

**Dubai Islamic Bank (Public Joint Stock Company)  
and Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

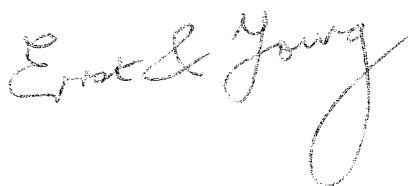
**30 JUNE 2006 (UNAUDITED)**

**REVIEW REPORT TO THE BOARD OF DIRECTORS OF  
DUBAI ISLAMIC BANK (PUBLIC JOINT STOCK COMPANY)**

We have reviewed the accompanying consolidated balance sheet of Dubai Islamic Bank (Public Joint Stock Company) and its Subsidiaries as of 30 June 2006 and the related consolidated statements of income for the three month and six month periods then ended, and the related consolidated statements of cash flows and changes in equity for the six month period then ended. These interim condensed consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review. The comparative figures of 2005 in the consolidated income statement and the consolidated statements of cash flows and changes in equity have not been reviewed or audited by us.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Bank personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standard 34.



Signed by  
Edward B Quinlan  
Partner  
Registration No. 93

17 July 2006

Dubai

# Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

## CONSOLIDATED INCOME STATEMENTS

Period ended 30 June 2006 (Unaudited)

|                                                        | <i>Three months<br/>ended 30 June</i> |                  | <i>Six months<br/>ended 30 June</i> |                  |
|--------------------------------------------------------|---------------------------------------|------------------|-------------------------------------|------------------|
|                                                        | <i>2006</i>                           | <i>2005</i>      | <i>2006</i>                         | <i>2005</i>      |
|                                                        | <i>AED 000</i>                        | <i>AED 000</i>   | <i>AED 000</i>                      | <i>AED 000</i>   |
| <b>INCOME</b>                                          |                                       |                  |                                     |                  |
| Income from Islamic financing and investing assets     | 543,965                               | 436,525          | 973,624                             | 668,026          |
| Income from international murabahat, short term        | 132,380                               | 50,005           | 238,499                             | 98,083           |
| Income from investment properties                      | 21,159                                | 106,921          | 67,247                              | 124,652          |
| Income from sale of development properties, net        | 45,414                                | 24,371           | 108,280                             | 26,038           |
| Commissions, fees and foreign exchange income          | 199,779                               | 48,596           | 444,289                             | 159,028          |
| Share of results of associate                          | (7,000)                               | -                | (7,000)                             | -                |
| Other income                                           | 10,373                                | 20,779           | 15,437                              | 23,304           |
| <b>TOTAL INCOME</b>                                    | <b>946,070</b>                        | <b>687,197</b>   | <b>1,840,376</b>                    | <b>1,099,131</b> |
| <b>EXPENSES</b>                                        |                                       |                  |                                     |                  |
| General and administrative expenses                    | (208,484)                             | (91,589)         | (425,276)                           | (169,971)        |
| Depreciation of investment properties                  | (2,566)                               | (2,596)          | (5,323)                             | (5,416)          |
| Recovery of / (additions to) provisions for impairment | 18,187                                | 3,157            | 38,546                              | (21,843)         |
| <b>TOTAL EXPENSES</b>                                  | <b>(192,863)</b>                      | <b>(91,028)</b>  | <b>(392,053)</b>                    | <b>(197,230)</b> |
| <b>Profit before depositors' share and tax</b>         | <b>753,207</b>                        | <b>596,169</b>   | <b>1,448,323</b>                    | <b>901,901</b>   |
| <b>Depositors' share of profits</b>                    | <b>(374,734)</b>                      | <b>(294,208)</b> | <b>(730,101)</b>                    | <b>(448,022)</b> |
| <b>Profit for the period before tax</b>                | <b>378,473</b>                        | <b>301,961</b>   | <b>718,222</b>                      | <b>453,879</b>   |
| Income tax expense                                     | (6,171)                               | -                | (11,249)                            | -                |
| <b>NET PROFIT FOR THE PERIOD</b>                       | <b>372,302</b>                        | <b>301,961</b>   | <b>706,973</b>                      | <b>453,879</b>   |
| Attributable to:                                       |                                       |                  |                                     |                  |
| Shareholders of the parent                             | 375,509                               | 301,961          | 707,546                             | 453,879          |
| Minority interests                                     | (3,207)                               | -                | (573)                               | -                |
|                                                        | <b>372,302</b>                        | <b>301,961</b>   | <b>706,973</b>                      | <b>453,879</b>   |
| Earnings per share – note 3                            | <b>0.20</b>                           | <b>0.17</b>      | <b>0.37</b>                         | <b>0.25</b>      |

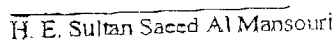
# Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

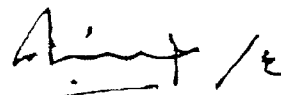
## CONSOLIDATED BALANCE SHEET

At 30 June 2006 (Unaudited)

|                                               |       | 30 June<br>2006<br>AED '000 | Audited<br>31 December<br>2005<br>AED '000 |
|-----------------------------------------------|-------|-----------------------------|--------------------------------------------|
|                                               | Notes |                             |                                            |
| <b>ASSETS</b>                                 |       |                             |                                            |
| Cash and balances with Central Banks          |       | 3,003,067                   | 3,166,104                                  |
| Balances and deposits with banks              |       | 536,292                     | 829,116                                    |
| International murabahat, short term           |       | 10,933,788                  | 5,657,841                                  |
| Islamic financing and investing assets        |       | 27,950,817                  | 28,305,912                                 |
| Development properties                        |       | 756,601                     | 543,160                                    |
| Investment properties                         |       | 784,592                     | 749,285                                    |
| Investments in associates                     |       | 78,465                      | 86,644                                     |
| Other investments                             |       | 3,333,679                   | 2,012,758                                  |
| Receivables and other assets                  |       | 2,088,890                   | 1,203,374                                  |
| Fixed assets                                  |       | 441,569                     | 401,765                                    |
| Goodwill                                      |       | 42,320                      | 42,320                                     |
| <b>Total assets</b>                           |       | <u>49,950,080</u>           | <u>42,998,279</u>                          |
| <b>LIABILITIES</b>                            |       |                             |                                            |
| Customers' deposits                           |       | 38,122,766                  | 33,391,950                                 |
| Due to banks and other financial institutions |       | 3,417,596                   | 4,099,357                                  |
| Other liabilities                             |       | 2,088,186                   | 1,628,155                                  |
| Accrued Zakat                                 |       | 4,421                       | 39,612                                     |
| <b>Total liabilities</b>                      |       | <u>43,632,969</u>           | <u>39,159,074</u>                          |
| <b>Shareholders' equity</b>                   |       |                             |                                            |
| Attributable to equity holders of the parent: |       |                             |                                            |
| Share capital                                 | 4     | 2,436,249                   | 1,500,000                                  |
| ESOP shares                                   |       | -                           | (8,226)                                    |
| Statutory reserve                             |       | 2,004,198                   | 731,700                                    |
| General reserve                               |       | 595,000                     | 595,000                                    |
| Donated land reserve                          |       | 286,951                     | 286,951                                    |
| Exchange translation reserve                  |       | 11,535                      | 8,320                                      |
| Cumulative changes in fair value              |       | 98,785                      | -                                          |
| Retained earnings                             |       | 724,360                     | 5,460                                      |
| Proposed dividends                            |       | -                           | 598,354                                    |
|                                               |       | <u>6,157,078</u>            | <u>3,717,559</u>                           |
| Minority interests                            |       | 160,033                     | 121,646                                    |
| <b>Total equity</b>                           |       | <u>6,317,111</u>            | <u>3,839,205</u>                           |
| <b>TOTAL LIABILITIES AND EQUITY</b>           |       | <u>49,950,080</u>           | <u>42,998,279</u>                          |
| <b>Contingent liabilities</b>                 | 5     | <u>10,626,186</u>           | <u>8,081,461</u>                           |

  
H. E. Dr. Mohammad K. Kharbash  
Chairman  
17 July 2006

  
H. E. Sultan Saeed Al Mansouri  
Deputy Chairman  
17 July 2006

  
Saad Abdul Razak  
Chief Executive Officer  
17 July 2006

# Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

## CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2006 (Unaudited)

|                                                                                  | <i>Six months ended 30 June</i> |                  |
|----------------------------------------------------------------------------------|---------------------------------|------------------|
|                                                                                  | <i>2006</i>                     | <i>2005</i>      |
|                                                                                  | <i>AED'000</i>                  | <i>AED'000</i>   |
| <b>OPERATING ACTIVITIES</b>                                                      |                                 |                  |
| Profit before tax                                                                | 718,222                         | 453,879          |
| Adjustments for:                                                                 |                                 |                  |
| (Recovery of) / additions to provisions for impairment                           | (38,546)                        | 21,843           |
| Depreciation of investment properties                                            | 5,323                           | 5,416            |
| Depreciation of fixed assets                                                     | 23,138                          | 10,953           |
| Loss on revaluation of trading investments                                       | 32,359                          | -                |
| Loss (gain) on revaluation of investments at fair value through income statement | 75,366                          | (129,406)        |
| Gain on sale of investment properties                                            | (44,599)                        | (71,587)         |
| Income from sale of development properties                                       | (108,280)                       | (26,038)         |
| Share of results of associates                                                   | 7,000                           | -                |
| Dividend income                                                                  | (36,025)                        | (15,095)         |
| Cost of share based payments                                                     | 13,000                          | -                |
|                                                                                  | <b>646,958</b>                  | <b>249,965</b>   |
| Changes in operating assets and liabilities                                      |                                 |                  |
| Trading investments                                                              | (43,267)                        | -                |
| Islamic financing and investing assets                                           | 393,641                         | (1,451,215)      |
| Receivables and other assets                                                     | (885,516)                       | (675,247)        |
| Customers' deposits                                                              | 4,730,816                       | 2,863,893        |
| Due to banks and other financial institutions                                    | (681,761)                       | (703,144)        |
| Other liabilities                                                                | 460,031                         | 544,608          |
| Accrued Zakat                                                                    | (35,191)                        | (14,877)         |
| Net cash from operating activities                                               | <b>4,585,711</b>                | <b>813,983</b>   |
| <b>INVESTING ACTIVITIES</b>                                                      |                                 |                  |
| Purchase of investments at fair value through income statement                   | (147,589)                       | (121,008)        |
| Purchase of available for sale investments                                       | (1,139,005)                     | (595,200)        |
| Proceeds from sale of development properties                                     | 144,252                         | 33,850           |
| Proceeds from disposal of investment properties                                  | 130,475                         | 464,958          |
| Purchase of investment properties                                                | (126,506)                       | (122,970)        |
| Purchase of development properties                                               | (249,413)                       | (215,405)        |
| Dividend income                                                                  | 36,025                          | 15,095           |
| Investments in associates                                                        | -                               | (10,316)         |
| Purchase of fixed assets                                                         | (50,560)                        | -                |
| Proceeds from disposal of fixed assets                                           | 6,526                           | 21,107           |
| Exchange and other adjustments                                                   | 13,197                          | -                |
| Net cash used in investing activities                                            | <b>(1,382,598)</b>              | <b>(529,889)</b> |
| <b>FINANCING ACTIVITIES</b>                                                      |                                 |                  |
| Dividends paid                                                                   | (300,000)                       | (299,177)        |
| Issue of shares at premium                                                       | 1,908,747                       | -                |
| ESOP shares sold                                                                 | 8,226                           | -                |
| Net cash used in financing activities                                            | <b>1,616,973</b>                | <b>(299,177)</b> |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                          | <b>4,820,086</b>                | <b>(15,083)</b>  |
| Cash and cash equivalents at the beginning of the period                         | 9,606,583                       | 9,749,062        |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                        | <b>14,426,669</b>               | <b>9,733,979</b> |

# Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2006 (Unaudited)

|                                                                       | Share capital<br>AED '000 | ESOP<br>shares<br>AED '000 | Statutory<br>reserve<br>AED '000 | Donated<br>land<br>reserve<br>AED '000 | General<br>reserve<br>AED '000 | Attributable to equity holders of the parent       |                                 |                                                |                                  |           | Proposed<br>scrip<br>dividends<br>AED '000 | Proposed<br>cash<br>dividends<br>AED '000 | Total<br>AED '000 | Minority<br>interests<br>AED '000 | Total<br>equity<br>AED '000 |
|-----------------------------------------------------------------------|---------------------------|----------------------------|----------------------------------|----------------------------------------|--------------------------------|----------------------------------------------------|---------------------------------|------------------------------------------------|----------------------------------|-----------|--------------------------------------------|-------------------------------------------|-------------------|-----------------------------------|-----------------------------|
|                                                                       |                           |                            |                                  |                                        |                                | Cumulative<br>changes in<br>fair value<br>AED '000 | Reserve<br>for ESOP<br>AED '000 | Exchange<br>translation<br>reserve<br>AED '000 | Retained<br>earnings<br>AED '000 |           |                                            |                                           |                   |                                   |                             |
| As at 31 December 2005                                                | 1,500,000                 | (8,226)                    | 731,700                          | 286,951                                | 595,000                        | -                                                  | -                               | 8,320                                          | 5,460                            |           | 299,177                                    | 299,177                                   | 3,717,559         | 121,646                           | 3,839,205                   |
| Income and expense for<br>the period recognised<br>directly in equity | -                         | -                          | -                                | -                                      | -                              | 98,785                                             | -                               | 3,215                                          | -                                |           | -                                          | -                                         | 102,000           | 6,822                             | 108,822                     |
| Profit for the period                                                 | -                         | -                          | -                                | -                                      | -                              | -                                                  | -                               | -                                              | 707,546                          |           | -                                          | -                                         | 707,546           | (573)                             | 706,973                     |
| Total income and<br>expense for the period                            | -                         | -                          | -                                | -                                      | -                              | 98,785                                             | -                               | 3,215                                          | 707,546                          |           | -                                          | -                                         | 809,546           | 6,249                             | 815,795                     |
| Issue of shares                                                       | 936,249                   | -                          | 1,272,498                        | -                                      | -                              | -                                                  | -                               | -                                              | -                                | (300,000) | -                                          | -                                         | 1,908,747         | 32,138                            | 1,940,885                   |
| Shares allocated                                                      | -                         | 8,226                      | -                                | -                                      | -                              | -                                                  | -                               | -                                              | -                                | -         | -                                          | -                                         | 8,226             | -                                 | 8,226                       |
| Dividends paid - 2005                                                 | -                         | -                          | -                                | -                                      | -                              | -                                                  | -                               | -                                              | -                                | -         | -                                          | (300,000)                                 | (300,000)         | -                                 | (300,000)                   |
| Transfers                                                             | -                         | -                          | -                                | -                                      | -                              | -                                                  | -                               | -                                              | (1,646)                          |           | 823                                        | 823                                       | -                 | -                                 | -                           |
| Cost of share based payments                                          | -                         | -                          | -                                | -                                      | -                              | -                                                  | -                               | -                                              | 13,000                           |           | -                                          | -                                         | 13,000            | -                                 | 13,000                      |
| As of 30 June 2006                                                    | 2,436,249                 | -                          | 2,004,198                        | 286,951                                | 595,000                        | 98,785                                             | -                               | 11,535                                         | 724,360                          |           | -                                          | -                                         | 6,157,078         | 160,033                           | 6,317,111                   |

The attached notes 1 to 6 form part of these financial statements.

# Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2006 (Unaudited)

|                                            | Share capital<br>AED '000 | ESOP<br>shares<br>AED '000 | Statutory<br>reserve<br>AED '000 | Donated<br>land<br>reserve<br>AED '000 | General<br>reserve<br>AED '000 | Attributable to equity holders of the parent       |                                 |                                                |   |   | Retained<br>earnings<br>AED '000 | Proposed<br>scrip<br>dividends<br>AED '000 | Proposed<br>cash<br>dividends<br>AED '000 | Total<br>AED '000 | Minority<br>interests<br>AED '000 | Total<br>equity<br>AED '000 |
|--------------------------------------------|---------------------------|----------------------------|----------------------------------|----------------------------------------|--------------------------------|----------------------------------------------------|---------------------------------|------------------------------------------------|---|---|----------------------------------|--------------------------------------------|-------------------------------------------|-------------------|-----------------------------------|-----------------------------|
|                                            |                           |                            |                                  |                                        |                                | Cumulative<br>changes in<br>fair value<br>AED '000 | Reserve<br>for ESOP<br>AED '000 | Exchange<br>translation<br>reserve<br>AED '000 |   |   |                                  |                                            |                                           |                   |                                   |                             |
| As at 31 December 2004                     | 1,500,000                 | (8,226)                    | 625,566                          | 284,701                                | 280,000                        | -                                                  | -                               | -                                              | - | - | 5,378                            | -                                          | 299,177                                   | 2,986,596         | 10                                | 2,986,606                   |
| Profit for the period                      | -                         | -                          | -                                | -                                      | -                              | -                                                  | -                               | -                                              | - | - | 453,879                          | -                                          | -                                         | 453,879           | -                                 | 453,879                     |
| Total income and<br>expense for the period | -                         | -                          | -                                | -                                      | -                              | -                                                  | -                               | -                                              | - | - | 453,879                          | -                                          | -                                         | 453,879           | -                                 | 453,879                     |
| Dividends paid - 2004                      | -                         | -                          | -                                | -                                      | -                              | -                                                  | -                               | -                                              | - | - | -                                | -                                          | (299,177)                                 | (299,177)         | -                                 | (299,177)                   |
| Not movement in donated<br>land reserve    | -                         | -                          | -                                | 2,250                                  | -                              | -                                                  | -                               | -                                              | - | - | -                                | -                                          | -                                         | 2,250             | -                                 | 2,250                       |
| As of 30 June 2005                         | 1,500,000                 | (8,226)                    | 625,566                          | 286,951                                | 280,000                        | -                                                  | -                               | -                                              | - | - | 459,257                          | -                                          | -                                         | 3,143,548         | 10                                | 3,143,558                   |

The attached notes 1 to 6 form part of these financial statements.

# Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2006 (Unaudited)

### 1 ACTIVITIES

**Dubai Islamic Bank (Public Joint Stock Company)** 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.

In addition to its main office in Dubai, the Bank operates through its branches in the U.A.E. The accompanying consolidated financial statements combine the activities of the Bank's head office, its branches and subsidiaries (the Group) and its associates and joint ventures:

| <u>Subsidiaries</u>                                         | <u>Principal activity</u>          | <u>Registered<br/>Country of<br/>incorporation</u> | <u>percentage<br/>of equity</u><br>2006 | 2005   |
|-------------------------------------------------------------|------------------------------------|----------------------------------------------------|-----------------------------------------|--------|
| 1. Bank of Khartoum                                         | Banking                            | Sudan                                              | 60.0%                                   | -      |
| 2. Dubai Islamic Bank Pakistan Ltd.                         | Banking                            | Pakistan                                           | 100.0%                                  | -      |
| 3. Islamic Financial Services L.L.C.                        | Brokerage services                 | UAE                                                | 95.5%                                   | 95.5%  |
| 4. Deyaar Development P.S.C.                                | Real estate development            | UAE                                                | 95.5%                                   | 95.5%  |
| 5. Omega Engineering L.L.C.                                 | Mechanical, electrical & plumbing  | UAE                                                | 55.0%                                   | -      |
| 6. Al Tanmyah Services L.L.C.                               | Labour services                    | UAE                                                | 99.5%                                   | 99.5%  |
| 7. Naseej Fabric Manufacturing L.L.C.                       | Textile Manufacturing              | UAE                                                | 98.0%                                   | 98.0%  |
| 8. DIB Printing Press L.L.C.                                | Printing                           | UAE                                                | 99.5%                                   | 99.5%  |
| 9. Al Tatweer Al Hadith Real Estate                         | Real estate development            | Egypt                                              | 96.0%                                   | -      |
| 10. Al Tameer Modern Real Estate Investment                 | Real estate development            | Egypt                                              | 96.0%                                   | -      |
| 11. Al Tanmia Modern Real Estate Investment                 | Real estate development            | Egypt                                              | 100.0%                                  | -      |
| 12. Emirates Trading Center L.L.C.                          | Trading in motor vehicles          | UAE                                                | 100.0%                                  | 100.0% |
| 13. Islamic Investment Company P.S.C.                       | Financing & investing              | UAE                                                | 95.5%                                   | 95.5%  |
| 14. Al Ahlia Aluminum Company L.L.C.<br>(under liquidation) | Aluminum fixtures                  | UAE                                                | 75.5%                                   | 75.5%  |
| 15. Zone One Real Estate Management Co.                     | Investments in real estate         | Cayman Islands                                     | 100.0%                                  | 100.0% |
| 16. Zone Two Real Estate Management Co.                     | Investments in real estate         | Cayman Islands                                     | 100.0%                                  | 100.0% |
| 17. Al Islami Trade Finance FZ L.L.C.                       | Investments                        | UAE                                                | 100.0%                                  | 100.0% |
| 18. DIB Lease One Ltd.                                      | Investments                        | Bahamas                                            | 100.0%                                  | 100.0% |
| 19. DIB Lease One (Dublin) Ltd.                             | Investments                        | Ireland                                            | 100.0%                                  | 100.0% |
| 20. Gulf Atlantic FZ L.L.C.                                 | Investments                        | UAE                                                | 100.0%                                  | 100.0% |
| 21. Al Islami Oceanic Shipping Co FZ L.L.C.                 | Investments                        | UAE                                                | 100.0%                                  | 100.0% |
| 22. DIB Tower SAL                                           | Investment in real estate          | Lebanon                                            | 100.0%                                  | 100.0% |
| 23. Millennium Finance Corporation                          | Investments and financial services | UAE                                                | 65%                                     | -      |
| 24. United Mineral Water P.S.C.                             | Bottling of natural water          | Egypt                                              | -                                       | 88.2%  |

In addition to the registered ownership described above, the remaining equity in the entities 3 to 10 and 13 is also held by the Bank beneficially through nominee arrangements.

| <u>Associates</u>                                    | <u>Country of<br/>Principal activity</u> | <u>Percentage<br/>incorporation</u> | <u>of equity</u><br>2006 | 2005  |
|------------------------------------------------------|------------------------------------------|-------------------------------------|--------------------------|-------|
| 25. Bosnia International Bank                        | Banking                                  | Bosnia                              | 27.3%                    | 27.3% |
| 26. Liquidity Management Center (B.S.C)              | Brokers                                  | Bahrain                             | 25.0%                    | 25.0% |
| 27. Emirates National Securitization Corporation     | Securitization                           | Cayman Islands                      | 35.0%                    | 35.0% |
| 28. BBI Leasing and Real Estate L.L.C.               | Real estate development                  | Bosnia                              | 27.3%                    | -     |
| 29. Dubai Islamic Insurance & Reinsurance Co. (AMAN) | Islamic insurance                        | UAE                                 | -                        | 25.0% |

# Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2006 (Unaudited)

### 1 ACTIVITIES - continued

| <u>Joint ventures</u>               | <u>Country of<br/>Principal activity</u> | <u>Percentage<br/>incorporation</u> | <u>of equity</u><br><b>2006</b> | <b>2005</b> |
|-------------------------------------|------------------------------------------|-------------------------------------|---------------------------------|-------------|
| 30. Al Bustan Center Company L.L.C. | Rental of apartments and shops           | UAE                                 | <b>50.0%</b>                    | 50.0%       |
| 31. Gulf Tankers L.L.C.             | Cargo and transport                      | UAE                                 | <b>50.0%</b>                    | 50.0%       |
| 32. Genyx L.L.C.                    | Training                                 | UAE                                 | <b>50.0%</b>                    | 50.0%       |
| 33. Tamweel L.L.C                   | Real estate financing                    | UAE                                 | -                               | 50.0%       |

The entities listed under 13 and 31 did not conduct any operations during the current or previous periods. The Group's shareholding in the entity listed under 29 has decreased below 20% and hence, for the half year ended 30 June 2006, it is no longer considered an associate. Similarly, Tamweel LLC has not been dealt with as a joint venture for the half year ended 30 June 2006, as the Group's interest in Tamweel LLC has decreased below 20% following the increase in the capital of the Company through a public offering of shares on 27 February 2006.

The Bank carries out full banking services, financing and investing activities through various Islamic instruments such as Murabaha, Istisna'a, Mudaraba, Musharaka, Ijarah, Wakala, etc. The activities of the Group are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

The address of the registered office of the Bank is P.O. Box 1080, Dubai, United Arab Emirates.

### 2 ACCOUNTING POLICIES

The interim condensed consolidated 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 consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2005.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the 6 months ended 30 June 2006 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2006.

### 3 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the shareholders' of the parent for the period of AED 707,546,000 (2005: AED 453,879,000) by the weighted average number of shares outstanding during the period of 1,912,485,998 of AED 1 each (2005: 1,800,000,000 of AED 1 each).

The earnings per share reported for 2005 has been adjusted for the effect of the share split during 2005 as the Shareholders of the Bank resolved at the Extraordinary General Meeting of the shareholders held on 12 July 2005 to split the nominal value of each share from AED 10 to AED 1 per share, thereby increasing the number of issued shares from 150,000,000 shares to 1,500,000,000 shares. It has also been adjusted for the effect of the bonus shares issued on 4 March 2006.

No figures for diluted earnings per share have been presented as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

# Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2006 (Unaudited)

### 4 SHARE CAPITAL

|                                            | <i>30 June<br/>2006<br/>AED'000</i> | <i>Audited<br/>31 December<br/>2005<br/>AED'000</i> |
|--------------------------------------------|-------------------------------------|-----------------------------------------------------|
| <i>Authorized capital:</i>                 |                                     |                                                     |
| 3,000,000,000 shares of AED 1 each         | <u>3,000,000</u>                    | <u>3,000,000</u>                                    |
| <i>Issued and fully paid up:</i>           |                                     |                                                     |
| 2,436,249,000 shares of AED 1 each         |                                     |                                                     |
| (2005: 1,500,000,000 shares of AED 1 each) | <u>2,436,249</u>                    | <u>1,500,000</u>                                    |

During the period, 300,000,000 shares of AED 1 each were issued as scrip dividend. A further 636,249,000 shares of AED 1 each were issued, on a rights basis, at a premium of AED 2 per share.

### 5 CONTINGENT LIABILITIES AND COMMITMENTS

#### *Financing-related financial instruments*

Financing-related financial instruments include commitments to extend financing, standby letters of credit and guarantees which are designed to meet the requirements of the Group's customers.

Commitments to extend financing represent contractual commitments to provide Islamic financing. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Standby letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

The Group has outstanding commitments and contingent liabilities under letters of credit and guarantees arising in the normal course of business, as follows:

|                                            | <i>30 June<br/>2006<br/>AED'000</i> | <i>Audited<br/>31 December<br/>2005<br/>AED'000</i> |
|--------------------------------------------|-------------------------------------|-----------------------------------------------------|
| <i>Commitments on behalf of customers:</i> |                                     |                                                     |
| Letters of guarantee                       | 6,307,924                           | 6,230,996                                           |
| Letters of credit                          | <u>4,318,262</u>                    | <u>1,850,465</u>                                    |
|                                            | <u>10,626,186</u>                   | <u>8,081,461</u>                                    |
| <i>Commitments</i>                         |                                     |                                                     |
| Future capital expenditure commitments     | <u>1,265,670</u>                    | <u>146,223</u>                                      |
| Other commitments                          | <u>440,416</u>                      | <u>859,138</u>                                      |

# Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 6 SEGMENTAL INFORMATION

For operating purposes the Group is organised into two major business segments: Financing activities, which principally provide murabahats, istisna'a, ijara and other financing facilities and deposit and current accounts for corporate, government, institutional and individual customers and Investment activities, which involves the management of the Group's investment and development properties, entering into musharakats, mudarabats, wakalat and participating in investment funds. These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated profit rates which approximate to market rates on an arm's length basis.

| 30 June:                                | <i>Financing activities</i> |                | <i>Investing activities</i> |                | <i>Total</i>     |                  |
|-----------------------------------------|-----------------------------|----------------|-----------------------------|----------------|------------------|------------------|
|                                         | <i>2006</i>                 | <i>2005</i>    | <i>2006</i>                 | <i>2005</i>    | <i>2006</i>      | <i>2005</i>      |
|                                         | <i>AED'000</i>              | <i>AED'000</i> | <i>AED'000</i>              | <i>AED'000</i> | <i>AED'000</i>   | <i>AED'000</i>   |
| Segment revenue                         | 1,043,539                   | 583,811        | 796,837                     | 515,320        | 1,840,376        | 1,099,131        |
| Inter-segment adjustment                | 372,426                     | 164,567        | (372,426)                   | (164,567)      | -                | -                |
|                                         | <u>1,415,965</u>            | <u>748,378</u> | <u>424,411</u>              | <u>350,753</u> | <u>1,840,376</u> | <u>1,099,131</u> |
| Profit before depositors' share and tax |                             |                |                             |                | 1,448,323        | 901,901          |
| Depositors' share of profit             |                             |                |                             |                | (730,101)        | (448,022)        |
| Profit for the period before tax        |                             |                |                             |                | 718,222          | 453,879          |
| Income tax expense                      |                             |                |                             |                | (11,249)         | -                |
| Profit for the period                   |                             |                |                             |                | <u>706,973</u>   | <u>453,879</u>   |

|                                | <i>Financing activities</i> |                | <i>Investing activities</i> |                | <i>Total</i>   |                |
|--------------------------------|-----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
|                                | <i>2006</i>                 | <i>2005</i>    | <i>2006</i>                 | <i>2005</i>    | <i>2006</i>    | <i>2005</i>    |
|                                | <i>AED'000</i>              | <i>AED'000</i> | <i>AED'000</i>              | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| Segment assets                 | 38,919,205                  | 25,048,265     | 11,030,875                  | 8,412,528      | 49,950,080     | 33,460,793     |
| Segment liabilities and equity | 46,037,690                  | 32,699,210     | 3,912,390                   | 761,583        | 49,950,080     | 33,460,793     |

Although the management of the Group is based primarily on business segments, the Group operates in two geographic markets: UAE which is designated as domestic and outside the UAE which is designated as international. The following table shows the distribution of the Group's operating income, total assets and capital expenditure by geographical segment:

|                     | <i>Domestic</i> |                | <i>International</i> |                | <i>Total</i>   |                |
|---------------------|-----------------|----------------|----------------------|----------------|----------------|----------------|
|                     | <i>2006</i>     | <i>2005</i>    | <i>2006</i>          | <i>2005</i>    | <i>2006</i>    | <i>2005</i>    |
|                     | <i>AED 000</i>  | <i>AED 000</i> | <i>AED 000</i>       | <i>AED 000</i> | <i>AED 000</i> | <i>AED 000</i> |
| Gross income        | 1,684,269       | 1,099,131      | 156,107              | -              | 1,840,376      | 1,099,131      |
| Total assets        | 46,785,614      | 33,460,793     | 3,164,466            | -              | 49,950,080     | 33,460,793     |
| Capital expenditure | 25,708          | -              | 24,852               | -              | 50,560         | -              |