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

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2009 (UNAUDITED)

ERNST & YOUNG

P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai.uae@ae.ey.com
www.ey.com/me

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

Introduction

We have reviewed the accompanying interim statement of financial position of Arab Emirates Investment Bank P.J.S.C. (the "Bank") as at 30 June 2009 and the related interim statements of income for the three months and six months periods then ended, and the related statements of cash flows, comprehensive income and changes in equity for the six 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.

Ernst & Young

Signed by:
Edward B Quinlan
Partner
Registration No. 93

11 August 2009

Dubai, United Arab Emirates

INTERIM CONDENSED STATEMENT OF INCOME
30 June 2009

	Note	*Three months ended 30 June*		*Six months ended 30 June*	
		2009	*2008*	***2009***	*2008*
		AED	*AED*	***AED***	*AED*
		Unaudited	*Unaudited*	***Unaudited***	*Unaudited*
Interest income		**670,091**	629,862	**1,235,903**	1,453,215
Net income from investments		**12,031,045**	4,444,115	**11,935,067**	22,149,195
		12,701,136	5,073,977	**13,170,970**	23,602,410
Interest expense		**(3,162,589)**	(1,952,264)	**(6,511,372)**	(4,743,911)
NET INTEREST INCOME AND INCOME FROM INVESTMENTS		**9,538,547**	3,121,713	**6,659,598**	18,858,499
Other income		**2,189,955**	251,660	**2,303,712**	511,079
Impairment loss on investments		**(271,755)**	-	**(3,281,789)**	-
Exchange (loss)/gain - net		**(312,990)**	420,976	**(199,724)**	578,413
OPERATING INCOME		**11,143,757**	3,794,349	**5,481,797**	19,947,991
General and administrative expenses		**(2,201,184)**	(2,314,658)	**(4,142,003)**	(3,544,371)
Other expenses		**(251,690)**	(100,092)	**(507,863)**	(174,192)
OPERATING EXPENSES		**(2,452,874)**	(2,414,750)	**(4,649,866)**	(3,718,563)
NET PROFIT FOR THE PERIOD		**8,690,883**	1,379,599	**831,931**	16,229,428
Basic and diluted earnings per share	3	**19.34**	3.07	**1.85**	36.12

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

30 June 2009

	Three months ended 30 June		*Six months ended 30 June*	
	2009 AED Unaudited	*2008 AED Unaudited*	***2009 AED Unaudited***	*2008 AED Unaudited*
Net profit for the period	**8,690,883**	1,379,599	**831,931**	16,229,428
Other comprehensive income				
Net unrealised gain on available for sale investments	**16,535,523**	12,224,659	**26,126,752**	6,763,673
Net realised (gain) / loss transferred to statement of income on disposal of available for sale investments	**(3,860,419)**	723,745	**(458,789)**	(10,891,880)
Impairment of available for sale investments	**271,755**	-	**3,281,789**	-
Other comprehensive income for the period	**12,946,859**	12,948,404	**28,949,752**	(4,128,207)
Total comprehensive income for the period	**21,637,742**	14,328,003	**29,781,683**	12,101,221

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

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Notes	*Unaudited* *30 June* *2009* *AED*	*Audited* *31 December* *2008* *AED*
ASSETS			
Cash and balances with UAE Central Bank		**3,607,689**	3,063,247
Due from banks	4	**48,528,222**	38,509,514
Loans and advances		**9,970,801**	17,645,176
Investments	5	**353,033,363**	307,425,428
Property and equipment		**2,396,531**	2,784,394
Other assets		**9,120,623**	5,414,345
TOTAL ASSETS		**426,657,229**	374,842,104
LIABILITIES AND EQUITY			
Liabilities			
Due to banks		**65,346,000**	90,000,000
Customer deposits		**228,907,760**	179,243,894
Other liabilities		**4,252,934**	7,229,358
TOTAL LIABILITIES		**298,506,694**	276,473,252
Equity			
Share capital		**44,937,600**	44,937,600
Legal reserve		**20,560,422**	20,560,422
Special reserve		**12,863,271**	12,863,271
Cumulative changes in fair values		**(13,565,613)**	(42,515,365)
Retained earnings		**63,354,855**	62,522,924
Proposed cash dividend		**-**	-
Total equity		**128,150,535**	98,368,852
TOTAL LIABILITIES AND EQUITY		**426,657,229**	374,842,104

for

Omar Abdulla Al Futtaim
(Chairman)
11 August 2009

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

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

INTERIM STATEMENT OF CASH FLOWS

30 June 2009

	Six months ended 30 June	
	2009	*2008*
	AED	*AED*
	Unaudited	*Unaudited*
OPERATING ACTIVITIES		
Net profit for the period	**831,931**	16,229,428
Adjustments for:		
Depreciation	**387,863**	81,710
Gain on sale of property and equipment	**-**	(63,627)
Impairment loss on investments	**3,281,789**	-
Changes in due from banks	**(15,000,000)**	-
Change in loans and advances	**7,674,375**	380,335
Change in investments (net)	**(19,939,972)**	(49,088,242)
Change in other assets	**(3,706,278)**	7,786,359
Change in customer deposits	**49,663,866**	(13,787,095)
Change in other liabilities	**(2,976,424)**	2,069,928
Net cash generated from/(used in) operating activities	**20,217,150**	(36,391,204)
INVESTING ACTIVITIES		
Purchase of property and equipment	**-**	(329,365)
Proceeds from sale of property and equipment	**-**	86,354
Net cash used in investing activities	**-**	(243,011)
FINANCING ACTIVITY		
Dividends paid	**-**	(8,987,520)
Cash used in financing activity	**-**	(8,987,520)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**20,217,150**	(45,621,735)
Cash and cash equivalents at 1 January	**(72,427,239)**	22,398,252
CASH AND CASH EQUIVALENTS AT 30 JUNE	**(52,210,089)**	(23,223,483)

Cash and cash equivalents comprise the following balance sheet amounts with original maturities of three months or less:

Cash and cash balances with UAE Central Bank	**3,607,689**	3,844,109
Due from banks	**9,528,222**	35,463,278
Due to banks	**(65,346,000)**	(62,530,870)
	(52,210,089)	(23,223,483)

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

INTERIM STATEMENT OF CHANGES IN EQUITY

30 June 2009

	Share capital AED Unaudited	*Legal reserve AED Unaudited*	*Special reserve AED Unaudited*	*Cumulative changes in fair value AED Unaudited*	*Retained earnings AED Unaudited*	*Proposed cash dividend AED Unaudited*	*Total AED Unaudited*
At 1 January 2009	**44,937,600**	**20,560,422**	**12,863,271**	**(42,515,365)**	**62,522,924**	-	**98,368,852**
Net profit for the period	-	-	-	-	**831,931**	-	**831,931**
Other comprehensive income for the period	-	-	-	**28,949,752**	-	-	**28,949,752**
Balance at 30 June 2009	**44,937,600**	**20,560,422**	**12,863,271**	**(13,565,613)**	**63,354,855**	-	**128,150,535**
At 1 January 2008	44,937,600	20,500,585	12,803,434	191,549,409	62,044,225	8,987,520	340,822,773
Net profit for the period	-	-	-	-	16,229,428	-	16,229,428
Other comprehensive income for the period	-	-	-	(4,128,207)	-	-	(4,128,207)
Dividend paid	-	-	-	-	-	(8,987,520)	(8,987,520)
Balance at 30 June 2008	44,937,600	20,500,585	12,803,434	187,421,202	78,273,653	-	343,936,474

The attached notes 1 to 9 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.

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 2008, except as noted below.

During the period, the Bank has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 'Presentation of Financial Statements' (Revised):
The revised Standard requires changes in equity arising from transactions with owners in their capacity as owners (ie. owner changes in equity) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 'Operating segments':
The new Standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision - maker. The adoption of this Standard has not resulted in any change to the Bank's financial statements as the required information was already been disclosed.

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 2008. In addition, results for the six months ended 30 June 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit of AED 831,931 for the six months period ended 30 June 2009 (30 June 2008: AED 16,229,428) by the weighted average number of shares outstanding during the period of 449,376 of AED 100 each (2008: 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

	Unaudited 30 June 2009 AED	*Audited 31 December 2008 AED*
Domestic	**39,433,022**	32,937,697
Regional	**124**	74,715
International	**9,095,076**	5,497,102
	48,528,222	38,509,514

5 INVESTMENTS

	Unaudited 30 June 2009 AED	*Audited 31 December 2008 AED*
Equity investments:		
Domestic	**169,677,592**	173,597,476
Regional	**12,138,630**	41,488,362
International	**58,675,557**	44,239,374
	240,491,779	259,325,212
Debt investments:		
Domestic	**71,984,210**	13,496,558
Regional	**8,994,490**	4,341,623
International	**31,562,884**	30,262,035
	112,541,584	48,100,216
	353,033,363	307,425,428

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*	
	30 June 2009 AED	*30 June 2008 AED*	***30 June 2009 AED***	*30 June 2008 AED*	***30 June 2009 AED***	*30 June 2008 AED*
Revenue *	**3,155,219**	2,042,043	**8,837,950**	22,649,859	**11,993,169**	24,691,902
Inter-segment adjustment	**5,984,195**	4,387,622	**(5,984,195)**	(4,387,622)	**-**	-
	9,139,414	6,429,665	**2,853,755**	18,262,237	**11,993,169**	24,691,902
Profit/(loss) for the period	**1,842,714**	1,285,412	**(1,010,783)**	14,944,016	**831,931**	16,229,428

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

	Development Banking		*Investment Banking*		*Total*	
	30 June 2009 AED	*31 December 2008 AED*	***30 June 2009 AED***	*31 December 2008 AED*	***30 June 2009 AED***	*31 December 2008 AED*
Segment assets	**70,856,855**	65,356,378	**355,800,374**	309,485,726	**426,657,229**	374,842,104
Segment liabilities and equity	**298,506,694**	276,623,252	**128,150,535**	98,218,852	**426,657,229**	374,842,104

7 CONTINGENT LIABILITIES AND COMMITMENTS

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

	Unaudited 30 June 2009 AED	*Audited 31 December 2008 AED*
Contingent liabilities:		
Letters of credit and acceptances	**135,555**	1,758,074
Guarantees	**9,163,070**	7,956,070
	9,298,625	9,714,144
Commitments:		
Forward foreign exchange contracts	**20,561,454**	-

The Bank has commitments totaling AED 6,368,803 (2008: AED 6,387,168) 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. In addition, the Bank has commitments amounting to AED 5,584,150 in respect of future rental payments for the office premises. The Bank has to pay these rentals during a period of four years from the balance sheet date.

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 financial statements are as follows:

	Unaudited 30 June 2009 AED	*Audited 31 December 2008 AED*
Directors, their related parties and key management personnel:		
Loans and advances	-	3,818,496
Customer deposits	**10,000,000**	10,000,000
Commitments and contingencies	**1,835,875**	1,499,320

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

	Six months ended	
	30 June 2009 AED	*30 June 2008 AED*
Directors, their related parties and key management personnel:		
Interest income	**33,280**	336,822
Interest expense	**377,083**	857,912
Other income	**17,278**	47,428

Compensation of key management personnel:

	Six months ended	
	30 June 2009 AED	*30 June 2008 AED*
Salaries and other benefits	**2,268,877**	1,339,107

9 COMPARATIVE INFORMATION

Foreign exchange gain for the six month period ended 30 June 2008 amounting to AED 578,413 (three months ended 30 June 2008: AED 420,976) which was previously included in other income has been shown as a separate line item in the interim condensed statement of income as exchange (loss)/gain - net. Further, exchange gain on foreign currency forward exchange contracts for the six months ended 30 June 2008 amounting to AED 223,686 (three months ended 30 June 2008:AED 223,686) previously included in other income has been reclassified under income from investments in the interim condensed statement of income.

Such reclassifications have been done to conform to the current period's presentation and do not affect previously reported net profit, comprehensive income or shareholders' equity.