

**Emirates Investment Bank P.J.S.C.
(Formerly Arab Emirates Investment
Bank P.J.S.C.)**

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 2011 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim statement of financial position of Emirates Investment Bank P.J.S.C. (formerly Arab Emirates Investment Bank P.J.S.C.) (the "Bank") as at 31 March 2011 and the related interim statements of income, comprehensive income, cash flows and changes in equity for the three 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:
Joseph A. Murphy
Partner
Registration No. 492

5 May 2011

Dubai, United Arab Emirates

Emirates Investment Bank P.J.S.C.
(Formerly Arab Emirates Investment Bank P.J.S.C.)

INTERIM STATEMENT OF INCOME

31 March 2011 (Unaudited)

		<i>Three months ended 31 March</i>	
		<i>2011</i>	<i>2010</i>
	<i>Note</i>	<i>AED'000</i>	<i>AED'000</i>
Interest income		537	805
Income / (loss) from investments		17,695	10,433
		<u>18,232</u>	<u>11,238</u>
Interest expense		(7,332)	(5,138)
NET INTEREST INCOME AND INCOME FROM INVESTMENTS		10,900	6,100
Other income		1,014	865
Impairment loss on available for sale investments		(1,200)	(874)
Impairment loss on loans and advances		(4)	-
Exchange (loss) / gain - net		(73)	79
OPERATING INCOME		10,637	6,170
General and administrative expenses		(5,929)	(3,128)
NET PROFIT FOR THE PERIOD		4,708	3,042
BASIC AND DILUTED EARNING PER SHARE	3	10.48	6.77

The attached notes 1 to 9 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.

(Formerly Arab Emirates Investment Bank P.J.S.C.)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

31 March 2011 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>
Profit for the period	4,708	3,042
Other comprehensive income		
Net unrealised gain on available for sale investments	21,099	30,466
Net realised gain transferred to statement of income on disposal of available for sale investments	(2,814)	(1,638)
Impairment of available for sale investments	1,200	874
Other comprehensive income for the period	19,485	29,702
Total comprehensive income for the period	24,193	32,744

The attached notes 1 to 9 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.

(Formerly Arab Emirates Investment Bank P.J.S.C.)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	<i>Notes</i>	<i>Unaudited 31 March 2011 AED'000</i>	<i>Audited 31 December 2010 AED'000</i>
ASSETS			
Cash and balances with UAE Central Bank		13,187	6,125
Due from banks	4	66,346	118,425
Loans and advances		7,775	11,751
Investments	5	1,050,693	906,453
Property & equipment		1,451	1,606
Other assets		20,084	11,419
TOTAL ASSETS		1,159,536	1,055,779
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	6	385,517	288,901
Customer deposits		543,954	565,330
Other liabilities		14,911	10,587
TOTAL LIABILITIES		944,382	864,818
EQUITY			
Share capital		44,938	44,938
Legal reserve		22,469	22,469
Special reserve		15,877	15,877
Cum changes in fair values		39,092	19,607
Retained earnings		83,790	88,070
Proposed dividend		8,988	-
TOTAL EQUITY		215,154	190,961
TOTAL LIABILITIES & EQUITY		1,159,536	1,055,779


 Khaled Sifri
 (Chief Executive Officer)
 5 May 2011

Emirates Investment Bank P.J.S.C.
(Formerly Arab Emirates Investment Bank P.J.S.C.)

INTERIM STATEMENT OF CASH FLOWS

31 March 2011 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>
OPERATING ACTIVITIES		
Net profit for the period	4,708	3,042
Adjustments for:		
Depreciation	209	194
Impairment loss on available for sale investments	1,200	874
Impairment loss on loans and advances	4	-
Change in loans and advances (net)	3,972	(725)
Change in investments (net)	(125,955)	(70,419)
Change in other assets	(8,665)	(3,829)
Change in customers' deposits	(21,376)	32,441
Change in other liabilities	4,324	(2,229)
Net cash used in operating activities	(141,579)	(40,651)
INVESTING ACTIVITIES		
Purchase of property and equipment	(54)	(3)
Net cash used in investing activities	(54)	(3)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(141,633)	(40,654)
Cash and cash equivalents at 1 January	(83,351)	41,102
CASH AND CASH EQUIVALENTS AT 31 MARCH	(224,984)	448
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 the UAE Central Bank	13,187	17,020
Due from banks	27,346	6,428
Due to banks	(265,517)	(23,000)
	(224,984)	448
Operational cash flows from interest and dividend		
Interest paid	4,827	4,704
Interest received (including from investments)	5,917	3,817
Dividend received	562	778

The attached notes 1 to 9 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.
(Formerly Arab Emirates Investment Bank P.J.S.C.)

INTERIM STATEMENT OF CHANGES IN EQUITY

31 March 2011

	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)	Proposed dividend AED '000 (Unaudited)	Total AED '000 (Unaudited)
At 1 January 2011	44,938	22,469	15,877	19,607	88,070	-	190,961
Net profit for the period	-	-	-	-	4,708	-	4,708
Other comprehensive income for the period	-	-	-	19,485	-	-	19,485
Total comprehensive income for the period	-	-	-	19,485	4,708	-	24,193
Transfer to reserve for proposed dividend	-	-	-	-	(8,988)	8,988	-
Balance at 31 March 2011	44,938	22,469	15,877	39,092	83,790	8,988	215,154
At 1 January 2010	44,938	21,539	13,842	(25,886)	70,202	-	124,635
Net profit for the period	-	-	-	-	3,042	-	3,042
Other comprehensive income for the period	-	-	-	29,702	-	-	29,702
Total comprehensive income for the period	-	-	-	29,702	3,042	-	32,744
Balance at 31 March 2010	44,938	21,539	13,842	3,816	73,244	-	157,379

Subsequent to the date of statement of financial position, the shareholders, in the Annual General Meeting of the Bank held on 28 April 2011 have approved a cash dividend and a stock dividend, both amounting to 10% of paid up capital respectively. Reserve for the amount of declared dividend has been set-aside at the reporting date.

1 INCORPORATION AND ACTIVITIES

Emirates Investment Bank P.J.S.C. (formerly 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. 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.

During the year 2010, the Bank has changed its legal name from Arab Emirates Investment Bank P.J.S.C. to Emirates Investment Bank P.J.S.C.

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

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 2010.

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 2010. In addition, results for the three months ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit of AED 4,708 thousand for the three months period ended 31 March 2011 (31 March 2010: AED 3,042 thousand) by the weighted average number of shares outstanding during the period of 449,376 of AED 100 each (31 March 2010: 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>Unaudited 31 March 2011 AED'000</i>	<i>Audited 31 December 2010 AED'000</i>
Domestic	39,245	90,443
Regional	490	959
International	26,611	27,023
	<u>66,346</u>	<u>118,425</u>

Included in due from banks is a term deposit of AED 39,000 thousand (2010: AED 90,000 thousand) with a counter party in UAE which is under lien to the extent of AED 39,000 thousand (2010: AED 39,000 thousand) against facilities granted by the counter party to the Bank.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2011 (Unaudited)

5 INVESTMENTS

	<i>Unaudited 31 March 2011 AED'000</i>	<i>Audited 31 December 2010 AED'000</i>
Equity investments:		
Domestic	125,200	123,180
Regional	11,315	8,562
International	167,792	35,341
	<u>304,307</u>	<u>167,083</u>
Debt investments:		
Domestic	699,641	688,494
Regional	14,458	19,651
International	24,383	23,321
	<u>738,482</u>	<u>731,466</u>
Investment in bullion	<u>7,904</u>	<u>7,904</u>
	<u>1,050,693</u>	<u>906,453</u>

Part of the proprietary debt investments portfolio of the bank having a carrying value amounting to AED 80 million is provided to a lender as collateral against a Bank's borrowing under repurchase agreement (note 6).

6 DUE TO BANKS

Bank has borrowed an amount of AED 59.9 million under a repurchase agreement dated 9 March 2011, whereby Bank's investments in certain bonds with a carrying value of AED 80 million as at 31 March 2011 are being held as collateral with the lender (note 5). This agreement has a maturity date of 9 June 2011 when the loan is repayable by Bank with roll-over option.

7 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2011 (Unaudited)

7 SEGMENTAL INFORMATION (continued)

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>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Interest income, net income from investment, other income and exchange gain – net of impairment losses	1,045	1,461	16,924	9,846	17,969	11,307
Inter-segment adjustment	7,313	4,846	(7,313)	(4,846)	-	-
	8,358	6,307	9,611	5,000	17,969	11,307
Net profit for the period	548	834	4,160	2,208	4,708	3,042

	<i>Development Banking</i>		<i>Investment Banking</i>		<i>Total</i>	
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Segment assets	93,480	140,721	1,066,056	915,058	1,159,536	1,055,779
Segment liabilities and equity	944,382	864,818	215,154	190,961	1,159,536	1,055,779

8 CONTINGENT LIABILITIES AND COMMITMENTS

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

	<i>31 March</i>	<i>Audited</i>
	<i>2011</i>	<i>31 December</i>
	<i>AED'000</i>	<i>2010</i>
		<i>AED'000</i>
<i>Contingent liabilities:</i>		
Guarantees	120,651	151,765
Un-drawn loan commitments	120,000	120,000

The Bank has commitments totaling to AED 1,977 thousand (2010: AED 1,977 thousand) 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2011 (Unaudited)

9 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:

	31 March 2011 AED'000	Audited 31 December 2010 AED'000
<i>Directors, their related parties and key management personnel:</i>		
Loans and advances	2,941	1,837
Customers' deposits	234,235	223,581
IT related assets	38	45
Commitments and contingencies	96,919	126,919

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

	31 March 2011 AED'000	Three months ended 31 March 2010 AED'000
<i>Directors, their related parties and key management personnel:</i>		
Interest income	9	-
Interest expenses	2,812	2,212
Commission and fees	469	574

Compensation of key management personnel:

	31 March 2011 AED'000	Three months ended 31 March 2010 AED'000
Salaries and other benefits	1,003	1,116