Dubai Islamic Bank P.J.S.C.

Review report and interim financial information for the three-month period ended 31 March 2013

Dubai Islamic Bank P.J.S.C.

Review report and interim financial information for the three-month period ended 31 March 2013

Deloitte.

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai, United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax: +971 (0) 4 376 8899
www.deloitte.com

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors
Dubai Islamic Bank P.J.S.C.
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Dubai Islamic Bank P.J.S.C.** (the "Parent") **and its subsidiaries** (together referred to as the "Bank") as at 31 March 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. Management of the Bank is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with 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 financial information is not prepared, in all material respects in accordance with IAS 34.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration Number 717
14 April 2013

Condensed consolidated statement of financial position as at 31 March 2013

	Notes	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
ASSETS			
Cash and balances with central banks	4	25,697,945	15,473,999
Due from banks and financial institutions	5	14,187,150	3,293,059
Islamic financing and investing assets, net	6	54,970,232	55,182,688
Investments in Islamic sukuk	7	11,999,995	11,088,662
Other investments	8	2,179,172	2,164,297
Investments in associates and jointly controlled entities		1,840,209	1,846,688
Properties held for sale		1,872,399	1,997,374
Investment properties	9	2,073,063	2,083,010
Receivables and other assets		5,201,068	4,978,334
Property and equipment		578,258	589,477
Total assets		120,599,491	98,697,588
LIABILITIES			
Customers' deposits	10	88,257,420	66,725,523
Due to banks and financial institutions		4,375,158	6,668,000
Sukuk financing instruments	11	3,560,445	4,673,960
Medium term wakalat finance	26	3,752,543	3,752,543
Payables and other liabilities		5,547,517	4,934,700
Zakat payable		-	163,572
Total liabilities		105,493,083	86,918,298
EQUITY			
Share capital	12	3,797,054	3,797,054
Tier 1 sukuk	13	3,673,000	-
Other reserves		5,665,492	5,348,964
Investments fair value reserve		(802,651)	(817,913)
Exchange translation reserve		(222,920)	(192,100)
Retained earnings		954,566	951,776
Attributable to owners of the Parent		13,064,541	9,087,781
Non-controlling interests		2,041,867	2,691,509
Total equity		15,106,408	11,779,290
Total liabilities and equity		120,599,491	98,697,588

....
H.E. Mohammad Ibrahim Al Shaibani
Chairman

....
Abdulla Ali Al Hamli
Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated income statement (unaudited) for the three-month period ended 31 March 2013

	Notes	Three-month period ended 31 March 2013 AED'000	2012 AED'000 (Restated)
INCOME			
Income from Islamic financing and investing assets	14	829,928	801,421
Income from investments in Islamic sukuk		145,535	154,736
Income from international murabahat and wakalat, short term		19,627	16,865
Income from other investments, net		5,708	7,359
Commissions, fees and foreign exchange income	15	219,782	200,923
Income from investment properties		110,277	91,942
Profit on sale of properties held for sale, net		2,270	802
Other income		48,397	23,449
Total income		1,381,524	1,297,497
EXPENSES			
Personnel expenses		(260,601)	(226,779)
General and administrative expenses		(120,121)	(117,930)
Depreciation of property and equipment		(22,211)	(26,957)
Depreciation of investment properties		(6,586)	(12,734)
Impairment loss on financial assets, net		(292,483)	(282,607)
Impairment loss on non-financial assets, net		(67,438)	(56,543)
Total expenses		(769,440)	(723,550)
Profit before depositors' and sukukholders' share of profit		612,084	573,947
Depositors' and sukukholders' share of profit		(319,165)	(330,668)
Operating profit for the period		292,919	243,279
Share of profit from associates and jointly controlled entities		10,226	18,076
Profit for the period before income tax expense		303,145	261,355
Income tax expense		(1,426)	(2,859)
Profit for the period		301,719	258,496
Attributable to:			
Owners of the Parent		281,990	245,049
Non-controlling interests		19,729	13,447
Profit for the period		301,719	258,496
Basic and diluted earnings per share (AED per share)	16	AED 0.07	AED 0.06

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income (unaudited) for the three-month period ended 31 March 2013

	Three-month period ended 31 March	
	2013 AED'000	2012 AED'000 (Restated)
Profit for the period	**301,719**	258,496
Other comprehensive (loss)/income items		
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on other investments carried at FVTOCI, net	**15,262**	27,686
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations, net	**(30,820)**	1,503
Other comprehensive (loss)/income for the period	**(15,558)**	29,189
Total comprehensive income for the period	**286,161**	287,685
Attributable to:		
Owners of the Parent	**266,432**	270,711
Non-controlling interests	**19,729**	16,974
Total comprehensive income for the period	**286,161**	287,685

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity for the three-month period ended 31 March 2013

	Share capital AED'000	Tier 1 sukuk AED'000	Other reserves AED'000	Investments fair value reserve AED'000	Exchange translation reserve AED'000	Retained earnings AED'000	Attributable to owners of the Parent AED'000	Non-controlling interests AED'000	Total Equity AED'000
Balance at 1 January 2012 (audited)	3,797,054	-	5,348,964	(831,849)	(122,218)	943,484	9,135,435	1,038,322	10,173,757
Effect of change in accounting policies for investments in subsidiaries and jointly controlled entities – IFRS 10 & IFRS 11 (note 2.1)	-	-	-	2,217	(612)	(502,386)	(500,781)	1,695,738	1,194,957
Balance at 1 January 2012 after IFRS 10 & 11 (Restated)	3,797,054	-	5,348,964	(829,632)	(122,830)	441,098	8,634,654	2,734,060	11,368,714
Profit for the period (Restated)	-	-	-	-	-	245,049	245,049	13,447	258,496
Other comprehensive income for the period (Restated)	-	-	-	27,686	(2,024)	-	25,662	3,527	29,189
Total comprehensive income for the period (Restated)	-	-	-	27,686	(2,024)	245,049	270,711	16,974	287,685
Dividend paid (note 24)	-	-	-	-	-	(474,632)	(474,632)	(24,570)	(499,202)
Zakat adjustment	-	-	-	-	-	2,445	2,445	(14,300)	(11,855)
Balance at 31 March 2012 (unaudited) (Restated)	3,797,054	-	5,348,964	(801,946)	(124,854)	213,960	8,433,178	2,712,164	11,145,342
Balance at 1 January 2013 (audited) (Restated)	3,797,054	-	5,348,964	(817,913)	(192,100)	951,776	9,087,781	2,691,509	11,779,290
Profit for the period	-	-	-	-	-	281,990	281,990	19,729	301,719
Other comprehensive loss for the period	-	-	-	15,262	(30,820)	-	(15,558)	-	(15,558)
Total comprehensive income for the period	-	-	-	15,262	(30,820)	281,990	266,432	19,729	286,161
Dividend paid (note 24)	-	-	-	-	-	(569,558)	(569,558)	(20,875)	(590,433)
Zakat adjustment	-	-	-	-	-	-	-	(14,332)	(14,332)
Tier 1 sukuk issuance (note 13)	-	3,673,000	-	-	-	-	3,673,000	-	3,673,000
Tier 1 sukuk issuance cost	-	-	-	-	-	(27,273)	(27,273)	-	(27,273)
Acquisition of non-controlling interest of a subsidiary effect (note 18(d))	-	-	316,528	-	-	317,631	634,159	(634,164)	(5)
Balance at 31 March 2013 (unaudited)	3,797,054	3,673,000	5,665,492	(802,651)	(222,920)	954,566	13,064,541	2,041,867	15,106,408

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows (unaudited) for the three-month period ended 31 March 2013

	Three-month period ended 31 March	
	2013	2012
	AED'000	AED'000
Operating activities		
Profit for the period before income tax	**303,145**	261,355
Adjustments for:		
Dividend income	**(5,743)**	(4,769)
Revaluation of investments at fair value through profit and loss	**52**	(22)
Impairment loss on financial assets, net	**292,483**	282,607
Impairment loss on non-financial assets, net	**67,438**	56,543
Share of profit of associates and jointly controlled entities	**(10,226)**	(18,076)
Depreciation of investment properties	**6,586**	12,734
Depreciation of property and equipment	**22,211**	26,957
Gain on disposal of property and equipment	**(17)**	(32)
Gain on disposal of properties held for sale	**(2,270)**	(802)
Gain on sale of investments in Islamic sukuk	**(37,011)**	-
Gain on disposal of other investments	**-**	(952)
Write off of property and equipment	**-**	600
Amortisation of sukuk financing instruments issued by a subsidiary	**-**	3,476
Operating cash flow before changes in operating assets and liabilities	**636,648**	619,619
(Increase)/decrease in deposits and international murabahat with over 3 month maturity	**(7,912,203)**	1,016,740
Increase in Islamic financing and investing assets	**(94,158)**	(1,202,522)
Increase in receivables and other assets	**(907,000)**	(627,992)
Increase in customers' deposits	**21,558,274**	3,392,912
(Decrease)/increase in due to banks and other financial institutions	**(2,291,934)**	526,611
Increase in payables and other liabilities	**1,115,049**	454,803
Cash generated from operations	**12,104,676**	4,180,171
Tax paid	**(306)**	(3,279)
Net cash generated from operating activities	**12,104,370**	4,176,892
Investing activities		
Net movement in investments in Islamic sukuk	**(891,685)**	(602,406)
Net movement in other investments	**(6,568)**	61
Additions to properties held for sale	**(34,671)**	(18,708)
Dividend received	**9,743**	699
Net movement in investments in associates and jointly controlled entities	**590**	1,624
Purchase of investment properties	**(7,545)**	(33,443)
Purchase of property and equipment	**(12,256)**	(14,840)
Proceeds from disposal of property and equipment	**27**	120
Proceeds from disposal of properties held for sale	**87,569**	4,850
Net cash used in investing activities	**(854,796)**	(662,043)
Financing activities		
Dividend paid	**(590,433)**	(499,202)
Net movement in sukuk financing instrument	**(1,095,150)**	(1,558,654)
Tier 1 sukuk issuance, net	**3,645,727**	-
Net cash generated from/(used in) financing activities	**1,960,144**	(2,057,856)
Increase in cash and cash equivalents	**13,209,718**	1,456,993
Cash and cash equivalents at the beginning of the period	**10,548,086**	9,581,464
Effect of exchange rate changes on the balance of cash held in foreign currencies	**(3,883)**	(12,598)
Cash and cash equivalents at the end of the period (Note 19)	**23,753,921**	11,025,859

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013

1. General information

Dubai Islamic Bank (Public Joint Stock Company) (the "Parent") was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia'a principles. It was subsequently registered under the Commercial Companies Law number 8 of 1984 (as amended) as a Public Joint Stock Company. The registered head office of the Bank is at P.O. Box 1080, Dubai, United Arab Emirates.

These condensed consolidated financial statements combine the activities of the Parent and its subsidiaries (note 18) (together referred to as the "Bank").

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs affecting the reported financial performance or/and financial position

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these condensed consolidated financial statements:

- IFRS 10 *Consolidated Financial Statements and* IAS 27 (as revised in 2011) *Separate Financial Statements*

IFRS 10 and IAS 27 (as revised in 2011) replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC 12 *Consolidation – Special Purpose Entities*. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

In light of the new definitions and guidance of IFRS 10 and IAS 27 (as revised in 2011), the management has reassessed the control conclusion for its investees. As a consequence, the management has changed its control conclusion in respect of its investment in the following:

Name of entity	Principal activity	Place of incorporation	Percentage of holding	
			2013	2012
Deyaar Development P.J.S.C.	Real estate development	U.A.E.	**44.9%**	44.9%

The Bank applied acquisition accounting to the investment at 1 July 2010, as if the investee had been consolidated from that date.

Although the Bank owns less than 50% of the entity, the management has determined that the Bank has de facto control over the entity because it is exposed to significant variable returns from its involvement with the entity and has power and rights to affect the amount of its returns. In prior years, the investment in this entity was accounted for as an associate using the equity method.

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.1 New and revised IFRSs affecting the reported financial performance or/and financial position (continued)

As at 1 July 2010, the fair value of net identifiable assets was as follows:

	1 July 2010 (unaudited) AED'000
Fair value of net identifiable assets	5,097,786
The Bank's share of the fair value of net identifiable assets	2,286,357
The Bank's investment carrying amount	(2,788,743)
Net impact on the Bank's retained earnings	(502,386)

- IFRS 11 *Joint Arrangements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*

IFRS 11 and IAS 28 (as revised in 2011) replace IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The application of IFRS 11 and IAS 28 (as revised in 2011) resulted in changes in the accounting of the Bank's jointly controlled entity that was previously accounted for using the proportionate consolidation method. As per the new requirements, all jointly controlled entities were deconsolidated and accounted for using the equity method of accounting.

The impact of the adoption of the abovementioned new and revised standards on the comparative amounts is disclosed in note 27 to these condensed consolidated financial statements.

2.2 Amendments to IFRSs affecting presentation and disclosure only

The following revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has affected the presentation and disclosure only and did not result in any impact on the reported amounts.

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 Amendments to IFRSs affecting presentation and disclosure only (continued)

- Amendments to IAS 1 *Presentation of Financial Statements*

The amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- Amendments to IAS 34 *Interim Financial Reporting*

The amendments require additional disclosures for the fair value of the financial instruments as required by IFRS 13 *Fair Value Measurement* and IFRS 7 *Financial Instruments* (note 22).

2.3 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 *Financial Instruments : Disclosure - Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities*
- IFRS 12 *Disclosure of interests in other entities*
- IFRS 13 *Fair Value Measurement*
- IAS 19 (as amended in 2011) *Employee Benefits*
- Amendments to IAS 32 *Financial Instruments : Presentation - Offsetting of Financial Assets and Financial Liabilities*
- Amendments to IAS 1 *Presentation of Financial Statements - comparative information*
- Amendments to IAS 16 *Property, Plant and Equipment - servicing equipment*
- Amendments to IAS 32 *Financial Instruments - Presentation - tax effect of equity distribution*
- IFIRC 20 *Stripping Costs in the Production Phase of a Surface Mine*

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.4 New and revised standards and interpretation are in issue but not yet effective

The Bank has not applied the following new and revised standards and interpretation that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 10 *Consolidated Financial Statements - amendments for investment entities*	1 January 2014
• Amendments to IFRS 12 *Disclosure of interests in Other Entities - amendments for investment entities*	1 January 2014
• Amendments to IAS 27 *Separate Financial Statements (as amended in 2011) - amendments for investment entities*	1 January 2014
• Amendments to IAS 32 *Financial instruments: Presentation - amendments relating to the offsetting of assets and liabilities*	1 January 2014

As of date of issuance of these condensed consolidated financial statements, management are still in the process of evaluating the impact of these new and revised standards and interpretation on the condensed consolidated financial statements.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34. "*Interim Financial Reporting*" issued by the International Accounting Standards Board and also complies with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Bank's transactions are denominated.

These condensed consolidated financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Bank's consolidated financial statements for the year ended 31 December 2012 except for the impact of change in accounting policies for investment in subsidiaries and jointly controlled entities which are disclosed in note 2 and note 27 to these condensed consolidated financial statements. In addition, results for the period from 1 January 2013 to 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2012 except for change in accounting policies relating to investment in subsidiaries and jointly controlled entities resulting from adoption of IFRS 10 and IFRS 11.

As required by the Securities and Commodities Authority of the U.A.E. ("SCA"), accounting policies relating to investments in equities and sukuk; and investment properties have been disclosed in the condensed consolidated financial statements.

3. Summary of significant accounting policies (continued)

3.2 Estimates

The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amount may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Bank's accounting policies, and the key sources of estimates uncertainty were the same as those which were applied to the consolidated financial statements as at and for the year ended 31 December 2012.

3.3 Financial risk management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

3.4 Basis of consolidation

These condensed consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

These condensed consolidated financial statements combine the activities of the Parent and its subsidiaries (note 18) (together referred to as the "Bank").

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

All significant inter-group balances, income and expense items are eliminated on consolidation.

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to owners of the Parent.

3.5 Investments in Islamic Sukuk

Investments in Islamic Sukuk are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Investments in Islamic Sukuk meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective yield method less any impairment, with profit recognised on an effective yield basis in income from investments in Islamic Sukuk in the condensed consolidated income statement.

3. Summary of significant accounting policies (continued)

3.5 Investments in Islamic Sukuk (continued)

Subsequent to initial recognition, the Bank is required to reclassify investments in Islamic Sukuk from amortised cost to fair value through profit or loss ("FVTPL"), if the objective of the business model changes so that the amortised cost criteria is no longer met.

The Bank may irrevocably elect at initial recognition to classify investment in Islamic Sukuk that meets the amortised cost criteria above as at fair value through profit or loss ("FVTPL"), if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost. At the reporting date, the Bank has elected not to designate any investments in Islamic Sukuk as FVTPL under the fair value option.

3.6 Other investments

(a) Investments measured at fair value through profit or loss ("FVTPL")

Investments in equity instruments are classified as financial assets measured at FVTPL, unless the Bank designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") at initial recognition.

Financial assets measured at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in the condensed consolidated income statement. The net gain or loss is recognised in the condensed consolidated income statement.

Dividend income on investments in equity instruments at FVTPL is recognised in condensed consolidated income statement when the Bank's right to receive the dividends is established.

(b) Investments measured at fair value through other comprehensive income ("FVTOCI")

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate other investments as at fair value through other comprehensive income ("FVTOCI"). Designation at FVTOCI is not permitted if the equity investment is held for trading.

Other investments are held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments fair value reserve is not reclassified to the condensed consolidated income statement, but is reclassified to retained earnings directly.

Dividends on these investments in equity instruments are recognised in condensed consolidated income statement when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investments.

3. Summary of significant accounting policies (continued)

3.7 Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation on investment in buildings is charged on a straight-line basis over 25 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the condensed consolidated income statement in the period of retirement or disposal.

Transfers are made to investment properties when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in use evidenced by commencement of owner-occupation or commencement of development with a view to sell.

3.8 Investments in associates and jointly controlled entities

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associates and jointly controlled entities is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Bank's share of the profit or loss and other comprehensive income of the associates and jointly controlled entities. When the Bank's share of losses of associates and jointly controlled entities exceeds the Bank's interest in that associates and jointly controlled entities (which includes any long-term interests that, in substance, form part of the Bank's net investment in the associates and jointly controlled entities), the Bank discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the associates and jointly controlled entities.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of associates and jointly controlled entities recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the condensed consolidated income statement.

The requirements of International Financial Reporting Standards are applied to determine whether it is necessary to recognise any impairment loss with respect to the Bank's investment in associates and jointly controlled entities. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the condensed consolidated financial statements
for the three-month period ended 31 March 2013 (continued)

3. Summary of significant accounting policies (continued)

3.8 Investments in associates and jointly controlled entities (continued)

Upon disposal of associates and jointly controlled entities that results in the Bank losing significant influence over that associates and jointly controlled entities, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associates and jointly controlled entities attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates and jointly controlled entities. In addition, the Bank accounts for all amounts previously recognised in other comprehensive income in relation to that associates and jointly controlled entities on the same basis as would be required if that associates and jointly controlled entities had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associates and jointly controlled entities would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Bank reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associates and jointly controlled entities.

When a Bank's entity transacts with its associates and jointly controlled entities, profits and losses resulting from the transactions with the associates and jointly controlled entities are recognised in the Bank' consolidated financial statements only to the extent of interests in the associates and jointly controlled entities that are not related to the Bank.

4. Cash and balances with central banks

(a) The analysis of the Bank's cash and balances with central banks is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Cash in hand	**1,538,008**	1,732,034
Balances with the central banks:		
Current accounts	**3,838,188**	1,336,509
Reserve requirements with central banks (note 4(c))	**4,390,574**	4,186,484
International murabahat with the Central Bank of the U.A.E.	**15,931,175**	8,218,972
Total	**25,697,945**	15,473,999

4. Cash and balances with central banks (continued)

(b) The geographical analysis of the cash and balances with central banks is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Within the U.A.E.	**25,562,024**	15,332,999
Outside the U.A.E.	**135,921**	141,000
Total	**25,697,945**	15,473,999

(c) The reserve requirements are kept with the Central Banks of the U.A.E. and Islamic Republic of Pakistan in the respective local currencies and US Dollar. These reserves are not available for use in the Bank's day to day operations, and cannot be withdrawn without the approval of the respective central banks. The level of reserve required changes every month in accordance with the requirements of the respective central banks' directives.

5. Due from banks and financial institutions

(a) The analysis of the Bank's due from banks and financial institutions is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Current accounts	**2,617,964**	652,058
Investment deposits	**2,250,853**	891,867
International murabahat - short term	**9,318,333**	1,749,134
Total	**14,187,150**	3,293,059

(b) Due from banks and financial institutions by geography is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Within the U.A.E.	**9,521,107**	2,341,167
Outside the U.A.E.	**4,666,043**	951,892
Total	**14,187,150**	3,293,059

6. Islamic financing and investing assets, net

(a) The analysis of the Bank's Islamic financing and investing assets, net is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Islamic financing assets		
Vehicles murabahat	**5,589,885**	5,653,007
Real estate murabahat	**4,132,944**	4,264,731
Commodities murabahat	**4,327,651**	3,815,483
International murabahat - long term	**295,449**	286,159
Total murabahat	**14,345,929**	14,019,380
Home finance ijara	**12,039,275**	12,318,412
Other ijaras	**11,859,110**	11,519,558
Salam finance	**5,105,726**	4,687,193
Istisna'a	**4,368,682**	4,491,960
Islamic credit cards	**371,606**	392,490
	48,090,328	47,428,993
Less: Deferred income	**(2,196,517)**	(2,318,116)
Less: Contractors and consultants' istisna'a contracts	**(103,546)**	(121,805)
Total Islamic financing assets	**45,790,265**	44,989,072
Islamic investing assets		
Musharakat	**6,279,620**	6,824,046
Mudaraba	**3,788,991**	3,894,714
Wakalat	**3,121,057**	3,174,278
Total Islamic investing assets	**13,189,668**	13,893,038
Total Islamic financing and investing assets	**58,979,933**	58,882,110
Less: provisions for impairment	**(4,009,701)**	(3,699,422)
Total Islamic financing and investing assets, net	**54,970,232**	55,182,688

6. Islamic financing and investing assets, net (continued)

(b) Islamic financing and investing assets by geography is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Within the U.A.E.	**56,996,989**	56,700,472
Outside the U.A.E.	**1,982,944**	2,181,638
	58,979,933	58,882,110
Less: provisions for impairment	**(4,009,701)**	(3,699,422)
Total Islamic financing and investing assets, net	**54,970,232**	55,182,688

(c) Movements in the provisions for impairment are as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Balance at the beginning of the period/year	**3,699,422**	3,508,874
Charge for the period/year	**386,289**	1,163,674
Release to profit or loss	**(93,862)**	(279,280)
Written off during the period/year	**(844)**	(691,332)
Foreign exchange effect	**(529)**	(2,514)
Other movements	**19,225**	-
Balance at the end of the period/year	**4,009,701**	3,699,422

7. Investments in Islamic sukuk

(a) The geographical analysis of the Bank's investments in Islamic Sukuk is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
At amortised cost		
Within the U.A.E.	**10,837,640**	10,066,975
Other G.C.C. Countries	**230,224**	233,249
Rest of the World	**932,131**	788,438
Total	**11,999,995**	11,088,662

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

7. Investments in Islamic sukuk (continued)

(b) Investments in Islamic sukuk within the U.A.E. include investments in bilateral governmental sukuks amounting to AED 3,673 million as at 31 March 2013 (31 December 2012 (Restated): AED 3,673 million).

8. Other investments

The geographical analysis of the other investments is as follows:

	31 March 2013 (unaudited)			
	Within the U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Investments designated at fair value through profit or loss				
Quoted equity instruments	7,649	-	-	7,649
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	491,649	169,466	37,486	698,601
Unquoted equity instruments	795,052	58,745	82,978	936,775
Unquoted investment funds	300,875	1,794	233,478	536,147
	1,587,576	230,005	353,942	2,171,523
Total	1,595,225	230,005	353,942	2,179,172

	31 December 2012 (audited) (Restated)			
	Within the U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Investments designated at fair value through profit or loss				
Quoted equity instruments	1,132	-	-	1,132
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	418,616	152,142	40,080	610,838
Unquoted equity instruments	846,424	60,957	83,196	990,577
Unquoted investment funds	326,271	1,794	233,685	561,750
	1,591,311	214,893	356,961	2,163,165
Total	1,592,443	214,893	356,961	2,164,297

Notes to the condensed consolidated financial statements
for the three-month period ended 31 March 2013 (continued)

9. Investment properties

The geographical analysis of investment properties is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Cost		
Within the U.A.E.		
Land	890,580	890,580
Other real estate	384,161	382,070
Properties under construction	675,254	670,397
Total investment properties with the U.A.E.	1,949,995	1,943,047
Outside the U.A.E.		
Land	257,184	257,184
Other real estate	502,970	517,734
Total investment properties outside the U.A.E.	760,154	774,918
Total cost	2,710,149	2,717,965
Less: Accumulated depreciation and impairment	(637,086)	(634,955)
Total carrying amount	2,073,063	2,083,010

10 Customers' deposits

(a) The analysis of the Bank's customers' deposits is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Current accounts	21,617,924	17,802,921
Saving accounts	11,887,549	11,264,634
Investment deposits	54,419,916	37,310,636
Margin accounts	169,225	169,011
Depositors' share of profit payable	84,381	113,573
Depositors' investment risk reserve (note 10 (c))	78,425	64,748
Total	88,257,420	66,725,523

10. Customers' deposits (continued)

(b) The geographical analysis of customers' deposits is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Within the U.A.E.	**85,716,999**	64,139,934
Outside the U.A.E.	**2,540,421**	2,585,589
Total	**88,257,420**	66,725,523

(c) Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is paid to the depositors with the approval of the Bank's Fatwa and Sharia'a Supervisory Board.

11. Sukuk financing instruments

(a) The analysis of the Bank's sukuk financing instruments is as follows:

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Sukuk financing instruments issued by the Bank (note 11 (b))	**1,836,500**	1,836,500
Sukuk financing instruments issued by a subsidiary	**1,723,945**	2,837,460
Total	**3,560,445**	4,673,960

(b) In May 2012, the Bank, through a Sharia'a compliant financing arrangement, established a Trust Certificate Issuance Programme for USD 2,500 million (the "Programme"). As part of the Programme, the first series of the trust certificates amounting to USD 500 million (AED 1,836.5 million) were issued and listed on Irish Stock Exchange on 30 May 2012.

The terms of the Programme include transfer of certain identified assets (the "Co-Owned Assets") including original leased and musharakat assets, Sharia'a compliant authorised investments and any replaced assets of the Bank to DIB Sukuk Limited, Cayman Islands (the "Issuer"). These assets are under the control of the Bank and shall continue to be serviced by the Bank.

The Issuer will pay the semi-annually distribution amount from returns received in respect of the Co-Owned Assets. Such proceeds are expected to be sufficient to cover the semi-annually distribution amount payable to the sukuk holders on the semi-annually distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at the exercise price.

These sukuk financing instruments mature in May 2017.

12. Share capital

As at 31 March 2013, 3,797,054,290 authorised ordinary shares of AED 1 each (31 December 2012 (Restated): 3,797,054,290 ordinary shares of AED 1 each) were fully issued and paid up.

13. Tier 1 sukuk

In March 2013, the Bank through a Shari'a compliant sukuk arrangement issued Tier 1 sukuk amounting to USD 1,000 million (AED 3,673 million) at a par value of USD 1,000 (AED 3,673) per sukuk. Tier 1 sukuk was issued under the authorities approved by the Bank's shareholders in the Extraordinary General Meeting conducted on 4 March 2013.

Tier 1 sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 sukuk is listed in Irish Stock Exchange and callable by the Bank after the six-year period ending on 20 March 2019 (the "First Call Date") or any profit payment date thereafter subject to certain redemption conditions.

The terms of the Programme include transfer of certain identified assets of the Bank to DIB Tier 1 Sukuk Ltd, Cayman Islands (the "Issuer"). These assets are under the control of the Bank and shall continue to be serviced by the Bank.

Tier 1 sukuk bears a fixed Mudaraba profit rate of 6.25% per annum payable semi-annually in arrears until the First Call Date. After that, the profit rate will be reset based on then prevailing 6 year U.S. Mid Swap Rate plus initial margin of 495.5 basis points.

At the Issuer's sole discretion, the Issuer may, elect not to make any Mudaraba profit distributions as expected and the event is not considered an event of default. If the Issuer makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on ordinary shares issued by the Bank, or (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire ordinary shares issued by the Bank.

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

14. Income from Islamic financing and investing assets (unaudited)

	Three-month period ended 31 March	
	2013 AED'000	2012 AED'000 (Restated)
Islamic financing assets		
Vehicles murabahat	**89,501**	98,362
Real estate murabahat	**45,404**	47,105
Commodities murabahat	**59,938**	68,572
International murabahat	**2,627**	1,746
Total murabahat income	**197,470**	215,785
Home finance ijara	**157,014**	158,386
Other ijaras	**120,781**	114,215
Salam finance	**148,963**	91,844
Istisna'a	**46,449**	88,453
Total income from Islamic financing assets	**670,677**	668,683
Islamic investing assets		
Musharakat	**86,943**	79,178
Mudaraba	**44,253**	36,486
Wakalat	**28,055**	17,074
Total income from Islamic investing assets	**159,251**	132,738
Total income from Islamic financing and investing assets	**829,928**	801,421

15. Commissions, fees and foreign exchange income (unaudited)

	Three-month period ended 31 March	
	2013 AED'000	2012 AED'000 (Restated)
Trade related commission and fees	**88,493**	79,225
Asset and wealth management related fees	**16,291**	22,853
Other commissions and fees	**95,487**	83,353
Foreign exchange income	**15,911**	16,950
Fair value of Islamic derivatives	**3,600**	(1,458)
Total	**219,782**	200,923

16. Basic and diluted earnings per share (unaudited)

(a) Basic earnings per share is calculated by dividing the profit for the period attributable to the owners of the Parent by the weighted average number of shares in issue throughout the period as follows:

	Three-month period ended 31 March	
	2013	2012 (Restated)
Profit for the period attributable to the owners of the Parent (AED'000)	**281,990**	245,049
Weighted average number of shares used in the calculation of basic earnings per share ('000)	**3,797,054**	3,797,054
Basic earnings per share (AED per share)	**AED 0.07**	AED 0.06

(b) Diluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the Parent by the weighted average number of shares in issue and shares deemed to be issued for no consideration throughout the period as follows:

	Three-month period ended 31 March	
	2013	2012 (Restated)
Profit for the period attributable to the owners of the Parent (AED'000)	**281,990**	245,049
Weighted average number of shares used in the calculation of diluted earnings per share ('000)	**3,800,565**	3,797,054
Diluted earnings per share (AED per share)	**AED 0.07**	AED 0.06

17. Contingent liabilities and commitments

The analysis of contingent liabilities and commitments is as follows

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Contingent liabilities:		
Letters of guarantee	**7,466,109**	7,828,148
Letters of credit	**2,291,273**	1,962,295
Total contingent liabilities	**9,757,382**	9,790,443
Commitments:		
Capital expenditure commitments	**1,072,593**	1,082,813
Irrevocable undrawn facilities commitments	**11,414,427**	10,393,008
Total commitments	**12,487,020**	11,475,821
Total contingent liabilities and commitments	**22,244,402**	21,266,264

18. Subsidiaries

(a) The Bank's interest held directly or indirectly in the subsidiaries is as follows:

	Subsidiaries	Principal activity	Country of incorporation	Percentage of equity 31 March 2013 (unaudited)	31 December 2012 (audited) (Restated)
1.	DIB Capital Limited	Investments and financial services	U.A.E.	95.5%	95.5%
2.	Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	100.0%	100.0%
3.	Tamweel P.J.S.C. (Note 18 (d))	Financing and investment	U.A.E	86.5%	58.3%
4.	Dubai Islamic Financial Services L.L.C.	Brokerage services	U.A.E.	95.5%	95.5%
5.	Dar al Shariah Financial & Legal Consultancy L.L.C.	Financial and legal advisory	U.A.E.	60.0%	60.0%
6.	Al Tanmyah Services L.L.C.	Labour services	U.A.E.	99.5%	99.5%
7.	Emirates Automotive Leasing Company (dormant company)	Trading in motor vehicles	U.A.E.	100.0%	100.0%
8.	Al Tatweer Al Hadith Real Estate	Real estate development	Egypt	100.0%	100.0%
9.	Al Tameer Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
10.	Al Tanmia Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
11.	Naseej Fabric Manufacturing L.L.C.	Textile Manufacturing	U.A.E.	99.0%	99.0%
12.	DIB Printing Press L.L.C.	Printing	U.A.E.	99.5%	99.5%
13.	Levant One Investment Limited	Investments	U.A.E.	100.0%	100.0%
14.	Petra Limited	Investments	Cayman Islands	100.0%	100.0%
15.	Al Islami Real Estate Investments Ltd.	Investments	U.A.E.	100.0%	100.0%
16.	Tamweel Funding Limited	Sukuk	Jersey	86.5%	58.3%
17.	Tamweel Sukuk Limited	Sukuk	Cayman Islands	86.5%	58.3%
18.	Tamweel ESOT Limited	Employees share options	British Virgin Islands	86.5%	58.3%
19.	Tamweel Properties & Investments L.L.C	Real estate development	U.A.E	86.5%	58.3%
20.	Tahfeez Middle East Limited	General trading	U.A.E	86.5%	58.3%
21.	Deyaar Development P.J.S.C. (Note 2)	Real estate development	U.A.E.	44.9%	44.9%

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

18. Subsidiaries (continued)

(b) The following Special Purpose Vehicles ("SPV") were formed to manage specific transactions including funds, and are expected to be closed upon completion of transactions.

	SPV	Principal activity	Country of incorporation	Percentage of equity 31 March 2013 (unaudited)	31 December 2012 (audited) (Restated)
22.	HoldInvest Real Estate Sarl	Investments	Luxembourg	Controlling interest	Controlling interest
23.	France Invest Real Estate SAS	Investments	France	Controlling interest	Controlling interest
24.	SARL Barbanniers	Investments	France	Controlling interest	Controlling interest
25.	SCI le Sevine	Investments	France	Controlling interest	Controlling interest
26.	Findi Real Estate SAS	Investments	France	Controlling interest	Controlling interest
27.	PASR Einudzwanzigste Beteiligunsverwaltung GMBH	Investments	Austria	Controlling interest	Controlling interest
28.	Al Islami German Holding Co. GMBH	Investments	Germany	Controlling interest	Controlling interest
29.	Rhein Logistics GMBH	Investments	Germany	Controlling interest	Controlling interest
30.	Jef Holdings BV	Investments	Netherlands	Controlling interest	Controlling interest
31.	Zone Two Real Estate Management Co.	Investments	Cayman Islands	Controlling interest	Controlling interest
32.	Zone One Real Estate Management Co.	Investments	Cayman Islands	100.0%	100.0%
33.	Al Islami Trade Finance FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
34.	DIB Lease One Ltd.	Investments	Bahamas	100.0%	100.0%
35.	DIB Lease One (Dublin) Ltd.	Investments	Ireland	100.0%	100.0%
36.	Gulf Atlantic FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
37.	Al Islami Oceanic Shipping Co FZ L.L.C	Investments	U.A.E.	100.0%	100.0%
38.	Sequia Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
39.	Mount Sinai Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
40.	Blue Nile Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%

(c) In addition to the registered ownership described above, the remaining equity in the entities 1, 4, 6, 11, 12, 38, 39 and 40 are also beneficially held by the Bank through nominee arrangements.

(d) On 3 January 2013, the Bank's Board of Directors announced its intention to acquire 100% of Tamweel P.J.S.C. ("Tamweel") shares by offering DIB shares in exchange for Tamweel shares to the non-controlling shareholders.

The Bank has obtained the approval of its shareholders in the Extraordinary Annual General Meeting conducted on 4 March 2013 and subsequently obtained all required approvals from the regulatory authorities, including The U.A.E. Ministry of Finance, Securities and Commodities Authority of the U.A.E., the U.A.E. Central Bank and Dubai Financial Market.

18. Subsidiaries (continued)

As at 31 March 2013, the Bank is in process of issuing 156.7 million shares at a par value of AED 1 per share to the non-controlling interest of Tamweel, who have accepted the Bank's offer of swapping 10 new DIB shares for every 18 Tamweel shares. This transaction increased the Bank's percentage of equity in Tamweel to 86.5% and the difference of AED 317.6 million between the fair value of the 156.7 million DIB shares and the carrying amount of non-controlling interest acquired is recognized in retained earnings. As at 31 March 2013, the acquired Tamweel shares are still held by the non-controlling shareholders on behalf of the Bank after formally accepting the Bank's offer and submitting it to the transaction custodian.

19. Cash and cash equivalents (unaudited)

	31 March	
	2013 AED'000	2012 AED'000 (Restated)
Cash and balances with central banks	**25,697,945**	14,277,294
Due from banks and financial institutions	**14,187,150**	2,182,680
	39,885,095	16,459,974
Less: Balances and deposits with banks and financial institutions with original maturity over 3 months	**(16,131,174)**	(5,434,115)
Total	**23,753,921**	11,025,859

20. Segmental information

Reportable segment

(a) Operating reportable segments are identified on the basis of internal reports about the components of the Bank that are regularly reviewed by the Bank's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

(b) The Bank's reportable segments are organised into five major segments as follows:

- Retail and business banking: Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahats, ijarah, credit card and funds transfer facilities and trade finance facilities.
- Corporate and investment banking: Principally handling financing and other credit facilities and deposit and current accounts for corporate and institutional customers and investment banking services.
- Real estate: Property development and other real estate investments.
- Treasury: Principally responsible for managing bank's overall liquidity and market risk and provides treasury services to customers. Treasury also runs its own Islamic debt and specialise financial instruments book to manage the above risks.
- Other: Functions other than above core lines of businesses.

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

20. Segmental information (continued)

Reportable segments **(continued)**

(c) The accounting policies of the reportable segments are the same as the Bank's accounting policies. Transactions between segments are conducted at estimated profit rates which approximate to market rates on an arm's length basis.

(d) The following table presents summarized condensed consolidated income statement related to Bank's reportable segments:

	Retail and business Banking		Corporate and investment banking		Real estate		Treasury		Other		Total	
	Three-month period ended 31 March (unaudited)		Three-month period ended 31 March (unaudited)		Three-month period ended 31 March (unaudited)		Three-month period ended 31 March (unaudited)		Three-month period ended 31 March (unaudited)		Three-month period ended 31 March (unaudited)	
	2013 AED'000	2012 AED'000 (Restated)	**2013 AED'000**	2012 AED'000 (Restated)	**2013 AED'000**	2012 AED'000 (Restated)	**2013 AED'000**	2012 AED'000 (Restated)	**2013 AED'000**	2012 AED'000 (Restated)	**2013 AED'000**	2012 AED'000 (Restated)
Net operating revenue	**493,294**	461,161	**308,733**	342,984	**56,497**	(57,311)	**145,463**	119,417	**58,372**	100,578	**1,062,359**	966,829
Share of profit of associates and jointly controlled entities	**-**	-	**10,226**	21,441	**-**	(3,365)	**-**	-	**-**	-	**10,226**	18,076
Operating expenses	**(250,871)**	(214,467)	**(94,195)**	(90,710)	**(29,362)**	(45,381)	**(5,643)**	(5,176)	**(29,448)**	(28,666)	**(409,519)**	(384,400)
Impairment loss	**(77,429)**	(62,550)	**(210,289)**	(234,657)	**(68,553)**	(40,544)	**-**	-	**(3,650)**	(1,399)	**(359,921)**	(339,150)
Profit for the period before income tax	**164,994**	184,144	**14,475**	39,058	**(41,418)**	(146,601)	**139,820**	114,241	**25,274**	70,513	**303,145**	261,355
Income tax											**(1,426)**	(2,859)
Profit for the period											**301,719**	258,496

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

20. Segmental information (continued)

Reportable segments (continued)

(e) The following table presents summarized condensed consolidated statement of financial position related to Bank's reportable segments:

	Retail and business Banking		Corporate and investment banking		Real estate		Treasury		Other		Total	
	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)	**31 March 2013 (unaudited) AED'000**	31 December 2012 (audited) AED'000 (Restated)	**31 March 2013 (unaudited) AED'000**	31 December 2012 (audited) AED'000 (Restated)	**31 March 2013 (unaudited) AED'000**	31 December 2012 (audited) AED'000 (Restated)	**31 March 2013 (unaudited) AED'000**	31 December 2012 (audited) AED'000 (Restated)	**31 March 2013 (unaudited) AED'000**	31 December 2012 (audited) AED'000 (Restated)
Segment assets	**25,150,160**	25,178,722	**35,397,972**	35,060,170	**7,199,387**	7,796,453	**26,188,752**	12,511,922	**26,663,220**	18,150,321	**120,599,491**	98,697,588
Segment liabilities and equity	**50,414,904**	48,779,669	**41,600,130**	21,762,890	**3,804,994**	4,367,326	**9,340,884**	11,714,777	**15,438,579**	12,072,926	**120,599,491**	98,697,588
Capital expenditure	**3,677**	24,260	**3,677**	24,260	**-**	-	**2,451**	16,174	**2,451**	16,173	**12,256**	80,867

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

20 Segmental information (continued)

Geographical information

(f) Although the management of the Bank is based primarily on business segments, the Bank operates in two geographic markets: U.A.E. and outside the U.A.E. The following tables show the distribution of the Bank's gross income from external customers by geographical segment for the three-month periods ended 31 March 2013 and 31 March 2012, and the distribution of the Bank's non-current assets by geographical segment as at 31 March 2013 and 31 December 2012:

	Three-month period ended 31 March (unaudited)					
	Within the U.A.E.		**Outside the U.A.E.**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	AED'000	AED'000 (Restated)	**AED'000**	AED'000 (Restated)	**AED'000**	AED'000 (Restated)
Gross income from external customers*	**1,317,426**	1,222,928	**64,098**	74,569	**1,381,524**	1,297,497

	Within the U.A.E.		**Outside the U.A.E.**		**Total**	
	31 March 2013 (unaudited)	31 December 2012 (audited)	**31 March 2013 (unaudited)**	31 December 2012 (audited)	**31 March 2013 (unaudited)**	31 December 2012 (audited)
	AED'000	AED'000 (Restated)	**AED'000**	AED'000 (Restated)	**AED'000**	AED'000 (Restated)
Non-current assets **	**2,090,165**	2,081,636	**561,156**	590,851	**2,651,321**	2,672,487

* Gross income from external customers geographical analysis is based on the Bank's operating centers and subsidiaries.

** Non-current assets exclude financial instruments, investments in associates and deferred tax assets.

21. Related party transactions

(a) The Bank enters into arm's length transactions with shareholders, directors, key management personnel, their related concerns and the Bank's associates and jointly controlled entities in the ordinary course of business at commercial profit and commission rates.

(b) Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been fully eliminated upon consolidation and they are not disclosed in this note.

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

21. Related party transactions (continued)

(c) The significant balances and transactions with related parties included in these condensed consolidated financial statements are as follows:

	Major shareholders AED'000	Directors and key management personnel AED'000	Associates and jointly controlled entities AED'000	Total AED'000
As at 31 March 2013 (unaudited)				
Islamic financing and investing assets	**1,469,201**	**61,151**	**44,136**	**1,574,488**
Customers' deposits	**5,197,178**	**91,569**	**14,747**	**5,303,494**
Contingent liabilities	**-**	**6**	**14,120**	**14,126**
As at 31 December 2012 (audited) (Restated)				
Islamic financing and investing assets	1,469,201	61,038	58,393	1,588,632
Customers' deposits	1,884,551	83,198	7,831	1,975,580
Contingent liabilities	-	6	14,078	14,084
For the three-month period ended 31 March 2013 (unaudited)				
Income from Islamic financing and investing assets	**13,462**	**1,162**	**938**	**15,562**
Depositors' share of profits	**18,866**	**347**	**-**	**19,213**
For the three-month period ended 31 March 2012 (unaudited) (Restated)				
Income from Islamic financing and investing assets	8,788	297	348	9,433
Depositors' share of profits	18,906	75	-	18,981

(d) No impairment allowances have been recognised against Islamic financing and investing assets extended to related parties or contingent liabilities issued in favour of related parties during the three-month period ended 31 March 2013 (period ended 31 March 2012 (Restated): Nil).

(e) The compensation paid to/accrued for key management personnel of the Bank during the three-month periods ended 31 March 2013 and 2012 was as follows:

	31 March 2013 (unaudited) AED'000	31 March 2012 (unaudited) AED'000 (Restated)
Salaries and other benefits	**5,398**	5,098
End of service benefits	**3,224**	2,476

22. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between book value under historical cost method and fair value estimates.

(a) Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

	Carrying amount AED'000	Fair value AED'000
31 March 2013 (unaudited)		
Financial assets:		
Investments in Islamic sukuk	**11,999,995**	**12,626,209**
31 December 2012 (audited) (Restated)		
Financial assets:		
Investments in Islamic sukuk	11,088,662	11,488,181

(b) Valuation techniques and assumptions applied for the purposes of measuring fair value

Valuation of financial instruments recorded at fair value, is based on quoted market prices and other valuation techniques.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

(c) Fair value measurements recognised in the consolidated statement of financial position

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted prices (unadjusted) in active markets for identical financial assets or liabilities. This level includes listed equity securities classified as other investments.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over the counter Islamic derivative arrangements. The sources of input parameters like variable yield curve or counterparty credit risk are obtained from Bloomberg and Reuters.

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

22. Fair value of financial instruments (continued)

(c) Fair value measurements recognised in the consolidated statement of financial position (continued)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes unquoted equity investments classified as other investments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. The table below summarises the fair value of financial instruments of the Bank's financial instruments according to fair value hierarchy.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2013 (unaudited)				
Other investments measured at fair value				
Investments designated at fair value through profit or loss				
Quoted equity instruments	7,649	-	-	7,649
Investments carried at fair value through other comprehensive income				
Quoted equity instruments	698,601	-	-	698,601
Unquoted equity instruments	-	-	936,775	936,775
Unquoted investment funds	-	-	536,147	536,147
Other assets				
Islamic derivative assets	-	46,018	-	46,018
Total financial assets measured at fair value	706,250	46,018	1,472,922	2,225,190
Other liabilities				
Islamic derivative liabilities	-	32,509	-	32,509
31 December 2012 (audited) (Restated)				
Other investments measured at fair value				
Investments designated at fair value through profit or loss				
Quoted equity instruments	1,132	-	-	1,132
Investments carried at fair value through other comprehensive income				
Quoted equity instruments	610,838	-	-	610,838
Unquoted equity instruments	-	-	990,577	990,577
Unquoted investment funds	-	-	561,750	561,750
Other assets				
Islamic derivative assets	-	41,288	-	41,288
Total financial assets measured at fair value	611,970	41,288	1,552,327	2,205,585
Other liabilities				
Islamic derivative liabilities	-	27,963	-	27,963

There were no transfers between Level 1 and 2 during the periods.

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

22. Fair value of financial instruments (continued)

(d) Reconciliation of Level 3 fair value measurement of financial assets measured at fair value through other comprehensive income

	31 March 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited) (Restated)
Balance at the beginning of the period/year	**1,552,327**	1,447,628
Losses in other comprehensive income	**(79,405)**	(72,843)
Reclassified to other investments	-	202,600
Purchased during the year	-	4,591
Disposed during the year	-	(29,649)
Balance at the end of the period/year	**1,472,922**	1,552,327

23 Capital adequacy ratio

	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
Capital base		
Tier 1 Capital	**13,576,828**	10,639,989
Tier 2 Capital	**2,949,510**	2,400,592
Total capital base	**16,526,338**	13,040,581
Risk weighted assets		
Credit risk	**72,385,270**	69,353,608
Market risk	**1,838,470**	1,910,767
Operational risk	**3,840,839**	3,840,839
Total risk weighted assets	**78,064,579**	75,105,214
Capital adequacy ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**21.2%**	17.4%
Tier 1 capital to total risk weighted assets after deductions for associates	**17.7%**	13.9%

The capital adequacy ratio calculation is based on Basel 2 and the U.A.E. Central Bank rules and regulations.

24. Dividend

At the Annual General Meeting of the shareholders held on 4 March 2013, the shareholders approved a cash dividend of AED 0.15 per outstanding share on 31 December 2012 (for the year ended 31 December 2011: cash dividend of AED 0.125 per outstanding share).

25. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated income statement for the three-month periods ended 31 March 2013 and 2012.

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

26. Subsequent events

On 4 April 2013, after obtaining the necessary regulatory and government approvals, the Bank repaid Ministry of Finance medium term wakala finance amounting to AED 3,752.5 million, in full before its contractual maturity in December 2016.

27. Comparative amounts

The following tables summarize the impact of the adoption of the IFRS 10 and IFRS 11 on the comparative amounts (i.e. 31 December 2012 and 31 March 2012):

Consolidated statement of financial position:

	As at 31 December 2012			
	As previously reported AED'000	IFRS 10 adjustments AED'000	IFRS 11 adjustments AED'000	As restated AED'000
Assets				
Cash and balances with central banks	15,473,549	526	(76)	15,473,999
Due from banks and financial institutions	3,169,114	123,945	-	3,293,059
Islamic financing and investing assets, net	55,560,103	(377,739)	324	55,182,688
Investments in Islamic sukuk	11,088,662	-	-	11,088,662
Other investments	2,144,871	20,517	(1,091)	2,164,297
Investments in associates and jointly controlled entities	2,294,028	(548,342)	101,002	1,846,688
Properties held for sale	224,909	1,820,278	(47,813)	1,997,374
Investment properties	1,931,808	215,916	(64,714)	2,083,010
Receivables and other assets	2,920,298	2,076,745	(18,709)	4,978,334
Property and equipment	557,357	35,550	(3,430)	589,477
Total assets	95,364,699	3,367,396	(34,507)	98,697,588
Liabilities and equity				
Liabilities				
Customers' deposits	66,800,852	(79,287)	3,958	66,725,523
Due to banks and financial institutions	6,158,289	509,711	-	6,668,000
Sukuk financing instruments	4,673,960	-	-	4,673,960
Medium term wakalat finance	3,752,543	-	-	3,752,543
Payables and other liabilities	3,255,628	1,717,537	(38,465)	4,934,700
Zakat payable	163,572	-	-	163,572
Total liabilities	84,804,844	2,147,961	(34,507)	86,918,298
Equity				
Equity attributable to owners of the Parent	9,588,562	(500,781)	-	9,087,781
Non-controlling interests	971,293	1,720,216	-	2,691,509
Total equity	10,559,855	1,219,435	-	11,779,290
Total liabilities and equity	95,364,699	3,367,396	(34,507)	98,697,588

Notes to the condensed consolidated financial statements for the three-month period ended 31 March 2013 (continued)

27. Comparative amounts (continued)

Consolidated income statement:

	For the three-month period ended 31 March 2012			
	As previously reported AED'000	IFRS 10 adjustments AED'000	IFRS 11 adjustments AED'000	As restated AED'000
INCOME				
Income from Islamic financing and investing assets	806,080	(4,659)	-	801,421
Income from investments in Islamic sukuk	154,736	-	-	154,736
Income from International murabahats and wakalat, short term	14,169	2,696	-	16,865
Gain from other investments, net	7,618	-	(259)	7,359
Commissions, fees and foreign exchange income	191,321	11,658	(2,056)	200,923
Income from investment properties	20,365	79,681	(8,104)	91,942
Income from sale of properties held for sale, net	2,496	(1,694)	-	802
Other income	28,315	(2,942)	(1,924)	23,449
Total income	1,225,100	84,740	(12,343)	1,297,497
EXPENSES				
Personnel expenses	(215,878)	(12,890)	1,989	(226,779)
General and administrative expenses	(108,059)	(12,890)	3,019	(117,930)
Depreciation of property and equipment	(27,313)	-	356	(26,957)
Depreciation of investment properties	(12,722)	(1,114)	1,102	(12,734)
Impairment loss on financial assets, net	(282,607)	-	-	(282,607)
Impairment loss on non-financial assets, net	(16,000)	(40,543)	-	(56,543)
Total expenses	(662,579)	(67,437)	6,466	(723,550)
Operating profit before depositors' and sukukholders' share of profits	562,521	17,303	(5,877)	573,947
Depositors' and sukukholders share of profits	(321,906)	(8,762)	-	(330,668)
Operating profit for the period	240,615	8,541	(5,877)	243,279
Share of profit from associates and joint controlled entities	15,564	(3,365)	5,877	18,076
Profit for the period before income tax	256,179	5,176	-	261,355
Income tax expense	(2,859)	-	-	(2,859)
Profit for the period	253,320	5,176	-	258,496
Attributable to:				
Owners of the Parent	245,049	-	-	245,049
Non-controlling interests	8,271	5,176	-	13,447
Profit for the period	253,320	5,176	-	258,496

28. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 April 2013.