

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 JUNE 2010 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim statement of financial position of Arab Emirates Investment Bank P.J.S.C. (the "Bank") as at 30 June 2010 and the related interim statements of income and comprehensive income for the three months and six months periods then ended, and the related statements of cash flows and changes in equity for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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.



Signed by:
Naushad Anwar
Partner
Registration No. 489

10 August 2010

Dubai, United Arab Emirates

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

INTERIM INCOME STATEMENT

30 June 2010

	<i>Note</i>	<u>Three months ended</u> <u>30 June</u>		<u>Six months ended</u> <u>30 June</u>	
		<u>2010</u> <u>AED</u> <u>Unaudited</u>	<u>2009</u> <u>AED</u> <u>Unaudited</u>	<u>2010</u> <u>AED</u> <u>Unaudited</u>	<u>2009</u> <u>AED</u> <u>Unaudited</u>
Interest income		557,263	670,091	1,362,293	1,235,903
Net income from investments		20,526,075	12,031,045	30,959,275	11,935,067
		<u>21,083,338</u>	<u>12,701,136</u>	<u>32,321,568</u>	<u>13,170,970</u>
Interest expense		(5,443,403)	(3,162,589)	(10,581,740)	(6,511,372)
		<u>(5,443,403)</u>	<u>(3,162,589)</u>	<u>(10,581,740)</u>	<u>(6,511,372)</u>
NET INTEREST INCOME AND INCOME FROM INVESTMENTS		15,639,935	9,538,547	21,739,828	6,659,598
Other income		1,019,790	2,189,955	1,884,429	2,303,712
Impairment loss on investments		(2,026,097)	(271,755)	(2,900,358)	(3,281,789)
Exchange gain/(loss) - net		18,363	(312,990)	96,966	(199,724)
		<u>14,651,991</u>	<u>11,143,757</u>	<u>20,820,865</u>	<u>5,481,797</u>
OPERATING INCOME		14,651,991	11,143,757	20,820,865	5,481,797
General and administrative expenses		(3,363,101)	(2,201,184)	(6,256,222)	(4,142,003)
Other expenses		(248,293)	(251,690)	(482,519)	(507,863)
		<u>(3,611,394)</u>	<u>(2,452,874)</u>	<u>(6,738,741)</u>	<u>(4,649,866)</u>
OPERATING EXPENSES		(3,611,394)	(2,452,874)	(6,738,741)	(4,649,866)
NET PROFIT FOR THE PERIOD		11,040,597	8,690,883	14,082,124	831,931
Basic and diluted earnings per share	3	<u>24.57</u>	<u>19.34</u>	<u>31.34</u>	<u>1.85</u>

The attached notes 1 to 8 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

30 June 2010

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2010</i> <i>AED</i> <i>Unaudited</i>	<i>2009</i> <i>AED</i> <i>Unaudited</i>	<i>2010</i> <i>AED</i> <i>Unaudited</i>	<i>2009</i> <i>AED</i> <i>Unaudited</i>
Net profit for the period	11,040,597	8,690,883	14,082,124	831,931
Other comprehensive income/(loss)				
Net unrealised gain on available for sale investments	2,065,000	16,535,523	32,531,240	26,126,752
Net realised gain transferred to statement of income on disposal of available for sale investments	(7,786,736)	(3,860,419)	(9,425,374)	(458,789)
Impairment of available for sale investments	2,026,097	271,755	2,900,358	3,281,789
Other comprehensive (loss)/income for the period	(3,695,639)	12,946,859	26,006,224	28,949,752
Total comprehensive income for the period	7,344,958	21,637,742	40,088,348	29,781,683

The attached notes 1 to 8 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	30 June 2010 AED Unaudited	31 December 2009 AED Audited
ASSETS			
Cash and balances with UAE Central Bank		10,920,893	6,782,154
Due from banks	4	53,802,673	96,320,188
Loans and advances		14,111,009	7,257,750
Investments	5	636,094,010	533,965,024
Property and equipment		1,738,392	2,103,881
Other assets		10,877,345	8,067,036
TOTAL ASSETS		727,544,322	654,496,033
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		28,000,000	23,000,000
Customer deposits		527,065,949	495,248,102
Other liabilities		7,754,982	11,612,888
TOTAL LIABILITIES		562,820,931	529,860,990
EQUITY			
Share capital		44,937,600	44,937,600
Legal reserve		21,539,072	21,539,072
Special reserve		13,841,921	13,841,921
Cumulative changes in fair values		120,550	(25,885,674)
Retained earnings		84,284,248	70,202,124
TOTAL EQUITY		164,723,391	124,635,043
TOTAL LIABILITIES AND EQUITY		727,544,322	654,496,033


 Khaled Sifri
 (Chief Executive Officer)
 10 August 2010

The attached notes 1 to 8 form part of these interim condensed financial statements.

Arab Emirates Investment Bank P.J.S.C.
INTERIM STATEMENT OF CASH FLOWS
30 June 2010

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>AED</i>	<i>AED</i>
	<i>Unaudited</i>	<i>Unaudited</i>
OPERATING ACTIVITIES		
Net profit for the period	14,082,124	831,931
Adjustments for:		
Depreciation	386,186	387,863
Impairment loss on investments	2,900,358	3,281,789
Changes in due from banks	39,000,000	(15,000,000)
Change in loans and advances	(6,853,259)	7,674,375
Change in investments (net)	(79,023,120)	(19,939,972)
Change in other assets	(2,810,309)	(3,706,278)
Change in customer deposits	31,817,847	49,663,866
Change in other liabilities	(3,857,906)	(2,976,424)
Net cash (used in)/generated from operating activities	(4,358,079)	20,217,150
INVESTING ACTIVITIES		
Purchase of property and equipment	(20,697)	-
Cash used in investing activities	(20,697)	-
FINANCING ACTIVITY		
Cash used in financing activity	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,378,776)	20,217,150
Cash and cash equivalents at 1 January	41,102,342	(72,427,239)
CASH AND CASH EQUIVALENTS AT 30 JUNE	36,723,566	(52,210,089)

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

Cash and balances with UAE Central Bank	10,920,893	3,607,689
Due from banks	53,802,673	9,528,222
Due to banks	(28,000,000)	(65,346,000)
	36,723,566	(52,210,089)

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

INTERIM STATEMENT OF CHANGES IN EQUITY

30 June 2010

	<i>Share capital AED Unaudited</i>	<i>Legal reserve AED Unaudited</i>	<i>Special reserve AED Unaudited</i>	<i>Cumulative changes in fair value AED Unaudited</i>	<i>Retained earnings AED Unaudited</i>	<i>Total AED Unaudited</i>
At 1 January 2010	44,937,600	21,539,072	13,841,921	(25,885,674)	70,202,124	124,635,043
Net profit for the period	-	-	-	-	14,082,124	14,082,124
Other comprehensive income for the period	-	-	-	26,006,224	-	26,006,224
Total comprehensive income for the period	-	-	-	26,006,224	14,082,124	40,088,348
Balance at 30 June 2010	44,937,600	21,539,072	13,841,921	120,550	84,284,248	164,723,391
At 1 January 2009	44,937,600	20,560,422	12,863,271	(42,515,365)	62,522,924	98,368,852
Net profit for the period	-	-	-	-	831,931	831,931
Other comprehensive income for the period	-	-	-	28,949,752	-	28,949,752
Total comprehensive income for the period	-	-	-	28,949,752	831,931	29,781,683
Balance at 30 June 2009	44,937,600	20,560,422	12,863,271	(13,565,613)	63,354,855	128,150,535

The attached notes 1 to 8 form part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2010 (Unaudited)

1 INCORPORATION AND ACTIVITIES

Arab Emirates Investment Bank P.J.S.C. (the "Bank") was incorporated on 17 February 1976 in Dubai by a decree of HH The Ruler of Dubai as Arab Emirates Investment Bank Limited. In 1999, the Bank was registered under the UAE Commercial Companies Law No. (8) of 1984 (as amended) as a Public Joint Stock Company. The Bank is engaged in the business of development banking, investment banking and investment portfolio management. The address of the Bank's registered office is P. O. Box 5503, Dubai, United Arab Emirates.

2 ACCOUNTING POLICIES

The interim condensed financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2009.

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 2009. In addition, results for the six months ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit of AED 14,082,124 for the six months period ended 30 June 2010 (30 June 2009: AED 831,931) by the weighted average number of shares outstanding during the period of 449,376 of AED 100 each (2009: 449,376 shares of AED 100 each).

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

	<i>30 June 2010 AED Unaudited</i>	<i>31 December 2009 AED Audited</i>
Domestic	39,204,733	89,991,990
Regional	138,212	51
International	14,459,728	6,328,147
	<u>53,802,673</u>	<u>96,320,188</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2010 (Unaudited)

5 INVESTMENTS

	<i>30 June 2010 AED Unaudited</i>	<i>31 December 2009 AED Audited</i>
Equity investments:		
Domestic	127,665,695	144,068,537
Regional	20,032,671	22,047,006
International	33,649,198	36,050,951
	<u>181,347,564</u>	<u>202,166,494</u>
Debt investments:		
Domestic	409,585,292	297,448,250
Regional	25,727,231	15,331,916
International	19,433,923	19,018,364
	<u>454,746,446</u>	<u>331,798,530</u>
	<u>636,094,010</u>	<u>533,965,024</u>

6 SEGMENTAL INFORMATION

For operating purposes, the Bank is organised into two major business segments: Development Banking, which principally provides loans and other credit facilities and deposit and current accounts for corporate and individual customers and Investment Banking, which involves the management of the Bank's own investment portfolio and treasury services and providing investment portfolio management services. These segments are the basis on which the Bank reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds and an equitable allocation of expenses.

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.

	<i>Development Banking</i>		<i>Investment Banking</i>		<i>Total</i>	
	<i>30 June 2010 AED Unaudited</i>	<i>30 June 2009 AED Unaudited</i>	<i>30 June 2010 AED Unaudited</i>	<i>30 June 2009 AED Unaudited</i>	<i>30 June 2010 AED Unaudited</i>	<i>30 June 2009 AED Unaudited</i>
Revenue *	2,738,169	3,155,219	28,664,436	8,837,950	31,402,605	11,993,169
Inter-segment adjustment	9,708,435	5,984,195	(9,708,435)	(5,984,195)	-	-
	<u>12,446,604</u>	<u>9,139,414</u>	<u>18,956,001</u>	<u>2,853,755</u>	<u>31,402,605</u>	<u>11,993,169</u>
Profit/(loss) for the period	<u>1,064,135</u>	<u>1,842,714</u>	<u>13,017,989</u>	<u>(1,010,783)</u>	<u>14,082,124</u>	<u>831,931</u>

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2010 (Unaudited)

6 SEGMENTAL INFORMATION (continued)

	<i>Development Banking</i>		<i>Investment Banking</i>		<i>Total</i>	
	<i>30 June 2010</i>	<i>31 December 2009</i>	<i>30 June 2010</i>	<i>31 December 2009</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
Segment assets	86,450,229	116,613,648	641,094,093	537,882,385	727,544,322	654,496,033
Segment liabilities and equity	562,820,931	529,860,990	164,723,391	124,635,043	727,544,322	654,496,033

7 CONTINGENT LIABILITIES AND COMMITMENTS

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

	<i>30 June 2010</i>	<i>31 December 2009</i>
	<i>AED</i>	<i>AED</i>
	<i>Unaudited</i>	<i>Audited</i>
<i>Contingent liabilities:</i>		
Guarantees	114,569,340	116,849,070

The Bank has commitments totaling AED 2,023,397 (2009: AED 2,023,397) on account of investments made in securities and limited partnership funds. The Bank has to pay as and when calls are made by the funds' managers/investee company.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2010 (Unaudited)

8 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:

	<i>30 June 2010 AED Unaudited</i>	<i>31 December 2009 AED Audited</i>
<i>Directors, their related parties and key management personnel:</i>		
Loans and advances	-	71,756
Customers' deposits	198,684,923	234,209,228
Commitments and contingencies	94,418,590	101,820,320

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

	<i>30 June 2010 AED Unaudited</i>	<i>Six months ended 30 June 2009 AED Unaudited</i>
<i>Directors, their related parties and key management personnel:</i>		
Interest income	747,516	33,280
Interest expense	4,181,659	377,083
Other income	-	17,278

Compensation of key management personnel:

	<i>30 June 2010 AED Unaudited</i>	<i>Six months ended 30 June 2009 AED Unaudited</i>
Salaries and other benefits	2,559,041	2,268,877