

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

**Review report and interim
financial information for the
period ended 31 March 2010**

DUBAI ISLAMIC BANK P.J.S.C.

**Review report and interim financial information
for the period ended 31 March 2010**

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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 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. Management of the Bank is responsible for the preparation and 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*."



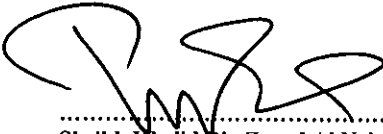
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Registration Number 410
5 May 2010

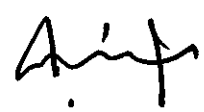


**Condensed consolidated balance sheet
as at 31 March 2010**

	Notes	31 March 2010 AED'000 (unaudited)	31 December 2009 AED'000 (audited)
ASSETS			
Cash and balances with Central Banks	4	10,767,585	11,611,570
Balances and deposits with banks and other financial institutions	5	1,840,377	1,352,299
International murabahat with financial institutions, short term	6	1,274,029	1,204,959
Islamic financing and investing assets, net	7	51,015,776	49,924,941
Investments in Islamic sukuk	8	9,090,164	9,290,797
Investments in associates		4,261,138	4,295,168
Other investments	9	1,981,158	1,925,950
Properties under construction		421,018	388,648
Properties held for sale		153,652	157,269
Investment properties	10	1,955,885	1,996,288
Receivables and other assets		1,533,010	1,464,071
Property, plant and equipment		643,158	657,795
Goodwill	18	34,516	34,516
Total assets		84,971,466	84,304,271
LIABILITIES			
Customers' deposits	11	64,671,551	64,195,503
Due to banks and other financial institutions		1,321,435	1,449,051
Sukuk financing instruments	12	2,382,822	2,415,034
Medium term wakala finance	13	3,752,543	3,752,543
Other liabilities		4,129,809	3,370,804
Accrued zakat		-	140,536
Total liabilities		76,258,160	75,323,471
EQUITY			
Share capital	14	3,797,054	3,617,505
Treasury shares		(70,901)	(70,901)
Statutory reserve		2,731,879	2,731,879
Donated land reserve		276,139	276,139
General reserve		2,350,000	2,350,000
Exchange translation reserve		(79,083)	(77,841)
Cumulative changes in fair value		(647,731)	(723,713)
Hedging reserve		50,600	50,600
Retained earnings		304,526	822,222
Equity attributable to equity holders of the parent		8,712,483	8,975,890
Non-controlling interest		823	4,910
Total equity		8,713,306	8,980,800
Total liabilities and equity		84,971,466	84,304,271
Commitments and contingent liabilities	15	23,818,331	25,638,030


H. E. Mohammad A. Al Shaibani
Chairman


Sheikh Khalid Bin Zayed Al Nahyan
Deputy Chairman


Abdullah Ali Al Hamli
Chief Executive Officer

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

**Condensed consolidated income statement (unaudited)
for the period ended 31 March 2010**

		3 months ended 31 March	
	Notes	2010 AED'000	2009 AED'000
INCOME			
Income from Islamic financing and investing assets	16	773,553	848,431
Income from investments in Islamic sukuk		95,489	161,936
Income from international murabahat, short term		8,355	19,929
Share of (loss)/profit of associates		(24,388)	16,024
Gain/(loss) from other investments		12,107	(4,059)
Commissions, fees and foreign exchange income	17	170,412	176,197
Income from investment properties		12,441	14,673
Income from sale of properties held for sale		3,348	927
Other income		27,205	71,848
Total income		1,078,522	1,305,906
EXPENSES			
Personnel expenses		(225,576)	(218,932)
General and administrative expenses		(105,075)	(113,757)
Net impairment loss on financial assets		(174,220)	(104,025)
Depreciation of investment properties		(5,015)	(3,233)
Total operating expenses		(509,886)	(439,947)
Profit before depositors' share and tax		568,636	865,959
Depositors' share of profits		(366,936)	(495,930)
Profit for the period before tax		201,700	370,029
Income tax (expense)/deferred		(1,454)	248
Net profit for the period		200,246	370,277
Attributable to:			
Equity holders of the parent		200,023	370,277
Non-controlling interest		223	-
Net profit for the period		200,246	370,277
Basic and diluted earning per share attributable to the equity holders of the parent	19	AED 0.05	AED 0.09

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 31 March 2010**

	3 months ended 31 March	
	2010	2009
	AED'000	AED'000
Net profit for the period	200,246	370,277
Other comprehensive income/(loss) item		
Fair value gain/(loss) on available for sale investments	75,982	(74,353)
Realised gain on available for sale investments	-	2,513
Fair value gain on cash flow hedge	-	28,030
Currency translation differences of foreign operations	(1,242)	(6,782)
Other comprehensive income/(loss) for the period	74,740	(50,592)
Total comprehensive income for the period	274,986	319,685
Attributable to:		
Equity holders of the parent	274,763	319,685
Non-controlling interest	223	-
	274,986	319,685

The accompany 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 2010**

	Share capital AED'000	Treasury shares AED'000	Total reserves 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 2010 (audited)	3,617,505	(70,901)	5,280,177	(723,713)	50,600	822,222	8,975,890	4,910	8,980,800
Net profit for the period	-	-	-	-	-	200,023	200,023	223	200,246
<i>Other comprehensive income/(loss) items:</i>									
Increase in fair value of available for sale investments	-	-	-	75,982	-	-	75,982	-	75,982
Currency translation differences of foreign operations	-	-	(1,242)	-	-	-	(1,242)	-	(1,242)
Total comprehensive income for the period	-	-	(1,242)	75,982	-	200,023	274,763	223	274,986
Issuance of bonus shares	179,549	-	-	-	-	(179,549)	-	-	-
Dividends payable	-	-	-	-	-	(538,648)	(538,648)	-	(538,648)
Share based payments vested	-	-	-	-	-	478	478	-	478
Non controlling interest	-	-	-	-	-	-	-	(4,310)	(4,310)
Balance at 31 March 2010 (unaudited)	3,797,054	(70,901)	5,278,935	(647,731)	50,600	304,526	8,712,483	823	8,713,306

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

DUBAI ISLAMIC BANK P.J.S.C.

Condensed consolidated statement of changes in equity (unaudited)
for the period ended 31 March 2010 (continued)

	Share capital AED'000	Treasury shares AED'000	Total reserves 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 as audited (restated)	3,445,400	(3,307)	5,198,338	(888,714)	111,411	886,143	8,749,271	120	8,749,391
Net profit for the period	-	-	-	-	-	370,277	370,277	-	370,277
<i>Other comprehensive income/(loss) items:</i>									
Decrease in fair value of available for sale investments	-	-	-	(74,353)	-	-	(74,353)	-	(74,353)
Realised gain on available for sale investment	-	-	-	2,513	-	-	2,513	-	2,513
Exchange differences arising on translation of foreign operations	-	-	(6,782)	-	-	-	(6,782)	-	(6,782)
Fair value gain on cash flow hedge	-	-	-	-	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 bonus 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	225,153	8,209,794	120	8,209,914

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 2010**

	3 months ended 31 March	
	2010	2009
	AED'000	AED'000
Operating activities		
Net profit for the period before taxation and non-controlling interest	201,700	370,029
Adjustments for:		
Revaluation of investments at fair value through income statement	4,036	23,626
Net impairment loss on financial assets	174,220	104,025
Depreciation of investment properties	5,015	3,233
Depreciation of property, plant and equipment	30,700	26,498
Share of loss/(profit) of associates	24,388	(16,024)
Gain on disposal of properties held for sale	(3,348)	(927)
Loss on disposal of investments	-	4,294
Dividend income	(15,786)	(20,951)
Share based payments	478	1,361
Gain on buy back of sukuk financing instrument	(4,768)	-
Operating profit before changes in operating assets and liabilities	416,635	495,164
(Increase)/decrease in Islamic financing and investing assets	(1,230,586)	1,158,748
Increase in receivables and other assets	(85,472)	(247,379)
Increase in customers' deposits	476,048	10,201,728
Decrease in due to banks and other financial institutions	(127,616)	(915,569)
Increase in other liabilities	77,677	358,808
Decrease in accrued zakat	-	(143,166)
Cash (used in)/from operations	(473,314)	10,908,334
Tax refund/(paid)	3,027	(1,550)
Net cash (used in)/from operating activities	(470,287)	10,906,784
Investing activities		
Net decrease in investments in Islamic sukuk	225,403	19,294
Net movement in available for sale investments	-	86,460
Proceeds from sale of properties under construction	6,965	2,300
Additions to properties under construction	(32,370)	(45,604)
Dividend income	15,786	20,951
Investments in associates	-	(150,768)
Purchase of property, plant and equipment	(19,467)	(30,157)
Proceeds from disposal of property, plant and equipment	3,511	129
Exchange differences arising on translation of foreign operations	15,377	39,224
Net cash from/(used in) investing activities	215,205	(58,171)
Financing activities		
Buy back of sukuk financing instrument	(27,444)	-
Non-controlling interest	(4,310)	-
Net cash used in financing activities	(31,754)	-
(Decrease)/increase in cash and cash equivalents	(286,836)	10,848,613
Cash and cash equivalents at the beginning of the period	14,079,992	9,810,245
Cash and cash equivalents at the end of the period	13,793,156	20,658,858

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

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010**

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	
				2010	2009
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 2010 (continued)**

1 General (continued)

	Subsidiaries	Principal activity	Country of incorporation	Percentage of equity	
				<u>2010</u>	<u>2009</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	Trust activities	France	Controlling interest 100%	Controlling interest 100%
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	Trust activities	Netherlands	Controlling interest 100%	Controlling interest 100%
43.	Levant One Investment Limited	Investments	U.A.E.	100%	100%
44.	Petra Limited	Investments	Cayman Islands	100%	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>2010</u>	<u>2009</u>
45.	Bank of Khartoum	Banking	Sudan	28.4%	28.4%
46.	Etisalat International Pakistan Ltd.	Investments	U.A.E.	10.0%	10.0%
47.	Bosnia International Bank	Banking	Bosnia	27.3%	27.3%
48.	BBI Leasing and Real Estate	Real estate development	Bosnia	13.6%	13.6%
49.	Liquidity Management Center (B.S.C)	Brokers	Bahrain	25.0%	25.0%
50.	Deyaar Development P.J.S.C.	Real estate development	U.A.E.	43.0%	43.0%
51.	Faisal Islamic Bank of Kibris	Banking	TRNC	31.0%	31.0%
52.	Saba Islamic Bank	Banking	Yemen	18.5%	18.5%
53.	Ejar Cranes & Equipment L.L.C.	Equipment leasing	U.A.E.	16.66%	16.66%
54.	Jordan Dubai Islamic Bank	Banking	Jordan	20.8%	20.8%
55.	MESC Investment Company	Investments	Jordan	40.0%	40.0%

	Joint ventures	Principal activity	Country of incorporation	Percentage of equity	
				<u>2010</u>	<u>2009</u>
56.	Al Bustan Center Company L.L.C.	Rental of apartments and shops	U.A.E.	50.0%	50.0%
57.	Waqf Trust Services L.L.C. (under liquidation)	Trust and fiduciary services	U.A.E.	50.0%	50.0%
58.	Al Rimal Development	Property development	U.A.E.	50.0%	50.0%
59.	Gulf Tankers L.L.C.	Cargo and transport	U.A.E.	50.0%	50.0%
60.	Millennium Private Equity L.L.C.	Fund management	U.A.E.	50.0%	50.0%

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

1 General (continued)

The entities listed as 32 and 59 did not conduct any operations during the current or previous periods.

Although the Bank's interest in the equity of the entities listed as 46, 48, 52 and 53 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 Standards and Interpretations in issue not yet effective

At the date of authorisation of these condensed consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
• IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue	1 February 2010
• IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	1 January 2011
• IFRS 9 <i>Financial Instruments: Classification and Measurement</i> (intended as complete replacement for IAS 39 and IFRS 7)	1 January 2013
New Interpretations and amendments to Interpretations:	
• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
• Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i>	1 January 2011

Management anticipates that these amendments will be adopted in the Bank's condensed consolidated financial statements for the initial period when they become effective. Management have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

3 Summary of significant accounting policies

3.1 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 U.A.E 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 31 December 2009.

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to investment securities and investment properties have been disclosed in the condensed consolidated financial statements.

3.2 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.

3.3 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 maturities which the Bank has the intention and ability to hold to maturity, are classified as held to maturity investments.

Held-to-maturity investments are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective yield method, less any impairment losses, with revenue recognised on an effective yield basis. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective interest rate method.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.3 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.

If there is objective evidence that an impairment on held to maturity investments carried at amortised cost has been incurred, the amount of impairment loss recognised is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the investments original effective interest rate, with the resulting impairment loss, if any, in the condensed consolidated income statement.

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 interest 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 condensed consolidated 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 condensed consolidated income statement.

The fair value of available for sale 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 condensed consolidated 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 the condensed consolidated income statement.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.4 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 condensed 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.

4 Cash and balances with Central Banks

	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Cash in hand	1,260,603	1,491,173
Balances with central banks		
- Current accounts	5,683,315	6,376,863
- Reserve requirements	3,823,667	3,743,534
	10,767,585	11,611,570

5 Balances and deposits with banks and other financial institutions

	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Within the U.A.E.	1,201,281	697,168
Outside the U.A.E.	639,096	655,131
	1,840,377	1,352,299

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

6 International murabahat with financial institutions, short term

	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Within the U.A.E.	330,571	102,872
Outside the U.A.E.	943,458	1,102,087
	1,274,029	1,204,959

7 Islamic financing and investing assets, net

	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Financing:		
Commodities murabahat	6,404,758	6,553,773
International murabahat, long term	1,609,311	1,636,047
Vehicles murabahat	6,572,984	6,589,053
Real estate murabahat	5,241,760	5,391,693
Total Murabahat	19,828,813	20,170,566
Istisna'a	8,338,920	8,362,108
Ijara	13,145,991	11,583,847
Islamic credit cards	400,880	392,014
	41,714,604	40,508,535
Less: Deferred income	(4,322,673)	(4,414,648)
Provisions for impairment	(1,985,008)	(1,845,257)
Contractors and consultants' Istisna'a contracts	(984,532)	(1,147,768)
	34,422,391	33,100,862
Investing:		
Musharakat	10,629,400	10,524,280
Mudarabat	5,209,957	5,456,053
Wakalat	862,765	946,791
	16,702,122	16,927,124
Less: Provisions for impairment	(108,737)	(103,045)
	16,593,385	16,824,079
Total Islamic financing and investing assets, net	51,015,776	49,924,941

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

7 Islamic financing and investing assets, net (continued)

Provision for impairment

Movements in the provision for impairment are as follows:

	31 March 2010 (unaudited)			31 December 2009 (audited)		
	Financing AED'000	Investing AED'000	Total AED'000	Financing AED'000	Investing AED'000	Total AED'000
At January 1	1,845,257	103,045	1,948,302	1,186,864	58,337	1,245,201
Charge for the period/year	175,660	12,013	187,673	784,803	72,452	857,255
Release to the consolidated income statement	(35,309)	(7,870)	(43,179)	(113,519)	(27,046)	(140,565)
Write-offs	(603)	-	(603)	(12,861)	-	(12,861)
Others	3	1,549	1,552	(30)	(698)	(728)
Balance at end of the period/year	1,985,008	108,737	2,093,745	1,845,257	103,045	1,948,302

8 Investments in Islamic sukuk

	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Held to maturity – at amortised cost		
U.A.E.	7,756,407	7,736,096
Other G.C.C. Countries	197,653	346,161
Rest of the World	141,651	238,857
	8,095,711	8,321,114
Available for sale		
U.A.E	994,453	969,683
Total	9,090,164	9,290,797

Held to maturity investments in Islamic sukuk are measured at amortised cost and available for sale investments in Islamic sukuk after initial recognition are re-measured at fair value with changes in fair value recognised in other comprehensive income.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

9 Other investments

	31 March 2010 (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	1,244	103,929	19,289	124,462
Available for sale investments				
Quoted:				
Equity instruments *	648,032	111,777	40,679	800,488
Unquoted:				
Equity instruments	217,095	133,388	191,774	542,257
Investment funds	138,580	14,788	390,514	543,882
	355,675	148,176	582,288	1,086,139
Gross available for sale investments	1,003,707	259,953	622,967	1,886,627
Allowance for impairment	-	(8,908)	(21,023)	(29,931)
Net available for sale investments	1,003,707	251,045	601,944	1,856,696
Total	1,004,951	354,974	621,233	1,981,158
31 December 2009 (audited)				
	U.A.E. AED'000	Other G.C.C. Countries AED'000	Rest of World AED'000	Total AED'000
Investments carried at fair value through profit or loss				
Equity instruments	1,212	108,192	19,157	128,561
Available for sale investments				
Quoted:				
Equity instruments *	603,650	95,909	40,255	739,814
Unquoted:				
Equity instruments	212,863	133,389	192,627	538,879
Investment funds	142,968	-	406,996	549,964
	355,831	133,389	599,623	1,088,843
Gross available for sale investments	959,481	229,298	639,878	1,828,657
Allowance for impairment	-	(12,862)	(18,406)	(31,268)
Net available for sale investments	959,481	216,436	621,472	1,797,389
Total	960,693	324,628	640,629	1,925,950

* The available for sale investments include an investment of AED 205,652,700 (2009: AED 205,652,700) which was suspended for trading on the local stock market in November 2008. The investment is valued at the last traded price before its suspension on the local stock market.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

10 Investments properties

	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Land		
In U.A.E.	1,171,398	1,171,398
Other G.C.C. Countries	936	936
Rest of the world	51,783	51,783
	1,224,117	1,224,117
Less: Provision for impairment	(300)	(300)
	1,223,817	1,223,817
Other real estate		
In U.A.E.	353,121	353,121
Other G.C.C. Countries	4,193	4,193
Rest of World	518,194	555,659
	875,508	912,973
Less: Accumulated depreciation	(143,440)	(140,502)
	732,068	772,471
Investment properties, net	1,955,885	1,996,288

11 Customers' deposits

	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Current accounts	15,281,509	14,015,030
Saving accounts	9,937,522	9,881,740
Investment deposits	39,227,021	40,023,078
Margin accounts	215,613	233,769
Profit equalisation provision	9,886	41,886
	64,671,551	64,195,503

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)****12 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 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, Sharia'a compliant authorised investments and any replaced assets of the Bank to a Sukuk company, DIB Sukuk Company Limited – the Issuer, especially 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.

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

During 2010, sukuks amounting to USD 8.7 million (AED 32 million) were bought back at a discount, including buy back through a cash tender offer to sukuk holders. The Bank has recognised AED 4.7 million as a related gain on sukuk buy back which is included under other income. These sukuk certificates will be cancelled upon maturity when the Bank will re-purchase the Co Owned Assets.

13 Medium term wakala finance

The Bank opted to reclassify wakala deposits received in 2008 from U.A.E. Ministry of Finance amounting to AED 3.75 billion to Tier 2 qualifying finance ("Tier 2 finance"). The conversion process has been approved by the Shareholders in the Extraordinary General Meeting held in April 2009. The wakala capital provided by the U.A.E. Ministry of Finance (the Muwakkil) to the Bank (the Wakeel) will be used in investments for a tenor of seven years commencing from the date of reclassification and will mature in December 2016. Wakala profit will be paid every three months based on the expected profit rate range of 4.00% – 5.25% per annum.

In accordance with the terms of wakala agreement, Muwakkil's rights and claims on the Wakeel in respect of wakala are wholly subordinated to the rights and claims of all other non subordinated creditors.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

14 Share capital

	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
<i>Authorised capital:</i>		
3,797,054,290 shares of AED 1 each		
(2009 : 3,617,505,000 shares of AED 1 each)	3,797,054	3,617,505
<i>Issued and fully paid up:</i>		
3,797,054,290 shares of AED 1 each		
(2009: 3,617,505,000 shares of AED 1 each)	3,797,054	3,617,505

At the Annual General Meeting held on 31 March 2010, the Shareholders approved a bonus issue in respect of 2009 of 179,549,290 (2009: 172,105,000) amounting to AED 179,549,290 (2009: AED 172,105,000).

15 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.

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 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
<i>Contingent liabilities:</i>		
Letters of credit	3,115,806	3,040,028
Letters of guarantee	10,386,395	10,484,586
Acceptances	449,653	479,915
	13,951,854	14,004,529

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

15 Commitments and contingent liabilities (continued)

Financing-related financial instruments (continued)

	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
<i>Commitments:</i>		
Capital expenditure commitments	419,477	416,257
Irrevocable undrawn facilities commitments	9,447,000	11,217,244
	9,866,477	11,633,501
Total contingent liabilities and commitments	23,818,331	25,638,030

16 Income from Islamic financing and investing assets

	31 March (unaudited) 2010 AED'000	2009 AED'000
Financing assets:		
Commodities murabahat	104,497	122,720
International murabahat	1,813	6,402
Vehicles murabahat	121,001	121,074
Real estate murabahat	76,594	97,878
	303,905	348,074
Total murabahat income	303,905	348,074
Istisna'a	110,048	97,031
Ijara	129,994	151,074
	543,947	596,179
Income from financing assets	543,947	596,179
Investing assets:		
Musharakat	153,401	157,298
Mudarabat	63,658	86,716
Wakalat	9,447	7,559
Others	3,100	679
	229,606	252,252
Income from investing assets	229,606	252,252
Total income from Islamic financing and investing assets	773,553	848,431

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

17 Commissions, fees and foreign exchange income

	31 March (unaudited)	
	2010	2009
	AED'000	AED'000
Trade related commission and fees	46,791	62,936
Other commission and fees	93,915	80,278
Gains on unilateral promise to buy/sell currencies	29,723	31,922
Fair value effects of Islamic derivatives	(17)	(1,417)
	170,412	176,197

18 Business combination

In 2009, the Bank acquired a 50% interest in Millennium Private Equity L.L.C. ("MPE") a Company based in U.A.E. and engaged in fund management activities. The fair value of the identifiable assets and liabilities of MPE acquired at that date were as follows:

	Recognised on acquisition 2009 (audited) AED'000
Cash and balances with banks	4,269
Other assets	9,964
Property and equipment	1,344
Total assets	15,577
Other liabilities	7,477
Total liabilities	7,477
Fair value of net assets – 100%	8,100
Consideration for acquisition	38,566
Less: fair value of identifiable net assets acquired	(4,050)
Goodwill arising on acquisition	34,516

The fair value of the net assets has been arrived at on the basis of a valuation carried out by an external valuer that are not related to the Bank.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

19 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 (unaudited)	
	2010	2009
Net profit for the period attributable to the equity holders of the Bank (AED'000)	200,246	370,277
Weighted average number of shares of in issue throughout the period (000)	3,797,054	3,797,054
Basic and diluted earnings per share (AED)	AED 0.05	AED 0.09

The earnings per share of AED 0.10 as reported for 2009 has been adjusted for the effect of the shares issued in 2010 as a result of the bonus issue.

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.

20 Related party transactions

The Bank enters into transactions with Shareholders, directors, key management personnel and their related concerns in the ordinary course of business at commercial profit and commission rates. All facilities to related parties are performing facilities and are free of any provision for possible impairment.

The significant balances outstanding at 31 March in respect of related included in the condensed consolidated financial statements are as follows:

	Major shareholders AED'000	Directors and key management personnel AED'000	Associates AED'000	Total AED'000
2010				
Islamic financing and investing assets	1,836,500	192,817	588,774	2,618,091
Customers' deposits	5,390,754	55,936	272,471	5,719,161
Income from financing and investing assets	13,433	3,060	7,180	23,673
Depositors' share of profits	35,453	184	1,031	36,668
Contingent liabilities	-	1,185	700	1,885
2009				
Islamic financing and investing assets	1,836,500	181,278	549,474	2,567,252
Customers' deposits	2,800,487	83,800	296,296	3,180,583
Income from financing and investing assets	27,649	2,954	2,932	33,535
Depositors' share of profits	41,549	332	785	42,666
Contingent liabilities	-	6,235	9,441	15,676

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

20 Related party transactions (continued)

The compensation paid to key management personnel of the Bank is as follows:

	31 March (unaudited)	
	2010	2009
	AED'000	AED'000
Salaries and other benefits	10,122	10,686
End of service benefits	1,688	603

21 Segmental information

For operating purposes, the Bank is organised into five 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) Treasury: Principally responsible for managing bank's overall liquidity and market risk and provides treasury services to customers. Treasury also run its own Islamic debt and specialise financial instruments book to manage the above risks.
- v) Others: Functions other than above core lines of businesses.

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.

21 Segmental information (continued)

The following table presents income and net profit regarding the Bank's business segments:

	31 March (unaudited)															
	Retail and business banking				Corporate & Investment banking				Real estate		Treasury		Others		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment revenue, net	374,323	385,259	249,219	188,496	(85,313)	188,496	(104,127)	(58,423)	87,622	102,640	104,549	192,004	711,586	809,976		
Operating expenses	(207,896)	(200,879)	(85,313)	(92,766)	(85,313)	(92,766)	(12,086)	(13,505)	(5,378)	(5,442)	(24,993)	(23,330)	(335,666)	(335,922)		
Net impairment losses on financial assets	(33,775)	(20,142)	(138,188)	(83,115)	(138,188)	(83,115)	-	-	-	-	(2,257)	(768)	(174,220)	(104,025)		
Net profit for the period before tax	132,652	164,238	25,718	12,615	(85,313)	12,615	(116,213)	(71,928)	82,244	97,198	77,299	167,906	201,700	370,029		
Income tax expense													(1,454)	248		
Net profit for the period													200,246	370,277		
Capital expenditure	1,911	2,023	1,910	2,024	1,910	2,024	-	-	1,910	2,024	13,736	24,086	19,467	30,157		

Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)

21 Segmental information (continued)

Primary segment information – business segments (continued)

The following is an analysis of the Bank's assets and liabilities by operating segment:

	Retail and business banking		Corporate & investment banking		Real estate		Treasury		Others		Total	
	31 March 2010	31 December 2009	31 March 2010	31 December 2009	31 March 2010	31 December 2009	31 March 2010	31 December 2009	31 March 2010	31 December 2009	31 March 2010	31 December 2009
	(unaudited) AED'000	(audited) AED'000	(unaudited) AED'000	(audited) AED'000	(unaudited) AED'000	(audited) AED'000	(unaudited) AED'000	(audited) AED'000	(unaudited) AED'000	(audited) AED'000	(unaudited) AED'000	(audited) AED'000
Segment assets	12,782,187	11,976,951	43,040,934	42,620,373	5,350,345	5,404,995	9,272,851	9,440,813	14,525,149	14,861,139	84,971,466	84,304,271
Segment liabilities and equity	44,873,421	41,289,633	25,265,587	27,975,435	809,722	802,008	4,034,964	4,226,922	9,987,772	10,010,273	84,971,466	84,304,271

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

21 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 and capital expenditure by geographical segment for the period ending 31 March 2010 and 2009 (unaudited).

	31 March 2010 (unaudited)					
	Domestic		International		Total	
	2010	2009	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross income	<u>972,024</u>	<u>1,259,786</u>	<u>106,498</u>	<u>46,120</u>	<u>1,078,522</u>	<u>1,305,906</u>
Capital expenditure	<u>289,042</u>	<u>26,774</u>	<u>130,435</u>	<u>3,383</u>	<u>419,477</u>	<u>30,157</u>

The following table shows the analysis of the Bank's assets and liabilities by geographical segment:

	Domestic		International		Total	
	31 March	31 December	31 March	31 December	31 March	31 December
	2010	2009	2010	2009	2010	2009
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Total assets	<u>79,115,968</u>	<u>76,872,268</u>	<u>5,855,498</u>	<u>7,432,003</u>	<u>84,971,466</u>	<u>84,304,271</u>
Total liabilities and equity	<u>79,788,846</u>	<u>79,429,952</u>	<u>5,182,620</u>	<u>4,874,319</u>	<u>84,971,466</u>	<u>84,304,271</u>

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

22 Capital adequacy as per BASEL I and BASEL II guidelines

	Basel I		Basel II	
	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000	31 March 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
<i>Tier 1 Capital</i>				
Share capital	3,797,054	3,617,505	3,797,054	3,617,505
Statutory reserves	2,731,879	2,731,879	2,731,879	2,731,879
Donated land reserve	-	-	276,139	276,139
General reserves	2,350,000	2,350,000	2,350,000	2,350,000
Retained earnings	104,503	104,025	104,503	104,025
Non-controlling interest	823	4,910	-	-
	8,984,259	8,808,319	9,259,575	9,079,548
Less:				
Goodwill and intangibles	(34,516)	(34,516)	(34,516)	(34,516)
Cumulative deferred exchange losses	-	-	(74,575)	(74,321)
Treasury shares	(70,901)	(70,901)	(70,901)	(70,901)
	8,878,842	8,702,902	9,079,583	8,899,810
<i>Tier 2 Capital</i>				
Hedging reserves	22,770	22,770	22,770	22,770
Collective impairment	402,785	352,814	402,785	352,814
Medium term wakala finance	3,752,543	3,752,543	3,752,543	3,752,543
Deductions for associates	(534,978)	(525,300)	(534,978)	(525,300)
	3,643,120	3,602,827	3,643,120	3,602,827
Total capital base	12,521,962	12,305,729	12,722,703	12,502,637
<i>Risk weighted assets</i>				
On balance sheet	60,957,209	61,005,391	-	-
Off balance sheet	7,697,085	7,772,421	-	-
Credit risk	-	-	65,004,629	64,478,003
Market risk	-	-	1,826,777	2,026,564
Operational risk	-	-	5,051,584	5,051,584
Total risk weighted assets	68,654,294	68,777,812	71,882,990	71,556,151
<i>Capital Ratios</i>				
Total regulatory capital expressed as a percentage of total risk weighted assets	18.4%	17.9%	17.7%	17.5%
Tier 1 capital to total risk weighted assets after deductions for associates	13.1%	12.7%	12.6%	12.1%

The capital adequacy ratio was above the minimum requirement of 11% stipulated by U.A.E. Central Bank as of 31 March 2010 (2009: 10%).

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

23 Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated income statement for the three months period ended 31 March 2010 and 2009.

24 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 5 May 2010.