

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

**Review report and interim
financial information for the
period ended 30 June 2010**

DUBAI ISLAMIC BANK P.J.S.C.

**Review report and interim financial information
for the period ended 30 June 2010**

	Pages
Report on review of interim financial information	1
Condensed consolidated balance sheet	2
Condensed consolidated income statement (unaudited)	3
Condensed consolidated statement of comprehensive income (unaudited)	4
Condensed consolidated statement of changes in equity (unaudited)	5 - 6
Condensed consolidated statement of cash flows (unaudited)	7
Notes to the condensed consolidated financial statements	8 - 30

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

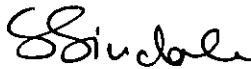
We have reviewed the accompanying condensed consolidated balance sheet of Dubai Islamic Bank P.J.S.C. and its subsidiaries (together referred to as the "Bank") as of 30 June 2010, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six 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 Standard 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.

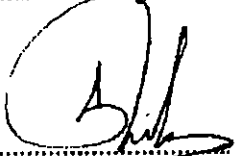


Saba Y. Sindaha
Registration Number 410
10 August 2010



**Condensed consolidated balance sheet
as at 30 June 2010**

	Notes	30 June 2010 AED'000 (unaudited)	31 December 2009 AED'000 (audited)
ASSETS			
Cash and balances with Central Banks	4	11,088,399	11,611,570
Balances and deposits with banks and other financial institutions	5	1,219,212	1,352,299
International murabahat with financial institutions, short term	6	2,529,542	1,204,959
Islamic financing and investing assets, net	7	50,031,914	49,924,941
Investments in Islamic sukuk	8	8,213,007	9,290,797
Investments in associates		4,235,093	4,295,168
Other investments	9	1,840,188	1,925,950
Properties under construction		454,998	388,648
Properties held for sale		148,282	157,269
Investment properties	10	1,908,914	1,996,288
Receivables and other assets		1,467,316	1,464,071
Property, plant and equipment		632,498	657,795
Goodwill	19	34,516	34,516
Total assets		83,803,879	84,304,271
LIABILITIES			
Customers' deposits	11	64,808,268	64,195,503
Due to banks and other financial institutions		1,142,749	1,449,051
Sukuk financing instruments	12	2,357,074	2,415,034
Medium term wakala finance	13	3,752,543	3,752,543
Other liabilities		2,883,651	3,370,804
Accrued zakat		-	140,536
Total liabilities		74,944,285	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		(88,964)	(77,841)
Cumulative changes in fair value		(770,774)	(723,713)
Hedging reserve		27,555	50,600
Retained earnings		605,867	822,222
Equity attributable to equity holders of the parent		8,857,855	8,975,890
Non-controlling interest		1,739	4,910
Total equity		8,859,594	8,980,800
Total liabilities and equity		83,803,879	84,304,271
Commitments and contingent liabilities	15	24,783,784	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 accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated income statement (unaudited)
for the period ended 30 June 2010**

	Notes	3 months ended 30 June		6 months ended 30 June	
		2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
INCOME					
Income from Islamic financing and investing assets	16	794,868	856,517	1,568,421	1,704,948
Income from investments in Islamic sukuk		94,158	148,485	189,647	310,421
Income from international murabahat, short term		8,703	13,330	17,058	33,259
Share of (loss)/profits of associates		(26,104)	13,375	(50,492)	29,399
(Loss)/income from other investments		(2,131)	45,015	9,976	40,956
Commissions, fees and foreign exchange income	17	195,321	208,711	365,733	384,908
Income from investment properties		9,887	11,912	22,328	26,585
Income/(loss) from sale of properties under construction		534	(176)	3,882	751
Other income		32,869	68,074	60,074	139,922
		<u>1,108,105</u>	<u>1,365,243</u>	<u>2,186,627</u>	<u>2,671,149</u>
EXPENSES					
General and administrative expenses		(308,723)	(318,712)	(639,374)	(651,401)
Depreciation of investment properties		(3,539)	(3,233)	(8,554)	(6,466)
Net impairment losses on financial assets		(145,885)	(135,379)	(320,105)	(239,404)
Total operating expenses		<u>(458,147)</u>	<u>(457,324)</u>	<u>(968,033)</u>	<u>(897,271)</u>
Profit before depositors' share and tax		<u>649,958</u>	<u>907,919</u>	<u>1,218,594</u>	<u>1,773,878</u>
Depositors' share of profits		(346,357)	(448,631)	(713,293)	(944,561)
Profit for the period before tax		<u>303,601</u>	<u>459,288</u>	<u>505,301</u>	<u>829,317</u>
Income tax expense		(1,344)	(6,316)	(2,798)	(6,068)
Net profit for the period		<u>302,257</u>	<u>452,972</u>	<u>502,503</u>	<u>823,249</u>
Attributed to:					
Equity holders of the parent		301,341	450,291	501,364	820,568
Non-controlling interest		916	2,681	1,139	2,681
Net profit for the period		<u>302,257</u>	<u>452,972</u>	<u>502,503</u>	<u>823,249</u>
Basic and diluted earning per share attributable to the equity holders of the parent (AED)	18	<u>0.08</u>	<u>0.12</u>	<u>0.13</u>	<u>0.22</u>

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 30 June 2010**

	3 months ended 30 June		6 months ended 30 June	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Net profit for the period	302,257	452,972	502,503	823,249
Other comprehensive (loss)/income item				
Fair value (losses)/gain on available for sale investments	(116,342)	121,159	(40,360)	46,806
Reclassification adjustment for (gain)/loss included in profit or loss.	(6,701)	(2,509)	(6,701)	4
Currency translation differences of foreign operations	(9,881)	(2,799)	(11,123)	(9,581)
Fair value changes on cash flow hedge	-	(43,623)	-	(15,593)
Reclassification of cash flow hedging reserve to profit or loss	(23,045)	(18,154)	(23,045)	(18,154)
Other comprehensive (loss)/income for the period	(155,969)	54,074	(81,229)	3,482
Total comprehensive income for the period	146,288	507,046	421,274	826,731
Attributable to:				
Equity holders of the parent	145,372	504,365	420,135	824,050
Non-controlling interest	916	2,681	1,139	2,681
	146,288	507,046	421,274	826,731

The accompanying 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 30 June 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	-	-	-	-	-	501,364	501,364	1,139	502,503
<i>Other comprehensive income/(loss):</i>									
Fair value loss on available for sale investments	-	-	-	(40,360)	-	-	(40,360)	-	(40,360)
Reclassification adjustment for gain included in profit or loss	-	-	-	(6,701)	-	-	(6,701)	-	(6,701)
Currency translation differences of foreign operations	-	-	(11,123)	-	-	-	(11,123)	-	(11,123)
Reclassification of cash flow hedging reserve to profit or loss	-	-	-	-	(23,045)	-	(23,045)	-	(23,045)
Total comprehensive income for the period	-	-	(11,123)	(47,061)	(23,045)	501,364	420,135	1,139	421,274
Issuance of bonus shares	179,549	-	-	-	-	(179,549)	-	-	-
Dividends paid	-	-	-	-	-	(538,648)	(538,648)	(4,310)	(542,958)
Share based payments vested	-	-	-	-	-	478	478	-	478
Balance at 30 June 2010 (unaudited)	3,797,054	(70,901)	5,269,054	(770,774)	27,555	605,867	8,857,855	1,739	8,859,594

The accompanying 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 30 June 2010 (continued)

	Share capital AED'000	Share based payments 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 (audited) (as 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	-	-	-	-	-	820,568	820,568	2,681	823,249
<i>Other comprehensive income/(loss):</i>									
Fair value gain on available for sale investments	-	-	-	46,806	-	-	46,806	-	46,806
Reclassification adjustment for loss included in profit or loss	-	-	-	4	-	-	4	-	4
Currency translation differences of foreign operations	-	-	(9,581)	-	-	-	(9,581)	-	(9,581)
Fair value changes on cash flow hedge	-	-	-	-	(15,593)	-	(15,593)	-	(15,593)
Reclassification of cash flow hedging reserve to profit or loss	-	-	-	-	(18,154)	-	(18,154)	-	(18,154)
Total comprehensive income for the period	-	-	(9,581)	46,810	(33,747)	820,568	824,050	2,681	826,731
Issuance of bonus shares	172,105	-	-	-	-	(172,105)	-	-	-
Dividends paid	-	-	-	-	-	(860,523)	(860,523)	-	(860,523)
Share based payments vested	-	-	-	-	-	2,722	2,722	-	2,722
Balance at 30 June 2009 (unaudited)	3,617,505	(3,307)	5,188,757	(841,904)	77,664	676,805	8,715,520	2,801	8,718,321

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

**Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 June 2010**

	6 months ended 30 June	
	2010	2009
	AED'000	AED'000
Operating activities		
Net profit for the period before taxation and non-controlling interest	505,301	829,317
Adjustments for:		
Revaluation of investments at fair value through profit or loss	15,037	(4,012)
Provisions for impairment, net of recoveries	320,106	239,404
Depreciation of investment properties	8,554	6,466
Depreciation of property, plant and equipment	60,671	56,338
Share of loss/(profits) of associates	50,492	(29,399)
Gain on sale of investment properties	-	(2,691)
Gain on sale of properties held for sale	(3,882)	(751)
Gain on sale of investments	(4,760)	(2,743)
Dividend income	(19,814)	(26,370)
Cost of share based payments	478	2,722
Gain on buy back of sukuk financing instruments	(7,137)	(36,430)
Property, plant and equipment writeoffs	3,350	-
Amortisation of hedging reserve	(23,044)	(18,154)
Operating profit before changes in operating assets and liabilities	905,352	1,013,697
Islamic financing and investing assets	(396,810)	1,695,368
Receivables and other assets	(19,624)	(123,064)
Customers' deposits	612,765	5,108,831
Due to banks and other financial institutions	(306,302)	(2,176,030)
Other liabilities	(423,014)	447,682
Accrued zakat	(140,536)	(143,166)
Cash from operations	231,831	5,823,318
Tax paid	(1,237)	(3,544)
Net cash from operating activities	230,594	5,819,774
Investing activities		
Net movement in investments in Islamic sukuk	1,075,670	27,939
Net movement in investments at fair value through profit or loss	-	34,605
Net movement in available for sale investments	(1,045)	108,838
Proceeds from disposal of investment properties	-	5,789
Additions to properties under construction	(66,350)	(79,129)
Proceeds from sale of properties held for sale	8,122	2,582
Purchase of properties held for sale	(56)	-
Dividend income	19,814	26,370
Investments in associates	(2,653)	(156,337)
Purchase of property, plant and equipment	(39,732)	(94,479)
Proceeds from disposal of property, plant and equipment	-	381
Exchange and other adjustments	37,742	14,441
Net cash from/(used in) investing activities	1,031,512	(109,000)
Financing activities		
Repayment of Sukuk financing instruments	(50,823)	(268,502)
Cash dividends paid	(538,648)	(860,523)
Non controlling interests	(4,310)	-
Net cash used in financing activities	(593,781)	(1,129,025)
Increase in cash and cash equivalents	668,325	4,581,749
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 (note 21)	14,748,317	14,391,994

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

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010**

1 General

Dubai Islamic Bank P.J.S.C. (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 include 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 P.S.C (formerly Islamic Investment Company P.S.C.)	Financing and 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 30 June 2010 (continued)**

1 General (continued)

	Subsidiaries	Principal activity	Country of incorporation	Percentage of equity	
				2010	2009
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 Barbanners	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	Controlling interest
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	Controlling interest
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	
				2010	2009
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	
				2010	2009
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 30 June 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
• Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13 resulting from May 2010 Annual Improvements to IFRSs	Majority effective for annual periods beginning on or after 1 January 2011
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 has not yet had the opportunity to consider the potential impact of the adoption of these amendments.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 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 Estimates

The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Bank's accounting policies, and the key sources of estimates uncertainty were the same as those were applied to the consolidated financial statements as at and for the year ended 31 December 2009.

3.3 Financial risk management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2009.

3.4 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.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.5 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 profit rate method.

Any gain or loss on such investments is recognised in profit or loss 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 profit rate, with the resulting impairment loss, if any, in profit or loss.

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 profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available for sale are not subsequently reversed through profit or loss.

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 profit or loss, and other changes are recognised in equity.

Dividends on available for sale equity instruments are recognised in profit or loss when the Bank's right to receive the dividends is established.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.5 Other investments (continued)

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 profit or loss.

3.6 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 profit or loss in 'Income from investment properties' 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.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

4 Cash and balances with Central Banks

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Cash in hand	1,077,001	1,491,173
Balances with central banks		
- Current accounts	6,165,029	6,376,863
- Reserve requirements	3,846,369	3,743,534
	<u>11,088,399</u>	<u>11,611,570</u>

5 Balances and deposits with banks and other financial institutions

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Within the U.A.E.	789,667	697,168
Outside the U.A.E.	429,545	655,131
	<u>1,219,212</u>	<u>1,352,299</u>

6 International murabahat with financial institutions, short term

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Within the U.A.E.	1,162,876	102,872
Outside the U.A.E.	1,366,666	1,102,087
	<u>2,529,542</u>	<u>1,204,959</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

7 Islamic financing and investing assets, net

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Financing:		
Commodities murabahat	6,042,001	6,553,773
International murabahat, long term	1,725,494	1,636,047
Vehicles murabahat	6,620,165	6,589,053
Real estate murabahat	5,071,532	5,391,693
Total Murabahat	19,459,192	20,170,566
Istisna'a	7,879,853	8,362,108
Ijara	13,079,872	11,583,847
Salam finance	274,320	-
Islamic credit cards	412,572	392,014
	41,105,809	40,508,535
Less: Deferred income	(4,185,249)	(4,414,648)
Contractors and consultants' Istisna'a contracts	(762,966)	(1,147,768)
Provisions for impairment	(2,101,272)	(1,845,257)
	34,056,322	33,100,862
Investing:		
Musharakat	10,178,005	10,524,280
Mudarabat	4,991,910	5,456,053
Wakalat	941,418	946,791
	16,111,333	16,927,124
Less: Provisions for impairment	(135,741)	(103,045)
	15,975,592	16,824,079
Total Islamic financing and investing assets, net	50,031,914	49,924,941

Provision for impairment

Movements in the provision for impairment are as follows:

	30 June 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	355,812	41,521	397,333	784,803	72,452	857,255
Release to profit or loss	(98,888)	(8,607)	(107,495)	(113,519)	(27,046)	(140,565)
Write-offs	(870)	-	(870)	(12,861)	-	(12,861)
Others	(39)	(218)	(257)	(30)	(698)	(728)
Balance at end of the period/year	2,101,272	135,741	2,237,013	1,845,257	103,045	1,948,302

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

8 Investments in Islamic sukuk

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Held to maturity – at amortised cost		
U.A.E.	6,752,517	7,736,096
Other G.C.C. Countries	195,702	346,161
Rest of the World	131,400	238,857
	7,079,619	8,321,114
Available for sale		
U.A.E	1,133,388	969,683
Total	8,213,007	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.

9 Other investments

	30 June 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 profit or loss				
Equity instruments	930	82,042	23,952	106,924
Available for sale investments				
Quoted:				
Equity instruments *	557,537	95,653	37,983	691,173
Unquoted:				
Equity instruments	217,095	133,387	189,855	540,337
Investment funds	133,501	-	397,569	531,070
	350,596	133,387	587,424	1,071,407
Gross available for sale investments	908,133	229,040	625,407	1,762,580
Allowance for impairment	-	(8,908)	(20,408)	(29,316)
Net available for sale investments	908,133	220,132	604,999	1,733,264
Total	909,063	302,174	628,951	1,840,188

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

9 Other investments (continued)

	31 December 2009 (audited)			Total AED'000
	U.A.E. AED'000	Other G.C.C. Countries AED'000	Rest of World 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 30 June 2010 (continued)**

10 Investments properties

	30 June 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
	<u>1,224,117</u>	<u>1,224,117</u>
Less: Provision for impairment	(300)	(300)
	<u>1,223,817</u>	<u>1,223,817</u>
Other real estate		
In U.A.E.	353,121	353,121
Other G.C.C. Countries	4,193	4,193
Rest of World	472,213	555,659
	<u>829,527</u>	<u>912,973</u>
Less: Accumulated depreciation	(144,430)	(140,502)
	<u>685,097</u>	<u>772,471</u>
Investment properties, net	<u>1,908,914</u>	<u>1,996,288</u>

11 Customers' deposits

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Current accounts	15,268,772	14,015,030
Saving accounts	10,092,646	9,881,740
Investment deposits	39,242,792	40,023,078
Margin accounts	203,758	233,769
Profit equalisation provision	300	41,886
	<u>64,808,268</u>	<u>64,195,503</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 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 15.8 million (AED 58.0 million) were bought back at a discount. The Bank has recognised AED 6.8 million (30 June 2009: AED 36.4 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 six 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 30 June 2010 (continued)**

14 Share capital

	30 June 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)	<u>3,797,054</u>	<u>3,617,505</u>
<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)	<u>3,797,054</u>	<u>3,617,505</u>

At the Annual General Meeting held on 31 March 2010, the Shareholders approved a bonus issue in respect of 2009 of AED 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:

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
<i>Contingent liabilities:</i>		
Letters of credit	2,966,877	3,040,028
Letters of guarantee	9,836,570	10,484,586
Acceptances	635,433	479,915
	<u>13,438,880</u>	<u>14,004,529</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

15 Commitments and contingent liabilities (continued)

Financing-related financial instruments (continued)

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
<i>Commitments:</i>		
Capital expenditure commitments	383,285	416,257
Irrevocable undrawn facilities commitments	10,961,618	11,217,244
	<u>11,344,903</u>	<u>11,633,501</u>
Total contingent liabilities and commitments	<u>24,783,784</u>	<u>25,638,030</u>

16 Income from Islamic financing and investing assets (unaudited)

	3 months ended 30 June		6 months ended 30 June	
	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Financing assets:				
Commodities murabahat	109,249	109,917	213,746	232,637
International murabahat	3,273	5,262	5,086	11,665
Vehicles murabahat	123,997	120,410	244,998	241,484
Real estate murabahat	59,878	89,651	136,472	187,529
Total murabahat income	<u>296,397</u>	<u>325,240</u>	<u>600,302</u>	<u>673,315</u>
Istisna'a	123,534	98,824	233,582	195,855
Ijara	142,193	156,670	272,187	307,743
Salam finance	1,471	-	1,471	-
Income from financing assets	<u>563,595</u>	<u>580,734</u>	<u>1,107,542</u>	<u>1,176,913</u>
Investing assets:				
Musharakat	152,347	154,390	305,748	311,689
Mudarabat	66,423	100,640	130,081	187,356
Wakalat	9,167	19,502	18,614	27,061
Others	3,336	1,251	6,436	1,929
Income from investing assets	<u>231,273</u>	<u>275,783</u>	<u>460,879</u>	<u>528,035</u>
Total income from Islamic financing and investing assets	<u>794,868</u>	<u>856,517</u>	<u>1,568,421</u>	<u>1,704,948</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

17 Commissions, fees and foreign exchange income (unaudited)

	3 months ended 30 June		6 months ended 30 June	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Trade related commission and fees	49,368	77,709	96,158	140,645
Other commission and fees	80,590	96,046	174,506	176,323
Gains on unilateral promise to buy/sell currencies	40,804	16,262	70,527	50,663
Fair value effects of Islamic profit rate swaps	1,515	540	1,498	(877)
Amortisation of cash flow hedging reserve	23,044	18,154	23,044	18,154
	195,321	208,711	365,733	384,908

18 Earnings per share (unaudited)

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:

	3 months ended 30 June		6 months ended 30 June	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Net profit attributable to the equity holders of the Bank (AED 000)	301,341	450,291	501,364	820,568
Weighted average number of shares in issue throughout the period (000)	3,772,112	3,797,054	3,772,112	3,797,054
Basic and diluted earnings per share (AED)	0.08	0.12	0.13	0.22

The earnings per share of AED 0.22 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 potentially dilutive instruments which would have an impact on earnings per share when exercised.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

19 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 30 June 2010 (continued)**

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 30 June in respect of related parties 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	189,074	389,300	2,414,874
Customers' deposits	2,576,699	32,221	62,988	2,671,908
Income from islamic financing and investing assets	27,887	5,651	9,673	43,212
Depositors' share of profits	44,810	297	-	45,107
Contingent liabilities	-	590	700	1,290
2009				
Islamic financing and investing assets	1,811,548	180,555	785,389	2,847,492
Customers' deposits	2,971,569	24,156	332,033	3,327,758
Income from islamic financing and investing assets	8,322	5,583	30,847	44,752
Depositors' share of profits	76,517	378	2,055	78,950
Contingent liabilities	-	-	32,475	32,475

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

	6 months ended 30 June (unaudited)	
	2010 AED'000	2009 AED'000
Salaries and other benefits	17,008	21,372
End of service benefits	1,878	1,206

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

21 Cash and cash equivalents

	30 June 2010 (unaudited) AED'000	30 June 2009 (unaudited) AED'000
Cash and balances with Central Banks	11,088,399	9,852,132
Balances and deposits with banks and financial institutions	1,219,212	1,016,814
International murabahat with financial institutions, short term	2,529,542	3,523,048
	14,837,153	14,391,994
Less: Balances and deposits with banks and financial institutions with original maturity over 3 months	(88,836)	-
	14,748,317	14,391,994

22 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, islamic 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 then 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.

Primary segment information – business segments

30 June (unaudited)

[illegible]

Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)

22 Segmental information (continued)

Primary segment information – business segments

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

	Retail and business banking		Corporate & investment banking		Real estate		Treasury		Others		Total	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	1 December 2009	30 June 2010	31 December 2009	30 June 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	13,235,722	11,976,951	41,511,063	42,620,373	5,231,096	5,404,995	8,356,347	9,440,813	15,469,651	14,861,139	83,803,879	84,304,271
Segment liabilities and equity	46,244,743	41,289,633	22,968,181	27,975,435	1,151,335	802,008	3,716,242	4,226,922	9,723,378	10,010,273	83,803,879	84,304,271

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

22 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 ended 30 June 2010 and 2009 (unaudited).

	30 June 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	2,134,972	2,577,404	101,253	93,745	2,236,079	2,671,149
Capital expenditure	35,973	91,263	3,893	3,216	39,866	94,479

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

	Domestic		International		Total	
	30 June	31 December	30 June	31 December	30 June	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	76,857,566	76,872,268	6,946,313	7,432,003	83,803,879	84,304,271
Total liabilities and equity	78,347,674	79,429,952	5,456,205	4,874,319	83,803,879	84,304,271

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

23 Capital adequacy as per BASEL I and BASEL II guidelines

	Basel I		Basel II	
	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000	30 June 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	401,898	104,025	401,898	104,025
Non-controlling interest	1,739	4,910	-	-
	9,282,570	8,808,319	9,556,970	9,079,548
Less:				
Goodwill and intangibles	(34,516)	(34,516)	(34,516)	(34,516)
Cumulative deferred exchange losses	-	-	(77,147)	(74,321)
Treasury shares	(70,901)	(70,901)	(70,901)	(70,901)
	9,177,153	8,702,902	9,374,406	8,899,810
<i>Tier 2 Capital</i>				
Hedging reserves	12,400	22,770	12,400	22,770
Collective impairment	442,721	352,814	442,721	352,814
Medium term wakala finance	3,752,543	3,752,543	3,752,543	3,752,543
Deductions for associates	(538,845)	(525,300)	(538,845)	(525,300)
	3,668,819	3,602,827	3,668,819	3,602,827
Total capital base	12,845,972	12,305,729	13,043,225	12,502,637
<i>Risk weighted assets</i>				
On balance sheet	59,123,804	61,005,391	-	-
Off balance sheet	7,437,841	7,772,421	-	-
Credit risk	-	-	64,057,223	64,478,003
Market risk	-	-	1,499,387	2,026,564
Operational risk	-	-	5,051,584	5,051,584
Total risk weighted assets	66,561,645	68,777,812	70,608,194	71,556,151
<i>Capital Ratios</i>				
Total regulatory capital expressed as a percentage of total risk weighted assets	19.3%	17.9%	18.5%	17.5%
Tier 1 capital to total risk weighted assets after deductions for associates	13.0%	12.7%	12.5%	12.1%

The capital adequacy ratio was above the minimum requirement of 12% stipulated by U.A.E. Central Bank as of 30 June 2010 (2009: 11%).

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

24 Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated income statement for the six months period ended 30 June 2010 and 2009 respectively.

25 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 10 August 2010.