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

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2009 (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 2009 and the related interim statement of income for the three months period then ended, and the related interim statements of cash flows, comprehensive income 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.

Ernst & Young

Signed by:
Edward B Quinlan
Partner
Registration No. 93

13 May 2009

Dubai, United Arab Emirates

INTERIM STATEMENT OF INCOME

31 March 2009 (Unaudited)

	Note	*Three months ended 31 March* **2009** **AED**	2008 AED
Interest income		**565,812**	823,353
(Loss) / income from investments		**(95,978)**	17,705,080
		469,834	18,528,433
Interest expense		**(3,348,783)**	(2,791,647)
NET INTEREST INCOME AND NET (LOSS) / INCOME FROM INVESTMENTS		**(2,878,949)**	15,736,786
Other income		**113,757**	259,419
Impairment loss on investments		**(3,010,034)**	-
Exchange gain - net		**113,266**	841,478
OPERATING (LOSS) / INCOME		**(5,661,960)**	16,837,683
General and administrative expenses		**(1,940,819)**	(1,229,713)
Other expenses		**(256,173)**	(74,100)
OPERATING EXPENSES		**(2,196,992)**	(1,303,813)
NET (LOSS) / PROFIT FOR THE PERIOD		**(7,858,952)**	15,533,870
Basic and diluted (loss) / earnings per share	3	**(17.49)**	34.57

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME
31 March 2009 (Unaudited)

	Three months ended 31 March	
	2009	*2008*
	AED	*AED*
(Loss) / profit for the period	**(7,858,952)**	15,533,870
Other comprehensive income		
Net unrealised gain / (loss) on available for sale investments	**9,591,229**	(5,460,986)
Net realised loss / (gain) transferred to statement of income on disposal of available for sale investments	**3,401,630**	(11,615,625)
Impairment of available for sale investments	**3,010,034**	-
Other comprehensive income / (loss) for the period	**16,002,893**	(17,076,611)
Total comprehensive income / (loss) for the period	**8,143,941**	(1,542,741)

INTERIM STATEMENT OF FINANCIAL POSITION
31 March 2009

	Notes	*Unaudited 31 March 2009 AED*	*Audited 31 December 2008 AED*
ASSETS			
Cash and balances with UAE Central Bank		**1,990,038**	3,063,247
Due from banks	4	**42,179,249**	38,509,514
Loans and advances		**12,371,966**	17,645,176
Investments	5	**300,425,141**	307,425,428
Property and equipment		**2,588,221**	2,784,394
Other assets		**5,789,828**	5,414,345
TOTAL ASSETS		**365,344,443**	374,842,104
LIABILITIES AND EQUITY			
Liabilities			
Due to banks		**68,000,000**	90,000,000
Customer deposits		**186,325,566**	179,243,894
Other liabilities		**4,506,084**	7,229,358
TOTAL LIABILITIES		**258,831,650**	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		**(26,512,472)**	(42,515,365)
Retained earnings		**54,663,972**	62,522,924
Total equity		**106,512,793**	98,368,852
TOTAL LIABILITIES AND EQUITY		**365,344,443**	374,842,104

Khaled Sifri
(Chief Executive Officer)
13 May 2009

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

INTERIM STATEMENT OF CASH FLOWS
31 March 2009 (Unaudited)

	Three months ended 31 March	
	2009	*2008*
	AED	*AED*
OPERATING ACTIVITIES		
Net (loss) / profit for the period	**(7,858,952)**	15,533,870
Adjustments for:		
Depreciation	**196,173**	32,100
Gain on sale of property and equipment	-	(28,000)
Change in loans and advances	**5,273,210**	3,199,828
Change in due from banks	-	(23,930,553)
Change in investments (net)	**23,003,180**	(12,522,739)
Change in other assets	**(375,483)**	6,703,082
Change in customers' deposits	**7,081,672**	(26,441,278)
Change in other liabilities	**(2,723,274)**	323,849
Net cash generated from / (used in) operating activities	**24,596,526**	(37,129,841)
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(133,007)
Proceeds from sale of property and equipment	-	28,000
Net cash used in investing activities	-	(105,007)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**24,596,526**	(37,234,848)
Cash and cash equivalents at 1 January	**(72,427,239)**	22,398,252
CASH AND CASH EQUIVALENTS AT 31 MARCH	**(47,830,713)**	(14,836,596)

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

Cash and balances with the UAE Central Bank	**1,990,038**	2,604,717
Due from banks maturing within ninety days	**18,179,249**	24,558,687
Due to banks maturing within ninety days	**(68,000,000)**	(42,000,000)
	(47,830,713)	(14,836,596)

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

INTERIM STATEMENT OF CHANGES IN EQUITY

31 March 2009 (Unaudited)

	Share capital AED	*Legal reserve AED*	*Special reserve AED*	*Cumulative changes in fair values AED*	*Retained earnings AED*	*Proposed cash dividend AED*	*Total AED*
At 1 January 2009	**44,937,600**	**20,560,422**	**12,863,271**	**(42,515,365)**	**62,522,924**	-	**98,368,852**
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**
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
Total comprehensive income for the period	-	-	-	(17,076,611)	15,533,870	-	(1,542,741)
Balance at 31 March 2008	44,937,600	20,500,585	12,803,434	174,472,798	77,578,095	8,987,520	339,280,032

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 income) 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 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 three months ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

3 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

Basic (loss) / earnings per share is calculated by dividing the net loss of AED 7,858,952 for the three months period to 31 March 2009 (31 March 2008: net profit of AED 15,533,870) by the weighted average number of shares outstanding during the period of 449,376 of AED 100 each (31 March 2008: 449,376 shares of AED 100 each).

The figures for basic and diluted (loss) / 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 31 March 2009 AED	*Audited 31 December 2008 AED*
Domestic	**32,075,537**	32,937,697
Regional	**172,406**	74,715
International	**9,931,306**	5,497,102
	42,179,249	38,509,514

5 INVESTMENTS

	Unaudited 31 March 2009 AED	*Audited 31 December 2008 AED*
Equity investments:		
Domestic	**185,727,611**	173,597,476
Regional	**10,395,087**	41,488,362
International	**59,273,938**	44,239,374
	255,396,636	259,325,212
Debt investments:		
Domestic	**13,770,382**	13,496,558
Regional	**4,101,134**	4,341,623
International	**27,156,989**	30,262,035
	45,028,505	48,100,216
	300,425,141	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*	
	31 March 2009 AED	*31 March 2008 AED*	***31 March 2009 AED***	*31 March 2008 AED*	***31 March 2009 AED***	*31 March 2008 AED*
Interest income, net income from investment, other income and exchange (loss) / gain – net of impairment loss on investments	**693,513**	1,713,364	**(3,006,690)**	17,915,966	**(2,313,177)**	19,629,330
Inter-segment adjustment	**2,835,089**	2,288,215	**(2,835,089)**	(2,288,215)		-
	3,528,602	4,001,579	**(5,841,779)**	15,627,751	**(2,313,177)**	19,629,330
(Loss) / profit for the period	**(653,462)**	272,287	**(7,205,490)**	15,261,583	**(7,858,952)**	15,533,870

	Development Banking		*Investment Banking*		*Total*	
	31 March 2009 AED	*31 December 2008 AED*	***31 March 2009 AED***	*31 December 2008 AED*	***31 March 2009 AED***	*31 December 2008 AED*
Segment assets	**63,137,327**	65,356,378	**302,207,116**	309,485,726	**365,344,443**	374,842,104
Segment liabilities and equity	**258,831,650**	276,623,252	**106,512,793**	98,218,852	**365,344,443**	374,842,104

7 CONTINGENT LIABILITIES AND COMMITMENTS

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

	31 March 2009 AED	*Audited 31 December 2008 AED*
Contingent liabilities:		
Letters of credit and acceptances	-	1,758,074
Guarantees	**7,956,070**	7,956,070
	7,956,070	9,714,144
Commitments:		
Forward foreign exchange contracts	**43,157,677**	-

The Bank has commitments totaling to 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 5,935,600 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 interim condensed financial statements are as follows:

	31 March 2009 AED	*Audited 31 December 2008 AED*
Directors, their related parties and key management personnel:		
Loans and advances	**503,660**	3,818,496
Customers' deposits	**10,000,000**	10,000,000
Commitments and contingencies	**1,499,320**	1,499,320

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

	Three months ended	
	31 March 2009 AED	*31 March 2008 AED*
Directors, their related parties and key management personnel:		
Interest income	**28,188**	182,245
Interest expenses	**187,500**	857,912
Commission and fees	**6,821**	15,017

Compensation of key management personnel:

	Three months ended	
	31 March 20098 AED	*31 March 2008 AED*
Salaries and other benefits	**830,280**	443,496

9 COMPARATIVE INFORMATION

Exchange gain on investments for three months period ended 31 March 2008 amounting to AED 763,996 which was previously included in net income from investments and foreign exchange gain on other transactions for the three months ended 31 March 2008 amounting to AED 77,482 previously included in other income have been shown as a separate line item in the interim statement of income as gain on foreign exchange transactions.

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