

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

**Review report and interim
financial information for the
period ended 31 March 2009**

DUBAI ISLAMIC BANK P.J.S.C.

Review report and interim financial information for the period ended 31 March 2009

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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. and its subsidiaries (together referred to as "the Bank") as of 31 March 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management of the Bank is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

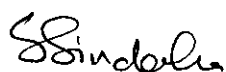
Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34 "Interim Financial Reporting".

Deloitte & Touche



Saba Y. Sindaha
Registration Number 410
24 April 2009



**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

	Notes	31 March 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
ASSETS			
Cash and balances with Central Banks	3	15,506,718	6,328,666
Balances and deposits with banks and other financial institutions	4	947,117	1,840,978
International murabahat with financial institutions, short term	5	4,205,023	1,640,601
Islamic financing and investing assets, net	6	51,397,691	52,659,011
Investments in Islamic sukuku	7	11,206,982	11,226,276
Investments in associates		4,620,327	4,456,044
Other investments	8	1,919,132	2,107,936
Properties held for sale		166,813	168,251
Investment properties	9	1,960,173	2,005,039
Properties under construction		303,434	257,830
Receivables and other assets		1,944,036	1,671,728
Property, plant and equipment		672,972	668,753
Total assets		94,850,418	85,031,113
LIABILITIES			
Customers' deposits	10	76,628,938	66,427,210
Due to banks and other financial institutions		2,415,532	3,331,101
Sukuk financing instruments	11	2,754,750	2,754,750
Other liabilities		4,665,321	3,449,532
Accrued zakat		-	143,166
Total liabilities		86,464,541	76,105,759
EQUITY			
Share capital	12	3,617,505	3,445,400
Statutory reserve		2,731,879	2,731,879
General reserve		2,250,000	2,250,000
Donated land reserve		276,139	276,139
Exchange translation reserve		(66,462)	(59,680)
Cumulative changes in fair value		(960,554)	(888,714)
Hedging reserve		139,441	111,411
Share based payments		(3,307)	(3,307)
Retained earnings		401,116	29,478
Proposed dividends		-	1,032,628
Equity attributable to equity holders of the parent		8,385,757	8,925,234
Non-controlling interest		120	120
Total equity		8,385,877	8,925,354
Total liabilities and equity		94,850,418	85,031,113
Commitments and contingent liabilities	13	42,990,682	44,642,611

H E Mohammad A. Al Shaibani
Chairman

Sheikh Kalid Bin Zayed Al Nehyan
Deputy Chairman

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 31 March 2009**

		<u>3 months ended 31 March</u>	
	Notes	2009 AED'000	2008 AED'000
INCOME			
Income from Islamic financing and investing assets	14	848,431	646,337
Income from investments in Islamic Sukuk		161,936	130,923
Income from international murabahat, short term		19,929	99,025
Share of profits of associates		16,024	78,520
(Loss) / income from other investments		(4,059)	131,111
Commissions, fees and foreign exchange income	15	176,197	236,315
Income from investment properties		14,673	47,322
Income from sale of properties under construction		927	-
Other income	16	71,848	58,358
Total income		1,305,906	1,427,911
EXPENSES			
General and administrative expenses		(332,689)	(333,427)
Depreciation of investment properties		(3,233)	(2,624)
Net impairment losses on financial assets		(104,025)	(24,304)
Total operating expenses		(439,947)	(360,355)
Profit before depositors' share and tax		865,959	1,067,556
Depositors' share of profits		(495,930)	(518,392)
Profit for the period before tax		370,029	549,164
Deferred tax		248	2,145
Net profit for the period		370,277	551,309
Attributable to:			
Equity holders of the parent		370,277	555,539
Non-controlling interest		-	(4,230)
Net profit for the period		370,277	551,309
Basic and diluted earning per share attributable to the equity holders of the parent	17	AED 0.10	AED 0.15

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 31 March 2009**

	<u>3 months ended 31 March</u>	
	2009	2008
	AED'000	AED'000
Net Profit for the period	370,277	551,309
Other comprehensive income item		
Fair value losses on available for sale investments - net	(71,840)	(244,877)
Cash flow hedges	28,030	-
Currency translation differences of foreign operations	(6,782)	27,340
Other comprehensive loss for the period	(50,592)	(217,537)
Total comprehensive income for the period	319,685	333,772
Attributable to:		
Equity holders of the parent	319,685	338,002
Non-controlling interest	-	(4,230)
	319,685	333,772

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 31 March 2009**

	Share capital AED'000	Shared based payments 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	Non- controlling interest AED'000	Total equity AED'000
Balance at 1 January 2009 (audited)	3,445,400	(3,307)	5,198,338	1,032,628	(888,714)	111,411	29,478	8,925,234	120	8,925,354
Net profit for the period	-	-	-	-	-	-	370,277	370,277	-	370,277
<i>Other comprehensive income items:</i>										
Decrease in fair value of available for sale investments - net	-	-	-	-	(71,840)	-	-	(71,840)	-	(71,840)
Exchange differences arising on translation of foreign operations	-	-	(6,782)	-	-	-	-	(6,782)	-	(6,782)
Cash flow hedges	-	-	-	-	-	28,030	-	28,030	-	28,030
Total comprehensive income for the period	-	-	(6,782)	-	(71,840)	28,030	370,277	319,685	-	319,685
Issuance of shares	172,105	-	-	(172,105)	-	-	-	-	-	-
Dividends payable	-	-	-	(860,523)	-	-	-	(860,523)	-	(860,523)
Share based payments vested	-	-	-	-	-	-	1,361	1,361	-	1,361
Balance at 31 March 2009 (unaudited)	3,617,505	(3,307)	5,191,556	-	(960,554)	139,441	401,116	8,385,757	120	8,385,877

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 31 March 2009 (continued)**

	Share capital AED'000	Shared based payments 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	Non- controlling interest AED'000	Total equity AED'000
Balance at 1 January 2008 (audited – restated)	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	-	-	-	-	-	-	555,539	555,539	(4,230)	551,309
<i>Other comprehensive income items:</i>										
Decrease in fair value of available for sale investments	-	-	-	-	(244,877)	-	-	(244,877)	-	(244,877)
Exchange differences arising on translation of foreign operations	-	-	27,340	-	-	-	-	27,340	-	27,340
Total comprehensive income for the period	-	-	27,340	-	(244,877)	-	555,539	338,002	(4,230)	333,772
Issuance of shares	449,400	-	-	(449,400)	-	-	-	-	-	-
Dividends paid	-	-	-	(1,198,400)	-	-	-	(1,198,400)	-	(1,198,400)
Share based payments vested	-	-	-	-	-	-	6,271	6,271	-	6,271
Movement as a result of subsidiary disposed (note 16)	-	-	(79,538)	-	-	-	-	(79,538)	(235,998)	(315,536)
Balance at 31 March 2008 (unaudited)	3,445,400	-	4,658,018	-	761,760	-	615,464	9,480,642	10,582	9,491,224

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

Condensed consolidated statement of cash flows (unaudited) for the period ended 31 March 2009

	3 months ended 31 March	
	2009	2008
	AED'000	AED'000
Operating activities		
Net profit for the period before taxation and non-controlling interest	370,029	549,164
Adjustments for:		
Revaluation of investments at fair value through income statement	23,626	(74,969)
Impairment loss on financial assets	104,025	24,304
Depreciation of investment properties	3,233	2,624
Depreciation of property, plant and equipment	26,498	24,554
Share of profits of associates	(16,024)	(78,520)
Gain on sale of investment properties	-	(32,404)
Gain on disposal of properties held for sale	(927)	-
Loss / (gain) on sale of investments	4,294	(20,775)
Dividend income	(20,951)	(29,979)
Share based payments	1,361	6,271
Gain on transfer of interest in subsidiary	-	(36,517)
Operating profit before changes in operating assets and liabilities	495,164	333,753
Decrease / (increase) in trading investments	-	(30,776)
Decrease / (increase) Islamic financing and investing assets	1,158,748	(4,679,833)
Increase in receivables and other assets	(247,379)	(35,415)
Increase in customers' deposits	10,201,728	3,789,845
Decrease in due to banks and other financial institutions	(915,569)	(81,713)
Increase in other liabilities	358,808	2,006,409
Decrease in accrued zakat	(143,166)	(129,542)
Cash from operations	10,908,334	1,172,728
Tax paid	(1,550)	-
Net cash from operating activities	10,906,784	1,172,728
Investing activities		
Net decrease in investments in Islamic Sukuk	19,294	61,681
Net movement in investments at fair value through income statement	-	75,611
Net movement in available for sale investments	86,460	40,505
Proceeds from sale of properties under construction	2,300	-
Proceeds from disposal of investment properties	-	77,852
Purchase of investment properties	-	(128,820)
Additions to properties under construction	(45,604)	(120,402)
Purchase of properties held for sale	-	(45,338)
Dividend income	20,951	29,979
Investments in associates	(150,768)	-
Purchase of property, plant and equipment	(30,157)	(84,385)
Proceeds from disposal of property, plant and equipment	129	5,075
Exchange differences arising on translation of foreign operations	39,224	-
Net cash released on disposal of subsidiaries	-	(544,122)
Net cash used in investing activities	(58,171)	(632,364)
Financing activities		
Dividends paid	-	(1,198,400)
Non-controlling interest	-	-
Net cash used in financing activities	-	(1,198,400)
Increase / (decrease) in cash and cash equivalents	10,848,613	(658,036)
Cash and cash equivalents at the beginning of the period	9,810,245	22,381,078
Cash and cash equivalents at the end of the period	20,658,858	21,723,042

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

Notes to the condensed consolidated financial statements for the period ended 31 March 2009

1 General

Dubai Islamic Bank (Public Joint Stock Company) ("the Bank") 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 condensed consolidated financial statements combine the activities of the Bank's head office, its branches and subsidiaries, its associates and joint ventures:

	Subsidiaries	Principal activity	Country of incorporation	Percentage of equity	
				2009	2008
1.	Islamic Financial Services L.L.C.	Brokerage services	U.A.E.	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	U.A.E.	99.5%	99.5%
4.	DIB Capital Limited	Investments and financial services	U.A.E.	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	U.A.E.	99.0%	99.0%
9.	DIB Printing Press L.L.C.	Printing	U.A.E.	99.5%	99.5%
10.	Zone One Real Estate Management Co.	Investments in real estate	Cayman Islands	100.0%	100.0%
11.	Zone Two Real Estate Management Co.	Investments in real estate	Cayman Islands	100.0%	100.0%
12.	Al Islami Trade Finance FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
13.	DIB Lease One Ltd.	Investments	Bahamas	100.0%	100.0%
14.	DIB Lease One (Dublin) Ltd.	Investments	Ireland	100.0%	100.0%
15.	Gulf Atlantic FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
16.	Al Islami Oceanic Shipping Co FZ L.L.C	Investments	U.A.E.	100.0%	100.0%
17.	Emirates Automotive Leasing Company	Trading in motor vehicles	U.A.E.	100.0%	100.0%
18.	Millennium Capital Holding PSC (formerly Islamic Investment Company P.S.C.)	Financing & investing	U.A.E.	95.5%	95.5%
19.	Sequia Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
20.	Bulwark Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
21.	Optimum Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
22.	Rubicon Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
23.	Osiris Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
24.	Lotus Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
25.	Premiere Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
26.	Landmark Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
27.	Blackstone Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
28.	Blue Nile Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
29.	Momentum Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
30.	Mount Sinai Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
31.	Dar al Shariah Financial & Legal Consultancy L.L.C	Financial and legal advisory	U.A.E.	60.0%	60.0%

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

1 General (continued)

	Subsidiaries	Principal activity	Country of incorporation	Percentage of equity	
				<u>2009</u>	<u>2008</u>
32.	Al Ahlia Aluminum Company L.L.C. (under liquidation)	Aluminum fixtures	U.A.E.	75.5%	75.5%
33.	Al Islami Real Estate Investments Ltd.	Investments	U.A.E.	100%	100%
34.	HoldInvest Real Estate Sarl	Investments	Luxembourg	100%	100%
35.	France Invest Real Estate SAS	Real estate development	France	100%	100%
36.	SARL Barbanniers	Investments	France	100%	100%
37.	SCI le Sevine	Investment in real estate	France	100%	100%
38.	Findi Real Estate SAS			Controlling interest	Controlling interest
		Trust activities	France		
39.	PASR Einudzwanzigste Beteiligungsverwaltung GMBH	Trading and management	Austria	100%	100%
40.	Al Islami German Holding Co. GMBH	Investments	Germany	100%	100%
41.	Rhein Logistics GMBH	Administration	Germany	100%	100%
42.	Jef Holdings BV			Controlling interest	Controlling interest
		Trust activities	Netherlands		
43.	Levant One Investment Limited	Investments	UAE	100%	-
44.	Petra Limited	Investments	Cayman Islands	100%	-

In addition to the registered ownership described above, the remaining equity in the entities 1, 3, 4, 5, 6, 8, 9 and 18 to 30 and 32 is also held by the Bank beneficially through nominee arrangements.

	Associates	Principal activity	Country of incorporation	Percentage of equity	
				<u>2009</u>	<u>2008</u>
45.	Bank of Khartoum	Banking	Sudan	28.4%	28.4%
46.	Millennium Finance Corporation Limited	Financial advisory	U.A.E.	32.5%	32.5%
47.	Millennium Private Equity Ltd.	Investments	U.A.E.	32.5%	32.5%
48.	Etisalat International Pakistan Ltd.	Investments	U.A.E.	10.0%	10.0%
49.	Bosnia International Bank	Banking	Bosnia	27.3%	27.3%
50.	BBI Leasing and Real Estate	Real estate development	Bosnia	13.6%	13.6%
51.	Liquidity Management Center (B.S.C)	Brokers	Bahrain	25.0%	25.0%
52.	Emirates National Securitisation Corporation	Securitisation	Cayman Islands	35.0%	35.0%
53.	Deyaar Development P.J.S.C.	Real estate development	U.A.E.	43.0%	43.0%
54.	Omega Engineering L.L.C.	Mechanical, electrical & plumbing	U.A.E.	23.7%	23.7%
55.	Dubai Insaat Gayrimenkul Sanayi Ve Ticaret Limited Sirketi	Property Development	Turkey	43.0%	43.0%
56.	DIB Tower SAL	Investment in real estate	Lebanon	43.0%	43.0%
57.	Beirut Bay SAL	Property Development	Lebanon	43.0%	43.0%
58.	Deyaar (UK) Ltd.	Representative Office of Deyaar	UK	43.0%	43.0%
59.	Deyaar Cayman Ltd.	Investment holding company	Cayman Islands	43.0%	43.0%
60.	Faisal Islamic Bank of Kibris	Banking	TRNC	31.0%	31.0%
61.	Saba Islamic Bank	Banking	Yemen	18.5%	18.5%
62.	Ejar Cranes & Equipment L.L.C.	Equipment leasing	U.A.E.	16.66%	16.66%
63.	Industrial Development Bank	Banking	Jordan	20.8%	-
64.	MESC Investment Company	Investments	Jordan	40%	-

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

1 General (continued)

	Joint ventures	Principal activity	Country of incorporation	Percentage of equity	
				<u>2009</u>	<u>2008</u>
65.	Al Bustan Center Company L.L.C.	Rental of apartments and shops	U.A.E.	50.0%	50.0%
66.	Waqf Trust Services L.L.C.	Trust and fiduciary services	U.A.E.	50.0%	50.0%
67.	Al Rimal Development	Property development	U.A.E.	50.0%	50.0%
68.	Gulf Tankers L.L.C.	Cargo and transport	U.A.E.	50.0%	50.0%

The entities listed as 32 and 68 did not conduct any operations during the current or previous periods.

Although the Bank's interest in the equity of the entities listed as 48, 50, 61 and 62 is less than 20%, the Bank 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 complies 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.

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

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2008, except for the impact of the adoption of the Standards and Interpretations described below:

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 8 Operating Segments *(effective for annual periods beginning on or after 1 January 2009)*

IFRS 8 is a disclosure Standard that requires re-designation of the Bank's reportable segments based on the segments used by the chief operating decision maker to allocate resources and assess performance. There was no material impact of this Standard on the previous disclosures and reported results of the financial position of the Bank.

IAS 1 (revised 2007) Presentation of financial statements *(effective for annual periods beginning on or after 1 January 2009)*

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standards has had no impact on the reported results or financial position of the Bank.

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 are 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.

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.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

2 Summary of significant accounting policies (continued)

2.3 Other investments (continued)

Held to maturity (continued)

Any gain or loss on such investments is recognised in the condensed 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 condensed consolidated 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 the condensed consolidated 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 31 March 2009 (continued)**

2 Summary of significant accounting policies (continued)

2.4 Investment properties

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

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

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

3 Cash and balances with Central Banks

	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
Cash in hand	1,439,472	1,293,409
Current accounts with Central Banks	10,241,566	686,886
Reserve requirements with Central Banks	3,825,680	4,348,371
	15,506,718	6,328,666

4 Balances and deposits with banks and other financial institutions

	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
Within the U.A.E.	808,038	1,313,602
Outside the U.A.E.	139,079	527,376
	947,117	1,840,978

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

5 International murabahat with financial institutions, short term

	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
Within the U.A.E.	4,205,023	1,278,355
Outside the U.A.E.	-	362,246
	4,205,023	1,640,601

6 Islamic financing and investing assets, net

	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
Financing:		
Commodities Murabahat	6,820,262	8,328,995
International Murabahat, long term	1,658,647	1,779,248
Vehicles Murabahat	6,416,892	6,735,209
Real Estate Murabahat	6,063,723	6,431,362
Total Murabahat	20,959,524	23,274,814
Istisna'a	8,498,426	8,443,662
Ijara	11,984,474	9,946,785
Islamic Credit cards	327,507	309,800
	41,769,931	41,975,061
Less: Deferred income	(4,558,244)	(4,617,627)
Provisions for impairment	(1,289,229)	(1,186,864)
Contractors and consultants' Istisna'a contracts	(1,540,466)	(1,555,810)
	34,381,992	34,614,760

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

6 Islamic financing and investing assets, net (continued)

Investing:		
Musharakat	9,786,099	10,047,283
Mudarabat	6,377,865	7,208,814
Wakalat	910,228	846,491
	<u>17,074,192</u>	<u>18,102,588</u>
Less: Provisions for impairment	(58,493)	(58,337)
	<u>17,015,699</u>	<u>18,044,251</u>
Total Islamic financing and investing assets, net	<u>51,397,691</u>	<u>52,659,011</u>

Provision for impairment

Movements in the provision for impairment are as follows:

	31 March 2009 (unaudited)			31 December 2008 (audited)		
	Financing AED'000	Investing AED'000	Total AED'000	Financing AED'000	Investing AED'000	Total AED'000
At January 1	1,186,864	58,337	1,245,201	1,046,662	78,007	1,124,669
Charge for the period/year	118,376	358	118,734	295,498	9,898	305,396
Release to the income statement	(15,951)	-	(15,951)	(59,830)	(28,207)	(88,037)
Pertaining to subsidiaries disposed off	-	-	-	(89,509)	-	(89,509)
Write-offs	(51)	-	(51)	(5,957)	(36)	(5,993)
Others	(9)	(202)	(211)	-	(1,325)	(1,325)
Balance at end of the period/year	<u>1,289,229</u>	<u>58,493</u>	<u>1,347,722</u>	<u>1,186,864</u>	<u>58,337</u>	<u>1,245,201</u>

7 Investments in Islamic sukuku

	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
U.A.E.	10,816,691	10,831,125
Other G.C.C. Countries	84,479	170,681
Rest of the World	305,812	224,470
	<u>11,206,982</u>	<u>11,226,276</u>

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

8 Other investments

	31 March 2009 (unaudited)			
	U.A.E. AED'000	Other G.C.C. Countries AED'000	Rest of the World AED'000	Total AED'000
Investments carried at fair value through income statement				
Equity instruments	998	212,581	83,295	296,874
Available for sale investments				
Quoted:				
Equity instruments	466,620	69,192	17,278	553,090
Unquoted:				
Equity instruments	214,346	134,151	11,684	360,181
Investment funds	315,779	-	432,356	748,135
	530,125	134,151	444,040	1,108,316
Gross available for sale investments	996,745	203,343	461,318	1,661,406
Allowance for impairment	(150)	(11,285)	(27,713)	(39,148)
Net available for sale investments	996,595	192,058	433,605	1,622,258
Total	997,593	404,639	516,900	1,919,132
31 December, 2008 (audited)				
	U.A.E. AED'000	Other G.C.C. Countries AED'000	Rest of the World AED'000	Total AED'000
Investments carried at fair value through income statement				
Equity instruments	953	234,199	86,976	322,128
Available for sale investments				
Quoted:				
Equity instruments	541,776	76,178	19,179	637,133
Unquoted:				
Equity instruments	212,863	134,151	12,386	359,400
Investment funds	306,767	-	521,700	828,467
	519,630	134,151	534,086	1,187,867
Gross available for sale investments	1,061,406	210,329	553,265	1,825,000
Allowance for impairment	(150)	(11,269)	(27,773)	(39,192)
Net available for sale investments	1,061,256	199,060	525,492	1,785,808
Total	1,062,209	433,259	612,468	2,107,936

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

9 Investments properties

	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
Land		
In U.A.E.	1,171,399	1,171,601
Other G.C.C. Countries	937	936
Rest of the world	51,716	51,766
	<u>1,224,052</u>	<u>1,224,303</u>
Less: Provision for impairment	(300)	(300)
	<u>1,223,752</u>	<u>1,224,003</u>
Other real estate		
In U.A.E	357,405	366,271
Other G.C.C. Countries	4,197	4,193
Rest of World	510,884	538,424
	<u>872,486</u>	<u>908,888</u>
Less: Accumulated depreciation	(136,065)	(127,852)
	<u>736,421</u>	<u>781,036</u>
Investment Properties, net	<u>1,960,173</u>	<u>2,005,039</u>

10 Customers' deposits

	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
Current accounts	18,838,635	14,060,338
Saving accounts	10,920,549	11,151,372
Investment deposits	46,349,360	40,608,612
Margin accounts	270,003	281,497
Profit equalisation provision	250,391	325,391
	<u>76,628,938</u>	<u>66,427,210</u>

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

11 Sukuk financing instruments

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

The sukuk bear a variable profit rate payable to the investors based on at the rate of 3 months LIBOR plus 0.33% per annum. Such profits are payable on a quarterly basis.

12 Share capital

	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
<i>Authorised capital:</i>		
3,617,505,000 shares of AED 1 each (2008 – 3,445,400,000 shares of AED 1 each)	3,617,505	3,445,400
<i>Issued and fully paid up:</i>		
3,617,505,000 shares of AED 1 each (2008 – 3,445,400,000 shares of AED 1 each)	3,617,505	3,445,400

During the period, 172,105,000 shares (2008 - 449,400,000 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 Bank's customers.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

13 Commitments and contingent liabilities (continued)

Financing-related financial instruments (continued)

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 Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

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

	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
<i>Contingent liabilities:</i>		
Letters of credit	3,386,742	3,387,529
Letters of guarantee	15,224,704	17,476,434
Acceptances	363,428	603,081
	18,974,874	21,467,044
<i>Commitments:</i>		
Capital expenditure commitments	588,808	591,975
Irrevocable undrawn facilities commitments	23,427,000	22,583,592
	24,015,808	23,175,567
Total contingent liabilities and commitments	42,990,682	44,642,611

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

14 Income from islamic financing and investing assets

	31 March 2009 (unaudited) AED'000	31 March 2008 (unaudited) AED'000
Financing assets:		
Commodities murabahat	122,720	83,960
International murabahat	6,402	8,285
Vehicles murabahat	121,074	76,143
Real estate murabahat	97,878	101,772
Total murabahat income	348,074	270,160
Istisna'a	97,031	79,396
Ijara	151,074	112,650
Income from financing assets	596,179	462,206
Investing assets:		
Musharakat	157,298	76,485
Mudarabat	86,716	79,589
Wakalat	7,559	24,508
Others	679	3,549
Income from investing assets	252,252	184,131
Total income from islamic financing and investing assets	848,431	646,337

15 Commissions, fees and foreign exchange income

	31 March 2009 (unaudited) AED'000	31 March 2008 (unaudited) AED'000
Trade related commission and fees	62,936	69,608
Other commission and fees	80,278	132,263
Gains on unilateral promise to buy/sell currencies	34,400	31,922
Fair value effects of Islamic profit rate swaps	(1,417)	2,522
	176,197	236,315

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

16 Dilution of interest in subsidiaries

Effective 1 February 2008, Bank of Khartoum (a subsidiary as at that date) and Emirates and Sudan Bank, Sudan, were merged ("the transaction") and commenced operations as Bank of Khartoum. As part of the transaction, Bank of Khartoum issued 144,318,188 shares to the shareholders of Emirates & Sudan Bank at par resulting in dilution of the Bank's interest in Bank of Khartoum from 52.3% to 28.4%. The investment in the Bank of Khartoum is classified as investment in associates.

During the year 2008, the Bank partially disposed of its interest in Millennium Finance Corporation Limited (then a subsidiary) resulting in dilution of the Bank's interest from 65% to 32.5%. The Bank's investment in Millennium Financial Corporation is classified as investment in associates.

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

	31 December 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 31 March 2009 (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:

	31 March 2009 (unaudited)	31 March 2008 (unaudited)
Net profit for 3 months attributable to the equity holders of the Bank (AED '000)	370,277	555,539
Weighted average number of shares of in issue throughout the period ('000)	3,617,505	3,617,505
Basic and diluted earnings per share (AED)	0.10	0.15

The earnings per share of 0.16 as reported for 2008 has been adjusted for the effect of the shares issued in 2009 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

The Bank has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14: Segment Reporting) required an entity to identify two segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. This has not resulted in any significant change to the reportable segments presented by the Bank as the segments reported by the Bank was consistent with the internal reports provided to the chief operating decision maker.

For operating purposes the Bank 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.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

18 Segmental information (continued)

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 Bank 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 31 March 2009 (unaudited):

	Retail and business banking AED'000	Corporate and investment banking AED'000	Real estate AED'000	Others AED'000	Total AED'000
Segment net revenue – total income less depositors share	362,304	289,506	(25,878)	184,044	809,976
Operating expenses	(185,954)	(109,289)	(11,381)	(29,298)	(335,922)
Provisions for impairment, net of recoveries	(20,142)	(83,596)	(9)	(278)	(104,025)
Profit for the period before taxation	156,208	96,621	(37,268)	154,468	370,029
Deferred tax					248
Net profit for the period					370,277
Segment assets	11,749,193	44,085,860	5,562,336	33,453,029	94,850,418
Segment liabilities and equity	41,314,395	44,017,534	927,532	8,590,957	94,850,418
Capital expenditure	6,033	22,637	-	1,487	30,157

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (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 Bank's business segments for the period ended 31 March 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 net revenue – total income less depositors share	270,131	432,605	99,010	107,773	909,519
Operating expenses	(166,480)	(127,634)	(8,320)	(33,617)	(336,051)
Provisions for impairment, net of recoveries	(13,196)	(7,634)	-	(3,474)	(24,304)
Profit for the period before taxation	90,455	297,337	90,690	70,682	549,164
Deferred tax					2,145
Net profit for the period					551,309
Segment assets	8,289,433	52,874,281	1,717,039	22,202,992	85,083,745
Segment liabilities and equity	42,158,399	30,940,923	191,539	11,792,884	85,083,745
Capital expenditure	8,221	52,440	-	23,724	84,385

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

18 Segmental information (continued)

Secondary segment information – geographical segments

Although the management of the Bank is based primarily on business segments, the Bank operates in two geographic markets: i) U.A.E. which is designated as domestic; and ii) outside the U.A.E. which is designated as international. The following table shows the distribution of the Bank's operating income, total assets and capital expenditure by geographical segment for the period ending 31 March 2009 and 2008 (unaudited):

	Domestic		International		Total	
	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000
Gross income	1,259,786	1,390,194	46,120	37,717	1,305,906	1,427,911
Total assets	92,381,303	83,385,663	2,469,115	1,698,082	94,850,418	85,083,745
Capital expenditure	26,774	79,264	3,383	5,121	30,157	84,385

19 Capital adequacy as per BASEL I and BASEL II guidelines

	Basel I		Basel II	
	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
Tier 1 Capital				
Share capital	3,617,505	3,445,400	3,617,505	3,445,400
Statutory reserves	2,731,879	2,731,879	2,731,879	2,731,879
Donated land reserve	-	-	276,139	276,139
General reserves	2,250,000	2,250,000	2,250,000	2,250,000
Proposed bonus shares	-	172,105	-	172,105
Retained earnings	233,680	29,478	233,680	29,478
Non-controlling interest	120	120	120	120
	8,833,184	8,628,982	9,109,323	8,905,121
Less:				
Share based payments	(3,307)	(3,307)	(3,307)	(3,307)
	8,829,877	8,625,675	9,106,016	8,901,814
Tier 2 Capital				
Hedging reserves	62,748	50,135	62,748	50,135
Collective impairment	84,000	-	84,000	-
Deductions for associates	(579,356)	(416,173)	(579,356)	(416,173)
	(432,608)	(366,038)	(432,608)	(366,038)
Total capital base	8,397,269	8,259,637	8,673,408	8,535,776

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2009 (continued)**

19 Capital adequacy as per BASEL I and BASEL II guidelines (continued)

	Basel I		Basel II	
	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000	31 March 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
<i>Risk weighted assets</i>				
On balance sheet	60,267,497	60,489,646	-	-
Off balance sheet	8,230,460	8,426,079	-	-
Credit risk	-	-	71,394,179	72,222,748
Market risk	-	-	2,122,507	3,135,334
Operational risk	-	-	4,513,574	4,513,574
Total risk weighted assets	68,497,957	68,915,725	78,030,260	79,871,656
<i>Capital Ratios</i>				
Total regulatory capital expressed as a percentage of total risk weighted assets	12.3%	12.0%	11.1%	10.7%
Tier 1 capital to total risk weighted assets	12.9%	12.5%	11.7%	11.1%

The capital adequacy ratio was above the minimum requirement of 10% stipulated by U.A.E. Central Bank as of 31 March 2009 and 31 December 2008.

20 Seasonality of results

No income of seasonal nature was recorded in the statement of income for the three months period ended 31 March 2009 and 2008.

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 24 April 2009