

Emirates Investment Bank P.J.S.C.

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 JUNE 2012 (UNAUDITED)

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

Introduction

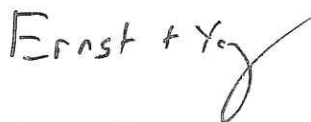
We have reviewed the accompanying interim condensed financial statements of Emirates Investment Bank P.J.S.C. (the "Bank") as at 30 June 2012, comprising of the interim statement of financial position as at 30 June 2012 and the related interim statements of income and comprehensive income for the three 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 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 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.



Ernst & Young
Signed by:

Anthony O' Sullivan
Partner
Registration No. 687

30 July 2012

Dubai, United Arab Emirates

Emirates Investment Bank P.J.S.C.
INTERIM INCOME STATEMENT
30 June 2012

	<i>Note</i>	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
		<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Interest income		1,125	494	2,590	1,031
Net income from investments		19,698	24,797	45,927	42,492
		20,823	25,291	48,517	43,523
Interest expense		(7,515)	(7,285)	(15,360)	(14,617)
NET INTEREST INCOME AND					
INCOME FROM INVESTMENTS		13,308	18,006	33,157	28,906
Other income		938	1,174	2,071	2,188
Impairment loss on investments		(1,045)	(923)	(1,045)	(2,123)
Provision for impairment on loans and advances		(76)	(2)	(120)	(6)
Exchange gain – net		35	(8)	194	(81)
OPERATING INCOME		13,160	18,247	34,257	28,884
General and administrative expenses		(6,824)	(6,696)	(12,609)	(12,625)
OPERATING EXPENSES		(6,824)	(6,696)	(12,609)	(12,625)
NET PROFIT FOR THE PERIOD		6,336	11,551	21,648	16,259
Basic and diluted earnings per share	3	11.52	21.00	39.36	29.56

The attached notes 1 to 10 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

30 June 2012

	<u>Three months ended</u> <u>30 June</u>		<u>Six months ended</u> <u>30 June</u>	
	2012 AED'000 Unaudited	2011 AED'000 Unaudited	2012 AED'000 Unaudited	2011 AED'000 Unaudited
Net profit for the period	6,336	11,551	21,648	16,259
Other comprehensive income				
Net unrealised gain on available for sale investments	1,200	16,599	41,184	37,698
Net realised gain transferred to statement of income on disposal of available for sale investments	(3,753)	(7,474)	(17,124)	(10,288)
Impairment of available for sale investments	1,045	923	1,045	2,123
Other comprehensive income for the period	(1,508)	10,048	25,105	29,533
Total comprehensive income for the period	4,828	21,599	46,753	45,792

The attached notes 1 to 10 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 AED'000 Unaudited	31 December 2011 AED'000 Audited
ASSETS			
Cash and balances with UAE Central Bank		3,201	30,449
Due from banks	4	89,065	220,386
Loans and advances		42,322	8,995
Investments	5	1,549,583	1,175,486
Property and equipment		733	1,167
Other assets		20,194	21,451
TOTAL ASSETS		1,705,098	1,457,934
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	6	659,900	385,298
Customer deposits		784,634	848,452
Other liabilities		17,622	23,051
TOTAL LIABILITIES		1,462,156	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		37,092	11,987
Retained earnings		108,048	96,912
TOTAL EQUITY		242,942	201,133
TOTAL LIABILITIES & EQUITY		1,705,098	1,457,934


 Khaled Sifri
 (Chief Executive Officer)
 30 July 2012

The attached notes 1 to 10 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.
INTERIM STATEMENT OF CASH FLOWS
30 June 2012

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>
OPERATING ACTIVITIES		
Net profit for the period	21,648	16,259
Adjustments for:		
Depreciation	461	417
Impairment loss on investments	1,045	2,123
Impairment loss on Loans and advances	120	6
Changes in due to banks	220,799	-
Change in loans and advances	(33,447)	2,575
Change in investments (net)	(350,037)	(127,155)
Change in other assets	1,257	1,486
Change in customer deposits	(63,818)	(6,306)
Change in other liabilities	(5,429)	6,074
Net cash used in operating activities	(207,401)	(104,521)
INVESTING ACTIVITIES		
Purchase of property and equipment	(27)	(70)
Cash used in investing activities	(27)	(70)
FINANCING ACTIVITIES		
Cash dividend paid during the period	(4,944)	(4,494)
Cash used in financing activity	(4,944)	(4,494)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(212,372)	(109,085)
Cash and cash equivalents at 1 January	(69,463)	(83,351)
CASH AND CASH EQUIVALENTS AT 30 JUNE	(281,835)	(192,436)
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	3,201	34,736
Due from banks	34,065	37,272
Due to banks	(319,101)	(264,444)
	(281,835)	(192,436)
Operational cash flows from interest and dividend		
Interest paid	22,578	10,134
Interest received (including from investments)	19,236	25,449
Dividend received	8,352	8,388

The attached notes 1 to 10 form part of these interim condensed financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

30 June 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
Net profit for the period	-	-	-	-	21,648	21,648
Other comprehensive income for the period	-	-	-	25,105	-	25,105
Total comprehensive income for the period	-	-	-	25,105	21,648	46,753
Cash dividend (note 7)	-	-	-	-	(4,944)	(4,944)
Scrip dividend (note 7)	5,568	-	-	-	(5,568)	-
At 30 June 2012	55,000	24,697	18,105	37,092	108,048	242,942
At 1 January 2011	44,938	22,469	15,877	19,607	88,070	190,961
Net profit for the period	-	-	-	-	16,259	16,259
Other comprehensive income for the period	-	-	-	29,533	-	29,533
Total comprehensive income for the period	-	-	-	29,533	16,259	45,792
Cash dividend (note 7)	-	-	-	-	(4,494)	(4,494)
Scrip dividend (note 7)	4,494	-	-	-	(4,494)	-
At 30 June 2011	49,432	22,469	15,877	49,140	95,341	232,259

The attached notes 1 to 10 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 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 six months ended 30 June 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 21,648 thousand for the six months period ended 30 June 2012 (30 June 2011: AED 16,259 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 32.89 as reported for the six months ended 30 June 2011 has been adjusted for the effect of the shares issued in 2012 as a result of the stock dividend (refer note 7).

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

At 30 June 2012 (Unaudited)

4 DUE FROM BANKS

	<i>30 June 2012 AED'000 Unaudited</i>	<i>31 December 2011 AED'000 Audited</i>
Domestic	55,429	66,046
Regional	796	126,181
International	32,840	28,159
	<u>89,065</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>30 June 2012 AED'000 Unaudited</i>	<i>31 December 2011 AED'000 Audited</i>
Equity investments:		
Domestic	124,161	127,282
Regional	13,474	15,588
International	284,993	258,161
	<u>422,628</u>	<u>401,031</u>
Debt investments:		
Domestic	1,036,738	704,209
Regional	14,553	13,624
International	42,694	23,468
	<u>1,093,985</u>	<u>741,301</u>
Investment in bullion	32,970	33,154
	<u>1,549,583</u>	<u>1,175,486</u>

Part of the proprietary debt investments portfolio of the bank having a carrying value of AED 959 million (2011: AED 433 million) is pledged with banks against credit facilities and repurchase agreements totaling to AED 623 million (2011: AED 228 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

6 DUE TO BANKS

	<i>Unaudited</i> 30 June 2012 AED'000	<i>Audited</i> 31 December 2011 AED'000
Term placement	377,799	157,000
Overdraft facility	127,710	125,059
Repurchase agreements	154,391	103,239
	<u>659,900</u>	<u>385,298</u>

7 DIVIDENDS

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

8 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) 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 Investments</i>		<i>PB and IB</i>		<i>Total</i>	
	<i>30 June 2012</i> <i>AED'000</i> <i>Unaudited</i>	<i>30 June 2011</i> <i>AED'000</i> <i>Unaudited</i>	<i>30 June 2012</i> <i>AED'000</i> <i>Unaudited</i>	<i>30 June 2011</i> <i>AED'000</i> <i>Unaudited</i>	<i>30 June 2012</i> <i>AED'000</i> <i>Unaudited</i>	<i>30 June 2011</i> <i>AED'000</i> <i>Unaudited</i>
Revenue *	45,637	40,994	4,101	2,512	49,737	43,507
Inter-segment adjustment	(12,884)	(13,855)	12,884	13,855	-	-
	<u>32,753</u>	<u>27,139</u>	<u>16,985</u>	<u>16,367</u>	<u>49,737</u>	<u>43,507</u>
Profit/(loss) for the period	<u>24,448</u>	<u>16,115</u>	<u>(2,799)</u>	<u>143</u>	<u>21,648</u>	<u>16,259</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

8 SEGMENTAL INFORMATION (continued)

	<i>Proprietary Investment Portfolio</i>		<i>PB & IB</i>		<i>Total</i>	
	<i>30 June 2012</i>	<i>31 Dec 2011</i>	<i>30 June 2012</i>	<i>31 Dec 2011</i>	<i>30 June 2012</i>	<i>31 Dec 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>
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
Segment assets	1,653,566	1,278,501	51,532	179,433	1,705,098	1,457,934
Segment liabilities and equity	784,308	413,569	920,790	1,044,365	1,705,098	1,457,934

9 CONTINGENT LIABILITIES AND COMMITMENTS

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

	<i>30 June 2012</i>	<i>31 December 2011</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>Unaudited</i>	<i>Audited</i>
<i>Contingent liabilities:</i>		
Guarantees	87,867	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.

10 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 2012</i>	<i>31 December 2011</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>Unaudited</i>	<i>Audited</i>
<i>Directors, their related parties and key management personnel:</i>		
Loans and advances	36,087	3,620
Customers' deposits	449,794	455,421
Commitments and contingencies	80,313	66,769

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

10 RELATED PARTY TRANSACTIONS (continued)

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

	<u>Six months ended</u>	
	<u>30 June</u>	<u>30 June</u>
	<u>2012</u>	<u>2011</u>
	<u>AED'000</u>	<u>AED'000</u>
	<u>Unaudited</u>	<u>Unaudited</u>
<i>Directors, their related parties and key management personnel:</i>		
Interest income	1,161	36
Interest expense	7,057	5,466
Other income	1,058	792
General and administration expenses	902	979

Compensation of key management personnel:

	<u>Six months ended</u>	
	<u>30 June</u>	<u>30 June</u>
	<u>2012</u>	<u>2011</u>
	<u>AED'000</u>	<u>AED'000</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Salaries and other benefits	2,277	2,158