EMIRATES BANK INTERNATIONAL PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

EMIRATES BANK INTERNATIONAL PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Independent report on review of condensed consolidated interim financial information to the shareholders of Emirates Bank International PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Emirates Bank International PJSC ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2007 and the related condensed consolidated interim statements of income, cash flows and changes in equity for the nine months period then ended ("the interim financial information"). Management is responsible for the preparation and presentation of the interim financial information in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information 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 Auditors 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 financial information is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

KPMG

Vijendra Nath Malhotra

Registration No. 48B

31 OCT 2007

EMIRATES BANK INTERNATIONAL PJSC

GROUP CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2007

	Note	Unaudited 30 September 2007 AED 000	Audited 31 December 2006 AED 000	Unaudited 30 September 2006 AED 000
ASSETS				
Cash and deposits with Central Banks	3	12,504,877	6,778,440	4,044,770
Due from banks		11,505,848	6,822,405	3,558,469
Loans and receivables	4	75,221,997	59,278,208	52,539,932
Islamic financing and investment products	5	11,351,428	6,558,310	5,567,809
Investment securities	7	13,167,807	8,771,266	7,459,346
Investments in associate companies		2,546,514	2,296,707	2,137,822
Investment properties		316,647	269,025	255,696
Property and equipment		630,850	438,379	378,425
Goodwill and intangible assets	8	39,367	14,184	4,903
Positive fair value of derivatives		2,255,272	2,033,345	1,813,983
Customer acceptances		1,472,260	1,020,791	892,487
Other assets		2,308,377	1,597,081	1,227,446
TOTAL ASSETS		133,321,044	95,878,141	79,881,088
LIABILITIES				
Customer deposits		63,094,194	40,887,052	34,989,400
Islamic customer deposits		11,878,751	9,045,374	7,927,670
Due to banks		27,722,158	19,975,276	13,310,864
Deposits under repurchase agreement		355,087	355,087	355,087
Medium term borrowing	9	13,091,017	12,083,060	10,419,458
Sukuk payable	10	1,285,550	-	-
Negative fair value of derivatives		2,138,622	2,075,392	1,830,795
Customer acceptances		1,472,260	1,020,791	892,487
Other liabilities		2,251,409	1,558,062	1,710,714
TOTAL LIABILITIES		123,289,048	87,000,094	71,436,475
EQUITY				
Issued capital		2,914,870	2,331,896	2,331,896
Legal and statutory reserve		982,205	982,205	792,205
Other reserves		3,711,510	4,294,484	3,240,484
Cumulative changes in fair value		418,569	343,285	424,276
Retained earnings		2,003,046	924,611	1,654,285
TOTAL EQUITY HOLDERS' FUNDS		10,030,200	8,876,481	8,443,146
Minority interests		1,796	1,566	1,467
TOTAL LIABILITIES AND EQUITY		133,321,044	95,878,141	79,881,088
CONTINGENT LIABILITIES		32,110,290	24,220,565	21,819,074

The notes set out on pages 6 to 22 form part of these condensed consolidated interim financial statements.
The independent report on review of condensed consolidated interim financial information is set out on page 1.

Chairman

Chief Executive Officer

31 OCT 2007

EMIRATES BANK INTERNATIONAL PJSC

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	Note	Three months ended 30 September 2007 AED 000	Three months ended 30 September 2006 AED 000	Nine months ended 30 September 2007 AED 000	Nine months ended 30 September 2006 AED 000
Interest income		1,617,819	1,008,981	4,370,115	2,841,208
Income from Islamic financing and investment products		181,043	118,159	485,795	267,137
Total interest income and income from Islamic financing and investment products		1,798,862	1,127,140	4,855,910	3,108,345
Interest expense		(1,067,064)	(643,856)	(2,925,868)	(1,794,222)
Distribution to depositors		(77,794)	(68,877)	(245,006)	(133,949)
Profit paid to Sukuk holders		(18,880)	-	(22,668)	-
Net interest income and income from Islamic products net of distribution to depositors		635,124	414,407	1,662,368	1,180,174
Fees, commissions and other income		364,534	274,488	1,206,223	921,016
Property related income		3,476	591	17,813	3,468
Total income		1,003,134	689,486	2,886,404	2,104,658
General and administrative expenses		(400,398)	(288,380)	(1,109,075)	(796,745)
Net impairment allowances on loans and receivables and Islamic financing and investment products	6	(116,180)	(48,130)	(248,902)	(83,871)
Share of profits of associate companies		91,088	40,680	249,807	141,575
Group profit for the period		577,644	393,656	1,778,234	1,365,617
Attributable to:					
Equity holders of the Bank		577,535	393,623	1,778,004	1,365,516
Minority interests		109	33	230	101
Group profit for the period		577,644	393,656	1,778,234	1,365,617

	Three months ended 30 September 2007 (AED)	Three months ended 30 September 2006 (AED)	Nine months ended 30 September 2007 (AED)	Nine months ended 30 September 2006 (AED)
EARNINGS PER SHARE				
Basic and diluted	**0.20**	**0.14**	**0.61**	**0.47**

The notes set out on pages 6 to 22 form part of these condensed consolidated interim financial statements.
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EMIRATES BANK INTERNATIONAL PJSC

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	Note	30 September 2007 AED 000	30 September 2006 AED 000
Operating Activities			
Group profit for the period		1,778,234	1,365,617
Adjustment for non cash items			
Impairment allowances on loans and receivables		251,451	107,587
Impairment allowances on Islamic financing and investment products		52,919	19,456
Depreciation on property and equipment		66,230	62,724
Amortization of intangible assets		1,550	-
Share of profit of associated companies		(249,807)	(141,575)
Operating profit before changes in operating assets and liabilities		1,900,577	1,413,809
Increase in statutory deposits		(870,522)	(638,299)
Decrease/(Increase) in amounts due from banks maturing after three months		141,573	(60,850)
Decrease in amounts due to banks maturing after three months		(3,970,008)	(155,605)
Net change in other liabilities/other assets		(9,750)	602,329
Net change in fair value of derivatives		(158,697)	(16,373)
Increase in customer deposits		25,040,519	9,859,015
Increase in loans and receivables		(16,195,240)	(14,080,273)
Increase in Islamic financing and investment products		(4,846,037)	(2,951,011)
Net cash from/(used in) operating activities		1,032,415	(6,027,258)
Investing activities			
Increase in trading and investment securities		(118,775)	(4,654,179)
Increase in investment and development properties		(47,622)	(126,967)
Acquisition of subsidiaries	8	(118,312)	(4,903)
Additions to property and equipment (net)		(251,807)	(198,264)
Net cash (used in) investing activities		(536,516)	(4,984,313)
Financing activities			
Increase in medium term borrowing		1,007,957	4,010,073
Increase in Sukuk borrowing		1,285,550	-
Increase in Minority interest		-	78
Dividends paid		(699,569)	(448,442)
Net cash from financing activities		1,593,938	3,561,709
Net increase/(decrease) in cash and cash equivalents	15	2,089,837	(7,449,862)

The notes set out on pages 6 to 22 form part of these condensed consolidated interim financial statements.
The independent report on review of condensed consolidated interim financial information is set out on page 1.

EMIRATES BANK INTERNATIONAL PJSC

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	Note	Issued Capital AED 000	Legal and Statutory Reserve AED 000	Other Reserves AED 000	Cumulative changes in fair value AED 000	Retained Profits AED 000	Minority Interests AED 000	Total AED 000
Balance as at 1 January 2006		1,793,766	792,205	3,778,614	647,135	737,211	1,288	7,750,219
Group profit for the period		-	-	-	-	1,365,516	-	1,365,516
Net movement in cumulative changes in fair value		-	-	-	(233,998)	-	-	(233,998)
Net movement in cash flow hedge reserve		-	-	-	11,139	-	-	11,139
Dividends paid	11	-	-	-	-	(448,442)	-	(448,442)
Issue of bonus shares		538,130	-	(538,130)	-	-	-	-
Acquisition of minority interest		-	-	-	-	-	78	78
Share of subsidiary profits		-	-	-	-	-	101	101
Balance as at 30 September 2006		2,331,896	792,205	3,240,484	424,276	1,654,285	1,467	8,444,613
Balance as at 1 January 2007		2,331,896	982,205	4,294,484	343,285	924,611	1,566	8,878,047
Group profit for the period		-	-	-	-	1,778,004	-	1,778,004
Net movement in cumulative changes in fair value		-	-	-	8,523	-	-	8,523
Net movement in cash flow hedge reserve		-	-	-	66,761	-	-	66,761
Dividends paid	11	-	-	-	-	(699,569)	-	(699,569)
Issue of bonus shares	11	582,974	-	(582,974)	-	-	-	-
Share of subsidiary profits		-	-	-	-	-	230	230
Balance as at 30 September 2007		2,914,870	982,205	3,711,510	418,569	2,003,046	1,796	10,031,996

Note: No allocation to legal and statutory and other reserves has been made for the nine months ended 30 September 2007 as this will be effected at the year end.
The notes set out on pages 6 to 22 form part of these condensed consolidated interim financial statements.
The independent report on review of condensed consolidated interim financial information is set out on Page 1.

1 LEGAL STATUS AND ACTIVITIES

Emirates Bank International PJSC ("the Bank") was incorporated in Dubai as a commercial bank with limited liability by a decree of the Ruler of Dubai on 27 March 1977. The Bank was registered as a Public Joint Stock Company in 1995.

The condensed consolidated interim financial statements comprise the Bank and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

The registered address of the Bank is Post Box No. 2923, Dubai, United Arab Emirates.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The accounting policies applied by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those applied by the Group in the annual consolidated financial statements of the Bank as at and for the year ended 31 December 2006.

These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the financial statements as at and for the year ended 31 December 2006.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2006.

(a) Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2006.

3 CASH AND DEPOSITS WITH CENTRAL BANKS

	Unaudited 30 September 2007 AED 000	Audited 31 December 2006 AED 000	Unaudited 30 September 2006 AED 000
Cash	478,607	638,628	452,891
Interest free statutory and special deposits with Central Bank	5,910,271	2,254,812	2,323,879
Interest bearing certificates of deposit with Central Bank	6,115,999	3,885,000	1,268,000
	12,504,877	6,778,440	4,044,770

4 LOANS AND RECEIVABLES

	Unaudited 30 September 2007 AED 000	Audited 31 December 2006 AED 000	Unaudited 30 September 2006 AED 000
Overdrafts	28,692,476	21,282,181	16,565,723
Time loans	39,783,025	31,931,035	30,654,679
Loans against trust receipts	2,291,800	1,946,946	1,840,617
Bills discounted	634,247	587,499	541,012
Others	335,832	278,914	155,905
Gross loans and receivables before impairment allowances	71,737,380	56,026,575	49,757,936
Other debt instruments before impairment allowances	4,485,884	4,058,597	3,537,396
Allowances for impairment	(1,001,267)	(806,964)	(755,400)
Total loans and receivables	75,221,997	59,278,208	52,539,932

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

4 LOANS AND RECEIVABLES (continued)

	Unaudited 30 September 2007 AED 000	Audited 31 December 2006 AED 000	Unaudited 30 September 2006 AED 000
Analysis by Economic Activity			
Agriculture and allied activities	38,463	49,518	49,462
Mining and quarrying	231,842	-	-
Manufacturing	3,144,693	2,776,515	3,134,949
Construction	4,758,724	3,164,818	3,019,026
Trade	3,434,889	2,892,629	2,926,636
Transport and communication	4,367,714	3,901,400	3,424,588
Services	11,575,799	9,263,515	11,155,312
Sovereign	21,135,226	14,287,223	9,299,226
Personal	19,181,609	16,779,922	16,360,393
Others	3,868,421	2,911,035	388,344
Loans and receivables before impairment allowances	71,737,380	56,026,575	49,757,936
Other debt instruments before impairment allowances	4,485,884	4,058,597	3,537,396
Allowances for impairment	(1,001,267)	(806,964)	(755,400)
Total loans and receivables	75,221,997	59,278,208	52,539,932

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

4 LOANS AND RECEIVABLES (continued)

	Nine months Unaudited 30 September 2007 AED 000	Twelve months Audited 31 December 2006 AED 000	Nine months Unaudited 30 September 2006 AED 000
Movement in allowances for impairment			
Balance as at 1 January	806,965	673,750	673,750
Impairment allowances made	251,451	198,481	107,587
Recoveries	(36,314)	(57,493)	(25,084)
Amounts written off	(20,835)	(10,706)	(3,785)
Amount transferred from Islamic financing and investment products (refer note 5)	-	2,932	2,932
Balance as at end of period	1,001,267	806,964	755,400
Total of classified loans and receivables on which interest is not taken into income amounted to	646,520	491,893	541,199

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

5 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

	Unaudited 30 September 2007 AED 000	Audited 31 December 2006 AED 000	Unaudited 30 September 2006 AED 000
Murabaha	4,375,610	3,443,411	3,404,888
Ijara	3,052,702	1,753,197	1,305,457
Secured overdraft and credit cards receivable	1,009,950	1,066,630	917,663
Wakala	2,918,885	505,870	194,903
Istissna'a	633,020	259,279	202,311
Total Islamic financing and investment products	11,990,167	7,028,387	6,025,222
Deferred income	(497,822)	(375,964)	(370,967)
Allowances for impairment	(140,917)	(94,113)	(86,446)
Net Islamic financing and investment products	11,351,428	6,558,310	5,567,809
<u>Analysis by Economic Activity</u>			
Agriculture and allied activities	16,248	23,514	99,240
Manufacturing	179,143	166,721	163,499
Construction	1,851,733	1,593,222	1,138,724
Trade	4,721,368	1,429,042	1,469,898
Transport and communication	83,691	13,059	9,978
Services and personal	4,544,461	3,544,095	2,893,809
Others	593,523	258,734	250,074
Gross	11,990,167	7,028,387	6,025,222
Deferred income	(497,822)	(375,964)	(370,967)
Allowances for impairment	(140,917)	(94,113)	(86,446)
	11,351,428	6,558,310	5,567,809

EMIRATES BANK INTERNATIONAL PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

5 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

	Nine months Unaudited 30 September 2007 AED 000	Twelve months Audited 31 December 2006 AED 000	Nine months Unaudited 30 September 2006 AED 000
Movement in allowances for impairment			
Balance as at 1 January	94,113	49,922	69,922
Impairment allowances made	52,919	47,123	19,456
Recoveries	(6,115)	-	-
Amount transferred to loans and receivables (refer note 4)	-	(2,932)	(2,932)
Balance as at end of period	140,917	94,113	86,446
Total of classified Islamic financing and investment products on which fees are not taken into income amounted to	168,993	127,001	112,377

6 NET IMPAIRMENT ALLOWANCES ON LOANS AND RECEIVABLES AND ISLAMIC FINANCING AND INVESTMENT PRODUCTS

The charge to the Income Statement for net impairment allowances on loans and receivables and Islamic financing and investment products is made up as follows:

	Three months ended 30 September		Nine months ended 30 September	
	Unaudited 2007 AED 000	Unaudited 2006 AED 000	Unaudited 2007 AED 000	Unaudited 2006 AED 000
Net impairment of loans and receivables	(108,842)	(55,922)	(215,137)	(95,560)
Net impairment of Islamic financing and investment products	(9,785)	(72)	(46,804)	(10,867)
Net special asset recoveries	2,447	7,864	13,039	22,556
Net allowances for impairment losses for the period	(116,180)	(48,130)	(248,902)	(83,871)

EMIRATES BANK INTERNATIONAL PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

7 INVESTMENT SECURITIES

		Unaudited 30 September 2007 AED 000	Audited 31 December 2006 AED 000	Unaudited 30 September 2006 AED 000
(a)	HELD TO MATURITY:			
	Government bonds	233,250	198,672	197,987
	Corporate bonds	1,752,757	677,439	542,271
		1,986,007	876,111	740,258
(b)	FAIR VALUE THROUGH PROFIT OR LOSS:			
	Equities	501,603	508,072	444,109
	Hybrid instruments	1,456,291	1,156,995	574,997
	Designated by Group as fair value through profit or loss	67,364	61,942	61,551
	Others (including mutual funds)	2,500,180	1,497,697	1,415,045
		4,525,438	3,224,706	2,495,702
(c)	AVAILABLE FOR SALE:			
	Government bonds	666,925	1,095,848	1,092,382
	Corporate bonds	4,137,566	2,429,172	1,982,443
	Equities	1,577,412	915,137	972,058
	Others (including mutual funds)	274,459	230,292	176,503
		6,656,362	4,670,449	4,223,386
	Total investment securities	13,167,807	8,771,266	7,459,346

EMIRATES BANK INTERNATIONAL PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

7 INVESTMENT SECURITIES (continued)

Income from investment securities taken to the Income Statement is made up as follows:

	Three months ended 30 September		Nine months ended 30 September	
	Unaudited 2007 AED 000	Unaudited 2006 AED 000	Unaudited 2007 AED 000	Unaudited 2006 AED 000
Interest income				
Interest from investment securities	211,933	82,946	518,011	176,402
Other income				
Profit/(loss) on sale of investment securities	13,819	(4,855)	114,336	(458)
Revaluation profit/(loss) on investment securities held as fair value through profit or loss	(26,630)	36,445	106,425	(19,762)
Provision for impairment	(39,999)	-	(39,999)	-
Dividends received	17,488	3,796	45,100	25,648
	176,611	118,332	743,873	181,830

8 GOODWILL AND INTANGIBLE ASSETS

	Unaudited 30 September 2007 AED 000	Audited 31 December 2006 AED 000	Unaudited 30 September 2006 AED 000
Goodwill relating to Egyptian Company for Electronic Systems Development (S.A.E) [refer below]	26,733	-	-
Goodwill relating to Emirates Loyalty Company LLC [refer below]	4,903	4,903	4,903
Software solution in E-Commerce and Trade Services (Middle East) LLC	7,731	9,281	-
	39,367	14,184	4,903

8 GOODWILL AND INTANGIBLE ASSETS (continued)

(a) Acquisition of AbAcAs Investments Limited (“AbAcAs”)

During the period, the Group entered into a joint venture agreement with NSM Capital Management LLC (“NSM”), for the advising of AbAcAs Investments Limited (“AbAcAs”), a Structured Investment Vehicle (“SIV”) registered in the Cayman Islands. This encompassed the setting up of a 50:50 joint venture company, EBI/NSM Advisors Limited, which has a management agreement with AbAcAs. Subsequently, on 1 August 2007 the Group acquired the entire outstanding capital notes of AbAcAs.

The Group has consolidated AbAcAs from 1 August 2007 and has adopted provisional accounting in respect of the acquisition as permitted by IFRS 3 – Business combinations, since an exercise to assess the fair values of certain assets and liabilities acquired is currently underway. The purchase consideration equals the book value of net assets acquired, so no goodwill has been recognized.

The details of net assets acquired and goodwill are as follows:

	AED 000
Purchase consideration (cash paid)	275,475
Net assets acquired	(275,475)
Goodwill	-

The assets and liabilities arising from the acquisition are as follows:

	Pre-acquisition carrying amounts AED 000
Investment securities	4,202,482
Cash in hand and at bank	184,176
Other assets	15,653
Due to banks	(4,125,796)
Other liabilities	(1,040)
Total net assets acquired	275,475

The pre-acquisition carrying amounts have been adopted as the fair values recognized at the acquisition date.

From the date of acquisition AbAcAs generated a profit of AED 3.76 million.

The net cash outflow on acquisition of AbAcAs was as follows:

	AED 000
Purchase consideration (cash paid)	275,475
Cash and cash equivalents acquired	(184,176)
Net cash outflow on acquisition of AbAcAs	91,299

8 GOODWILL AND INTANGIBLE ASSETS (continued)

(b) Acquisition of Egyptian Company for Electronic Systems Development ("NPC")

On 1 January 2007 the Group acquired 100% of Egyptian Company for Electronic Systems Development ("NPC").

The Group has adopted provisional accounting in respect of this acquisition as permitted by IFRS 3 – Business combinations as certain fair values of assets and liabilities acquired have not yet been determined. The excess of purchase consideration over the net assets, being AED 26.7 million, has been recognized as goodwill.

The details of net assets acquired and goodwill are as follows:

	AED 000
Purchase consideration (cash paid)	27,851
Net assets acquired	(1,118)
Goodwill	26,733

The assets and liabilities arising from the acquisition are as follows:

	Pre-acquisition carrying amounts AED 000
Property and equipment	6,694
Cash in hand and at bank	838
Other assets	7,315
Other liabilities	(13,729)
Total net assets acquired	1,118

The pre-acquisition carrying amounts have been adopted as the fair values recognized at the acquisition date.

From the date of acquisition NPC generated a profit of AED 0.84 million.

The net cash outflow on acquisition of NPC was as follows:

	AED 000
Purchase consideration (cash paid)	27,851
Cash and cash equivalents acquired	(838)
Net cash outflow on acquisition of NPC	27,013

8 GOODWILL AND INTANGIBLE ASSETS (continued)

(c) Acquisition of Emirates Loyalty Company LLC ("ELCO")

On 13 June 2006, the Group acquired 100% of Emirates Loyalty Company LLC ("ELCO"), previously a 40% associate indirectly held through a 100% subsidiary, Network International LLC, with effect from 01 January 2006.

The Group has adopted IFRS 3 – Business combinations in respect of this acquisition. The excess of purchase consideration over the net assets, being AED 4.9 million, has been recognized as goodwill.

The details of net liabilities acquired and goodwill are as follows:

	AED 000
Purchase consideration (cash paid)	4,162
Net liabilities acquired	741
Goodwill	4,903

The assets and liabilities arising from the acquisition are as follows:

	Pre-acquisition carrying amounts AED 000
Property and equipment	13
Cash in hand and at bank	225
Other assets	501
Other liabilities	(1,974)
Total	(1,235)
Portion of net liabilities acquired (60%)	(741)

The pre-acquisition carrying amounts have been adopted as the fair values recognised at the acquisition date.

From the date of acquisition to 30 September 2006, ELCO incurred a loss of AED 0.23 million. This is included in the Group consolidated financial statements, as under the terms of the agreement, the Bank is entitled to all profits / losses from 1 January 2006.

9 MEDIUM TERM BORROWING

	Unaudited 30 September 2007 AED 000	Audited 31 December 2006 AED 000	Unaudited 30 September 2006 AED 000
Eurobond issue	13,091,017	12,083,060	9,574,668
Syndicated borrowings from banks	-	-	844,790
	13,091,017	12,083,060	10,419,458

The Bank has outstanding medium term borrowings which will be repaid as follows:

	30 September 2007 AED million	31 December 2006 AED million	30 September 2006 AED million
2006	-	-	915
2007	109	1,345	1,370
2008	657	705	345
2009	3,927	2,755	2,443
2010	3,240	2,828	2,787
2011	2,610	2,704	2,559
2012	499	-	-
2014	212	-	-
2016	1,837	1,746	-
	13,091	12,083	10,419

10 SUKUK PAYABLE

On 12 June 2007, Emirates Islamic Bank PJSC (“EIB”), a subsidiary of the Group, through a shari’a compliant Sukuk financing arrangement, raised medium term finance amounting to AED 1,285 million (USD 350 million), which is listed on the London Stock Exchange. The Sukuk financing arrangement is guaranteed by EBI.

The terms of the arrangement includes the transfer of certain leased assets (Ijara) of EIB, on a co-ownership basis, to a Sukuk company (EIB Sukuk Company Limited – “the Issuer”) specially formed for this transaction. The assets are in the control of EIB and shall continue to be serviced by EIB. The Sukuk certificates mature on 12 September 2012.

The Issuer will pay quarterly distribution amounts from the returns received in respect of the leased assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to Sukuk holders on each quarterly distribution date. Upon maturity of this Sukuk, EIB (failing which EBI, in accordance with the guarantee) has undertaken to repurchase the assets at the exercise price of USD 350 million.

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11 EQUITY HOLDERS' FUNDS

At the Annual General Meeting held on 13 March 2007, the following were approved:

(a) Issue of bonus shares for 2006 of 25% (2005 - 30%) of the issued and paid up capital amounting to AED 583 million (2005 - AED 538 million).

(b) Payment of a cash dividend of 30% (2005 - 25%) of the issued and paid up capital amounting to AED 700 million (2005 - AED 448 million).

12 BUSINESS SEGMENT REPORTING (UNAUDITED)

	Government, Corporate & Commercial AED 000	Retail AED 000	Investment & Funds Management AED 000	Islamic Banking Activities AED 000	Other AED 000	Total AED 000
30 September 2007						
Net interest income	714,124	628,073	102,050	-	-	1,444,247
Income from Islamic products net of distribution to depositors	-	-	-	218,121	-	218,121
Net fees, commissions and other income	603,970	172,191	283,587	146,475	-	1,206,223
Property related income	-	-	-	17,813	-	17,813
Total Income	1,318,094	800,264	385,637	382,409	-	2,886,404
General and administrative expenses						(1,109,075)
Net impairment (allowance)/recoveries on loans and receivables						(248,902)
Share of profits of associate companies						249,807
Group profit for the period						1,778,234
Segment Assets	68,579,215	15,195,419	31,241,159	15,574,483	2,730,768	133,321,044
Segment Liabilities	45,713,234	17,426,380	53,134,441	14,976,049	2,070,940	133,321,044

Included in segment liabilities are equity holders' funds which have been allocated to the different segments based on the relative size of the segment assets.

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12 BUSINESS SEGMENT REPORTING (UNAUDITED) (continued)

	Government, Corporate & Commercial AED 000	Retail AED 000	Investment & Funds Management AED 000	Islamic Banking Activities AED 000	Other AED 000	Total AED 000
30 September 2006						
Net interest income	495,095	450,770	101,121	-	-	1,046,986
Income from Islamic products net of distribution to depositors	-	-	-	133,188	-	133,188
Net fees, commissions and other income	634,270	117,163	126,161	43,422	-	921,016
Property related income	-	-	-	3,468	-	3,468
Total Income	1,129,365	567,933	227,282	180,078	-	2,104,658
General and administrative expenses						(796,745)
Net impairment (allowance)/recoveries on loans and receivables						(83,871)
Share of profits of associate companies						141,575
Group profit for the period						1,365,617
Segment Assets	44,559,306	9,194,784	16,013,645	7,917,674	2,195,679	79,881,088
Segment Liabilities	19,577,466	19,361,999	29,189,487	9,221,254	2,530,882	79,881,088

Included in segment liabilities are equity holders' funds which have been allocated to the different segments based on the relative size of the segment assets.

13 COMMITMENTS AND CONTINGENCIES

The Group in the ordinary course of business enters into various types of transactions that involve undertaking certain commitments such as letters of credit and undrawn loan commitments.

14 RELATED PARTY TRANSACTIONS

Banking transactions are carried out with certain related parties. Such transactions were made on substantially the same terms, including interest rates and collateral, 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:

	Unaudited 30 September 2007 AED 000	Audited 31 December 2006 AED 000	Unaudited 30 September 2006 AED 000
Loans to majority shareholder	19,525,307	13,215,286	8,764,566
Deposits from majority shareholder	688,235	98,087	312,762
Investment in Government of Dubai bonds	74,567	74,088	73,935
Loans to directors and related companies	473,231	506,588	582,216
Loans to and investments in funds managed by the Group	778,641	170,906	342,601
Fees received in respect of funds managed by the Group	14,190	35,487	29,895
Interest paid to funds managed by the Group	-	3,639	12,066

The total amount of compensation paid to directors and key management personnel during the period is as follows:

	Unaudited 30 September 2007 AED 000	Unaudited 30 September 2006 AED 000
Short term employee benefits	21,067	15,802
Post employment benefits	875	768

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.

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15 NOTE TO THE CASH FLOW STATEMENT

		Unaudited 30 September 2007 AED 000	Unaudited 30 September 2006 AED 000
(a)	Analysis of changes in cash and cash equivalents during the period		
	Balance at beginning of period	(9,528,277)	(1,353,366)
	Net cash inflow/(outflow)	2,089,837	(7,449,862)
	Balance at end of period	(7,438,440)	(8,803,228)
(b)	Analysis of cash and cash equivalents		
	Cash and deposits with Central Banks	12,504,877	4,044,770
	Due from banks	11,505,848	3,558,469
	Due to banks	(27,722,158)	(13,310,864)
		(3,711,433)	(5,707,625)
	Less : deposits with Central Banks for regulatory purposes	(2,995,972)	(2,273,639)
	Less : amounts due from banks maturing after 3 months	(911,823)	(996,964)
	Add : amounts due to banks maturing after 3 months	180,788	175,000
		(7,438,440)	8,803,228

16 EVENTS SUBSEQUENT TO PERIOD END

Merger between Emirates Bank International PJSC ("EBI") and The National Bank of Dubai PJSC ("NBD")

On 12 July 2007, the Boards of Directors of EBI and NBD announced the terms of the proposed merger of the groups. The merger was completed on 16 October 2007 and was effected by establishing a new holding company, Emirates NBD PJSC ("Emirates NBD"), licensed by the UAE Central Bank. Emirates NBD offered to acquire the share capital of EBI and NBD in exchange for the new shares in Emirates NBD with the following exchange ratios:

- 1 share in EBI for 1 new share in Emirates NBD.
- 1 share in NBD for 0.95 new shares in Emirates NBD.

Upon completion, 99.42% and 98.56% of shareholders of EBI and NBD respectively exchanged their shareholdings in the respective banks for new shares issued by Emirates NBD. Subsequently, on the same date, both EBI and NBD's shares were delisted from trading by the Dubai Financial Market ("DFM") and Emirates NBD's shares were listed on the DFM.

17 COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated where appropriate to conform with the presentation and accounting policies adopted in these financial statements.