

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2012 (UNAUDITED)

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

Introduction

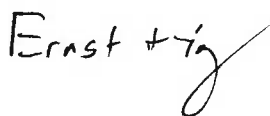
We have reviewed the accompanying interim statement of financial position of Emirates Investment Bank P.J.S.C. (the "Bank") as at 31 March 2012 and the related interim statements of income, comprehensive income, cash flows and changes in equity for the three months period then ended and explanatory notes. 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:
Anthony O'Sullivan
Partner
Registration No. 687

10 May 2012

Dubai, United Arab Emirates

Emirates Investment Bank P.J.S.C.

INTERIM STATEMENT OF INCOME

31 March 2012 (Unaudited)

		<i>Three months ended 31 March</i>	
		<i>2012</i>	<i>2011</i>
	<i>Note</i>	<i>AED'000</i>	<i>AED'000</i>
Interest income		1,465	537
Net income from investments		26,229	17,695
Interest expense		27,694	18,232
		(7,845)	(7,332)
NET INTEREST INCOME AND INCOME FROM INVESTMENTS		19,849	10,900
Other income		1,133	1,014
Impairment loss on available for sale investments		-	(1,200)
Impairment loss on loans and advances		(44)	(4)
Exchange gain / (loss) - net		159	(73)
OPERATING INCOME		21,097	10,637
General and administrative expenses		(5,785)	(5,929)
NET PROFIT FOR THE PERIOD		15,312	4,708
BASIC AND DILUTED EARNINGS PER SHARE	3	27.84	8.56

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

Emirates Investment Bank P.J.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

31 March 2012 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>AED'000</i>	<i>AED'000</i>
Profit for the period	15,312	4,708
Other comprehensive income		
Net unrealised gain on available for sale investments	39,984	21,099
Net realised gain transferred to statement of income on disposal of available for sale investments	(13,371)	(2,814)
Impairment of available for sale investments	-	1,200
Other comprehensive income for the period	26,613	19,485
Total comprehensive income for the period	41,925	24,193

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

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	Unaudited 31 March 2012 AED'000	Audited 31 December 2011 AED'000
ASSETS			
Cash and balances with UAE Central Bank		8,849	30,449
Due from banks	4	69,406	220,386
Loans and advances		81,577	8,995
Investments	5	1,302,186	1,175,486
Property & equipment		944	1,167
Other assets		21,279	21,451
TOTAL ASSETS		1,484,241	1,457,934
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	6	451,138	385,298
Customer deposits		771,904	848,452
Other liabilities		23,084	23,051
TOTAL LIABILITIES		1,246,126	1,256,801
EQUITY			
Share capital		49,432	49,432
Legal reserve		24,697	24,697
Special reserve		18,105	18,105
Cumulative changes in fair values		38,600	11,987
Retained earnings		107,281	96,912
TOTAL EQUITY		238,115	201,133
TOTAL LIABILITIES & EQUITY		1,484,241	1,457,934


 Khaled Sif
 (Chief Executive Officer)
 10 May 2012

INTERIM STATEMENT OF CASH FLOWS

31 March 2012 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>AED'000</i>	<i>AED'000</i>
OPERATING ACTIVITIES		
Net profit for the period	15,312	4,708
Adjustments for:		
Depreciation	230	209
Impairment loss on available for sale investments	-	1,200
Impairment loss on loans and advances	44	4
Change in due to bank with original maturity of over three months	(57,559)	-
Change in loans and advances (net)	(72,626)	3,972
Change in investments (net)	(100,087)	(125,955)
Change in other assets	172	(8,665)
Change in customers' deposits	(76,548)	(21,376)
Change in other liabilities	(4,910)	4,324
Net cash used in operating activities	(295,972)	(141,579)
INVESTING ACTIVITY		
Purchase of property and equipment	(7)	(54)
Net cash used in investing activity	(7)	(54)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(295,979)	(141,633)
Cash and cash equivalents at 1 January	(69,463)	(83,351)
CASH AND CASH EQUIVALENTS AT 31 MARCH	(365,442)	(224,984)
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	8,849	13,187
Due from banks	14,406	27,346
Due to banks	(388,697)	(265,517)
	(365,442)	(224,984)
Operational cash flows from interest and dividend		
Interest paid	15,636	4,827
Interest received (including from investments)	4,979	5,917
Dividends received	1,570	562

Emirates Investment Bank P.J.S.C.
INTERIM STATEMENT OF CHANGES IN EQUITY
31 March 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)	Proposed dividend AED '000 (Unaudited)	Total AED '000 (Unaudited)
At 1 January 2012	49,432	24,697	18,105	11,987	96,912	-	201,133
Net profit for the period	-	-	-	-	15,312	-	15,312
Other comprehensive income for the period	-	-	-	26,613	-	-	26,613
Total comprehensive income for the period	-	-	-	26,613	15,312	-	41,925
Cash dividend –relating to 2011	-	-	-	-	(4,943)	-	(4,943)
Balance at 31 March 2012	<u>49,432</u>	<u>24,697</u>	<u>18,105</u>	<u>38,600</u>	<u>107,281</u>	<u>-</u>	<u>238,115</u>
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	<u>44,938</u>	<u>22,469</u>	<u>15,877</u>	<u>39,092</u>	<u>83,790</u>	<u>8,988</u>	<u>215,154</u>

On 8 February 2012 the Board of Directors proposed a cash dividend of 10% amounting to AED 4,943 thousand and a scrip dividend of 11.27% amounting to AED 5,568 thousand which was approved by the shareholders in the annual general meeting held on 21 March 2012. The bonus shares were issued subsequent to the date of statement of financial position on 1 April 2012.

1 INCORPORATION AND ACTIVITIES

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.

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 three months ended 31 March 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 15,312 thousand for the three months period ended 31 March 2012 (31 March 2011: AED 4,708 thousand) by the weighted average number of shares outstanding during the period of 550,000 of AED 100 each (31 March 2011: 550,000 of shares of AED 100 each). The weighted average number of shares includes the impact of scrip dividend whereby the shares were issued subsequent to the date of statement of financial position.

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

4 DUE FROM BANKS

	<i>Unaudited 31 March 2012 AED'000</i>	<i>Audited 31 December 2011 AED'000</i>
Domestic	55,321	66,046
Regional	1,136	126,181
International	12,949	28,159
	<u>69,406</u>	<u>220,386</u>

Included in due from banks is a term deposit of AED 55,000 thousand (2011: AED 55,000 thousand) with a counter party in 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

	<i>Unaudited 31 March 2012 AED'000</i>	<i>Audited 31 December 2011 AED'000</i>
Equity investments:		
Domestic	122,089	127,282
Regional	17,423	15,588
International	299,838	258,161
	<u>439,350</u>	<u>401,031</u>
Debt investments:		
Domestic	782,593	704,209
Regional	14,572	13,624
International	32,517	23,468
	<u>829,682</u>	<u>741,301</u>
Investment in bullion	<u>33,154</u>	<u>33,154</u>
	<u>1,302,186</u>	<u>1,175,486</u>

Part of the proprietary debt investments portfolio of the bank having a carrying value of AED 554 million (2011: AED 433 million) is pledged with banks against credit facilities and repurchase agreements totaling to AED 327 million (2011: AED 228 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

6 DUE TO BANKS

	<i>Unaudited</i> <i>31 March</i> <i>2012</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2011</i> <i>AED'000</i>
Term placement	123,862	157,000
Overdraft facility	209,883	125,059
Repurchase agreements	117,393	103,239
	<u>451,138</u>	<u>385,298</u>

7 SEGMENTAL INFORMATION

For operating purposes, the Bank is organized 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 (a) Private banking and Investment banking (PB and IB), 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.

	<i>Proprietary Investment Portfolio</i>		<i>PB & IB</i>		<i>Total</i>	
	<i>31 March 2012</i>	<i>31 March 2011</i>	<i>31 March 2012</i>	<i>31 March 2011</i>	<i>31 March 2012</i>	<i>31 March 2011</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>
Revenue *	26,681	16,770	2,305	1,203	28,986	17,973
Inter-segment adjustment	(6,980)	(6,846)	6,980	6,846	-	-
	<u>19,701</u>	<u>9,924</u>	<u>9,285</u>	<u>8,049</u>	<u>28,986</u>	<u>17,973</u>
Net profit for the period	<u>15,964</u>	<u>5,969</u>	<u>(652)</u>	<u>(1,261)</u>	<u>15,312</u>	<u>4,708</u>

	<i>Proprietary Investment Portfolio</i>		<i>PB & IB</i>		<i>Total</i>	
	<i>31 March 2012</i>	<i>31 March 2011</i>	<i>31 March 2012</i>	<i>31 March 2011</i>	<i>31 March 2012</i>	<i>31 March 2011</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	1,388,111	1,136,138	96,130	23,398	1,484,241	1,159,536
Segment liabilities and equity	458,600	516,443	1,025,641	643,093	1,484,241	1,159,536

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

8 CONTINGENT LIABILITIES AND COMMITMENTS

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

	<i>Unaudited</i> <i>31 March</i> <i>2012</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2011</i> <i>AED'000</i>
Guarantees	84,820	88,564
Nominal value of derivative –Credit Default Swap	36,730	-

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

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:

	<i>Unaudited</i> <i>31 March</i> <i>2012</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2011</i> <i>AED'000</i>
<i>Directors, their related parties and key management personnel:</i>		
Loans and advances	76,606	3,620
Customers' deposits	435,910	455,421
Commitments and contingencies	76,769	66,769

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

	<i>Three months ended</i> <i>31 March</i> <i>2012</i> <i>AED'000</i>	<i>31 March</i> <i>2011</i> <i>AED'000</i>
<i>Directors, their related parties and key management personnel:</i>		
Interest income	476	9
Interest expenses	3,501	2,812
Commission and fees	634	469
General and administration expenses	433	508

Compensation of key management personnel:

	<i>Three months ended</i> <i>31 March</i> <i>2012</i> <i>AED'000</i>	<i>31 March</i> <i>2011</i> <i>AED'000</i>
Salaries and other benefits	1,107	1,003