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

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2011 (UNAUDITED)

ERNST & YOUNG

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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 condensed financial statements of Emirates Investment Bank P.J.S.C. (formerly Arab Emirates Investment Bank P.J.S.C.) as at 30 June 2011, comprising of the interim statement of financial position as at 30 June 2011 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

Ernst & Young
Signed by:

Ali H Issa
Partner
Registration No. 488

2 August 2011

Dubai, United Arab Emirates

INTERIM INCOME STATEMENT
30 June 2011

	Note	*Three months ended 30 June*		*Six months ended 30 June*	
		2011	*2010*	***2011***	*2010*
		AED'000	*AED'000*	***AED'000***	*AED'000*
		Unaudited	*Unaudited*	***Unaudited***	*Unaudited*
Interest income		**494**	557	**1,031**	1,362
Net income from investments		**24,797**	20,526	**42,492**	30,959
		25,291	21,083	**43,523**	32,321
Interest expense		**(7,285)**	(5,443)	**(14,617)**	(10,581)
NET INTEREST INCOME AND INCOME FROM INVESTMENTS		**18,006**	15,640	**28,906**	21,740
Other income		**1,174**	1,020	**2,188**	1,884
Impairment loss on investments		**(923)**	(2,026)	**(2,123)**	(2,900)
Provision for impairment on loans and advances		**(2)**	-	**(6)**	-
Exchange gain – net		**(8)**	18	**(81)**	97
OPERATING INCOME		**18,247**	14,652	**28,884**	20,821
General and administrative expenses		**(6,696)**	(3,611)	**(12,625)**	(6,739)
OPERATING EXPENSES		**(6,696)**	(3,611)	**(12,625)**	(6,739)
NET PROFIT FOR THE PERIOD		**11,551**	11,041	**16,259**	14,082
Basic and diluted earnings per share	3	**23.37**	22.34	**32.89**	28.49

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME
30 June 2011

	Three months ended 30 June		*Six months ended 30 June*	
	2011 AED'000 Unaudited	*2010 AED'000 Unaudited*	***2011 AED'000 Unaudited***	*2010 AED'000 Unaudited*
Net profit for the period	**11,551**	11,041	**16,259**	14,082
Other comprehensive income / (loss)				
Net unrealised gain on available for sale investments	**16,599**	2,065	**37,698**	32,531
Net realised gain transferred to statement of income on disposal of available for sale investments	**(7,474)**	(7,787)	**(10,288)**	(9,425)
Impairment of available for sale investments	**923**	2,026	**2,123**	2,900
Other comprehensive income / (loss) for the period	**10,048**	(3,696)	**29,533**	26,006
Total comprehensive income for the period	**21,599**	7,345	**45,792**	40,088

The attached notes 1 to 10 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 FINANCIAL POSITION
At 30 June 2011

	Notes	***30 June 2011 AED'000 Unaudited***	*31 December 2010 AED'000 Audited*
ASSETS			
Cash and balances with UAE Central Bank		**34,736**	6,125
Due from banks	4	**76,272**	118,425
Loans and advances		**9,170**	11,751
Investments	5	**1,061,018**	906,453
Property and equipment		**1,259**	1,606
Other assets		**9,933**	11,419
TOTAL ASSETS		**1,192,388**	1,055,779
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	6	**384,444**	288,901
Customer deposits		**559,024**	565,330
Other liabilities		**16,661**	10,587
TOTAL LIABILITIES		**960,129**	864,818
EQUITY			
Share capital		**49,432**	44,938
Legal reserve		**22,469**	22,469
Special reserve		**15,877**	15,877
Cum changes in fair values		**49,140**	19,607
Retained earnings		**95,341**	88,070
TOTAL EQUITY		**232,259**	190,961
TOTAL LIABILITIES & EQUITY		**1,192,388**	1,055,779

Khaled Sifri
(Chief Executive Officer)
2 August 2011

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

INTERIM STATEMENT OF CASH FLOWS
30 June 2011

	Six months ended 30 June	
	2011	*2010*
	AED'000	*AED'000*
	Unaudited	*Unaudited*
OPERATING ACTIVITIES		
Net profit for the period	**16,259**	14,082
Adjustments for:		
Depreciation	**417**	386
Impairment loss on investments	**2,123**	2,900
Impairment loss on Loans and advances	**6**	-
Changes in due from banks	**-**	39,000
Changes in due to banks	**95,543**	5,000
Change in loans and advances	**2,575**	(6,853)
Change in investments (net)	**(127,155)**	(79,023)
Change in other assets	**1,486**	(2,810)
Change in customer deposits	**(6,306)**	31,818
Change in other liabilities	**6,074**	(3,858)
Net cash used in operating activities	**(8,978)**	642
INVESTING ACTIVITIES		
Purchase of property and equipment	**(70)**	(21)
Cash used in investing activities	**(70)**	(21)
FINANCING ACTIVITIES		
Cash dividend paid during the period	**(4,494)**	-
Cash used in financing activity	**(4,494)**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(13,542)**	621
Cash and cash equivalents at 1 January	**85,550**	64,102
CASH AND CASH EQUIVALENTS AT 30 JUNE	**72,008**	64,723

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	**34,736**	10,920
Due from banks	**37,272**	53,803
	72,008	64,723

Operational cash flows from interest and dividend		
Interest paid	**10,134**	11,901
Interest received (including from investments)	**25,449**	16,176
Dividend received	**8,388**	7,400

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

INTERIM STATEMENT OF CHANGES IN EQUITY
30 June 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)*	*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	-	-	-	-	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**
At 1 January 2010	44,938	21,539	13,842	(25,886)	70,202	124,635
Net profit for the period	-	-	-	-	14,082	14,082
Other comprehensive income for the period	-	-	-	26,006	-	26,006
Total comprehensive income for the period	-	-	-	26,006	14,082	40,088
At 30 June 2010	44,938	21,539	13,842	120	84,284	164,723

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. (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 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 private 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 changed its legal name in the year 2010 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 banks shares.

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 six months ended 30 June 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 16,259 thousand for the six months period ended 30 June 2011 (30 June 2010: AED 14,082 thousand) by the weighted average number of shares outstanding during the period of 494,320 of AED 100 each (2010: 494,320 shares of AED 100 each).

The earnings per share of AED 31.34 as reported for the six months ended 30 June 2010 has been adjusted for the effect of the shares issued in 2011 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.

4 DUE FROM BANKS

	30 June 2011 AED'000 Unaudited	*31 December 2010 AED'000 Audited*
Domestic	**39,513**	90,443
Regional	**331**	959
International	**36,428**	27,023
	76,272	118,425

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.

5 INVESTMENTS

	30 June 2011 AED'000 Unaudited	*31 December 2010 AED'000 Audited*
Equity investments:		
Domestic	**126,816**	123,180
Regional	**13,503**	8,562
International	**161,877**	35,341
	302,196	167,083
Debt investments:		
Domestic	**693,247**	688,494
Regional	**15,599**	19,651
International	**33,126**	23,321
	741,972	731,466
Investment in bullion	**16,850**	7,904
	1,061,018	906,453

Part of the proprietary debt investments portfolio of the bank having a carrying value amounting to AED 83 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 63.72 million under a repurchase agreement dated 9 June 2011, whereby Bank's investments in certain bonds with a carrying value of AED 83 million as at 30 June 2011 are being held as collateral with the lender (note 5). This agreement has a maturity date of 12 September 2011 when the loan is repayable by Bank with roll-over option.

7 DIVIDENDS

At the Annual General Meeting of the Bank, held on 28 April 2011, the shareholders have approved a cash dividend and a scrip dividend both at 10% of the paid up capital respectively amounting to AED 4,494 thousand each, which was paid / issued, subsequently.

8 SEGMENTAL INFORMATION

For operating purposes, the Bank is organised into two major business segments: (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; and (b) Proprietary investments which principally involves in managing the Bank's own investment portfolio and provides treasury 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.

8 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.

	Proprietary Investments		***PB and IB***		***Total***	
	30 June 2011 AED'000 Unaudited	*30 June 2010 AED'000 Unaudited*	***30 June 2011 AED'000 Unaudited***	*30 June 2010 AED'000 Unaudited*	***30 June 2011 AED'000 Unaudited***	*30 June 2010 AED'000 Unaudited*
Revenue *	**38,951**	29,111	**(10,061)**	(8,290)	**28,890**	20,821
Inter-segment adjustment	**(13,855)**	(10,402)	**13,855**	10,402		
	25,096	18,709	**3,794**	2,112	**28,890**	20,821
Profit/(loss) for the period	**16,115**	12,654	**143**	1,429	**16,259**	14,082

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

	Proprietary Investment Portfolio		***PB & IB***		***Total***	
	30 June 2011 AED'000 Unaudited	*30 June 2010 AED'000 Unaudited*	***30 June 2011 AED'000 Unaudited***	*30 June 2010 AED'000 Unaudited*	***30 June 2011 AED'000 Unaudited***	*30 June 2010 AED'000 Unaudited*
Segment assets	**1,145,809**	696,732	**46,579**	30,812	**1,192,388**	727,544
Segment liabilities and equity	**416,679**	471,022	**775,709**	256,522	**1,192,388**	727,544

9 CONTINGENT LIABILITIES AND COMMITMENTS

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

	30 June 2011 AED'000 Unaudited	*31 December 2010 AED'000 Audited*
Contingent liabilities:		
Guarantees	**123,265**	151,765
Un-drawn loan commitments	**120,000**	120,000

The Bank has commitments totaling 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.

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:

	30 June 2011 AED'000 Unaudited	*31 December 2010 AED'000 Audited*
Directors, their related parties and key management personnel:		
Loans and advances	**3,490**	1,837
Customers' deposits	**225,497**	223,581
Creditors – IT related Assets	**33**	45
Commitments and contingencies	**100,319**	126,919

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

	Six months ended	
	30 June 2011 AED'000 Unaudited	*30 June 2010 AED'000 Unaudited*
Directors, their related parties and key management personnel:		
Interest income	**36**	-
Interest expense	**5,466**	4,182
Other income	**792**	747
General and administration expenses	**979**	872

Compensation of key management personnel:

	Six months ended	
	30 June 2011 AED'000 Unaudited	*30 June 2010 AED'000 Unaudited*
Salaries and other benefits	**2,158**	2,559