	**(45,089,237)**	(8,833,065)
Change in customers' deposits	**25,832,133**	(19,273,182)
Change in other liabilities	**1,715,918**	3,357,844
Net cash from (used in) operating activities	**5,000,163**	(21,662,554)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(8,650)**	(18,425)
Proceeds from sale of property and equipment	-	29,765
Net cash (used in) from investing activities	**(8,650)**	11,340
FINANCING ACTIVITIES		
Dividends paid	**(6,740,265)**	(6,127,860)
Net cash used in financing activities	**(6,740,265)**	(6,127,860)
DECREASE IN CASH AND CASH EQUIVALENTS	**(1,748,752)**	(27,779,074)
Cash and cash equivalents at 1 January	**(33,005,287)**	(5,493,625)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**(34,754,039)**	(33,272,699)

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	**2,698,964**	2,007,223
Due from banks maturing within ninety days	**31,821,099**	27,604,078
Due to banks maturing within ninety days	**(69,274,102)**	(62,884,000)
	(34,754,039)	(33,272,699)

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

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007 (Unaudited)

	Share capital AED	*Legal Reserve AED*	*Special Reserve AED*	*Cumulative changes in fair value AED*	*Retained earnings AED*	*Proposed cash dividend AED*	*Proposed scrip dividend AED*	*Total AED*
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)
At 30 June 2007	**44,935,100**	**17,853,925**	**10,156,774**	**135,566,840**	**61,899,267**	-	-	**270,411,906**
At 1 January 2006	40,852,400	14,258,031	6,560,880	292,862,678	28,131,573	6,127,860	4,085,240	392,878,662
Net movement in cumulative changes in fair value recognised directly in equity	-	-	-	(164,248,831)	-	-	-	(164,248,831)
Total income and expense for the period recognised directly in equity	-	-	-	(164,248,831)	-	-	-	(164,248,831)
Profit for the period	-	-	-	-	27,426,238	-	-	27,426,238
Total income and expense for the period	-	-	-	(164,248,831)	27,426,238	-	-	(136,822,593)
Dividends – scrip and cash	4,082,700	-	-	-	-	(6,127,860)	(4,082,700)	(6,127,860)
Transfers	-	-	-	-	-	-	(2,540)	(2,540)
At 30 June 2006	44,935,100	14,258,031	6,560,880	128,613,847	55,557,811	-	-	249,925,669

The attached notes 1 to 6 form part of these 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 2006 except for the adoption of new standards and interpretations, noted below.

IFRS 7 *Financial Instruments Disclosures*
The Bank has adopted IFRS 7, which requires disclosures that enable users to evaluate the significance of the Bank's financial instruments and the nature and extent of risks arising from those financial instruments. These new disclosures will be included in the Bank's annual financial statements for the year ending 31 December 2007.

IAS 1 *Amendment - Presentation of Financial Statements*
This amendment requires the Bank to make new disclosures to enable users of the financial statements to evaluate the Bank's objectives, policies and processes for managing capital. These new disclosures will be included in the Bank's annual financial statements for the year ending 31 December 2007.

IFRIC 9 *Reassessment of Embedded Derivatives*
The Bank has adopted IFRIC Interpretation 9 as of 1 January 2007, which states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

IFRIC 10 *Interim Financial Reporting and Impairment*
The Bank has adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of an investment in either an equity instrument or a financial asset carried at cost.

Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Bank.

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 2006. In addition, results for the 6 months ended 30 June 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit of AED 11,890,804 for the period to 30 June 2007 (2006: net profit of AED 27,426,238) by the weighted average number of shares of 449,351 (2006: 449,351) of AED 1 each outstanding during the period.

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 2007 AED	*30 June 2006 AED*	***30 June 2007 AED***	*30 June 2006 AED*	***30 June 2007 AED***	*30 June 2006 AED*
Interest and other income	**2,180,922**	1,768,208	**20,363,694**	34,631,513	**22,544,616**	36,399,721
Inter-segment adjustment	**6,141,697**	4,779,875	**(6,141,697)**	(4,779,875)	-	-
	8,322,619	6,548,083	**14,221,997**	29,851,638	**22,544,616**	36,399,721
Profit for the period	**147,466**	(143,361)	**11,743,338**	27,569,599	**11,890,804**	27,426,238

	Development Banking		*Investment Banking*		*Total*	
	30 June 2007 AED	*31 December 2006 AED*	***30 June 2007 AED***	*31 December 2006 AED*	***30 June 2007 AED***	*31 December 2006 AED*
Segment assets	**70,171,733**	93,801,341	**488,788,732**	404,527,957	**558,960,465**	498,329,298
Segment liabilities and equity	**288,548,559**	271,436,406	**270,411,906**	226,892,892	**558,960,465**	498,329,298

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:

	30 June 2007 AED	*31 December 2006 AED*
Contingent liabilities:		
Letters of credit	**5,629,348**	6,369,263
Guarantees and acceptances	**6,217,044**	7,577,654
	11,846,392	13,946,917
Commitments:		
Irrevocable commitments to extend credit:		
Original term to maturity of one year or less	-	-
Original term to maturity of more than one year	**48,402,107**	42,101,992
	48,402,107	42,101,992

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 2007 AED	*31 December 2006 AED*
Directors, their related parties and key management personnel:		
Loans and advances	**9,260,036**	13,821,282
Customers' deposits	**70,682,890**	69,770,360
Commitments and contingencies	**55,239,964**	50,678,718

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

	Six months ended	
	30 June 2007 AED	*30 June 2006 AED*
Directors, their related parties and key management personnel:		
Interest income	**274,571**	151,752
Commission and fees income	**170,622**	192,451
Interest expenses	**2,118,708**	1,555,537

Compensation of key management personnel:

	Six months ended	
	30 June 2007 AED	*30 June 2006 AED*
Salaries and other benefits	**956,950**	785,050