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

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2010 (UNAUDITED)

Ernst & Young

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ARAB EMIRATES INVESTMENT BANK PUBLIC JOINT STOCK COMPANY

Introduction

We have reviewed the accompanying interim statement of financial position of Arab Emirates Investment Bank Public Joint Stock Company (the "Bank") as at 31 March 2010 and the related interim statements of income, comprehensive income, cash flows and changes in equity for the three month 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.

Ernst & Young

Signed by:
Edward B Quinlan
Partner
Registration No. 93

11 May 2010

Dubai, United Arab Emirates

A member firm of Ernst & Young Global Limited

INTERIM STATEMENT OF INCOME

31 March 2010 (Unaudited)

	Note	*Three months ended 31 March* 2010 AED	2009 AED
Interest income		**805,030**	565,812
Income / (loss) from investments		**10,433,200**	(95,978)
		11,238,230	469,834
Interest expense		**(5,138,337)**	(3,348,783)
NET INTEREST INCOME AND NET INCOME / (LOSS) FROM INVESTMENTS		**6,099,893**	(2,878,949)
Other income		**864,639**	113,757
Exchange gain - net		**78,603**	113,266
OPERATING PROFIT / (LOSS)		**7,043,135**	(2,651,926)
General and administrative expenses		**(2,893,121)**	(1,940,819)
Impairment loss on available for sale investments		**(874,261)**	(3,010,034)
Other expenses		**(234,226)**	(256,173)
OPERATING EXPENSES		**(4,001,608)**	(5,207,026)
NET PROFIT / (LOSS) FOR THE PERIOD		**3,041,527**	(7,858,952)
Basic and diluted earnings / (loss) per share	3	**6.77**	(17.49)

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

31 March 2010 (Unaudited)

	Three months ended 31 March	
	2010	*2009*
	AED	*AED*
Profit / (loss) for the period	**3,041,527**	(7,858,952)
Other comprehensive income		
Net unrealised gain on available for sale investments	**30,466,240**	9,591,229
Net realised (gain) / loss transferred to statement of income on disposal of available for sale investments	**(1,638,638)**	3,401,630
Impairment on available for sale investments	**874,261**	3,010,034
Other comprehensive income for the period	**29,701,863**	16,002,893
Total comprehensive income for the period	**32,743,390**	8,143,941

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

31 March 2010

	Notes	*Unaudited 31 March 2010 AED*	*Audited 31 December 2009 AED*
ASSETS			
Cash and balances with UAE Central Bank		**17,019,677**	6,782,154
Due from banks	4	**45,428,342**	96,320,188
Loans and advances		**7,983,036**	7,257,750
Investments	5	**633,211,167**	533,965,024
Property and equipment		**1,912,600**	2,103,881
Other assets		**11,896,460**	8,067,036
TOTAL ASSETS		**717,451,282**	654,496,033
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**23,000,000**	23,000,000
Customer deposits		**527,688,826**	495,248,102
Other liabilities		**9,384,023**	11,612,888
TOTAL LIABILITIES		**560,072,849**	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		**3,816,189**	(25,885,674)
Retained earnings		**73,243,651**	70,202,124
TOTAL EQUITY		**157,378,433**	124,635,043
TOTAL LIABILITIES AND EQUITY		**717,451,282**	654,496,033

Khaled Sifri
(Chief Executive Officer)
11 May 2010

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

INTERIM STATEMENT OF CASH FLOWS
31 March 2010 (Unaudited)

	Three months ended 31 March	
	2010	*2009*
	AED	*AED*
OPERATING ACTIVITIES		
Net profit / (loss) for the period	**3,041,527**	(7,858,952)
Adjustments for:		
Depreciation	**194,281**	196,173
Gain on sale of property and equipment	**-**	-
Impairment loss on available for sale investments	**874,261**	3,010,034
Change in loans and advances	**(725,286)**	5,273,210
Change in investments (net)	**(70,418,541)**	19,993,146
Change in other assets	**(3,829,424)**	(375,483)
Change in customers' deposits	**32,440,724**	7,081,672
Change in other liabilities	**(2,228,865)**	(2,723,274)
Net cash (used in) / generated from operating activities	**(40,651,323)**	24,596,526
INVESTING ACTIVITIES		
Purchase of property and equipment	**(3,000)**	-
Net cash used in investing activities	**(3,000)**	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(40,654,323)**	24,596,526
Cash and cash equivalents at 1 January	**41,102,342**	(72,427,239)
CASH AND CASH EQUIVALENTS AT 31 MARCH	**448,019**	(47,830,713)

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	**17,019,677**	1,990,038
Due from banks	**6,428,342**	18,179,249
Due to banks	**(23,000,000)**	(68,000,000)
	448,019	(47,830,713)

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

INTERIM STATEMENT OF CHANGES IN EQUITY

31 March 2010 (Unaudited)

	Share capital AED	*Legal reserve AED*	*Special reserve AED*	*Cumulative changes in fair values AED*	*Retained earnings AED*	*Total AED*
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	-	-	-	-	3,041,527	3,041,527
Other comprehensive income for the period	-	-	-	29,701,863	-	29,701,863
Total comprehensive income for the period	-	-	-	29,701,863	3,041,527	32,743,390
Balance at 31 March 2010	**44,937,600**	**21,539,072**	**13,841,921**	**3,816,189**	**73,243,651**	**157,378,433**
At 1 January 2009	44,937,600	20,560,422	12,863,271	(42,515,365)	62,522,924	98,368,852
Net loss for the period	-	-	-	-	(7,858,952)	(7,858,952)
Other comprehensive income for the period	-	-	-	16,002,893	-	16,002,893
Total comprehensive income for the period	-	-	-	16,002,893	(7,858,952)	8,143,941
Balance at 31 March 2009	44,937,600	20,560,422	12,863,271	(26,512,472)	54,663,972	106,512,793

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

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.

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 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 three months ended 31 March 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 / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the net profit of AED 3,041,527 for the three months period to 31 March 2010 (31 March 2009: net loss of AED 7,858,952) by the weighted average number of shares outstanding during the period of 449,376 of AED 100 each (31 March 2009: 449,376 shares of AED 100 each).

The figures for basic and diluted earnings / (loss) 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

	Unaudited 31 March 2010 AED	*Audited 31 December 2009 AED*
Domestic	**40,175,375**	89,991,990
Regional	**51**	51
International	**5,252,916**	6,328,147
	45,428,342	96,320,188

5 INVESTMENTS

	Unaudited 31 March 2010 AED	*Audited 31 December 2009 AED*
Equity investments:		
Domestic	**168,565,035**	144,068,537
Regional	**12,928,849**	22,047,006
International	**37,723,823**	36,050,951
	219,217,707	202,166,494
Debt investments:		
Domestic	**376,644,954**	297,448,250
Regional	**15,331,579**	15,331,916
International	**22,016,927**	19,018,364
	413,993,460	331,798,530
	633,211,167	533,965,024

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.

6 SEGMENTAL INFORMATION (continued)

	Development Banking		*Investment Banking*		*Total*	
	31 March 2010 AED	*31 March 2009 AED*	***31 March 2010 AED***	*31 March 2009 AED*	***31 March 2010 AED***	*31 March 2009 AED*
Interest income, net income from investment, other income and exchange gain – net of impairment loss on available for sale investments	**1,461,527**	693,513	**9,845,684**	(3,006,690)	**11,307,211**	(2,313,177)
Inter-segment adjustment	**4,845,533**	2,835,089	**(4,845,533)**	(2,835,089)	**-**	-
	6,307,060	3,528,602	**5,000,151**	(5,841,779)	**11,307,211**	(2,313,177)
Profit / (loss) / for the period	**833,458**	(653,462)	**2,208,069**	(7,205,490)	**3,041,527**	(7,858,952)

	Development Banking		*Investment Banking*		*Total*	
	31 March 2010 AED	*31 December 2009 AED*	***31 March 2010 AED***	*31 December 2009 AED*	***31 March 2010 AED***	*31 December 2009 AED*
Segment assets	**76,913,793**	116,613,648	**640,537,489**	537,882,385	**717,451,282**	654,496,033
Segment liabilities and equity	**560,072,849**	529,860,990	**157,378,433**	124,635,043	**717,451,282**	654,496,033

7 CONTINGENT LIABILITIES AND COMMITMENTS

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

	31 March 2010 AED	*Audited 31 December 2009 AED*
Contingent liabilities:		
Guarantees	**196,893,340**	116,849,070

The Bank has commitments totalling to 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.

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:

	31 March 2010 AED	*Audited 31 December 2009 AED*
Directors, their related parties and key management personnel:		
Loans and advances	-	71,756
Customers' deposits	**179,995,449**	234,209,228
Commitments and contingencies	**181,919,320**	101,820,320

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

	Three months ended	
	31 March 2010 AED	*31 March 2009 AED*
Directors, their related parties and key management personnel:		
Interest income	**165**	28,188
Interest expenses	**2,211,601**	187,500
Commission and fees	**573,936**	6,821

Compensation of key management personnel:

	Three months ended	
	31 March 2010 AED	*31 March 2009 AED*
Salaries and other benefits	**1,116,000**	830,280