Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2012 (UNAUDITED)

ERNST & YOUNG

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF EMIRATES INVESTMENT BANK P.J.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of Emirates Investment Bank P.J.S.C. (the "Bank") as at 30 September 2012, comprising the interim statement of financial position as at 30 September 2012 and the related interim statements of income and comprehensive income for the three month and nine month periods then ended, and the related statements of cash flows and changes in equity for the nine month period then ended and explanatory information. 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 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. Consequently, it 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:
Ali H. Issa
Partner
Registration No. 488

12 November 2012

Dubai, United Arab Emirates

Emirates Investment Bank P.J.S.C.

INTERIM INCOME STATEMENT

30 September 2012

	Note	*Three months ended 30 September*		*Nine months ended 30 September*	
		2012	*2011*	***2012***	*2011*
		AED'000	*AED'000*	***AED'000***	*AED'000*
		Unaudited	*Unaudited*	***Unaudited***	*Unaudited*
Interest income		**486**	864	**3,076**	1,895
Net income from investments		**16,571**	23,152	**62,498**	65,644
		17,057	24,016	**65,574**	67,539
Interest expense		**(7,672)**	(7,009)	**(23,032)**	(21,626)
NET INTEREST INCOME AND INCOME FROM INVESTMENTS		**9,385**	17,007	**42,542**	45,913
Other income		**994**	775	**3,065**	2,963
Impairment loss on investments		**(2,107)**	(6,000)	**(3,152)**	(8,123)
Provision for impairment on loans and advances		**-**	(4)	**(120)**	(10)
Exchange loss, net		**(57)**	(61)	**137**	(142)
OPERATING INCOME		**8,215**	11,717	**42,472**	40,601
General and administrative expenses		**(6,877)**	(5,951)	**(19,486)**	(18,576)
OPERATING EXPENSES		**(6,877)**	(5,951)	**(19,486)**	(18,576)
PROFIT FOR THE PERIOD		**1,338**	5,766	**22,986**	22,025
Basic and diluted earnings per share	3	**2.43**	10.48	**41.79**	40.05

The attached notes 1 to 11 form part of these interim condensed financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

30 September 2012

	Three months ended 30 September		*Nine months ended 30 September*	
	2012	*2011*	***2012***	*2011*
	AED'000	*AED'000*	***AED'000***	*AED'000*
	Unaudited	*Unaudited*	***Unaudited***	*Unaudited*
PROFIT FOR THE PERIOD	**1,338**	5,766	**22,986**	22,025
Other comprehensive income				
Net unrealised gain (loss) on available for sale investments	**31,537**	(52,209)	**72,721**	(14,511)
Net realised gain transferred to statement of income on disposal of available for sale investments	**(2,727)**	(11,654)	**(19,851)**	(21,942)
Impairment of available for sale investments	**2,107**	6,000	**3,152**	8,123
Other comprehensive income for the period	**30,917**	(57,863)	**56,022**	(28,330)
Total comprehensive income for the period	**32,255**	(52,097)	**79,008**	(6,305)

The attached notes 1 to 11 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	Notes	***30 September 2012 AED'000 Unaudited***	*31 December 2011 AED'000 Audited*
ASSETS			
Cash and balances with UAE Central Bank		**16,322**	30,449
Due from banks	4	**70,590**	220,386
Loans and advances		**6,847**	8,995
Investments	5	**1,697,384**	1,175,486
Investment in an associate	6	**72**	-
Property and equipment		**923**	1,167
Other assets		**28,214**	21,451
TOTAL ASSETS		**1,820,352**	1,457,934
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	7	**811,397**	385,298
Customer deposits		**712,785**	848,452
Other liabilities		**20,973**	23,051
TOTAL LIABILITIES		**1,545,155**	1,256,801
EQUITY			
Share capital		**55,000**	49,432
Legal reserve		**24,697**	24,697
Special reserve		**18,105**	18,105
Cumulative changes in fair values		**68,009**	11,987
Retained earnings		**109,386**	96,912
TOTAL EQUITY		**275,197**	201,133
TOTAL LIABILITIES AND EQUITY		**1,820,352**	1,457,934

Khaled Sifri
(Chief Executive Officer)
12 / 11 / 2012

The attached notes 1 to 11 form part of these interim condensed financial statements.

INTERIM STATEMENT OF CASH FLOWS
30 September 2012

	Notes	*Nine months ended 30 September* 2012 AED'000 Unaudited	2011 AED'000 Unaudited
OPERATING ACTIVITIES			
Net profit for the period		**22,986**	22,025
Adjustments for:			
Depreciation		**712**	635
Impairment loss on investments		**3,152**	8,123
Impairment loss on loans and advances		**120**	10
Change in due to banks		**285,444**	-
Change in loans and advances		**2,028**	2,356
Change in investments (net)		**(469,028)**	(187,594)
Change in other assets		**(6,763)**	(1,295)
Change in customer deposits		**(135,667)**	99,024
Change in other liabilities		**(2,078)**	10,830
Net cash used in operating activities		**(299,094)**	(45,886)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(468)**	(335)
Investment in an associate	6	**(72)**	-
Cash used in investing activities		**(540)**	(335)
FINANCING ACTIVITIES			
Dividends paid	8	**(4,944)**	(4,494)
Cash used in financing activities		**(4,944)**	(4,494)
DECREASE IN CASH AND CASH EQUIVALENTS		**(304,578)**	(50,715)
Cash and cash equivalents at 1 January		**(69,463)**	(83,351)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		**(374,041)**	(134,066)

Cash and cash equivalents comprise the following amounts included in the statement of financial position with original maturities of three months or less:

Cash and balances with UAE Central Bank	**16,322**	16,283
Due from banks	**15,590**	173,813
Due to banks	**(405,953)**	(324,162)
	(374,041)	(134,066)

Operational cash flows from interest and dividend		
Interest paid	**28,194**	12,347
Interest received (including from investments)	**24,910**	32,977
Dividend received (included in income from investments)	**10,287**	10,342

The attached notes 1 to 11 form part of these interim condensed financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

30 September 2012

	Share capital AED'000 Unaudited	*Legal reserve AED'000 Unaudited*	*Special reserve AED'000 Unaudited*	*Cumulative changes in fair value AED'000 Unaudited*	*Retained earnings AED'000 Unaudited*	*Total AED'000 Unaudited*
At 1 January 2012	49,432	24,697	18,105	11,987	96,912	201,133
Profit for the period	-	-	-	-	22,986	22,986
Other comprehensive income for the period	-	-	-	56,022	-	56,022
Total comprehensive income for the period	-	-	-	56,022	22,986	79,008
Cash dividends paid (note 8)	-	-	-	-	(4,944)	(4,944)
Scrip dividends paid (note 8)	5,568	-	-	-	(5,568)	-
At 30 September 2012	**55,000**	**24,697**	**18,105**	**68,009**	**109,386**	**275,197**
At 1 January 2011	44,938	22,469	15,877	19,607	88,070	190,961
Profit for the period	-	-	-	-	22,025	22,025
Other comprehensive income for the period	-	-	-	(28,330)	-	(28,330)
Total comprehensive income for the period	-	-	-	(28,330)	22,025	(6,305)
Cash dividends paid (note 8)	-	-	-	-	(4,494)	(4,494)`
Scrip dividends paid (note 8)	4,494	-	-	-	(4,494)	-
At 30 September 2011	49,432	22,469	15,877	(8,723)	101,107	180,162

The attached notes 1 to 11 form part of these interim condensed financial statements.

1 INCORPORATION AND ACTIVITIES

Emirates Investment Bank P.J.S.C. (the "Bank") was incorporated on 17 February 1976 in Dubai, United Arab Emirates by a decree of HH The Ruler of Dubai. 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.

The Bank is a subsidiary of Al Futtaim Private Company LLC which holds 50.26% of the shares in the bank.

2 ACCOUNTING POLICIES

Basis of preparation
The interim condensed financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

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 2011. In addition, results for the nine months ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

New standards and interpretations
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 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

- *IFRS 7 - Disclosures - Transfers of financial assets (Amendment)*

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

- *IAS 12 - Deferred Tax: Recovery of Underlying Assets (Amendment)*
- *IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)*

The above amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Bank.

The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit of AED 22,986 thousand for the nine months period ended 30 September 2012 (30 September 2011: AED 22,025 thousand) by the weighted average number of shares outstanding during the period of 550,000 of AED 100 each (2011: 550,000 shares of AED 100 each).

The earnings per share of AED 40.05 as reported for the nine months ended 30 September 2011 has been adjusted for the effect of the shares issued in 2012 as a result of the stock dividend (refer note 8).

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 DUE FROM BANKS

	30 September 2012 AED'000 Unaudited	*31 December 2011 AED'000 Audited*
Domestic	**55,728**	66,046
Regional	**2,690**	126,181
International	**12,172**	28,159
	70,590	220,386

Included in due from banks is a term deposit of AED 55,000 thousand (2011: AED 55,000 thousand) with a counter party in the UAE which is under lien to the extent of AED 55,000 thousand (2011: AED 55,000 thousand) against facilities granted by the counter party to the Bank.

5 INVESTMENTS

	30 September 2012 AED'000 Unaudited	*31 December 2011 AED'000 Audited*
Equity investments:		
Domestic	**128,073**	127,282
Regional	**20,772**	15,588
International	**315,475**	258,161
	464,320	401,031
Debt investments:		
Domestic	**1,102,001**	704,209
Regional	**18,757**	13,624
International	**79,144**	23,468
	1,199,902	741,301
Investment in bullion	**33,162**	33,154
	1,697,384	1,175,486

Part of the proprietary investment portfolio of the bank having a carrying value of AED 1,120 million (2011: AED 433 million) is pledged with banks against credit facilities and repurchase agreements totaling to AED 768 million (2011: AED 228 million).

6 INVESTMENT IN AN ASSOCIATE

	30 September 2012 AED'000 Unaudited	*31 December 2011 AED'000 Audited*
Investment in an associate	**72**	-

6 INVESTMENT IN AN ASSOCIATE (continued)

	Nine months ended 30 September	
	2012	*2011*
	AED'000	*AED'000*
	Unaudited	*Unaudited*
Investment made during the period	**72**	-
Share in results of associate for the period	**-**	-
Dividends received during the period	**-**	-
Impairment on investment in an associate	**-**	-

During the period, the bank has made an investment in a newly incorporated company 'EIB Investment Co. L.L.C'. The bank holds 24% share in profit and losses of the company. The associate has not started its operations. Investment represents Bank's share in the capital of the newly incorporated entity.

7 DUE TO BANKS

	30 September	*31 December*
	2012	*2011*
	AED'000	*AED'000*
	Unaudited	*Audited*
Term placement	**611,729**	157,000
Overdraft facility	**35,525**	125,059
Repurchase agreements	**164,143**	103,239
	811,397	385,298

8 DIVIDENDS

On 21 March 2012, the shareholders of the Bank have approved a cash dividend of 10% amounting to AED 4,944 thousand (2011: AED 4,494 thousand) which has been paid during the year. Further, in the same meeting the shareholders of the Bank have approved a scrip dividend of 11.27% amounting to AED 5,568 thousand (2011: AED 4,494 thousand). These bonus shares were issued on 1 April 2012.

9 SEGMENTAL INFORMATION

For operating purposes, the Bank is organised into two major business segments: (a) Proprietary investments which is principally involved in managing the Bank's own investment portfolio and provides treasury services; and (b) Investments and Private Banking Services, which principally manages client's investment portfolio, provides credit facilities, accepts deposit from corporate and individual customers and provides advisory services on corporate finance and capital market transactions. 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.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

9 SEGMENTAL INFORMATION (continued)

	Investments		*Banking Services*		*Total*	
	30 September 2012 AED'000 Unaudited	*30 September 2011 AED'000 Unaudited*	***30 September 2012 AED'000 Unaudited***	*30 September 2011 AED'000 Unaudited*	***30 September 2012 AED'000 Unaudited***	*30 September 2011 AED'000 Unaudited*
Revenue *	**60,184**	58,437	**5,440**	3,800	**65,624**	62,237
Inter-segment adjustment	**(18,870)**	(20,065)	**18,870**	20,065	-	-
	41,314	38,372	**24,310**	23,865	**65,624**	62,237
Profit (loss) for the period	**24,076**	22,153	**(1,090)**	(128)	**22,986**	22,025

* Revenue comprises of interest income, net income from investments, other income and exchange (loss) gain less impairment loss on investments

	Investments		*Banking Services*		*Total*	
	30 September 2012 AED'000 Unaudited	*31 Dec 2011 AED'000 Audited*	***30 September 2012 AED'000 Unaudited***	*31 Dec 2011 AED'000 Audited*	***30 September 2012 AED'000 Unaudited***	*31 Dec 2011 AED'000 Audited*
Segment assets	**1,789,592**	1,278,501	**30,760**	179,433	**1,820,352**	1,457,934
Segment liabilities and equity	**911,711**	413,569	**908,641**	1,044,365	**1,820,352**	1,457,934

10 CONTINGENT LIABILITIES AND COMMITMENTS

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

	30 September 2012 AED'000 Unaudited	*31 December 2011 AED'000 Audited*
Contingent liabilities:		
Guarantees	**85,110**	88,564
Nominal value of derivative –Credit Default Swap	**36,730**	-
	121,840	88,564

The Bank has no further commitments (2011: Nil) on account of investments made in securities and limited partnership funds.

11 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 interim condensed financial statements are as follows:

11 RELATED PARTY TRANSACTIONS (continued)

	30 September 2012 AED'000 Unaudited	*31 December 2011 AED'000 Audited*
Directors, their related parties and key management personnel:		
Loans and advances	**2,388**	3,620
Investments	**50,090**	-
Customers' deposits	**452,300**	455,421
Commitments and contingencies	**77,619**	66,769

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

	Nine months ended 30 September	
	2012 AED'000 Unaudited	*2011 AED'000 Unaudited*
Directors, their related parties and key management personnel:		
Interest income	**1,455**	64
Interest expense	**9,768**	7,593
Other income	**1,554**	1,078
General and administration expenses	**1,597**	1,491

Compensation of key management personnel:

	Nine months ended 30 September	
	2012 AED'000 Unaudited	*2011 AED'000 Unaudited*
Salaries and other benefits	**3,447**	3,253