

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2006 (UNAUDITED)

Ernst & Young

**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 September 2006 and the related interim consolidated statements of income, changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed 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 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by
Edward B Quinlan
Partner
Registration No. 93

15 October 2006

Dubai

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

CONSOLIDATED INCOME STATEMENTS

Period ended 30 September 2006 (Unaudited)

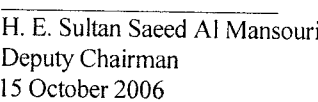
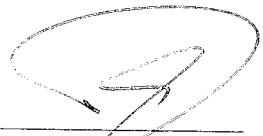
	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
INCOME				
Income from Islamic financing and investing assets	410,279	410,467	1,383,903	1,078,493
Income from international murabahat, short term	132,423	45,110	370,922	143,193
Income from investment properties	61,334	7,397	128,581	132,049
Income from sale of development properties, net	98,215	145,930	206,495	171,968
Commissions, fees and foreign exchange income	364,643	94,971	808,932	253,999
Share of results of associate	-	-	(7,000)	-
Other income	24,804	1,616	40,240	24,920
TOTAL INCOME	1,091,698	705,491	2,932,073	1,804,622
EXPENSES				
General and administrative expenses	(287,454)	(104,069)	(712,729)	(274,040)
Depreciation of investment properties	(2,789)	(3,696)	(8,112)	(9,112)
Additions to provisions for impairment	(48,604)	(35,098)	(10,058)	(56,941)
TOTAL EXPENSES	(338,847)	(142,863)	(730,899)	(340,093)
Profit before depositors' share and tax	752,851	562,628	2,201,174	1,464,529
Depositors' share of profits	(460,031)	(207,718)	(1,190,131)	(655,740)
Profit for the period before tax	292,820	354,910	1,011,043	808,789
Taxation	15,691	-	4,441	-
NET PROFIT FOR THE PERIOD	308,511	354,910	1,015,484	808,789
Attributable to:				
Shareholders of the parent	311,569	354,910	1,019,115	808,789
Minority interests	(3,058)	-	(3,631)	-
	308,511	354,910	1,015,484	808,789
Earnings per share – note 3	0.15	0.20	0.49	0.45

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

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

CONSOLIDATED BALANCE SHEET

At 30 September 2006 (Unaudited)

	Notes	30 September 2006 AED '000	Audited 31 December 2005 AED '000
ASSETS			
Cash and balances with Central Banks		2,725,724	3,166,104
Balances and deposits with banks		526,355	829,116
International murabahat, short term		9,557,340	5,657,841
Islamic financing and investing assets		31,941,736	28,305,912
Development properties		1,072,322	543,160
Investment properties		814,992	749,285
Investments in associates		107,219	86,644
Other investments		3,904,288	2,012,758
Receivables and other assets		2,157,356	1,203,374
Fixed assets		452,794	401,765
Goodwill		41,904	42,320
Total assets		53,302,030	42,998,279
LIABILITIES			
Customers' deposits		41,304,922	33,391,950
Due to banks and other financial institutions		3,241,633	4,099,357
Other liabilities		1,660,401	1,628,155
Accrued Zakat		6,343	39,612
Total liabilities		46,213,299	39,159,074
Shareholders' equity			
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
Donated land reserve		286,951	286,951
General reserve		595,000	595,000
Cumulative changes in fair value		455,558	-
Exchange translation reserve		11,116	8,320
Retained earnings		1,044,595	5,460
Proposed dividends		-	598,354
Minority interests		6,833,667	3,717,559
Total equity		7,088,731	3,839,205
TOTAL LIABILITIES AND EQUITY		53,302,030	42,998,279
Contingent liabilities	5	10,962,790	8,081,461
 H. E. Dr. Mohammad K. Kharbash Chairman 15 October 2006  H. E. Sultan Saeed Al Mansouri Deputy Chairman 15 October 2006  Saad Abdul Razak Chief Executive Officer 15 October 2006			

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

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2006 (Unaudited)

	<i>Nine months ended 30 September</i>	
	<i>2006</i>	<i>2005</i>
	<i>AED '000</i>	<i>AED '000</i>
OPERATING ACTIVITIES		
Profit before tax	1,011,043	808,789
Adjustments for:		
Additions to provisions for impairment	10,058	56,941
Depreciation of fixed assets	37,472	15,169
Depreciation of investment properties	8112	9,112
Loss on revaluation of trading investments	25,256	-
Loss (gain) on revaluation of investments at fair value through income statement	45,846	(176,210)
Gain on sale of investment properties	(96,447)	(92,469)
Income from sale of development properties	(206,495)	(171,968)
Share of results of associates	7,000	-
Dividend income	(45,648)	(15,223)
Cost of share based payments	21,666	-
	817,863	434,141
Changes in operating assets and liabilities		
Trading investments	(421,251)	-
Islamic financing and investing assets	(3,645,882)	(2,183,032)
Receivables and other assets	(953,982)	(877,034)
Customers' deposits	7,912,972	2,358,292
Due to banks and other financial institutions	(857,724)	(769,632)
Other liabilities	37,688	402,876
Accrued Zakat	(33,269)	(14,877)
Net cash from (used in) operating activities	2,856,415	(649,266)
INVESTING ACTIVITIES		
Purchase of investments at fair value through income statement	(75,378)	(123,538)
Purchase of available for sale investments	(1,010,445)	(755,302)
Proceeds from sale of development properties	569,995	262,419
Proceeds from disposal of investment properties	191,079	594,228
Purchase of investment properties	(168,451)	(71,621)
Purchase of development properties	(892,662)	(532,805)
Dividend income	45,648	15,223
Investments in associates	(27,575)	(1,807)
Purchase of fixed assets	(76,227)	(55,391)
Proceeds from disposal of fixed assets	17,863	6,126
Exchange and other adjustments	(12,977)	-
Net cash used in investing activities	(1,439,130)	(662,468)
FINANCING ACTIVITIES		
Dividends paid	(300,000)	(299,177)
Issue of shares at premium	1,908,747	-
ESOP shares sold	8,226	-
Minority interest	122,100	-
Net cash from (used in) financing activities	1,739,073	(299,177)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,156,358	(1,610,911)
Cash and cash equivalents at the beginning of the period	9,606,583	9,749,062
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12,762,941	8,138,151

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 September 2006 (Unaudited)

	Share capital AED '000	ESOP shares AED '000	Statutory reserve AED '000	Donated land reserve AED '000	General reserve AED '000	Cumulative changes in fair value AED '000	Attributable to equity holders of the parent	Retained earnings AED '000	Proposed scrip dividends AED '000	Proposed cash dividends AED '000	Total AED '000	Minority interests AED '000	Total equity 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 the period recognised directly in equity	-	-	-	-	-	455,558	2,796	-	-	-	458,354	14,949	473,303
Profit for the period	-	-	-	-	-	-	-	1,019,115	-	-	1,019,115	(3,631)	1,015,484
Total income and expense for the period	-	-	-	-	-	455,558	2,796	1,019,115	-	-	1,477,469	11,318	1,488,787
Issue of shares	936,249	-	1,272,498	-	-	-	-	-	(300,000)	-	1,908,747	122,100	2,030,847
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	-	-	-	-	-	-	-	21,666	-	-	21,666	-	21,666
As of 30 September 2006	2,436,249	-	2,004,198	286,951	595,000	455,558	11,116	1,044,595	-	-	6,833,667	255,064	7,088,731

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 September 2006 (Unaudited)

	Attributable to equity holders of the parent										Minority interests AED '000	Total equity AED '000	
	Share capital AED '000	ESOP shares AED '000	Statutory reserve AED '000	Donated land reserve AED '000	General reserve AED '000	Cumulative changes in fair value AED '000	Exchange translation reserve AED '000	Retained earnings AED '000	Proposed scrip dividends AED '000	Proposed cash dividends AED '000			Total 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	-	-	-	-	-	-	-	808,789	-	-	808,789	-	808,789
Total income and expense for the period	-	-	-	-	-	-	-	808,789	-	-	808,789	-	808,789
Dividends paid - 2004	-	-	-	-	-	-	-	-	-	(299,177)	(299,177)	-	(299,177)
Not movement in donated land reserve	-	-	-	2,250	-	-	-	-	-	-	2,250	-	2,250
As of 30 September 2005	1,500,000	(8,226)	625,566	286,951	280,000	-	-	814,167	-	-	3,498,458	10	3,498,468

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 September 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 Country of incorporation</u>	<u>percentage of equity</u> 2006	2005
1. Bank of Khartoum	Banking	Sudan	52.5%	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. (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 Principal activity</u>	<u>Percentage incorporation</u>	<u>of equity</u> 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 September 2006 (Unaudited)

1 ACTIVITIES - continued

<u>Joint ventures</u>	<u>Country of Principal activity</u>	<u>Percentage incorporation</u>	<u>of equity</u> <u>2006</u>	<u>2005</u>
30. Al Bustan Center Company L.L.C.	Rental of apartments and shops	UAE	50.0%	50.0%
31. Gulf Tankers L.L.C.	Cargo and transport	UAE	50.0%	50.0%
32. Genyx L.L.C.	Training	UAE	50.0%	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 period ended 30 September 2006, it is no longer considered an associate. Similarly, Tamweel LLC has not been dealt with as a joint venture for the period ended 30 September 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 and should be read in conjunction with the Bank's annual consolidated financial statements as at 31 December 2005. In addition, results for the 9 months ended 30 September 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 1,019,115,000 (2005: AED 808,789,000) by the weighted average number of shares outstanding during the period of 2,088,992,182 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 September 2006 (Unaudited)

4 SHARE CAPITAL

	<i>30 September 2006 AED'000</i>	<i>31 December 2005 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 September 2006 AED'000</i>	<i>Audited 31 December 2005 AED'000</i>
<i>Commitments on behalf of customers:</i>		
Letters of guarantee	6,599,643	6,230,996
Letters of credit	4,363,147	1,850,465
	<u>10,962,790</u>	<u>8,081,461</u>
<i>Commitments</i>		
Future capital expenditure commitments	<u>738,627</u>	<u>146,223</u>
Other commitments	<u>616,655</u>	<u>859,138</u>

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2006 (Unaudited)

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 September	<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	1,700,737	908,826	1,231,336	895,796	2,932,073	1,804,622
Inter-segment adjustment	472,936	154,310	(472,936)	(154,310)	-	-
	<u>2,173,673</u>	<u>1,063,136</u>	<u>758,400</u>	<u>741,486</u>	<u>2,932,073</u>	<u>1,804,622</u>
Profit before depositors' share and tax					2,201,174	1,464,529
Depositors' share of profit					(1,190,131)	(655,740)
Profit for the period before tax					1,011,043	808,789
Taxation					4,441	-
Profit for the period					<u>1015,484</u>	<u>808,789</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	37,841,131	24,439,046	15,460,899	8,662,833	53,302,030	33,101,879
Segment liabilities and equity	49,563,154	32,404,696	3,738,876	697,183	53,302,030	33,101,879

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	2,712,668	1,804,622	219,405	-	2,793,073	1,804,622
Total assets	49,879,316	33,101,879	3,422,714	-	53,302,030	33,101,879
Capital expenditure	47,754	-	30,397	-	78,151	-