

Directors' Report

The Board of Directors of the Bank is pleased to present the financial statements of the bank for the quarter ended March 31, 2008.

The bank was incorporated in Pakistan on December 20, 2004 as a public limited company and commenced its commercial operations on February 16, 2007. The paid up capital of the bank is currently Rs 4.5 billion.

In view of the bank's expansion strategy, we closed the year with 10 branches; we intend to grow the branch network to 25 branches by June 2008. Thereafter the central bank will be approached for more branch approvals.

On the business side; financings stand at Rs 4.5 billion, investments at Rs 2.56 billion and deposits at Rs3.94 billion. Our financial highlights for the quarter ended March 2008 are as follows.

Financial Summary

	<u>Rs. in Million</u>
Gross income	159.2
Return on deposits and provisions	<u>(68.7)</u>
Net margin / funded income	90.5
Other income	45.8
Admin and other expenses	<u>(157.5)</u>
Pre tax loss	(21.2)
Taxation	<u>(19.1)</u>
Post tax loss	(40.4)
Accumulated loss brought forward	<u>(188.3)</u>
Accumulated loss carried forward	<u>(228.7)</u>

The loss per share of the bank was Re.0.05 based on paid up share capital as on March 31, 2008

Acknowledgement

The Board expresses its appreciation to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and our Shariah advisors for their continued guidance and support. We also take this opportunity to thank our valued customers for their patronage and our employees for their continuous efforts to make Emirates Global Islamic Bank a great success.

On behalf of the Board

Syed Tariq Husain
President & CEO

**BALANCE SHEET
AS AT MARCH 31, 2008**

	(Unaudited) March 2008	(Audited) December 2007
Note	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	426,018	991,301
Balances with other banks	331,896	419,737
Due from financial institutions	6 -	1,350,000
Investments	7 2,557,353	2,275,123
Financing	8 4,508,276	2,621,525
Operating fixed assets	9 1,223,729	953,864
Deferred tax assets - net	91,834	109,933
Other assets	209,340	219,992
	9,348,446	8,941,475
LIABILITIES		
Bills payable	273,311	99,753
Due to financial institutions	350,000	68,908
Deposits and other accounts	3,936,305	4,552,909
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	54,990	52,609
Deferred tax liabilities	-	-
Other liabilities	461,897	347,741
	5,076,503	5,121,920
NET ASSETS	<u>4,271,943</u>	<u>3,819,555</u>
REPRESENTED BY		
Share capital	10 4,500,000	3,000,000
Share subscription money	10.4 658	1,007,855
Reserves	-	-
Accumulated loss	(228,715)	(188,300)
	4,271,943	3,819,555
Surplus / (Deficit) on revaluation of assets	-	-
	<u>4,271,943</u>	<u>3,819,555</u>
CONTINGENCIES AND COMMITMENTS	11	

The annexed notes from 1 to 14 form an integral part of these financial statements

Syed Tariq Husain
President & CEO

AbdulHadi A Shayif
Director

Abdul Ghaffar Fancy
Director

Mubarak Balaswad
Director

**PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED MARCH 31, 2008**

	March 2008	March 2007
	Rupees in '000	
Profit / return earned on financings, investments and placements	159,223	55,201
Return on deposits and other dues expensed	(64,689)	(236)
Net spread earned	94,534	54,965
Provision against non-performing financings	1,830	49
Provision for diminution in the value of investments	2,237	-
Provision against non-performing commodity murabaha	-	-
Bad debts written off directly	-	-
	4,067	49
Net spread after provisions	90,467	54,916
Other Income		
Fee, Commission and Brokerage Income	7,823	3
Dividend Income	-	-
Income from dealing in foreign currencies	7,575	-
Capital gain on sale of securities	5,204	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-
Other Income	25,270	72
Total other income	45,872	75
	136,339	54,991
Other Expenses		
Administrative expenses	157,061	53,621
Other provisions / write offs	-	-
Other charges	523	-
Total other expenses	157,584	53,621
	(21,245)	1,370
Extra ordinary / unusual items	-	-
(Loss)/ Profit before Taxation	(21,245)	1,370
Taxation - Current - for the year	(1,070)	(8,733)
- for prior year	-	-
- Deferred	(18,100)	8,970
	(19,170)	237
(Loss)/ Profit after Taxation	(40,415)	1,607
Accumulated loss brought forward	(188,300)	(130,801)
Accumulated loss carried forward	(228,715)	(129,194)
Loss per Share	(0.05)	(0.01)

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CASH FLOW STATEMENT
FOR THE QUARTER ENDED MARCH 31, 2007

	March 2008	March 2007
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(21,245)	1,370
Adjustments:		
Depreciation	11,235	6,928
Amortization	3,907	-
Provision against non-performing advances	1,830	49
Provision for diminution in the value of investments	2,237	-
Finance charges on leased assets	1,268	-
Provision against non-performing commodity murabaha	-	932
	20,477	7,909
	(768)	9,279
(Increase) / Decrease in operating assets		
Due from financial institutions	1,350,000	(791,539)
Financing	(1,888,581)	(17,278)
Others assets (excluding advance taxation)	13,467	13,301
	(525,114)	(795,516)
Increase / (Decrease) in operating liabilities		
Bills payable	173,558	10,704
Borrowings	281,092	-
Deposits and other accounts	(616,604)	478,687
Other liabilities	114,156	48,862
	(47,799)	538,253
	(573,681)	(247,985)
Income tax paid	(3,885)	(15,754)
Net cash outflow from operating activities	(577,566)	(263,739)
CASH FLOW FROM INVESTING ACTIVITIES		
Net Investments in available for sale securities	(284,467)	(41,667)
Net Investments in held to maturity securities	-	(10,000)
Net Investments in operating fixed assets	(285,007)	(54,782)
Receipt on disposal of fixed assets	-	18
Net cash outflow on investing activities	(569,474)	(106,431)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations	1,114	(2,269)
Receipt of share subscription money	492,803	533,306
Net cash inflow from financing activities	493,917	531,037
(Decrease)/ Increase in cash and cash equivalents	(653,124)	160,867
Cash and cash equivalents as at January 01	1,411,038	51,103
Cash and cash equivalents as at March 31	757,914	211,970

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STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2008

	Share Capital	Share Subscription Money	Accumulated Loss	Total
-----Rupees in '000-----				
Balance as at January 01, 2007	250,533	2,239,942	(130,801)	2,359,674
Receipt of subscription money	-	533,306	-	533,306
Profit for the quarter	-	-	1,607	1,607
Issue of share capital	2,749,467	(2,749,467)	-	-
Balance as at March 31, 2007	3,000,000	23,781	(129,194)	2,894,587
Receipt of shares subscription money	-	1,007,855	-	1,007,855
Re-fund of share subscription money	-	(23,781)	-	(23,781)
Loss for nine months	-	-	(59,106)	(59,106)
Balance as at December 31, 2007	3,000,000	1,007,855	(188,300)	3,819,555
Receipt of shares subscription money	-	492,803	-	492,803
Issue of share capital	1,500,000	(1,500,000)	-	-
Loss for the quarter	-	-	(40,415)	(40,415)
Balance as at March 31, 2008	4,500,000	658	(228,715)	4,271,943

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

The bank was incorporated in Pakistan on December 20, 2004 as a public limited company under the Companies Ordinance, 1984.

The main objective of the bank is to carry on Islamic banking business in and outside Pakistan in accordance and in conformity with Islamic Shariah. The bank was granted an Islamic Banking License BL(i)-01(07), issued by the Banking Policy and Regulations Department of the State Bank of Pakistan vide their letter no. BPRD (LCGD-02)/625-76/D/2007/521 dated January 18, 2007 under section 27 of the Banking Companies Ordinance, 1962 read with Islamic Banking Department circular no. 2 of 2004. Subsequently, the bank was also granted approval for commencement of business as a scheduled bank with effect from February 13, 2007 by the State Bank of Pakistan vide their letter no. BPRD (LCGD-02)/625-76/XJD/2007/1269 dated February 12, 2007.

The Bank was operating through thirteen branches as at March 31, 2008 (2007: 10). Its registered office is located at the Hotel Arcade, Sheraton Hotels and Towers, Karachi.

2. BASIS OF PRESENTATION

The Bank provides financing mainly through Murabaha, Ijarah and Musharaka. Under Murabaha the goods are purchased and are then sold to the customers on credit. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of the facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. However income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable if so desired by the Shariah Board.

The Securities and Exchange Commission of Pakistan has notified for adoption "Islamic Financial Accounting Standard 2 - Ijarah (IFAS-2)" issued by the Institute of Chartered Accountants of Pakistan (ICAP) which is applicable for accounting periods beginning January 1, 2008. Consequent to the issuance of IFAS-2, the six full-fledged Islamic Banks approached ICAP to seek certain clarifications on its implementation especially regarding the methods of applicability of Prudential Regulations for Corporate and Consumer Banking issued by the State Bank of Pakistan. ICAP has approached SBP seeking necessary clarifications.

Pending above clarifications, the Bank has continued recognizing Ijarah transactions consistent with the policy used for the preparation of audited financial statements for the year ended December 31, 2007. During the quarter ended March 31, 2008, the Bank has disbursed the Ijarah financing aggregating to Rs. 150.501 million.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

The disclosures made in these financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No 03 dated May 12, 2004 and the International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2007.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain investments which have been carried at fair value and certain staff retirement benefits which are carried at present value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are in consistent with those applied in the preparation of financial statement for the year ended December 31, 2007.

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	March 2008	December 2007
	Rupees in '000	
6 DUE FROM FINANCIAL INSTITUTIONS		
Call money lendings	-	-
Repurchase agreement lendings (Reverse Repo)	-	-
Receivable against commodity murabaha	-	1,350,000
	<u>-</u>	<u>1,350,000</u>
6.1 Receivable against commodity murabaha		
Gross amount receivable against commodity murabaha	25,801	1,389,043
Less: Profit for future periods	801	4,824
Profit receivable - shown under other assets	-	9,219
	25,000	1,375,000
Provision against commodity murabaha	6.1.1 25,000	25,000
	<u>-</u>	<u>1,350,000</u>

6.1.1 This represents provision made by the bank in respect of commodity murabaha transaction with a leasing company. The amount due from the leasing company has been classified by the bank as "Loss" under the Prudential Regulations issued by the State Bank of Pakistan.

	Note	March 2008			December 2007		
		Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
Rupees in '000							
7. INVESTMENTS							
Available for sale securities							
Sukuk certificates		2,513,284	-	2,513,284	2,228,817	-	2,228,817
Associate							
Takaful Pakistan Limited		52,200	-	52,200	52,200	-	52,200
		2,565,484	-	2,565,484	2,281,017	-	2,281,017
Less: Provision for diminution in value of Investments	7.1	(8,131)	-	(8,131)	(5,894)	-	(5,894)
Investments (net of provision)		2,557,353	-	2,557,353	2,275,123	-	2,275,123
Deficit / surplus on revaluation of 'available for sale' securities		-	-	-	-	-	-
Total Investments at market value		<u>2,557,353</u>	<u>-</u>	<u>2,557,353</u>	<u>2,275,123</u>	<u>-</u>	<u>2,275,123</u>

7.1 This represents the excess of cost of ordinary shares of the investee company over its break-up value.

	March 2008	December 2007
	Rupees in '000	
8. FINANCING		
Inside Pakistan		
- Murabaha finance	8.1 1,727,032	1,152,289
- Net investment in Ijarah	1,067,701	861,670
- Advance against ijarah financing	273,298	204,557
- Diminishing musharaka financings	1,006,274	312,840
- Over due acceptance payment	9,226	9,351
- Salam financing	325,000	75,000
- Musawamah Financing	95,200	-
- Qarz-e-Hasna	7,901	7,581
- Rahnuma Travel Services	612	375
Financing-gross	4,512,244	2,623,663
Provision	8.2 3,968	2,138
Financing-net of provision	<u>4,508,276</u>	<u>2,621,525</u>
8.1 Murabaha receivable - gross	8.1.1 1,816,106	1,215,756
Less: Deferred murabaha income	55,475	31,243
Profit receivable	33,599	32,224
	<u>1,727,032</u>	<u>1,152,289</u>

8.1.1 This includes advance against murabaha amounting to Rs. 525.221 million (2007: 249.413)

8.2 This represents general provision against consumer financing portfolio as required by the Prudential Regulations issued by the State bank of Pakistan

	March 2008	December 2007	
9. OPERATING FIXED ASSETS			Rupees in '000
Property & equipment	9.1 694,059	686,875	
Intangible assets - (Computer Software)	9.2 47,749	30,782	
Capital work-in-progress	9.3 481,921	236,207	
	<u>1,223,729</u>	<u>953,864</u>	
9.1 Property & equipment			
Opening book value	731,162	579,492	
Additions during the period	9.1.1 19,812	151,690	
Disposals during the period	-	(20)	
Accumulated Depreciation	(56,915)	(44,287)	
	<u>694,059</u>	<u>686,875</u>	
9.1.1 Additions during the period			
Building	1,312	61,811	
Furniture & fixtures	1,268	13,023	
Office and computer equipment	10,924	50,874	
Vehicles	6,308	25,982	
	<u>19,812</u>	<u>151,690</u>	
9.2 Intangible assets			
Opening book value	43,594	15,247	
Additions during the period	9.2.1 19,486	28,347	
Disposals during the period	-	-	
Accumulated Depreciation	(15,331)	(12,812)	
	<u>47,749</u>	<u>30,782</u>	
9.2.1 Additions during the period			
Computer software	19,486	28,347	
9.3 Capital work-in-progress			
Advance against purchase of property	282,831	131,663	
Advances to suppliers and contractors	199,090	104,544	
	<u>481,921</u>	<u>236,207</u>	
10. SHARE CAPITAL			
10.1 Authorized Capital			
	March 2008	December 2007	March 2008
	Number of shares		December 2007
	<u>600,000,000</u>	<u>400,000,000</u>	Rupees in '000
			<u>6,000,000</u>
			<u>4,000,000</u>
			Ordinary shares of Rs 10 each
10.2 Issued, subscribed and paid up capital			
	March 2008	December 2007	March 2008
	Number of shares		December 2007
	<u>450,000,000</u>	<u>300,000,000</u>	Rupees in '000
			<u>4,500,000</u>
			<u>3,000,000</u>
			Ordinary shares fully paid in cash
10.3 The movement in the issued, subscribed and paid-up capital is as follows:			
	Number of shares	Amount Rupees in '000	
Opening balance at January 1, 2008	300,000,000	3,000,000	
Right shares issued during the period	150,000,000	1,500,000	
Closing balance at March 31, 2008	<u>450,000,000</u>	<u>4,500,000</u>	
10.4 The break-up of share subscription money as at period end is as follows:			
	March 2008	December 2007	
	Rupees in '000		
Mr. Syed Tariq Husain	-	13,100	
Emirates Financial Holding LLC	-	244,098	
Mal Alkhaleej Investment LLC	658	750,657	
	<u>658</u>	<u>1,007,855</u>	

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	March 2008	December 2007
	Rupees in '000	
11. CONTINGENCIES AND COMMITMENTS		
11.1 Transaction-related contingent liabilities		
Guarantees	331,726	1,181,066
11.2 Trade-related contingent liabilities		
Letters of credit	166,179	246,840
Acceptances	252,977	1,529,896
11.3 Commitments in respect of forward exchange contracts		
Purchase	1,260,089	560,568
Sale	1,617,610	379,286
11.4 Commitments for the acquisition of operating fixed assets		
Commitments in respect of purchase of property	248,888	400,056

12. RELATED PARTY TRANSACTIONS

12.1 The bank has related party relationship with its associated undertaking, employee benefit plan and its directors and key management personnel.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the bank.

Contributions to and accruals in respect of staff retirement benefit plan are made in accordance with the actuarial valuations / terms of the contribution plan.

12.2 Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Total		Associates		Key management personnel	
	March 2008	December 2007	March 2008	December 2007	March 2008	December 2007
	----- Rupees in '000 -----					
Subscription money						
Opening Balance	1,007,855	1,007,855	994,755	994,755	13,100	13,100
Received during the period	492,803	-	492,803	-	-	-
Refund during the period	-	-	-	-	-	-
Allotment of shares	(1,500,000)	-	(1,486,900)	-	(13,100)	-
Closing Balance	658	1,007,855	658	994,755	-	13,100
Financings						
Opening Balance	107,587	22,444	9,259	-	98,328	22,444
Disbursed during period	806	88,632	806	9,676	-	78,956
Repaid during the period	(2,835)	(3,489)	(312)	(417)	(2,523)	(3,072)
Closing Balance	105,558	107,587	9,753	9,259	95,805	98,328
Deposits						
Opening Balance	66,335	-	45,613	-	20,722	-
Disbursed during period	79,057	365,716	48,906	159,856	30,151	205,860
Repaid during the period	(118,234)	(299,381)	(82,785)	(114,243)	(35,449)	(185,138)
Closing Balance	27,158	66,335	11,734	45,613	15,424	20,722
Other payable						
Opening Balance	32,420	33,852	32,420	33,852	-	-
Disbursed during period	-	-	-	-	-	-
Repaid during the period	(1,456)	(1,432)	(1,456)	(1,432)	-	-
Closing Balance	30,964	32,420	30,964	32,420	-	-
Other Balances						
Profit receivable on financing	169	109	-	109	169	-
Investments	52,200	52,200	52,200	52,200	-	-
Provision for diminution in value of investment	8,131	5,894	8,131	5,894	-	-
Return payable on deposit	204	818	188	633	16	185
Transactions, income and expenses						
Profit earned on financing	662	1,697	324	589	338	1,108
Return on deposits expenses	384	1,746	339	1,308	45	438
Salaries and allowances	9,040	42,903	-	-	9,040	42,903

13 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 28th of April, 2008 by the Board of Directors of the bank.

14 GENERAL

14.1 Figures have been rounded off to the nearest thousand rupees.

14.2 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements as follows:

14.2.1 Rs 533 million in the cash flow statement under cash flow from financing activities represents net activity for the period.

14.2.2 For the quarter ended March 31, 2007, an amount of Rs. 0.321 million had been transferred to statutory reserves out of the quarter's profit which subsequently transferred to the accumulated loss. The comparative figure of accumulated loss carried forward in the profit and loss account and related information in the statement of changes in equity have therefore been reclassified.

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