

**DUBAI ISLAMIC
BANK P.J.S.C.**

**Review report and interim
financial information for the
period ended June 30, 2008**

DUBAI ISLAMIC BANK P.J.S.C.

Review report and interim financial information for the period ended June 30, 2008

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Dubai Islamic Bank P.J.S.C.
Dubai, UAE

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Dubai Islamic Bank P.J.S.C. ("the Bank") and its subsidiaries (together referred to as "the Group") as of June 30, 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management of the Group is responsible for the preparation and fair 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.

The interim financial information for the period from January 1, 2007 to June 30, 2007 were reviewed by another auditor who issued an unqualified conclusion on these financial information on July 26, 2007. The consolidated balance sheet as at December 31, 2007 and related notes were audited by the same auditor who issued an unqualified opinion dated January 30, 2008.

Scope of review

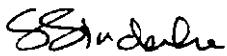
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (CONTINUED)

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



Saba Y. Sindaha
Registration Number 410
July 22, 2008



**Condensed consolidated balance sheet
as at June 30, 2008**

	Notes	As at June 30 2008 AED'000 (unaudited)	As at December 31 2007 AED'000 (audited)
ASSETS			
Cash and balances with Central Banks	3	6,401,954	4,905,657
Balances and deposits with banks and other financial institutions		1,685,061	1,186,657
International murabahat with financial institutions, short term		9,662,666	16,279,701
Islamic financing and investing assets, net	4	49,784,413	40,376,082
Investments in Islamic Sukuk		10,975,428	8,511,759
Investments in associates		4,233,320	3,741,596
Other investments	5	4,313,883	4,210,877
Properties held for sale		177,514	131,831
Investment properties		1,348,969	1,499,303
Properties under construction		188,717	-
Receivables and other assets		2,001,404	2,227,719
Property, plant and equipment, net		635,085	630,667
Goodwill		-	36,910
Total assets		91,408,414	83,738,759
LIABILITIES			
Customers' deposits	6	72,746,356	65,016,828
Due to banks and other financial institutions		2,235,048	2,241,322
Sukuk financing instruments	7	2,754,750	2,754,750
Other liabilities		3,229,252	2,931,200
Accrued zakat		-	129,542
Total liabilities		80,965,406	73,073,642
EQUITY			
Share capital	8	3,445,400	2,996,000
Statutory reserve		2,731,879	2,756,737
Donated land reserve		276,139	276,139
General reserve		1,650,000	1,650,000
Reserve for ESOP		12,543	-
Exchange translation reserve		-	27,340
Cumulative changes in fair value		955,733	1,006,637
Hedging reserve		14,943	0
Retained earnings		1,356,251	53,654
Proposed dividends		-	1,647,800
Equity attributable to equity holders of the parent		10,442,888	10,414,307
Minority interests		120	250,810
Total equity		10,443,008	10,665,117
Total liabilities and equity		91,408,414	83,738,759
Contingent liabilities	12	22,587,931	18,005,562

.....
H E Mohammad Al Shaibani
Chairman

.....
Sheikh Khaled Bin Zayed Al Nahyan
Deputy Chairman

.....
Khalid M. Al Kamda
Group Managing Director/ CEO

The accompanying notes form an integral part of these interim financial information.

**Condensed consolidated income statement (unaudited)
for the period ended June 30, 2008**

	Notes	<u>3 months ended June 30</u>		<u>6 months ended June 30</u>	
		2008	2007	2008	2007
		AED'000	AED'000	AED'000	AED'000
INCOME					
Income from Islamic financing and investing assets	10	728,659	594,070	1,374,996	1,094,031
Income from investments in Islamic Sukuk		124,247	99,045	255,170	196,378
Income from international murabahat, short term		81,524	189,400	180,549	356,878
Share of profits of associates		42,981	126,322	121,501	126,322
Income from other investments		175,605	160,960	306,716	286,559
Commissions, fees and foreign exchange income	11	295,224	196,246	531,539	379,006
Income from investment properties		65,630	29,519	112,952	112,080
Income from sale of properties under construction		-	16,572	-	63,153
Other income	13	25,721	45,590	84,079	76,963
		<u>1,539,591</u>	<u>1,457,724</u>	<u>2,967,502</u>	<u>2,691,370</u>
EXPENSES					
General and administrative expenses		(330,889)	(361,582)	(664,316)	(660,054)
Depreciation of investment properties		(3,239)	(3,066)	(5,863)	(5,856)
Provisions for impairment, net of recoveries		(44,017)	(90,965)	(68,321)	(89,527)
Total expenses		<u>(378,145)</u>	<u>(455,613)</u>	<u>(738,500)</u>	<u>(755,437)</u>
Profit before depositors' share and tax		<u>1,161,446</u>	<u>1,002,111</u>	<u>2,229,002</u>	<u>1,935,933</u>
Depositors' share of profits		<u>(411,342)</u>	<u>(544,326)</u>	<u>(929,734)</u>	<u>(1,044,311)</u>
Profit for the period before tax		<u>750,104</u>	<u>457,785</u>	<u>1,299,268</u>	<u>891,622</u>
Income tax deferred		<u>1,184</u>	<u>10,120</u>	<u>3,329</u>	<u>9,572</u>
		<u>751,288</u>	<u>467,905</u>	<u>1,302,597</u>	<u>901,194</u>
Gain on transfer of interest in subsidiary		-	968,964	-	968,964
Depositors' share of gain on transfer of interest in subsidiary		-	(351,795)	-	(351,795)
		-	617,169	-	617,169
Net profit for the period		<u>751,288</u>	<u>1,085,074</u>	<u>1,302,597</u>	<u>1,518,363</u>
Attributed to:					
Equity holders of the parent		751,288	1,081,293	1,302,597	1,505,792
Minority interest		-	3,781	-	12,571
Net profit for the period		<u>751,288</u>	<u>1,085,074</u>	<u>1,302,597</u>	<u>1,518,363</u>
Basic and diluted earning per share attributable to the equity holder of the parent (AED)	9	<u>0.22</u>	<u>0.32</u>	<u>0.38</u>	<u>0.44</u>

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

Condensed consolidated statement of changes in equity (unaudited) for the period ended June 30, 2008

	Share capital AED'000	Total Reserves AED'000	Proposed dividends AED'000	Cumulative changes in fair value AED'000	Hedging reserve AED'000	Retained earnings AED'000	Attributable to equity holders of the parent AED'000	Minority interests AED'000	Total equity AED'000
Balance at January 1, 2007	2,800,000	3,973,304	1,176,000	544,649	-	43,197	8,537,150	287,100	8,824,250
Net profit for the period	-	-	-	-	-	1,505,792	1,505,792	12,571	1,518,363
Issuance of shares	196,000	-	(196,000)	-	-	-	-	-	-
Dividends paid	-	-	(980,000)	-	-	-	(980,000)	(33,994)	(1,013,994)
Cost of share based payments	-	-	-	-	-	18,424	18,424	-	18,424
Net movement in cumulative changes in fair values of available for sale investments	-	-	-	33,929	-	-	33,929	-	33,929
Disposal of donated land	-	(10,812)	-	-	-	-	(10,812)	-	(10,812)
Exchange difference arising on translation of foreign operations	-	(1,094)	-	-	-	-	(1,094)	(10,096)	(11,190)
Balance at June 30, 2007	2,996,000	3,961,398	-	578,578	-	1,567,413	9,103,389	255,581	9,358,970
Balance at January 1, 2008	2,996,000	4,710,216	1,647,800	1,006,637	-	53,654	10,414,307	250,810	10,665,117
Net profit for the period	-	-	-	-	-	1,302,597	1,302,597	-	1,302,597
Issuance of shares	449,400	-	(449,400)	-	-	-	(1,198,400)	-	(1,198,400)
Dividends paid	-	-	(1,198,400)	-	-	-	12,543	-	12,543
Cost of share based payments	-	-	-	-	-	12,543	15,777	-	15,777
Fair value gain on cash flow hedges	-	-	-	-	15,777	-	(834)	-	(834)
Transfer to profit on cash flow hedges	-	-	-	-	(834)	-	-	-	-
Net movement in cumulative changes in fair values of available for sale investments	-	-	-	5,534	-	-	5,534	-	5,534
Realised gains on available for sale investments transferred to profit	-	-	-	(56,438)	-	-	(56,438)	-	(56,438)
Movement as a result of subsidiaries disposed (note 13)	-	(52,198)	-	-	-	-	(52,198)	(250,690)	(302,888)
Balance at June 30, 2008	3,445,400	4,658,018	-	955,733	14,943	1,368,794	10,442,888	120	10,443,008

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

**Condensed consolidated income statement (unaudited)
for the period ended June 30, 2008**

	6 months ended June 30	
	2008	2007
	AED'000	AED'000
Operating activities		
Net profit for the period before taxation and minority interests	1,299,268	1,508,791
Adjustments for:		
Revaluation of investments at fair value through income statement	(130,683)	(73,835)
Provisions for impairment, net of recoveries	68,321	89,527
Depreciation of investment properties	5,862	5,856
Depreciation of property, plant and equipment	52,207	33,758
Share of profits of associates	(121,501)	(126,322)
Gain on sale of investment properties	(84,939)	(89,752)
Gain on sale of investments	(60,911)	(968,964)
Income from sale of development properties	-	(63,153)
Dividend income	(85,505)	(84,643)
Cost of share based payments	12,543	18,424
Profit on disposal of subsidiaries	(36,517)	-
Operating profit before changes in operating assets and liabilities	918,145	249,687
Trading investments	(51,250)	(127,279)
Islamic financing and investing assets	(11,594,489)	(9,802,627)
Receivables and other assets	(279,074)	(107,529)
Customers' deposits	10,259,786	11,968,583
Due to banks and other financial institutions	66,985	(3,625,013)
Other liabilities	760,654	956,697
Accrued zakat	(129,542)	(67,375)
Tax deferred/(paid)	3,329	(13,429)
Net cash used in operating activities	(45,456)	(568,285)
Investing activities		
Net increase in investments in Islamic Sukuk	(2,463,669)	(407,278)
Net movement in investments at fair value through income statement	77,248	386,982
Net movement in available for sale investments	(324,854)	23,642
Proceeds from sale of properties under construction	-	74,386
Proceeds from disposal of investment properties	380,779	225,662
Purchase of investment properties	(191,547)	(416,245)
Additions to properties under construction	(25,222)	-
Purchase of properties held for sale	(45,683)	2,020
Dividend income	85,505	84,643
Investments in associates	(30,145)	219,424
Purchase of property, plant and equipment	(305,393)	(108,723)
Proceeds from disposal of property, plant and equipment	13,974	31,597
Exchange and other adjustments	-	(6,095)
Net cash released on disposal of subsidiaries	(534,779)	(389,546)
Net cash used in investing activities	(3,363,786)	(279,531)
Financing activities		
Sukuk	-	2,754,750
Cash dividends paid	(1,198,400)	(980,000)
Minority interests	(14,692)	(33,994)
Net cash (used in)/from financing activities	(1,213,092)	1,740,756
(Decrease)/increase in cash and cash equivalents	(4,622,334)	892,940
Cash and cash equivalents at the beginning of the period	22,372,015	18,510,208
Cash and cash equivalents at the end of the period	17,749,681	19,403,148

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

Notes to the condensed consolidated financial statements for the period ended June 30, 2008

1 General

Dubai Islamic Bank P.J.S.C. 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 P.J.S.C.

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

Subsidiaries	Principal activity	Country of incorporation	Percentage of equity	
			<u>2008</u>	<u>2007</u>
1. Islamic Financial Services L.L.C.	Brokerage services	UAE	95.5%	95.5%
2. Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	100.0%	100.0%
3. Al Tanmyah Services L.L.C.	Labour services	UAE	99.5%	99.5%
4. Millennium Capital Limited	Investments and financial services	UAE	100%	95.5%
5. Al Tatweer Al Hadith Real Estate	Real estate development	Egypt	96.0%	96.0%
6. Al Tameer Modern Real Estate Investment	Real estate development	Egypt	96.0%	96.0%
7. Al Tanmia Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
8. Naseej Fabric Manufacturing L.L.C.	Textile Manufacturing	UAE	99.0%	99.0%
9. DIB Printing Press L.L.C.	Printing	UAE	99.5%	99.5%
10. Bank of Khartoum	Banking	Sudan	-	52.3%
11. Millennium Finance Corporation Limited	Financial advisory	UAE	-	65.0%
12. Zone One Real Estate Management Co.	Investments in real estate	Cayman Islands	100.0%	100.0%
13. Zone Two Real Estate Management Co.	Investments in real estate	Cayman Islands	100.0%	100.0%
14. Al Islami Trade Finance FZ L.L.C.	Investments	UAE	100.0%	100.0%
15. DIB Lease One Ltd.	Investments	Bahamas	100.0%	100.0%
16. DIB Lease One (Dublin) Ltd.	Investments	Ireland	100.0%	100.0%
17. Gulf Atlantic FZ L.L.C.	Investments	UAE	100.0%	100.0%
18. Al Islami Oceanic Shipping Co FZ L.L.C.	Investments	UAE	100.0%	100.0%
19. Emirates Trading Center L.L.C.	Trading in motor vehicles	UAE	100.0%	100.0%
20. Millennium Capital Holding PSC (formerly Islamic Investment Company P.S.C.)	Financing & investing	UAE	95.5%	95.5%
21. Sequia Investments L.L.C.	Investments	UAE	99.0%	-
22. Bulwark Investments L.L.C.	Investments	UAE	99.0%	-
23. Optimum Investments L.L.C.	Investments	UAE	99.0%	-
24. Rubicon Investments L.L.C.	Investments	UAE	99.0%	-
25. Osiris Investments L.L.C.	Investments	UAE	99.0%	-
26. Lotus Investments L.L.C.	Investments	UAE	99.0%	-

Notes to the condensed consolidated financial statements for the period ended June 30, 2008 (continued)

1 General (continued)

	Subsidiaries	Principal activity	Country of incorporation	Percentage of equity	
				<u>2008</u>	<u>2007</u>
27.	Premiere Investments L.L.C.	Investments	UAE	99.0%	-
28.	Landmark Investments L.L.C.	Investments	UAE	99.0%	-
29.	Blackstone Investments L.L.C.	Investments	UAE	99.0%	-
30.	Blue Nile Investments L.L.C.	Investments	UAE	99.0%	-
31.	Momentum Investments L.L.C.	Investments	UAE	99.0%	-
32.	Mount Sinai Investments L.L.C.	Investments	UAE	99.0%	-
33.	Dar al Shariah Financial & Legal Consultancy L.L.C.	Financial and legal advisory	UAE	60.0%	-
34.	Al Ahlia Aluminum Company L.L.C. (under liquidation)	Aluminum fixtures	UAE	75.5%	75.5%

In addition to the registered ownership described above, the remaining equity in the entities 1, 3, 5, 6, 8, 9 and 20 to 32 and 34 is also held by the Bank beneficially through nominee arrangements.

	Associates	Principal activity	Country of incorporation	Percentage of equity	
				<u>2008</u>	<u>2007</u>
35.	Bank of Khartoum	Banking	Sudan	28.4 %	-
36.	Millennium Finance Corporation Limited	Financial advisory	UAE	32.5%	-
37.	Millennium Private Equity Ltd.	Investments	UAE	32.5%	-
38.	Etisalat International Pakistan Ltd	Investments	UAE	10.0%	10.0%
39.	Bosnia International Bank	Banking	Bosnia	27.3%	27.3%
40.	BBi Leasing and Real Estate L.L.C.	Real estate development	Bosnia	13.6%	27.3%
41.	Liquidity Management Center (B.S.C)	Brokers	Bahrain	25.0%	25.0%
42.	Emirates National Securitisation Corporation	Securitisation	Cayman Islands	35.0%	35.0%
43.	Deyaar Development P.J.S.C.	Real estate development	UAE	43.0%	43.0%
44.	Omega Engineering L.L.C.	Mechanical, electrical & plumbing	UAE	23.7%	55.0%
45.	Dubai Insaat Gayrimenkul Sanayi Ve Ticaret Limited Sirketi	Property Development	Turkey	43.0%	43.0%
46.	DIB Tower SAL	Investment in real estate	Lebanon	43.0%	43.0%
47.	Beirut Bay SAL	Property Development	Lebanon	43.0%	43.0%
48.	Deyaar (UK) Ltd	Representative Office of Deyaar	UK	43.0%	43.0%
49.	Deyaar Cayman Ltd	Investment holding company	Cayman Islands	43.0%	43.0%
50.	Faisal Islamic Bank of Kibris	Banking	TRNC	31.0%	31.0%
51.	Saba Islamic Bank	Banking	Yemen	18.5%	-
52.	Ejar Cranes & Equipment LLC	Equipment leasing	UAE	16.66%	-

	Joint ventures	Principal activity	Country of incorporation	Percentage of equity	
				<u>2008</u>	<u>2007</u>
53.	Al Bustan Center Company L.L.C.	Rental of apartments and shops	UAE	50.0%	50.0%
54.	Waqf Trust Services LLC	Trust and fiduciary services	UAE	50.0%	-
55.	Al Rimal Development	Property development	UAE	50.0%	-
56.	Gulf Tankers L.L.C.	Cargo and transport	UAE	50.0%	50.0%

**Notes to the condensed consolidated financial statements
for the period ended June 30, 2008 (continued)****1 General (continued)**

The entities listed as 34 and 56 did not conduct any operations during the current or previous periods.

Although the Group's interest in the equity of the entities listed under 38, 40, 51 and 52 is less than 20%, the Group exercises significant influence over these entities. These investments have, accordingly, been accounted for as 'investments in associates'.

The registered head office of the Bank is at P.O. Box 1080, Dubai, United Arab Emirates (U.A.E.).

The Bank is registered as a P.J.S.C. in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended).

2 Summary of significant accounting policies**Basis of preparation**

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard No. 34. Interim Financial Reporting issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the U.A.E.

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 December 31, 2007.

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

For the purpose of these condensed consolidated financial statements the Bank has adopted revised and amended standards issued by the International Accounting Standards Board (IASB) and the IFRIC that are relevant to its operations for the period beginning January 1, 2008. The adoption of these new and revised standards and Interpretations has not significantly resulted in changes to the Bank's presentation and certain disclosures in the condensed consolidated financial statements.

Basis of consolidation

The condensed consolidated financial statements incorporate the financial information 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.

The condensed consolidated financial statements comprises the financial information of the Bank and of the subsidiaries listed in Note 1 above. The financial information of the subsidiaries is prepared for the same reporting year as that of the Bank, using consistent accounting policies.

**Notes to the condensed consolidated financial statements
for the period ended June 30, 2008 (continued)**

3 Cash and balances with Central Banks

	June 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Cash in hand	883,456	1,027,859
Current accounts with Central Banks	1,518,992	813,684
Reserve requirements with Central Banks	3,999,506	3,064,114
	<u>6,401,954</u>	<u>4,905,657</u>

4 Islamic financing and investing assets, net

	June 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Financing:		
Commodities Murabahat	8,564,605	8,886,839
International Murabahat, long term	1,977,337	2,460,370
Vehicles Murabahat	5,868,326	4,979,679
Real Estate Murabahat	7,396,907	5,739,230
	<u>23,807,175</u>	<u>22,066,118</u>
Total Murabahat		
	7,422,497	6,606,312
Istisna'a	9,934,439	9,029,289
Ijara	262,161	257,372
Islamic Credit cards		
	<u>41,426,272</u>	<u>37,959,091</u>
Less: Deferred income	(4,823,552)	(4,190,559)
Contractors and consultant's Istisna'a contracts	(1,712,187)	(1,786,179)
Provisions for impairment	(1,030,322)	(1,046,662)
	<u>33,860,211</u>	<u>30,935,691</u>

**Notes to the condensed consolidated financial statements
for the period ended June 30, 2008 (continued)**

4 Islamic Financing and investing assets, net (continued)

	June 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Investing:		
Musharakat	7,560,779	3,808,029
Mudarabat	7,970,399	5,506,302
Wakalat	435,577	204,067
Others	17,764	-
	<u>15,984,519</u>	<u>9,518,398</u>
	(60,317)	(78,007)
Less: Provisions for impairment	<u>15,924,202</u>	<u>9,440,391</u>
	<u>49,784,413</u>	<u>40,376,082</u>
Total Islamic financing and investing assets, net		

Provision for impairment

Movements in the provision for impairment are as follows:

	June 30, 2008 (unaudited)			December 31, 2007 (audited)		
	Financing AED'000	Investing AED'000	Total AED'000	Financing AED'000	Investing AED'000	Total AED'000
At January 1	1,046,662	78,007	1,124,669	802,366	78,877	881,243
Charge for the period/year	105,671	5,240	110,911	325,056	6,798	331,854
Recoveries	(27,913)	(17,548)	(45,461)	(55,581)	(7,668)	(63,249)
Movement pertaining to subsidiaries disposed off	(89,418)	-	(89,418)	-	-	-
Write-offs	(4,680)	(5,382)	(10,062)	(25,179)	-	(25,179)
	<u>1,030,322</u>	<u>60,317</u>	<u>1,090,639</u>	<u>1,046,662</u>	<u>78,007</u>	<u>1,124,669</u>
Balance at end of the period/year						

**Notes to the condensed consolidated financial statements
for the period ended June 30, 2008 (continued)**

5 Other investments

	June 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Trading investments	51,250	-
Investments carried at fair value through income statement	690,333	820,849
Available for sale investments	3,572,300	3,390,028
	<u>4,313,883</u>	<u>4,210,877</u>

6 Customers' deposits

	June 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Current accounts	17,251,052	13,804,657
Saving accounts	11,804,774	8,730,070
Investment deposits	42,318,483	41,619,982
Margin accounts	955,477	450,800
Profit equalization provision	416,570	411,319
	<u>72,746,356</u>	<u>65,016,828</u>

7 Sukuk

During 2007 the Bank, through a Sharia'a compliant Sukuk Financing arrangement, raised medium term finance amounting to AED 2,754,750,000 (USD 750 million). The sukuku are listed on the Dubai International Financial Exchange and the London Stock Exchange.

The terms of the arrangement include transfer of certain identified assets ("the Co Owned Assets") including original leased and musharakat assets, Shariaa compliant authorized investments and any replaced assets of the Bank to a Sukuk company, DIB Sukuk Company Limited – the Issuer, specially formed for the sukuk transaction. The assets are in the control of the Bank and shall continue to be serviced by the Bank. The sukuk certificates mature in 2012.

The issuer will pay the quarterly distribution amount from returns received in respect of the Co Owned Assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to the sukuk holders on the quarterly distribution dates. Upon maturity of the sukuku, the Bank has undertaken to repurchase the assets at the exercise price of USD 750 million.

The sukuku bear a variable profit rate payable to the investors based on market rate plus a margin. Such profits are payable on a quarterly basis.

Notes to the condensed consolidated financial statements for the period ended June 30, 2008 (continued)

8 Share capital

	June 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Authorised capital:		
3,445,400,000 shares of AED 1 each (2007 – 3,000,000,000 shares of AED 1 each)	3,445,400	3,000,000
Issued and fully paid up:		
3,445,400,000 shares of AED 1 each (2007 – 2,996,000,000 shares of AED 1 each)	3,445,400	2,996,000

During the period, 449,400,000 shares (2007 - 196,000,000 shares) of AED 1 each were issued as scrip dividends.

9 Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the parent by the weighted average number of shares outstanding during the period as follows:

	June 30 2008 (unaudited)	June 30 2007 (unaudited)
Net profit for 6 months attributable to the equity holders of the Bank (AED '000)	1,302,597	1,505,792
Weighted average number of shares of in issue throughout the period ('000)	3,445,400	3,445,400
Basic and diluted earnings per share (AED)	AED 0.38	AED 0.44

The earnings per share of AED 0.50 as reported for 2007 has been adjusted for the effect of the shares issued in 2008 as a result of the scrip dividend.

The figures for basic and diluted earnings per share are the same as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

**Notes to the condensed consolidated financial statements
for the period ended June 30, 2008 (continued)**

10 Income from Islamic financing and investing assets

	June 30 2008 (unaudited) AED'000	June 30 2007 (unaudited) AED'000
Financing assets:		
Commodities murabahat	203,701	195,543
International murabahat	16,541	63,211
Vehicles murabahat	165,352	124,162
Real estate murabahat	224,061	129,007
Total murabahat income	609,655	511,923
Istisna'a	161,994	107,868
Ijara	211,616	218,595
Income from financing assets	983,265	838,386
Investing assets:		
Musharakat	198,557	132,691
Mudarabat	158,709	97,146
Wakalat	28,673	5,482
Others	5,792	20,326
Income from investing assets	391,731	255,645
Total income from Islamic financing and investing assets	1,374,996	1,094,031

11 Commissions, fees and foreign exchange income

	June 30 2008 (unaudited) AED'000	June 30 2007 (unaudited) AED'000
Trade related commission and fees	160,849	116,159
Other commission and fees	310,588	225,086
Foreign exchange gains	60,102	37,761
	531,539	379,006

Notes to the condensed consolidated financial statements for the period ended June 30, 2008 (continued)

12 Commitments and contingent liabilities

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:

	June 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
<i>Contingent liabilities:</i>		
Letters of credit	5,831,003	6,161,796
Letters of guarantee	14,537,378	10,381,479
Others	2,219,550	1,462,287
	<u>22,587,931</u>	<u>18,005,562</u>
<i>Commitments</i>		
Capital expenditure commitments	629,107	578,299
Irrevocable undrawn facilities commitments	24,554,000	9,391,000
	<u>25,183,107</u>	<u>9,969,299</u>

Notes to the condensed consolidated financial statements for the period ended June 30, 2008 (continued)

13 Dilution of interest in subsidiaries

During the period, Bank of Khartoum and Emirates and Sudan Bank located in Sudan were merged and started operation in the name of Bank of Khartoum effective 1 February 2008. As part of the merger transaction, Bank of Khartoum issued additional 144,318,188 new shares to the shareholders of Emirates & Sudan Bank at par value. Due to this merger, the Group's interest in Bank of Khartoum has been diluted to 28.4% in 2008 from 52.3% held on December 31, 2007. The investment in the Bank of Khartoum is currently classified under investment in associates.

During the period, the Group disposed off 50% of its interest in Millennium Finance Corporation Limited UAE to a third party. Thus the Group's interest is now reduced to 32.5% in 2008 from 65% held on December 31, 2007. The Group's investment in Millennium Financial Corporation is now reported under investment in associates.

The assets and liabilities of Subsidiaries, where the group's interests had been diluted, as of December 31, 2007 were as follows:

	December 31 2007 (audited) AED'000
Cash & Balances with Banks	583,552
Islamic Financing & Investing assets	1,992,726
Equity investments	343,950
Investment properties	40,181
Prepayments and other assets	414,126
Property, plant and equipment	196,410
Total assets	3,570,945
Customers' Deposits	2,530,258
Due to banks & Financial institutions	87,320
Accounts payable and accruals	448,542
Minority interests	235,998
Total liabilities	3,302,118
Net assets	268,827
Profit on disposal of subsidiaries	36,517

Notes to the condensed consolidated financial statements for the period ended June 30, 2008 (continued)

14 Segmental information

For operating purposes the Group is organised into four major business segments as follows:

- | | |
|---------------------------------------|--|
| i) 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. |
| ii) 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. |
| iii) Real estate: | Property development and other real estate investments. |
| iv) Others: | Treasury and other functions. |

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.

Primary segment information – business segments

The following table presents income and profit and certain asset and liability information regarding the Bank's business segments for the period ended June 30 2008 (unaudited):

	Retail and business banking AED'000	Corporate and investment banking AED'000	Real estate AED'000	Others AED'000	Total AED'000
Segment revenue	806,462	1,301,237	141,505	718,298	2,967,502
Operating expenses	(378,695)	(217,079)	(11,712)	(62,693)	(670,179)
Provisions for impairment, net of recoveries	(23,954)	(38,532)	-	(5,835)	(68,321)
Profit for the period before depositors' share of profit and taxation	403,813	1,045,626	129,793	649,770	2,229,002
Depositors' share of profits	(306,580)	(511,469)	-	(111,685)	(929,734)
	97,233	534,157	129,793	538,085	1,299,268
Deferred tax					3,329
Net profit for the period					1,302,597
Segment assets	8,575,785	62,732,662	1,715,200	18,384,767	91,408,414
Segment liabilities and equity	41,830,688	39,062,344	526,003	9,989,379	91,408,414
Capital expenditure	36,954	261,048	7,391	-	305,393

**Notes to the condensed consolidated financial statements
for the period ended June 30, 2008 (continued)**

14 Segmental information (continued)

Primary segment information – business segments (continued)

The following table presents income and profit and certain asset and liability information regarding the Bank's business segments for the period ended June 30, 2007 (unaudited):

	Retail and business banking AED'000	Corporate and investment banking AED'000	Real estate AED'000	Others AED'000	Total AED'000
Segment revenue	1,089,017	1,118,489	266,930	216,934	2,691,370
Operating expenses	(342,260)	(135,680)	(87,789)	(100,181)	(665,910)
Net recoveries after provision for impairment	(19,465)	(46,992)	(16)	(23,054)	(89,527)
Profit for the period before depositors' share of profit and taxation	727,292	935,817	179,125	93,699	1,935,933
Depositors' share of profits	(541,609)	(420,840)	-	(81,862)	(1,044,311)
	185,683	514,977	179,125	11,837	891,622
Deferred tax					9,572
Net gain on transfer of interest in subsidiary					617,169
Net profit for the period					1,518,363
Segment assets	6,291,269	48,117,572	1,159,445	19,967,164	75,535,450
Segment liabilities and equity	33,573,717	32,868,696	143,657	8,949,380	75,535,450
Capital expenditure	9,197	70,338	-	29,188	108,723

Notes to the condensed consolidated financial statements for the period ended June 30, 2008 (continued)

14 Segmental information (continued)

Secondary segment information – geographical segments

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 for the period ending June 30, 2008 and 2007 (unaudited):

	Domestic		International		Total	
	2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000
Gross income	<u>2,891,855</u>	<u>3,526,869</u>	<u>75,647</u>	<u>133,465</u>	<u>2,967,502</u>	<u>3,660,334</u>
Total assets	<u>89,742,544</u>	<u>71,488,096</u>	<u>1,665,870</u>	<u>4,047,354</u>	<u>91,408,414</u>	<u>75,535,450</u>
Capital expenditure	<u>292,608</u>	<u>66,551</u>	<u>12,785</u>	<u>42,172</u>	<u>305,393</u>	<u>108,723</u>

15 Seasonality of results

The consolidated income statement for the period ended June 30, 2007 include a net gain on transfer of interest in subsidiary amounting to AED 617,169 thousand that is of seasonal nature.

16 Comparative figures

Certain comparative figures were reclassified to conform with current period presentation.

17 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on July 22, 2008.