EMIRATES ISLAMIC BANK PJSC

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

EMIRATES ISLAMIC BANK PJSC

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The Board of Directors

Emirates Islamic Bank PJSC

REVIEW REPORT

We have reviewed the accompanying balance sheet of Emirates Islamic Bank PJSC ("the Bank") at 30 September 2005, and the related statements of income, changes in equity and cash flows for the nine month period then ended. These interim condensed financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of bank personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The comparative figures for the nine month period ended 30 September 2004 have not been reviewed as this is the first time interim condensed financial statements for a nine month period have been reviewed.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects in accordance with International Accounting Standard No. 34.

KPMG

Munther Dajani
Registration No. 268

30 October 2005

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EMIRATES ISLAMIC BANK PJSC
INTERIM CONDENSED BALANCE SHEET
AS AT 30 SEPTEMBER 2005

	Note	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Unaudited 30 September 2004 AED'000
ASSETS				
Cash and balances with Central Bank		282,449	148,764	131,263
Due from banks and other financial institutions		17,122	19,845	28,710
Due from Group Holding Company		1,357,492	1,414,879	2,099,416
Financing and Investing activities	5	1,665,055	421,496	-
Loans and receivables	6	91,567	100,846	257,321
Investment securities	7	230,951	339	339
Investment properties	8	49,127	172,455	-
Property and equipment		18,911	10,267	5,080
Prepayments and other assets		9,842	20,100	8,592
TOTAL ASSETS		**3,722,516**	**2,308,991**	**2,530,721**
LIABILITIES				
Customer deposits		2,767,872	1,234,517	1,132,741
Due to banks and other financial institutions		1,016	14,768	982
Due to Group Holding Company		-	198,066	548,233
Other liabilities		105,449	46,213	28,620
Accrued Zakat		-	2,061	-
TOTAL LIABILITIES		**2,874,337**	**1,495,625**	**1,710,576**
EQUITYHOLDERS' FUNDS				
Issued and fully paid capital		500,000	500,000	500,000
Legal and statutory reserve		106,628	106,628	104,968
General reserves		50,000	64,560	62,900
Retained earnings		191,551	142,178	152,277
TOTAL EQUITYHOLDERS' FUNDS		**848,179**	**813,366**	**820,145**
TOTAL LIABILITIES AND EQUITYHOLDERS' FUNDS		**3,722,516**	**2,308,991**	**2,530,721**
CONTINGENT LIABILITIES				
Letters of credit		81,246	92,322	94,201
Letters of guarantee and acceptance	11	367,665	2,221,649	378,809
Other contingent liabilities		390,015	74,872	352,009
		838,926	**2,388,843**	**825,019**

EMIRATES ISLAMIC BANK PJSC
INTERIM CONDENSED INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

	Note	Three months ended 30 September		Nine months ended 30 September	
		Reviewed 2005 AED'000	Unaudited 2004 AED'000	Reviewed 2005 AED'000	Unaudited 2004 AED'000
Income from financing and investment activities		24,986	-	48,121	-
Income from short term Murabaha with Group Holding Company		11,411	-	25,510	-
Gain from sale of investment properties		6,470	-	14,078	-
Property related income		476	-	8,434	-
Gain on investment (fair value through profit and loss)		6,717	-	6,717	-
Gain from sale of investment securities		361	-	361	-
Interest income		4	19,717	11	36,057
Interest expense		(3)	(10,290)	(7)	(7,802)
Fees, commissions and other income		8,118	6,429	18,848	20,107
Total income		58,540	15,856	122,073	48,362
General and administrative expenses		(25,686)	(14,850)	(71,649)	(37,325)
Net (provisions)/recoveries on advances		1,948	2,201	9,287	10,277
Profit for the period before depositors' share of profit		34,802	3,207	59,711	21,314
Distribution to depositors	9	(15,940)	-	(27,380)	-
Profit for the period		**18,862**	**3,207**	**32,331**	**21,314**
EARNINGS PER SHARE (AED)					
(Basic and diluted)		**0.38**	**0.06**	**0.65**	**0.43**

EMIRATES ISLAMIC BANK PJSC

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004 (UNAUDITED)

	Issued Capital	Legal & Statutory Reserve	Other Reserves	Retained Earnings	Proposed Issue of Bonus Shares	Proposed Dividends	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance as at 1January 2004	500,000	104,968	62,900	155,963			823,831
Profit for the period	-	-	-	21,314	-	-	21,314
Dividends paid for 2003	-	-	-	(25,000)	-	-	(25,000)
Balance as at 30 September 2004	**500,000**	**104,968**	**62,900**	**152,277**	**-**	**-**	**820,145**

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005 (REVIEWED)

	Share Capital	Legal & Statutory Reserve	Other Reserves	Retained Earnings	Proposed Issue of Bonus Shares	Proposed Dividends	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance as at 1January 2005	500,000	106,628	64,560	142,178	-	-	813,366
Adjustments to opening balances (refer Note 3)	-	-	(14,560)	17,042	-	-	2,482
Profit for the period	-	-	-	32,331	-	-	32,331
Balance as at 30 September 2005	**500,000**	**106,628**	**50,000**	**191,551**	**-**	**-**	**848,179**

EMIRATES ISLAMIC BANK PJSC

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

	Reviewed 30 September AED'000	Unaudited 30 September 2004 AED'000
OPERATING ACTIVITIES		
Profit for the period	32,331	21,314
Adjustment for non cash items		
Impairment allowances on loans and receivables	4,077	1,969
Gain on sale of investment properties	(14,079)	(3,524)
Gain on revaluation of investment securities	(6,717)	
Gain on redemption of units	(361)	-
Depreciation on property and equipment	2,243	866
Depreciation on investment property	3,200	
Directors' remuneration	-	(500)
Operating profit before changes in assets and liabilities	**20,694**	**20,125**
(Increase) / decrease in reserves with UAE Central Bank	(131,024)	1,379
(Increase)/decrease in amounts due from GHC maturing after 3 months	(361,010)	356,160
Increase/(decrease) in amounts due to banks maturing after 3 months	-	-
(Increase) in financing and investing receivables	(1,243,482)	-
Decrease in loans and receivables	9,279	37,562
Decrease /(increase) in prepayments and other assets	6,212	(2,396)
Increase/(decrease) in customer deposits	1,533,355	(74,403)
Increase in other liabilities	59,236	32,948
Zakat paid	(2,061)	-
Net cash (used in)/ from operating activities	**(108,801)**	**371,375**
Investing activities		
Purchase of investment properties	(126,540)	-
Proceeds from sale of investment properties	20,647	17,699
Proceeds from sale of investment securities	18,365	-
Proceeds from sale of property and equipment	14	-
Additions to property and equipment (net)	(10,880)	(94)
Net cash (used in)/from investing activities	**(98,394)**	**17,605**
Financing Activities		
Dividends paid	-	(25,000)
Net cash used in financing activities	**-**	**(25,000)**
(Decrease)/increase in cash and cash equivalents	**(207,195)**	**363,980**
Cash and cash equivalent at the beginning of the period	**1,261,346**	**1,249,269**
Cash and cash equivalent at the end of the period	**1,054,151**	**1,613,249**

EMIRATES ISLAMIC BANK PJSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

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 in 1976. The Bank was reregistered as a Public Joint Stock Company in July 1995.

At an extraordinary general meeting held on 10 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 9 October 2004 ("the transformation date") when the Bank obtained UAE Central Bank and other UAE authorities' approvals. As a result the Bank transformed its conventional banking products into Islamic banking products for the majority of its customers. Primarily, this has resulted in a significant reduction in its portfolio of loans and receivables (note 6).

The registered address of the Bank is Post Box No.6564, Dubai, United Arab Emirates.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These interim condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed financial statements are prepared on a fair value basis for financial assets held at fair value through profit and loss and available for sale assets. Other financial assets and liabilities are stated at amortized cost or historical cost.

The accounting policies applied in the preparation of the interim condensed financial statements are consistent with those applied in the annual financial statements of the Bank for the year ended 31 December 2004 except for Zakat which will be accrued and disbursed to Sharia channels at the year end .

These interim condensed financial information should be read in conjunction with the financial statements for year ended 31 December 2004.

In 2004, the Bank early adopted IAS 39 (Revised) - "Financial Instruments - Recognition and Measurement" The early adoption of IAS 39 has necessitated the restatement of the Income Statement and Balance Sheet of 2003 so as to ensure consistency in comparison of performance between current and prior years.

Use of estimates

The preparation of the condensed financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant provisions and fair value. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required for impaired credit facilities as well as impairment provision of unquoted investments. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in provisions.

3. Restatement of Retained Earnings

The net profit for the year ended 31 December 2004 had been understated by AED 2,974,048 due to a mathematical error in the computation of deferred income for the year.

Accordingly, the retained earnings as at 31 December 2004 has been restated. There was however no effect on the depositors' share of profit for the period due to this error, as their paid share of profit was higher than the actual for the period due to the donation made by the shareholders.

4. Investment in Emirates Real Estate Fund (EREF)

During the period, the Bank has sold certain investment properties to Emirates Real Estate Fund (EREF), a fund managed by Belgravia Asset Management Limited, at fair value amounting to AED 241,899,400 in lieu of issue of units in the fund at par value. These units are carried at the latest Net Asset Value as declared by the fund manager and have been classified as fair value through profit and loss. Further the Bank has redeemed certain units during the period and as at 30 September 2005 holds 6,095,864 units in the fund. The bank has also recognized the income amounting to AED 4,045,928 during the period in view of the minimum guaranteed return on these investments.

EMIRATES ISLAMIC BANK PJSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

5. FINANCING AND INVESTING ACTIVITIES

	Reviewed 30-Sep-05 AED'000	Audited 31-Dec-04 AED'000	Unaudited 30-Sep-04 AED'000
Murabaha	788,018	164,816	-
Ijarah	422,823	129,456	-
Syndications	625,497	219,436	-
Others	14,227	-	-
Total financing and investment products	1,850,565	513,708	-
Less deferred income	(119,778)	(30,557)	-
Less provision for impairment	(65,732)	(61,655)	-
Net financing and investment products	**1,665,055**	**421,496**	**-**
Analysis by Economic Activity			
Agriculture and allied activities	25,556	163,316	-
Manufacturing	148,031	49,547	-
Construction	39,429	49,753	-
Trade	646,076	51,293	-
Transport and communication	51,307	18,343	-
Services and personal	424,270	156,601	-
Others	515,896	24,855	-
	1,850,565	513,708	-
Less deferred income	(119,778)	(30,557)	
Less provision for impairment	(65,732)	(61,655)	-
	1,665,055	**421,496**	**-**

5. FINANCING AND INVESTING ACTIVITIES (continued)

	Reviewed 30-Sep-05 AED'000	Audited 31-Dec-04 AED'000	Unaudited 30-Sep-04 AED'000
Movement in allowances for impairment			
Balance as at 1 January	61,655	-	-
Impairment allowances made	4,077	-	-
Transfer from loans and receivables	-	61,655	-
Recoveries	-	-	-
Amounts written off	-	-	-
Balance	**65,732**	**61,655**	**-**

NET PROVISION ON ADVANCES

The charge to the Income Statement for net impairment losses on advances is made up as follows :

	Three months ended 30-Sep-05		Nine months ended 30-Sep-05	
	Reviewed 2005 AED'000	Unaudited 2004 AED'000	Reviewed 2005 AED'000	Unaudited 2004 AED'000
Net impairment of loans and receivables	-	-	-	(2,449)
Net impairment of financing and investment products	(351)	Nil	(4,077)	1,688
Net special asset recoveries	2,299	2,201	13,364	11,038
Others	-	-	-	-
Net recoveries for the period	**1,948**	**2,201**	**9,287**	**10,277**

6. LOANS AND RECEIVABLES

	Reviewed 30-Sep-05 AED'000	Audited 31-Dec-04 AED'000	Unaudited 30-Sep-04 AED'000
Overdrafts	101,916	133,098	78,114
Time loans	45,052	35,232	304,692
Loans against trust receipts	10,541	14,675	19,320
Bills discounted	4,100	4,122	11,668
Others	9,362	7,641	1,570
Gross loans and receivables	170,971	194,768	415,364
Allowances for impairment	(79,404)	(93,922)	(158,043)
Net loans and receivables	**91,567**	**100,846**	**257,321**
Analysis by Economic Activity			
Agriculture and allied activities	2,083	1,694	12,226
Manufacturing	16,027	30,310	58,588
Construction	51,658	35,636	62,137
Trade	22,167	20,581	57,915
Transport and communication	9,273	62,401	20,298
Services	23,677	-	46,894
Personal	46,086	43,900	156,954
Others		246	352
Loans and receivables before allowance for impairment	170,971	194,768	415,364
Allowances for impairment	(79,404)	(93,922)	(158,043)
Net loans and receivables	**91,567**	**100,846**	**257,321**

6. LOANS AND RECEIVABLES (continued)

	Reviewed 30-Sep-05 AED'000	Audited 31-Dec-04 AED'000	Unaudited 30-Sep-04 AED'000
Movement in specific and general allowances for impairment of loans			
Balance as at 1 January	93,922	173,183	173,183
Impairment allowances made		2,625	2,449
Recoveries	(10,975)	(13,610)	(11,038)
Amounts written off	(3,543)	(6,621)	(6,551)
Transfer to Islamic financing and investment products	-	(61,655)	-
Balance	**79,404**	**93,922**	**158,043**

	Reviewed 30-Sep-05 AED 000	Audited 31-Dec-04 AED 000	Unaudited 30-Sep-04 AED 000
Movement in interest in suspense			
Balance as at 1 January	106,175	95,678	95,678
Interest suspended	12,547	21,970	17,035
Recoveries	(218)	(1,266)	(342)
Amounts written off	(9,646)	(10,207)	(9,127)
Balance	**108,858**	**106,175**	**103,244**

EMIRATES ISLAMIC BANK PJSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

7. INVESTMENT SECURITIES

	Reviewed 30-Sep-05 AED'000	Audited 31-Dec-04 AED'000	Unaudited 30-Sep-04 AED'000
(A) FAIR VALUE THROUGH PROFIT AND LOSS			
	230,612	-	-
(B) AVAILABLE-FOR-SALE:			
- Unquoted	339	339	339
Total investments	**230,951**	**339**	**339**

Income from investments recognized in the Income Statement is made up as follows :

	Three months ended		Nine months ended	
	30-Sep-05		30-Sep-05	
	Reviewed 2005 AED'000	Unaudited 2004 AED'000	Reviewed 2005 AED'000	Unaudited 2004 AED'000
Revaluation gains on units in EREF	6,717	-	6,717	-
Profit on redemption of units in EREF	361	-	360	-
Other income	4,046	-	4,047	-
	11,124	**-**	**11,124**	**-**

8. INVESTMENT PROPERTIES

	Reviewed 30-Sep-05 AED'000	Audited 31-Dec-04 AED'000	Unaudited 30-Sep-04 AED'000
Balance as at 1 Jan	172,455	0	0
Property purchased	128,340	172,455	0
Property sold	(251,668)	0	0
Balance	**49,127**	**172,455**	**0**

9. DISTRIBUTION TO DEPOSITORS

During the period, an amount of AED 27,380 (30 September *2004:NIL*) was recognized as distribution to depositors in the income statement.

10. RELATED PARTY TRANSACTIONS

Related party transactions are as follows:

	Reviewed 30-Sep-05 AED'000	Audited 31-Dec-04 AED'000
Sale of investment properties to EREF	241,899	-
Investment held in EREF as at 30 September 2005	223,895	-
Profit from Murabaha with Group Holding company	25,510	3,678

11. COMMITMENTS AND CONTINGENT LIABILITIES

A guarantee amounting to AED 1,836 Million for Emirates Bank International (Group Holding Company) in favor of UAE Ministry of Economy, outstanding as at 31 December 2004, was cancelled during the period

AED'000

12. SEGMENT REPORTING

	Corporate		Retail		Treasury		Total	
	Q3, 2005	2004	Q3, 2005	2004	Q3, 2005	2004	Q3, 2005	2004
Income Statement								
Segment income	81,360	11,796	14,986	20,400	25,672	6,382	122,018	38,578
Unallocated income	0	0	0	0	0	0	0	23,390
Total income	**81,360**	**11,796**	**14,986**	**20,400**	**25,672**	**6,382**	**122,018**	**61,968**
General and administrative expenses	22,344	2,223	49,303	26,916	0	35	71,647	29,174
Unallocated expenses	0	0	0	0	0	0	0	29,725
Total expenses	**22,344**	**2,223**	**49,303**	**26,916**	**0**	**35**	**71,647**	**58,899**
Net operating income	59,016	9,573	(34,317)	(6,516)	25,672	6,347	50,371	3,069
Recoveries net of Provisions for impairment	2,536	1,722	6,805	14,801	0	0	9,341	16,523
	61,552	**11,295**	**(27,512)**	**8,285**	**25,672**	**6,347**	**59,712**	**19,592**
Depositors' share of profit for the period	(11,642)	0	(15,739)	0	0	0	(27,381)	(2,996)
Shareholders' profit (Net profit for the period)	**49,910**	**11,295**	**(43,251)**	**8,285**	**25,672**	**6,347**	**32,331**	**16,596**
Balance Sheet								
Assets								
Segment assets	1,516,029	596,094	520,670	99,042	1,357,492	1,583,489	3,394,191	2,278,625
Unallocated assets	0	0	0	0	0	0	328,325	30,366
Total assets	**1,516,029**	**596,094**	**520,670**	**99,042**	**1,357,492**	**1,583,489**	**3,722,516**	**2,308,991**
Liabilities								
Segment liabilities	822,136	433,757	1,903,494	800,760	0	212,835	2,725,630	1,447,352
Unallocated liabilities	0	0	0	0	0	0	996,886	861,639
Total liabilities	**822,136**	**433,757**	**1,903,494**	**800,760**	**0**	**212,835**	**3,722,516**	**2,308,991**