

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

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

DUBAI ISLAMIC BANK P.J.S.C.

**Review report and interim financial information
for the period ended 30 September 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 30 September 2010, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month 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.

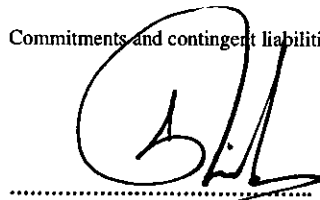


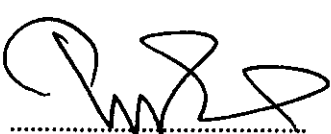
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Registration Number 410
1 November 2010

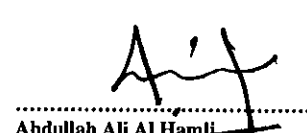


**Condensed consolidated balance sheet
as at 30 September 2010**

	Notes	30 September 2010 AED'000 (unaudited)	31 December 2009 AED'000 (audited)
ASSETS			
Cash and balances with Central Banks	4	7,680,623	11,611,570
Balances and deposits with banks and other financial institutions	5	1,413,935	1,352,299
International murababat with financial institutions, short term	6	3,412,140	1,204,959
Islamic financing and investing assets, net	7	50,235,276	49,924,941
Investments in Islamic sukuk	8	8,217,683	9,290,797
Investments in associates		4,174,445	4,295,168
Other investments	9	1,946,995	1,925,950
Properties under construction		503,273	388,648
Properties held for sale		143,237	157,269
Investment properties	10	1,952,015	1,996,288
Receivables and other assets		1,513,392	1,464,071
Property, plant and equipment		619,972	657,795
Goodwill	20	34,516	34,516
Total assets		81,847,502	84,304,271
LIABILITIES			
Customers' deposits	11	61,657,991	64,195,503
Due to banks and other financial institutions		2,003,315	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		2,850,814	3,370,804
Accrued zakat		-	140,536
Total liabilities		72,621,737	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		(91,526)	(77,841)
Cumulative changes in fair value		(672,368)	(723,713)
Hedging reserve		27,555	50,600
Retained earnings		875,450	822,222
Equity attributable to equity holders of the parent		9,223,282	8,975,890
Non-controlling interest		2,483	4,910
Total equity		9,225,765	8,980,800
Total liabilities and equity		81,847,502	84,304,271
Commitments and contingent liabilities	15	23,599,652	25,638,030


H. E. Mohammad A. Al Shaibani
Chairman


Sheikh Khalid Bin Zayed Al Nehyan
Deputy Chairman


Abdullah Ali Al Hamli
Chief Executive Officer

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

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

	Notes	3 months ended September 30		9 months ended September 30	
		2010	2009	2010	2009
		AED'000	AED'000	AED'000	AED'000
INCOME					
Income from Islamic financing and investing assets	16	803,346	819,940	2,371,767	2,524,888
Income from investments in Islamic sukuku		94,320	132,681	283,967	443,102
Income from international murabahat, short term		8,422	9,266	25,480	42,525
Share of (loss)/profits of associates		(51,858)	45,733	(102,350)	75,132
Income/(loss) from other investments		18,958	(40,010)	28,934	946
Commissions, fees and foreign exchange income	17	143,920	160,561	521,319	545,469
Income from investment properties		29,324	32,931	51,652	59,516
Income from sale of properties held for Sale		4,153	-	8,035	752
Other income		25,505	11,187	85,579	151,109
		1,076,090	1,172,289	3,274,383	3,843,439
EXPENSES					
General and administrative expenses		(340,532)	(328,357)	(991,572)	(979,759)
Depreciation of investment properties		(3,446)	(3,179)	(12,000)	(9,645)
Net impairment losses on financial assets		(123,831)	(163,836)	(443,936)	(403,240)
Total operating expenses		(467,809)	(495,372)	(1,447,508)	(1,392,644)
Profit before depositors' share and tax		608,281	676,917	1,826,875	2,450,795
Depositors' share of profits		(337,887)	(376,060)	(1,051,180)	(1,320,621)
Profit for the period before tax		270,394	300,857	775,695	1,130,174
Income tax (expense)/deferred		(67)	183	(2,865)	(5,885)
Net profit for the period		270,327	301,040	772,830	1,124,289
Attributed to:					
Equity holders of the parent		269,583	300,373	770,947	1,120,941
Non-controlling interest		744	667	1,883	3,348
Net profit for the period		270,327	301,040	772,830	1,124,289
Basic and diluted earning per share attributable to the equity holder of the parent (AED)					
	18	0.07	0.08	0.20	0.30

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 September 2010**

	3 months ended 30 September		9 months ended 30 September	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Net profit for the period	270,327	301,040	772,830	1,124,289
Other comprehensive income item				
Fair value gain on available for sale investments	113,615	166,419	73,255	213,225
Reclassification adjustment for available for sale investments (gain)/loss included in profit or loss	(15,209)	-	(21,910)	4
Currency translation differences of foreign operations	(2,562)	(8,534)	(13,685)	(18,115)
Fair value changes on cash flow hedge	-	-	-	(15,593)
Reclassification of cash flow hedging reserve to profit or loss	-	-	(23,045)	(18,154)
Other comprehensive income for the period	95,844	157,885	14,615	161,367
Total comprehensive income for the period	366,171	458,925	787,445	1,285,656
Attributable to:				
Equity holders of the parent	365,427	458,258	785,562	1,282,308
Non-controlling interest	744	667	1,883	3,348
	366,171	458,925	787,445	1,285,656

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

**Condensed consolidated statement of changes in equity (unaudited)
for the period ended 30 September 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	-	-	-	-	-	770,947	770,947	1,883	772,830
<i>Other comprehensive income:</i>									
Fair value gain on available for sale investments	-	-	-	73,255	-	-	73,255	-	73,255
Reclassification adjustment for available for sale investments gain included in profit or loss	-	-	-	(21,910)	-	-	(21,910)	-	(21,910)
Currency translation differences of foreign operations	-	-	(13,685)	-	-	-	(13,685)	-	(13,685)
Reclassification of cash flow hedging reserve to profit or loss	-	-	-	-	(23,045)	-	(23,045)	-	(23,045)
Total comprehensive income for the period	-	-	(13,685)	51,345	(23,045)	770,947	785,562	1,883	787,445
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 September 2010 (unaudited)	3,797,054	(70,901)	5,266,492	(672,368)	27,555	875,450	9,223,282	2,483	9,225,765

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

**Condensed consolidated statement of changes in equity (unaudited)
for the period ended 30 September 2010 (continued)**

	Share capital AED'000	Shared 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	-	-	-	-	-	1,120,941	1,120,941	3,348	1,124,289
<i>Other comprehensive incomes:</i>									
Fair value gain on available for sale investments	-	-	-	213,225	-	-	213,225	-	213,225
Reclassification adjustment for available for sale loss included in profit or loss	-	-	-	4	-	-	4	-	4
Currency translation differences of foreign operations	-	-	(18,115)	-	-	-	(18,115)	-	(18,115)
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	-	-	(18,115)	213,229	(33,747)	1,120,941	1,282,308	3,348	1,285,656
Issuance of shares	172,105	-	-	-	-	(172,105)	-	-	-
Dividends paid	-	-	-	-	-	(860,523)	(860,523)	-	(860,523)
Share based payments vested	-	-	-	-	-	4,082	4,082	-	4,082
Balance at 30 September 2009 (unaudited)	3,617,505	(3,307)	5,180,223	(675,485)	77,664	978,538	9,175,138	3,468	9,178,606

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 September 2010**

	9 months ended September 30	
	2010	2009
	AED'000	AED'000
Operating activities		
Net profit for the period before taxation and non-controlling interests	775,695	1,130,174
Adjustments for:		
Revaluation of investments at fair value through profit or loss	15,598	39,300
Provisions for impairment, net of recoveries	443,936	403,240
Depreciation of investment properties	12,000	9,645
Depreciation of property, plant and equipment	90,849	92,727
Share of loss/(profits) of associates	102,350	(75,132)
Gain on sale of investment properties	(18,001)	(2,691)
Gain on sale of properties held for sale	(8,035)	(752)
(Gain)/losses on sale of investments	(19,858)	5,957
Dividend income	(23,869)	(42,662)
Cost of share based payments	478	4,083
Gain on disposal of property, plant and equipment	(14)	-
Gain on buy back of sukuk financing instruments	(7,137)	(37,059)
Property, plant and equipment write offs	3,416	-
Amortisation of hedging reserve	(23,044)	(18,154)
Operating profit before changes in operating assets and liabilities	1,344,364	1,508,676
Islamic financing and investing assets	(737,306)	1,896,774
Receivables and other assets	(55,828)	(259,421)
Customers' deposits	(2,537,512)	(289,718)
Due to banks and other financial institutions	554,264	(1,863,648)
Other liabilities	(505,100)	75,423
Accrued zakat	(140,536)	(143,166)
Cash (used in)/from operations	(2,077,654)	924,920
Tax paid	(2,616)	(2,010)
Net (used in)/cash from operating activities	(2,080,270)	922,910
Investing activities		
Net movement in investments in Islamic sukuk	1,129,129	74,703
Net movement in investments at fair value through profit or loss	4,511	302,779
Net movement in available for sale investments	(40,808)	(41,479)
Proceeds from disposal of investment properties	22,504	5,789
Proceeds from sale of properties held for sale	17,750	2,582
Purchase of properties held for sale	(54)	-
Purchase of investment properties	-	(705)
Additions to properties under construction	(114,625)	(106,314)
Dividend income	23,869	42,662
Investments in associates	(2,655)	(118,608)
Dividends from associates	8,791	-
Purchase of property, plant and equipment	(60,342)	(116,915)
Proceeds from disposal of property, plant and equipment	2,120	312
Deposits with Financial Institution with original maturity over 3 month	88,836	-
Exchange and other adjustments	21,731	(7,931)
Net cash released on disposal of subsidiaries	-	(38,567)
Net cash from/(used in) investing activities	1,100,757	(1,692)
Financing activities		
Repayment of sukuk financing instruments	(50,823)	(284,292)
Cash dividends paid	(538,648)	(860,524)
Non-controlling interests	(4,310)	(3,348)
Net cash used in financing activities	(593,781)	(1,148,164)
Decrease in cash and cash equivalents	(1,573,294)	(226,946)
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 22)	12,506,698	9,583,299

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

DUBAI ISLAMIC BANK P.J.S.C.

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

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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 September 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 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	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.	16.6%	16.6%
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. (under liquidation)	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 September 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 September 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 September 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 September 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 September 2010 (continued)**

4 Cash and balances with Central Banks

	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Cash in hand	1,242,965	1,491,173
Balances with central banks		
- Current accounts	2,576,003	6,376,863
- Reserve requirements	3,861,655	3,743,534
	<u>7,680,623</u>	<u>11,611,570</u>

5 Balances and deposits with banks and other financial institutions

	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Within the U.A.E.	953,449	697,168
Outside the U.A.E.	460,486	655,131
	<u>1,413,935</u>	<u>1,352,299</u>

6 International murabahat with financial institutions, short term

	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Within the U.A.E.	1,108,919	102,872
Outside the U.A.E.	2,303,221	1,102,087
	<u>3,412,140</u>	<u>1,204,959</u>

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

7 Islamic financing and investing assets, net

	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Financing:		
Commodities murabahat	5,667,979	6,553,773
International murabahat, long term	1,888,471	1,636,047
Vehicles murabahat	6,633,400	6,589,053
Real estate murabahat	5,100,400	5,391,693
Total Murabahat	19,290,250	20,170,566
Istisna'a	7,538,091	8,362,108
Ijara	12,848,019	11,583,847
Salam finance	871,275	-
Islamic credit cards	426,430	392,014
	40,974,065	40,508,535
Less: Deferred income	(4,037,178)	(4,414,648)
Contractors and consultants' Istisna'a contracts	(626,228)	(1,147,768)
Provisions for impairment	(2,230,661)	(1,845,257)
	34,079,998	33,100,862
Investing:		
Musharakat	10,079,350	10,524,280
Mudarabat	5,239,749	5,456,053
Wakalat	973,156	946,791
	16,292,255	16,927,124
Less: Provisions for impairment	(136,977)	(103,045)
	16,155,278	16,824,079
Total Islamic financing and investing assets, net	50,235,276	49,924,941

Provision for impairment

Movements in the provision for impairment are as follows:

	30 September 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	551,282	71,875	623,157	784,803	72,452	857,255
Release to profit or loss	(164,419)	(31,295)	(195,714)	(113,519)	(27,046)	(140,565)
Write-offs	(1,376)	(6,260)	(7,636)	(12,861)	-	(12,861)
Others	(83)	(388)	(471)	(30)	(698)	(728)
Balance at end of the period/year	2,230,661	136,977	2,367,638	1,845,257	103,045	1,948,302

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

8 Investments in Islamic sukuk

	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Held to maturity – at amortised cost		
U.A.E.	6,762,536	7,736,096
Other G.C.C. Countries	138,656	346,161
Rest of the World	127,674	238,857
	<u>7,028,866</u>	<u>8,321,114</u>
Available for sale		
U.A.E	1,188,817	969,683
	<u>8,217,683</u>	<u>9,290,797</u>

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 September 2010 (unaudited)		
	U.A.E. AED'000	Other G.C.C. Countries AED'000	Rest of the World AED'000
Investments carried at fair value through profit or loss			Total AED'000
Equity instruments	1,151	83,425	21,679
	<u>1,151</u>	<u>83,425</u>	<u>106,255</u>
Available for sale investments			
Quoted:			
Equity instruments *	609,640	101,823	38,601
	<u>609,640</u>	<u>101,823</u>	<u>750,064</u>
Unquoted:			
Equity instruments	233,624	133,388	190,978
Investment funds	158,696	-	404,465
	<u>392,320</u>	<u>133,388</u>	<u>595,443</u>
	<u>392,320</u>	<u>133,388</u>	<u>1,121,151</u>
Gross available for sale investments	1,001,960	235,211	634,044
Allowance for impairment	-	(8,892)	(21,583)
	<u>1,001,960</u>	<u>226,319</u>	<u>612,461</u>
Net available for sale investments	1,001,960	226,319	612,461
	<u>1,003,111</u>	<u>309,744</u>	<u>634,140</u>
	<u>1,003,111</u>	<u>309,744</u>	<u>1,946,995</u>

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

9 Other investments (continued)

	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
	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 September 2010 (continued)**

10 Investments properties

	30 September 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
Rest of the world	51,733	51,783
	<u>1,223,131</u>	<u>1,224,117</u>
Less: Provision for impairment	-	(300)
	<u>1,223,131</u>	<u>1,223,817</u>
Other real estate		
In U.A.E.	353,121	353,121
Other G.C.C. Countries	-	4,193
Rest of World	525,995	555,659
	<u>879,116</u>	<u>912,973</u>
Less: Accumulated depreciation	(150,232)	(140,502)
	<u>728,884</u>	<u>772,471</u>
	<u><u>1,952,015</u></u>	<u><u>1,996,288</u></u>

11 Customers' deposits

	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Current accounts	15,364,792	14,015,030
Saving accounts	10,081,774	9,881,740
Investment deposits	36,022,760	40,023,078
Margin accounts	188,274	233,769
Profit equalisation provision	391	41,886
	<u>61,657,991</u>	<u>64,195,503</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 September 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 NASDAQ Dubai 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) (period ending 30 September 2009: USD 87.4 million (AED 321.3 million)) were bought back at a discount. The Bank has recognised AED 6.8 million (period ending 30 September 2009: AED 37 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 on quarterly basis 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 September 2010 (continued)**

14 Share capital

	30 September 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 shares (2009: 172,105,000 shares) 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 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
<i>Contingent liabilities:</i>		
Letters of credit	2,827,484	3,040,028
Letters of guarantee	9,206,638	10,484,586
Acceptances	370,050	479,915
	12,404,172	14,004,529

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

15 Commitments and contingent liabilities (continued)

Financing-related financial instruments (continued)

	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
<i>Commitments:</i>		
Capital expenditure commitments	358,701	416,257
Irrevocable undrawn facilities commitments	10,836,779	11,217,244
	<u>11,195,480</u>	<u>11,633,501</u>
	<u>23,599,652</u>	<u>25,638,030</u>

16 Income from Islamic financing and investing assets (unaudited)

	3 months ended 30 September		9 months ended 30 September	
	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Financing assets:				
Commodities murabahat	105,450	108,245	319,196	340,882
International murabahat	2,673	3,645	7,759	15,310
Vehicles murabahat	121,837	122,204	366,835	363,688
Real estate murabahat	60,552	79,878	197,024	267,407
Total murabahat income	<u>290,512</u>	<u>313,972</u>	<u>890,814</u>	<u>987,287</u>
Istisna'a	115,567	105,756	349,149	301,611
Ijara	148,454	143,129	420,641	450,872
Salam finance	16,232	-	17,703	-
Income from financing assets	<u>570,765</u>	<u>562,857</u>	<u>1,678,307</u>	<u>1,739,770</u>
Investing assets:				
Musharakat	147,179	157,880	452,927	469,569
Mudarabat	73,105	86,778	203,186	274,134
Wakalat	9,193	10,056	27,807	37,117
Others	3,104	2,369	9,540	4,298
Income from investing assets	<u>232,581</u>	<u>257,083</u>	<u>693,460</u>	<u>785,118</u>
	<u>803,346</u>	<u>819,940</u>	<u>2,371,767</u>	<u>2,524,888</u>

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

17 Commissions, fees and foreign exchange income (unaudited)

	3 months ended 30 September		9 months ended 30 September	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Trade related commission and fees	40,630	40,104	136,788	180,749
Other commission and fees	95,421	97,275	281,593	273,599
Gains on unilateral promise to buy/sell currencies	7,184	22,028	77,711	72,690
Fair value change of Islamic profit rate swaps	685	1,154	2,183	277
Amortisation of cash flow hedging reserve	-	-	23,044	18,154
	143,920	160,561	521,319	545,469

During 2009, the Bank discontinued its cash flow hedge of a forecast transaction. During 2010, the discontinuance of the hedge accounting resulted in a reclassification of associated cumulative gains amounting to AED 23.0 million (September 2009: AED 18.1 million) from the hedging reserve to profit and loss.

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 September		9 months ended 30 September	
	2010	2009	2010	2009
	AED'000	AED'000	AED'000	AED'000
Net profit attributable to the equity holders of the Bank (AED 000)	269,583	300,373	770,947	1,120,941
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)	0.07	0.08	0.20	0.30

The earnings per share of AED 0.31 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 September 2010 (continued)**

19 Dilution of interest in associate

In 2009, the Bank disposed its 32.5% interest in Millennium Finance Corporation ("MFC") in consideration of a 50% interest in Millennium Private Equity L.L.C. ("MPE"), a company registered in U.A.E., amounting to USD 10.5 million (AED 38.6 million). This transaction has resulted in the recognition of a loss on disposal of investment in associate as follows.

	30 September 2009 (unaudited) AED'000
Carrying amount of MFC on the date of disposal	29,843
Less: consideration for disposal of associate - net	(29,384)
Net loss on disposal of associate	<u>459</u>

20 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	<u>15,577</u>
Other liabilities	7,477
Total liabilities	<u>7,477</u>
Fair value of net assets – 100%	<u>8,100</u>
Consideration for acquisition	38,566
Less: fair value of identifiable net assets acquired	(4,050)
Goodwill arising on acquisition	<u>34,516</u>

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

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

21 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 and transactions 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
As of 30 September 2010 (unaudited)				
Islamic financing and investing assets	1,836,500	177,292	389,300	2,403,092
Customers' deposits	2,314,678	161,531	38,112	2,514,321
Contingent liabilities	-	300	700	1,000
For the period ended 30 September 2010 (unaudited)				
Income from Islamic financing and investing assets	42,593	7,823	9,705	60,121
Depositors' share of profits	36,331	970	-	37,301
As of 31 December 2009 (audited)				
Islamic financing and investing assets	3,812,737	182,362	513,774	4,508,873
Customers' deposits	5,065,054	55,652	287,281	5,407,987
Contingent liabilities	2,038,091	890	700	2,039,681
For the period ended 30 September 2009 (unaudited)				
Income from Islamic financing and investing assets	70,071	8,257	14,360	92,688
Depositors' share of profits	107,602	548	3,070	111,220

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

	9 months ended 30 September (unaudited)	
	2010 AED'000	2009 AED'000
Salaries and other benefits	23,092	34,222
End of service benefits	1,900	1,534

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

22 Cash and cash equivalents

	30 September 2010 (unaudited) AED'000	30 September 2009 (unaudited) AED'000
Cash and balances with Central Banks	7,680,623	7,310,601
Balances and deposits with banks and financial institutions	1,413,935	907,523
International murabahat with financial institutions, short term	3,412,140	1,365,175
	12,506,698	9,583,299

23 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 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.

23 Segmental information (continued)

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

	30 September (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
	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 revenue – total income less depositors share	1,183,266	1,142,463	745,738	659,299	(315,843)	(120,819)	288,083	350,238	321,959	491,637	2,223,203	2,522,818
Operating expenses	(619,670)	(598,543)	(270,609)	(285,419)	(25,349)	(38,055)	(16,560)	(15,557)	(71,384)	(51,830)	(1,003,572)	(985,404)
Provision for impairment, net of recoveries	(111,077)	(93,402)	(325,468)	(304,040)	-	-	-	-	(7,391)	(5,798)	(443,936)	(403,240)
Profit for the period before tax	452,519	450,518	149,661	69,840	(341,192)	(158,874)	271,523	334,681	243,184	434,009	775,695	1,130,174
Income tax	-	-	-	-	-	-	-	-	-	-	(2,865)	(5,885)
Net profit for the period	-	-	-	-	-	-	-	-	-	-	772,830	1,124,289
Capital expenditure	4,135	2,074	4,135	7,381	-	-	2,756	-	49,316	107,460	60,342	116,915

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

23 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 September	31 December		30 September	31 December		30 September	31 December		30 September	31 December		30 September	31 December		30 September	31 December	
	2010	2009		2010	2009		2010	2009		2010	2009		2010	2009		2010	2009	
	(unaudited)	(audited)		(unaudited)	(audited)		(unaudited)	(audited)		(unaudited)	(audited)		(unaudited)	(audited)		(unaudited)	(audited)	
	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 assets	13,847,211	11,976,951		40,777,101	42,620,373		5,236,531	5,404,995		8,361,708	9,440,813		13,624,951	14,861,139		81,847,502	84,304,271	
Segment liabilities and equity	46,301,252	41,289,633		19,585,579	27,975,435		899,463	802,008		4,666,596	4,226,922		10,394,612	10,010,273		81,847,502	84,304,271	

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

23 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 September 2010 and 2009 (unaudited).

	30 September (unaudited)					
	Domestic		International		Total	
	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Gross income	<u>3,120,561</u>	<u>3,690,105</u>	<u>153,822</u>	<u>153,334</u>	<u>3,274,383</u>	<u>3,843,439</u>
Capital expenditure	<u>51,530</u>	<u>108,407</u>	<u>8,812</u>	<u>8,508</u>	<u>60,342</u>	<u>116,915</u>

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

	Domestic		International		Total	
	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Total assets	<u>73,907,803</u>	<u>76,872,268</u>	<u>7,939,699</u>	<u>7,432,003</u>	<u>81,847,502</u>	<u>84,304,271</u>
Total liabilities and equity	<u>76,369,828</u>	<u>79,429,952</u>	<u>5,477,674</u>	<u>4,874,319</u>	<u>81,847,502</u>	<u>84,304,271</u>

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

24 Capital adequacy as per BASEL I and BASEL II guidelines

	Basel I		Basel II	
	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000	30 September 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	509,535	104,025	509,535	104,025
Non-controlling interest	2,483	4,910	-	-
	9,390,951	8,808,319	9,664,607	9,079,548
Less:				
Goodwill and intangibles	(34,516)	(34,516)	(34,516)	(34,516)
Cumulative deferred exchange losses	-	-	(81,335)	(74,321)
Treasury shares	(70,901)	(70,901)	(70,901)	(70,901)
	9,285,534	8,702,902	9,477,855	8,899,810
<i>Tier 2 Capital</i>				
Hedging reserves	12,400	22,770	12,400	22,770
Collective impairment	482,670	352,814	482,670	352,814
Medium term wakala finance	3,752,543	3,752,543	3,752,543	3,752,543
Deductions for associates	(541,940)	(525,300)	(541,940)	(525,300)
	3,705,673	3,602,827	3,705,673	3,602,827
Total capital base	12,991,207	12,305,729	13,183,528	12,502,637
<i>Risk weighted assets</i>				
On balance sheet	59,665,511	61,005,391	-	-
Off balance sheet	6,997,785	7,772,421	-	-
Credit risk	-	-	63,821,424	64,478,003
Market risk	-	-	2,604,399	2,026,564
Operational risk	-	-	5,051,584	5,051,584
Total risk weighted assets	66,663,296	68,777,812	71,477,407	71,556,151
<i>Capital Ratios</i>				
Total regulatory capital expressed as a percentage of total risk weighted assets	19.5%	17.9%	18.4%	17.5%
Tier 1 capital to total risk weighted assets	13.5%	12.3%	12.9%	12.1%

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

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2010 (continued)****25 Subsequent event**

On 26 September 2010, the Bank announced it was in the process of increasing its stake in Tamweel PJSC, an investment classified as available for sale. Upon the successful completion of the negotiations and contractual arrangements with major shareholders, the Bank will have a controlling interest in Tamweel PJSC. The transaction is expected to be completed before 31 December 2010. As a result of the potential increase in shareholding, the Bank will classify the investee as a subsidiary.

26 Dividends

On 31 March 2010, the Bank declared a cash dividend of AED 538,648 thousand representing 15% of the paid up capital (2009: AED 860,523 thousand) representing AED 0.16 per share and 5% bonus shares (2009: 5%) to the shareholders as at 11th of April 2010.

27 Seasonality of results

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

28 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 1 November 2010.