

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

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

DUBAI ISLAMIC BANK P.J.S.C.

Review report and interim financial information for the period ended September 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, U.A.E.

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 September 30, 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated financial statements 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 condensed consolidated financial statements for the period from January 1, 2007 to September 30, 2007 were reviewed by another auditor who issued an unqualified conclusion on these financial information on October 30, 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 condensed consolidated financial statements is not prepared, in all material respects in accordance with IAS 34.

Deloitte & Touche

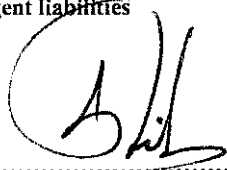


Saba Y. Sindaha
Registration Number 410
October 27, 2008

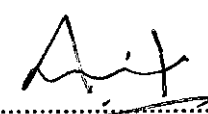


Condensed consolidated balance sheet as at September 30, 2008

	Notes	September 30 2008 AED'000 (unaudited)	December 31 2007 AED'000 (audited)
ASSETS			
Cash and balances with Central Banks	3	5,444,627	4,905,657
Balances and deposits with banks and other financial institutions	4	1,584,455	1,186,657
International murabahat with financial institutions, short term	5	4,472,256	16,279,701
Islamic financing and investing assets, net	6	51,951,945	40,376,082
Investments in Islamic sukuk	7	11,241,411	8,511,759
Investments in associates		4,363,509	3,741,596
Other investments	8	3,557,129	4,210,877
Properties held for sale		126,587	131,831
Investment properties	9	1,325,836	1,499,303
Properties under construction		295,946	-
Receivables and other assets		1,814,951	2,227,719
Property, plant and equipment, net		643,978	630,667
Goodwill		-	36,910
Total assets		86,822,630	83,738,759
LIABILITIES			
Customers' deposits	10	68,028,258	65,016,828
Due to banks and other financial institutions		3,070,295	2,241,322
Sukuk financing instruments	11	2,754,750	2,754,750
Other liabilities		3,164,596	2,931,200
Accrued zakat		-	129,542
Total liabilities		77,017,899	73,073,642
EQUITY			
Share capital	12	3,445,400	2,996,000
Treasury shares		(2,165)	-
Statutory reserve		2,731,879	2,756,737
General reserve		1,650,000	1,650,000
Donated land reserve		276,139	276,139
Exchange translation reserve		(59,178)	27,340
Cumulative changes in fair value		(45,269)	1,006,637
Hedging reserve		12,378	-
Retained earnings		1,795,427	53,654
Proposed dividends		-	1,647,800
Equity attributable to equity holders of the parent		9,804,611	10,414,307
Minority interests		120	250,810
Total equity		9,804,731	10,665,117
Total liabilities and equity		86,822,630	83,738,759
Contingent liabilities	13	21,020,591	18,005,562


H E Mohammad E. Al Shaibani
Chairman


Khalid M. Al Kamda
Managing Director


Abdullah Ali Al Hamli
Chief Executive Officer

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

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

	Notes	3 months ended September 30		9 months ended September 30	
		2008	2007	2008	2007
		AED'000	AED'000	AED'000	AED'000
INCOME					
Income from Islamic financing and investing assets	14	866,496	673,841	2,241,492	1,767,871
Income from investments in Islamic Sukuk		142,630	145,471	397,800	341,850
Income from international murabahat, short term		51,235	162,931	231,784	519,808
Share of profits of associates		135,659	56,509	257,160	182,831
Income from other investments		(143,504)	78,825	163,212	365,385
Commissions, fees and foreign exchange income	15	132,550	213,694	664,089	592,700
Income from investment properties		14,588	27,977	127,540	140,057
Income from sale of properties under construction		-	-	-	63,153
Income from sale of properties held for sale		5,232	-	5,232	-
Other income	16	24,149	32,174	108,228	109,137
		<u>1,229,035</u>	<u>1,391,422</u>	<u>4,196,537</u>	<u>4,082,792</u>
EXPENSES					
General and administrative expenses		(329,370)	(364,064)	(993,686)	(1,024,118)
Depreciation of investment properties		(3,244)	(2,016)	(9,107)	(7,872)
Provisions for impairment, net of recoveries		(13,037)	(45,217)	(81,358)	(134,744)
Total expenses		<u>(345,651)</u>	<u>(411,297)</u>	<u>(1,084,151)</u>	<u>(1,166,734)</u>
Profit before depositors' share and tax		<u>883,384</u>	<u>980,125</u>	<u>3,112,386</u>	<u>2,916,058</u>
Depositors' share of profits		<u>(453,641)</u>	<u>(615,006)</u>	<u>(1,383,375)</u>	<u>(1,659,317)</u>
Profit for the period before tax		<u>429,743</u>	<u>365,119</u>	<u>1,729,011</u>	<u>1,256,741</u>
Income tax deferred		<u>(3,486)</u>	<u>3,297</u>	<u>(157)</u>	<u>12,869</u>
		<u>426,257</u>	<u>368,416</u>	<u>1,728,854</u>	<u>1,269,610</u>
Gain on transfer of interest in subsidiary		-	-	-	968,964
Depositors' share of gain on transfer of interest in subsidiary		-	-	-	(351,795)
		-	-	-	617,169
Net profit for the period		<u>426,257</u>	<u>368,416</u>	<u>1,728,854</u>	<u>1,886,779</u>
Attributed to:					
Equity holders of the parent		426,257	389,654	1,728,854	1,895,446
Minority interest		-	(21,238)	-	(8,667)
Net profit for the period		<u>426,257</u>	<u>368,416</u>	<u>1,728,854</u>	<u>1,886,779</u>
Basic and diluted earning per share attributable to the equity holder of the parent (AED)	17	<u>0.12</u>	<u>0.11</u>	<u>0.50</u>	<u>0.55</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 September 30, 2008

	Share capital AED'000	Treasury Shares 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 (audited)	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	-	-	-	-	-	-	1,895,446	1,895,446	(8,667)	1,886,779
Issuance of shares	196,000	-	-	(196,000)	-	-	-	-	-	-
Dividends paid	-	-	-	(980,000)	-	-	-	(980,000)	(33,994)	(1,013,994)
Cost of share based payments	-	-	-	-	-	-	27,635	27,635	-	27,635
Net movement in cumulative changes in fair values of available for sale investments	-	-	-	-	(54,882)	-	-	(54,882)	(12,993)	(67,875)
Disposal of donated land	-	-	(10,812)	-	-	-	-	(10,812)	-	(10,812)
Exchange difference arising on translation of foreign operations	-	-	(17,195)	-	-	-	-	(17,195)	-	(17,195)
Balance at September 30, 2007	2,996,000	-	3,945,297	-	489,767	-	1,966,278	9,397,342	231,446	9,628,788
Balance at January 1, 2008 (audited)	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	-	-	-	-	-	-	1,728,854	1,728,854	-	1,728,854
ESOP Shares taken back	-	(2,165)	-	-	-	-	-	(2,165)	-	(2,165)
Issuance of shares	449,400	-	-	(449,400)	-	-	-	-	-	-
Dividends paid	-	-	-	(1,198,400)	-	-	-	(1,198,400)	-	(1,198,400)
Cost of share based payments	-	-	-	-	-	-	12,919	12,919	-	12,919
Fair value gain on cash flow hedges	-	-	-	-	-	12,378	-	12,378	-	12,378
Net movement in cumulative changes in fair values of available for sale investments	-	-	-	-	(983,810)	-	-	(983,810)	-	(983,810)
Released on disposal of available for sale investments	-	-	-	-	(68,096)	-	-	(68,096)	-	(68,096)
Exchange difference arising on translation of foreign operations	-	-	(59,178)	-	-	-	-	(59,178)	-	(59,178)
Movement as a result of subsidiaries disposed (note 16)	-	-	(52,198)	-	-	-	-	(52,198)	(250,690)	(302,888)
Balance at September 30, 2008	3,445,400	(2,165)	4,598,840	-	(45,269)	12,378	1,795,427	9,804,611	120	9,804,731

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

**Condensed consolidated statement of cash flows (unaudited)
for the period ended September 30, 2008**

	9 months ended September 30	
	2008	2007
	AED'000	AED'000
Operating activities		
Net profit for the period before taxation and minority interests	1,729,011	1,873,910
Adjustments for:		
Revaluation of investments at fair value through income statement	24,884	(112,674)
Provisions for impairment, net of recoveries	81,358	134,744
Depreciation of investment properties	9,107	7,872
Depreciation of property, plant and equipment	75,499	54,198
Share of profits of associates	(257,160)	(182,831)
Gain on sale of investment properties	(89,745)	(105,134)
Gain on disposal of properties held for sale	(5,232)	-
Gain on sale of investments	(68,096)	(968,964)
Income from sale of development properties	-	(63,153)
Dividend income	(86,685)	(89,450)
Cost of share based payments	12,919	27,635
Profit on disposal of subsidiaries	(36,517)	-
Operating profit before changes in operating assets and liabilities	1,389,343	576,153
Trading investments	(185,274)	(197,848)
Islamic financing and investing assets	(13,771,863)	(11,521,823)
Receivables and other assets	(2,056)	(190,836)
Customers' deposits	5,541,688	9,722,916
Due to banks and other financial institutions	902,233	(3,358,148)
Other liabilities	695,998	1,203,102
Accrued zakat	(129,542)	(69,341)
Tax paid	-	(10,100)
Net cash used in operating activities	(5,559,473)	(3,845,925)
Investing activities		
Net increase in investments in Islamic Sukuk	(2,729,652)	(1,694,735)
Net movement in investments at fair value through income statement	61,619	511,578
Net movement in available for sale investments	(656,334)	72,718
Proceeds from sale of properties under construction	-	74,386
Proceeds from disposal of investment properties	394,312	264,122
Proceeds from disposal of properties held for sale	9,464	-
Purchase of investment properties	(180,387)	(452,401)
Additions to properties under construction	(132,451)	(1,927)
Dividend income	86,685	89,450
Investments in associates	(127,573)	15,645
Purchase of property, plant and equipment	(364,557)	(163,327)
Proceeds from disposal of property, plant and equipment	22,548	32,059
Exchange and other adjustments	36,136	(21,323)
Net cash released on disposal of subsidiaries	(534,779)	(389,546)
Net cash used in investing activities	(4,114,969)	(1,663,301)
Financing activities		
Sukuk	-	2,754,750
Cash dividends paid	(1,198,400)	(980,000)
ESOP shares acquired	2,165	-
Minority interests	-	(33,994)
Net cash (used in)/from financing activities	(1,196,235)	1,740,756
Decrease in cash and cash equivalents	(10,870,677)	(3,768,470)
Cash and cash equivalents at the beginning of the period	22,372,015	18,510,209
Cash and cash equivalents at the end of the period	11,501,338	14,741,739

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

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

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	
			2008	2007
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	95.5%	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 September 30, 2008 (continued)**

1 General (continued)

	Subsidiaries	Principal activity	Country of incorporation	Percentage of equity	
				2008	2007
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, 4, 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	
				2008	2007
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%	23.7%
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	
				2008	2007
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 September 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**2.1 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 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.

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

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended December 31, 2007.

As required by the Securities and Commodities Authority ("SCA") notification dated October 12, 2008, accounting policies relating to investment securities and investment properties have been disclosed in the condensed consolidated financial statements.

2.2 Basis of consolidation

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

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

2.3 Other investments

These are classified as follows:

- Held to maturity
- Available for sale
- Fair value through profit or loss

All investments are initially recognised at cost, being the fair value of the consideration given and in the case of investment securities including acquisition charges associated with the investment.

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

2 Summary of significant accounting policies (continued)

2.3 Other investments (continued)

Held to maturity

Investments which have fixed or determinable payments with fixed maturity which the Bank has the intention and ability to hold to maturity, are classified as held to maturity investments. Held to maturity investments are carried at amortised cost, using effective profit rate method less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition on an effective profit rate method.

Any gain or loss on such investments is recognised in the consolidated income statement when the investment is derecognised or impaired.

Investments classified as held to maturity and not close to their maturity, cannot ordinarily be sold or reclassified without impacting the Bank's ability to use this classification and cannot be designated as a hedged item with respect to profit rate or prepayment risk, reflecting the longer-term nature of these investments.

Available for sale

Investments not classified as either "held for trading" or "held to maturity" are classified as "available for sale" and are stated at fair value. Available for sale investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in the income statement for the period. Impairment losses recognised in income statement for equity investments classified as available for sale are not subsequently reversed through income statement.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in income statement, and other changes are recognised in equity.

Dividends on Available for sale equity instruments are recognised in income statement when the Bank's right to receive the dividends is established.

Fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial assets is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in income statement.

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

2 Summary of significant accounting policies (continued)

2.4 Investment properties

Investment properties, which are properties held to earn rentals and/or capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair value of investment properties are included in the consolidated income statement.

3 Cash and balances with Central Banks

	September 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Cash in hand	1,050,677	1,027,859
Current accounts with Central Banks	-	813,684
Reserve requirements with Central Banks	4,393,950	3,064,114
	<u>5,444,627</u>	<u>4,905,657</u>

4 Balances and deposits with banks and other financial institutions

	September 30 2008 AED'000 (unaudited)	December 31 2007 AED'000 (audited)
Within the U.A.E.	1,521,423	941,264
Outside the U.A.E.	63,032	245,393
	<u>1,584,455</u>	<u>1,186,657</u>

5 International murabihat with financial institutions, short term

	September 30 2008 AED'000 (unaudited)	December 31 2007 AED'000 (audited)
Within the U.A.E.	4,019,952	7,042,219
Outside the U.A.E.	452,304	9,237,482
	<u>4,472,256</u>	<u>16,279,701</u>

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

6 Islamic financing and investing assets, net

	September 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Financing:		
Commodities Murabahat	7,392,583	8,452,997
International Murabahat, long term	1,704,805	2,405,710
Vehicles Murabahat	6,617,626	4,979,679
Real Estate Murabahat	8,387,958	6,071,640
Total Murabahat	24,102,972	21,910,026
Istisna'a	8,188,432	7,511,596
Ijara	8,041,700	7,147,159
Islamic Credit cards	287,839	257,373
	40,620,943	36,826,154
Less: Deferred income	(4,947,646)	(4,190,559)
Contractors and consultant's Istisna'a contracts	(1,505,056)	(1,786,179)
Provisions for impairment	(1,054,997)	(1,046,662)
	33,113,244	29,802,754
Investing:		
Musharakat	9,306,096	4,544,234
Mudarabat	7,124,789	5,920,503
Wakalat	2,440,554	186,598
Others	16,146	-
	18,887,585	10,651,335
Less: Provisions for impairment	(48,884)	(78,007)
	18,838,701	10,573,328
Total Islamic financing and investing assets, net	51,951,945	40,376,082

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

6 Islamic Financing and investing assets, net (continued)

Provision for impairment

Movements in the provision for impairment are as follows:

	September 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	143,010	11,557	154,567	325,056	6,798	331,854
Recoveries	(40,422)	(35,982)	(76,404)	(55,581)	(7,668)	(63,249)
Movement pertaining to subsidiaries disposed off	(89,509)	-	(89,509)	-	-	-
Write-offs	(4,744)	(4,698)	(9,442)	(25,179)	-	(25,179)
Balance at end of the period/year	1,054,997	48,884	1,103,881	1,046,662	78,007	1,124,669

7 Investments in Islamic sukuks

	September 30 2008 AED'000 (unaudited)	December 31 2007 AED'000 (audited)
U.A.E	10,585,560	7,813,423
Other GCC Countries	440,393	565,274
Rest of World	215,458	133,062
	11,241,411	8,511,759

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

8 Other investments

	September 30, 2008 (unaudited)			
	UAE AED'000	Other GCC Countries AED'000	Rest of World AED'000	Total AED'000
Trading investments				
Quoted:				
Equity instruments	144,295	11,379	-	155,674
Investments carried at fair value through income statement				
Equity instruments	3,006	553,079	18,192	574,277
Available for sale investments				
Quoted:				
Equity instruments	1,334,846	86,878	38,627	1,460,351
Unquoted:				
Equity instruments	212,863	122,594	12,692	348,149
Investment funds	-	275,923	773,614	1,049,537
	212,863	398,517	786,306	1,397,686
Gross total	1,695,010	1,049,853	843,125	3,587,988
Allowance for impairment	-	(27,859)	(3,000)	(30,859)
Total	1,695,010	1,021,994	840,125	3,557,129

	December 31, 2007 (audited)			
	UAE AED'000	Other GCC Countries AED'000	Rest of World AED'000	Total AED'000
Investments carried at fair value through income statement				
Equity instruments	5,327	606,611	208,911	820,849
Available for sale investments				
Quoted:				
Equity instruments	2,169,091	27,559	60,100	2,256,750
Unquoted:				
Equity instruments	137,989	132,286	148,915	419,190
Investment funds	-	392,870	352,077	744,947
	137,989	525,156	500,992	1,164,137
Gross total	2,312,407	1,159,326	770,003	4,241,736
Allowance for impairment	-	(27,859)	(3,000)	(30,859)
Total	2,312,407	1,131,467	767,003	4,210,877

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

9 Investments properties

	September 30 2008 AED'000 (unaudited)	December 31 2007 AED'000 (audited)
U.A.E	1,252,809	1,386,095
Other GCC Countries	4,202	4,202
Rest of World	68,825	109,006
	<u>1,325,836</u>	<u>1,499,303</u>

10 Customers' deposits

	September 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Current accounts	15,737,628	13,804,657
Saving accounts	11,614,161	8,730,070
Investment deposits	39,951,166	41,619,982
Margin accounts	302,930	450,800
Profit equalization provision	422,373	411,319
	<u>68,028,258</u>	<u>65,016,828</u>

11 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 sukuks 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 sukuks, the Bank has undertaken to repurchase the assets at the exercise price of USD 750 million.

The sukuks 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 September 30, 2008 (continued)**

12 Share capital

	September 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
<i>Authorised capital:</i>		
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
<i>Issued and fully paid up:</i>		
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.

13 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:

	September 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
<i>Contingent liabilities:</i>		
Letters of credit	5,362,289	6,161,796
Letters of guarantee	14,951,296	10,381,479
Others	707,006	1,462,287
	<u>21,020,591</u>	<u>18,005,562</u>
<i>Commitments</i>		
Capital expenditure commitments	736,004	578,299
Irrevocable undrawn facilities commitments	30,785,000	9,391,000
	<u>31,521,004</u>	<u>9,969,299</u>

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

14 Income from Islamic financing and investing assets

	September 30 2008 (unaudited) AED'000	September 30 2007 (unaudited) AED'000
Financing assets:		
Commodities murabahat	391,023	317,767
International murabahat	21,637	105,457
Vehicles murabahat	306,704	200,255
Real estate murabahat	364,167	212,347
Total murabahat income	1,083,531	835,826
Istisna'a	211,907	162,801
Ijara	298,944	363,035
Income from financing assets	1,594,382	1,361,662
Investing assets:		
Musharakat	314,264	223,642
Mudarabat	248,305	170,381
Wakalat	77,972	5,293
Others	6,569	6,893
Income from investing assets	647,110	406,209
Total income from Islamic financing and investing assets	2,241,492	1,767,871

15 Commissions, fees and foreign exchange income

	September 30 2008 (unaudited) AED'000	September 30 2007 (unaudited) AED'000
Trade related commission and fees	271,607	169,667
Other commission and fees	304,072	345,577
Foreign exchange gains	88,410	77,456
	664,089	592,700

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

16 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 September 30, 2008 (continued)

17 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:

	September 30 2008 (unaudited)	September 30 2007 (unaudited)
Net profit for 9 months attributable to the equity holders of the Bank (AED '000)	1,728,854	1,895,446
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)	0.50	0.55

The earnings per share of AED 0.63 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.

18 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.

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

18 Segmental information (continued)

Primary segment information – business segments

The following table presents income and profit and certain asset and liability information regarding the Group's business segments for the period ended September 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	1,255,597	1,581,218	254,962	1,104,760	4,196,537
Operating expenses	(576,376)	(324,684)	(18,236)	(83,497)	(1,002,793)
Provisions for impairment, net of recoveries	(35,694)	(37,351)	-	(8,313)	(81,358)
Profit for the period before depositors' share of profit and taxation	643,527	1,219,183	236,726	1,012,950	3,112,386
Depositors' share of profits	(452,169)	(765,609)	-	(165,597)	(1,383,375)
	<u>191,358</u>	<u>453,574</u>	<u>236,726</u>	<u>847,353</u>	<u>1,729,011</u>
Deferred tax					(157)
Net profit for the period					<u>1,728,854</u>
Segment assets	<u>10,585,475</u>	<u>62,343,470</u>	<u>1,748,369</u>	<u>12,145,316</u>	<u>86,622,630</u>
Segment liabilities and equity	<u>43,794,298</u>	<u>32,469,735</u>	<u>282,441</u>	<u>10,276,156</u>	<u>86,622,630</u>
Capital expenditure	<u>50,258</u>	<u>295,998</u>	<u>8,301</u>	<u>-</u>	<u>354,557</u>

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

18 Segmental information (continued)

Primary segment information – business segments (continued)

The following table presents income and profit and certain asset and liability information regarding the Group's business segments for the period ended September 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	1,610,058	1,672,892	360,519	439,323	4,082,792
Operating expenses	(524,550)	(232,507)	(113,346)	(161,587)	(1,031,990)
Net recoveries after provision for impairment	(26,952)	(76,004)	(25)	(31,763)	(134,744)
Profit for the period before depositors' share of profit and taxation	1,058,556	1,364,381	247,148	245,973	2,916,058
Depositors' share of profits	(772,763)	(736,379)	-	(150,175)	(1,659,317)
	285,793	628,002	247,148	95,798	1,256,741
Deferred tax					12,869
Net gain on transfer of interest in subsidiary					617,169
Net profit for the period					1,886,779
Segment assets	6,859,668	50,701,129	1,174,454	15,335,686	74,070,937
Segment liabilities and equity	37,731,930	27,206,035	152,672	8,980,300	74,070,937
Capital expenditure	15,369	113,598	-	34,360	163,327

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

18 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 September 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>4,089,602</u>	<u>4,844,052</u>	<u>106,935</u>	<u>207,704</u>	<u>4,196,537</u>	<u>5,051,756</u>
Total assets	<u>85,311,664</u>	<u>69,596,813</u>	<u>1,510,966</u>	<u>4,474,124</u>	<u>86,822,630</u>	<u>74,070,937</u>
Capital expenditure	<u>322,202</u>	<u>85,153</u>	<u>32,355</u>	<u>78,174</u>	<u>354,557</u>	<u>163,327</u>

19 Capital adequacy as per BASEL I guidelines

The capital adequacy ratio calculated in accordance with the guidelines of the United Arab Emirates Central Bank is as follows:

	September 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Tier 1 capital		
Share capital	3,445,400	2,996,000
Statutory reserves	2,731,879	2,756,737
General reserves	1,650,000	1,650,000
Other reserves	-	303,479
Proposed dividends	-	449,400
Retained earnings	844,558	53,654
Minority interests in equity of subsidiaries	120	250,810
	<u>8,671,957</u>	<u>8,460,080</u>
Less: Goodwill and intangibles	-	(36,910)
Treasury shares	(2,165)	-
	<u>8,669,792</u>	<u>8,423,170</u>

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

19 Capital adequacy as per BASEL I guidelines (continued)

	September 30 2008 (unaudited) AED'000	December 31 2007 (audited) AED'000
Tier 2 capital		
Cumulative changes in fair value	-	1,006,637
Hedging reserve	5,570	-
Deductions for associates	(370,820)	(3,741,596)
Total capital base	8,304,542	5,688,211
Risk-weighted assets:		
On-balance sheet	59,854,888	45,190,253
Off-balance sheet	7,713,669	6,617,777
Total risk-weighted assets	67,568,557	51,808,030
Capital adequacy ratio	12.3%	11.00%

The capital adequacy ratio was above the minimum requirement of 10% stipulated by U.A.E. Central Bank as of September 30, 2008 and December 31, 2007.

20 Seasonality of results

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

21 Comparative figures

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

22 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on October 27, 2008.