

DUBAI ISLAMIC BANK P.J.S.C.

**Review report and interim
financial information for the
period ended 30 June 2011**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors
Dubai Islamic Bank P.J.S.C.
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Dubai Islamic Bank P.J.S.C. and its subsidiaries (together referred to as the "Bank") as at 30 June 2011 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 Accounting Standard 34, *Interim Financial Reporting* ("IAS34"). 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.

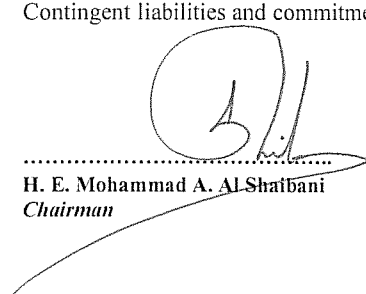
Deloitte & Touche (M.E.)

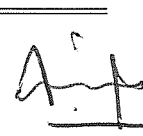


Saba Y. Sindaha
Registration Number 410
26 July 2011

**Condensed consolidated statement of financial position
as at 30 June 2011**

	Notes	30 June 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
ASSETS			
Cash and balances with Central Banks	4	22,839,395	11,247,225
Due from banks and financial institutions	5	3,280,812	2,356,531
Islamic financing and investing assets, net	6	55,359,483	57,171,067
Investments in Islamic sukuk	7	10,667,656	8,200,476
Other investments	8	1,277,000	1,772,946
Investments in associates		3,434,141	3,430,274
Investment properties	9	1,208,205	1,922,911
Assets held for sale	10	784,855	-
Properties under construction		541,313	524,165
Properties held for sale		521,420	544,959
Receivables and other assets		2,427,311	2,296,873
Property, plant and equipment		614,592	653,086
Goodwill		17,258	17,258
Total assets		102,973,441	90,137,771
LIABILITIES			
Customers' deposits	11	77,645,416	63,447,070
Due to banks and financial institutions		3,681,825	4,409,427
Sukuk financing instruments	12	4,191,209	4,176,015
Medium term wakala finance		3,752,543	3,752,543
Payables and other liabilities		3,559,144	3,679,923
Accrued zakat		-	146,336
Total liabilities		92,830,137	79,611,314
EQUITY			
Share capital	13	3,797,054	3,797,054
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		(96,969)	(91,541)
Investments fair value reserve		(756,482)	(243,166)
Hedging reserve		1,710	10,656
Retained earnings		884,367	748,428
Equity attributable to equity holders of the Parent		9,187,698	9,579,449
Non-controlling interest		955,606	947,008
Total equity		10,143,304	10,526,457
Total liabilities and equity		102,973,441	90,137,771
Contingent liabilities and commitments	14	20,955,118	24,266,184


H. E. Mohammad A. AlShaibani
Chairman


Abdullah Ali Al Hamli
Chief Executive Officer

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

**Condensed consolidated statement of income (unaudited)
for the period ended 30 June 2011**

		3 months ended 30 June		6 months ended 30 June	
	Notes	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
INCOME					
Income from Islamic financing and investing assets	15	846,743	794,868	1,765,666	1,568,421
Income from investments in Islamic sukuk		135,126	94,158	241,034	189,647
Income from international murabahat and wakala, short term		21,838	8,703	37,626	17,058
Income from other investments		9,045	(2,131)	29,652	9,976
Commissions, fees and foreign exchange income	16	219,621	206,987	385,280	377,399
Income from investment properties		15,280	9,887	28,509	22,328
Profit on sale of properties		4,088	534	6,726	3,882
Other income		27,094	32,869	69,092	60,074
Total income		1,278,835	1,145,875	2,563,585	2,248,785
EXPENSES					
Personnel expenses		(220,038)	(173,209)	(443,221)	(398,785)
General and administrative expenses		(137,866)	(147,180)	(271,283)	(252,255)
Depreciation of investment properties		(6,869)	(3,539)	(12,489)	(8,554)
Impairment loss on financial assets, net		(196,936)	(145,845)	(485,986)	(307,868)
Impairment loss on non-financial assets, net		(13,529)	(40)	(14,040)	(12,237)
Total expenses		(575,238)	(469,813)	(1,227,019)	(979,699)
Profit before depositors' share and tax		703,597	676,062	1,336,566	1,269,086
Depositors' share of profits		(375,128)	(346,357)	(762,233)	(713,293)
Operating profit for the period		328,469	329,705	574,333	555,793
Share of profit/(loss) of associates		17,976	(26,104)	7,356	(50,492)
Profit for the period before tax		346,445	303,601	581,689	505,301
Income tax		(3,043)	(1,344)	(4,609)	(2,798)
Profit for the period		343,402	302,257	577,080	502,503
Attributable to:					
Equity holders of the parent		330,556	301,341	552,139	501,364
Non-controlling interest		12,846	916	24,941	1,139
Profit for the period		343,402	302,257	577,080	502,503
Basic and diluted earning per share attributable to the equity holders of the parent	17	0.09	0.08	0.15	0.13

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 2011**

	3 months ended 30 June		6 months ended 30 June	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
Profit for the period	343,402	302,257	577,080	502,503
Other comprehensive loss items				
Fair value losses on available for sale investments	-	(116,342)	-	(40,360)
Reclassification of realised loss on disposal of available for sale in investments to profit or loss	-	(6,701)	-	(6,701)
Reclassification of cash flow hedging reserve to profit or loss	(8,946)	(23,045)	(8,946)	(23,045)
Fair value gain/(loss) on other investments carried at FVTOCI	4,530	-	(71,343)	-
Currency translation differences of foreign operations	(6,364)	(9,881)	(5,428)	(11,123)
Other comprehensive loss for the period	(10,780)	(155,969)	(85,717)	(81,229)
Total comprehensive income for the period	332,622	146,288	491,363	421,274
Attributable to:				
Equity holders of the parent	319,776	145,372	466,422	420,135
Non-controlling interest	12,846	916	24,941	1,139
	332,622	146,288	491,363	421,274

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

Condensed consolidated statement of changes in equity for the period ended 30 June 2011

	Share capital AED'000	Treasury shares AED'000	Total reserves AED'000	Investments fair value reserve 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
Profit for the period	-	-	-	-	-	501,364	501,364	1,139	502,503
Other comprehensive loss for the period	-	-	(11,123)	(47,061)	(23,045)	-	(81,229)	-	(81,229)
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)	-	-	-
Dividend 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
Balance at 1 January 2011 (audited)	3,797,054	-	5,266,477	(243,166)	10,656	748,428	9,579,449	947,008	10,526,457
Effect of the change in accounting policy for classification and measurement of financial assets - IFRS 9 (Note 2)	-	-	-	(441,973)	-	(36,070)	(478,043)	-	(478,043)
Balance at 1 January 2011 (restated)	3,797,054	-	5,266,477	(685,139)	10,656	712,358	9,101,406	947,008	10,048,414
Profit for the period	-	-	-	-	-	552,139	552,139	24,941	577,080
Other comprehensive loss for the period	-	-	(5,428)	(71,343)	(8,946)	-	(85,717)	-	(85,717)
Total comprehensive income for the period	-	-	(5,428)	(71,343)	(8,946)	552,139	466,422	24,941	491,363
Dividend paid	-	-	-	-	-	(379,705)	(379,705)	(2,952)	(382,657)
Zakat paid	-	-	-	-	-	(425)	(425)	(13,391)	(13,816)
Balance at 30 June 2011 (unaudited)	3,797,054	-	5,261,049	(756,482)	1,710	884,367	9,187,698	955,606	10,143,304

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 2011**

	6 months ended 30 June	
	2011	2010
	AED'000	AED'000
Operating activities		
Profit for the period before tax	581,689	505,301
Adjustments for:		
Revaluation of investments at fair value through profit or loss	59	15,037
Dividend income	(23,862)	(19,814)
Share based payments	-	478
Impairment loss on financial assets, net	485,986	307,868
Impairment loss on non financial assets, net	14,040	12,238
Share of (profit)/ loss of associates	(7,356)	50,492
Depreciation of investment properties	12,489	8,554
Depreciation of property, plant and equipment	60,757	60,671
Gain on disposal of property, plant and equipment	(189)	-
Gain on disposal of properties held for sale	(6,726)	(3,882)
Gain on sale of other investments	(712)	(4,760)
Property, plant and equipment written off	-	3,350
Amortisation of hedging reserve	(8,946)	(23,044)
Amortisation of sukuk financing instruments issued by a subsidiary	8,161	-
Gain on buy back of sukuk financing instrument	-	(7,137)
Operating cash flow before changes in operating assets and liabilities	1,115,390	905,352
Decrease/(increase) in Islamic financing and investing assets	1,329,817	(396,810)
Increase in receivables and other assets	(134,657)	(19,624)
Net movement in deposits and international murabahat with over 3 month maturity	(10,971,965)	-
Increase in customers' deposits	14,198,346	612,765
Decrease in due to banks and other financial institutions	(702,204)	(306,302)
Decrease in payables and other liabilities	(165,378)	(423,014)
Decrease in accrued zakat	(146,336)	(140,536)
Cash generated from operations	4,523,013	231,831
Tax paid	(1,734)	(1,237)
Net cash generated from operating activities	4,521,279	230,594
Investing activities		
Net movement in investments in Islamic sukuk	(2,489,744)	1,075,670
Net movement in other investments	(44,175)	(1,045)
Additions to properties under construction	(17,148)	(66,350)
Dividend received	23,862	19,814
Net movement in investments in associates	1,539	(2,653)
Purchase of investment properties	(48,296)	-
Purchase of property, plant and equipment	(22,746)	(39,732)
Proceeds from disposal of property, plant and equipment	369	-
Proceeds from disposal of properties held for sale	14,031	8,122
Purchase of properties held for sale	(69)	(56)
Exchange differences arising on translation of foreign operations	(11,759)	37,742
Net cash (used in)/generated from investing activities	(2,594,136)	1,031,512
Financing activities		
Repayment of Sukuk financing instruments	-	(50,823)
Cash dividend paid	(382,657)	(542,958)
Net cash used in financing activities	(382,657)	(593,781)
Increase in cash and cash equivalents	1,544,486	668,325
Cash and cash equivalents at the beginning of the period	10,483,681	14,079,992
Cash and cash equivalents at the end of the period (Note 19)	12,028,167	14,748,317

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 2011**

1 General information

Dubai Islamic Bank (Public Joint Stock Company) (the “Bank”) was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia’a principles. The Bank was subsequently registered as a Public Joint Stock Company in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended).

In addition to its main office in Dubai, the Bank operates through its branches in the United Arab Emirates (U.A.E.). The accompanying condensed consolidated financial statements combine the activities of the Bank’s head office, its branches and subsidiaries.

The registered head office of the Bank is at P.O. Box 1080, Dubai, United Arab Emirates (U.A.E.).

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Revised IFRS affecting amounts reported in the current period

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these condensed consolidated financial statements.

IFRS 9 <i>Financial instruments</i>	IFRS 9 prescribes the classification and measurement of financial assets and completes the first phase of the project to replace IAS 39 Financial instruments: Recognition and Measurement. The impact on the condensed consolidated financial statements is described below.
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IFRS 9 Financial Instruments: Recognition and Measurement

The Bank has adopted IFRS 9 Financial Instruments (IFRS 9) in advance of its effective date. The Bank has chosen 1 January 2011 as its date of initial application (i.e. the date on which the Bank has assessed its existing financial assets). The Standard has been applied retrospectively and as permitted by IFRS 9, comparative amounts have not been restated.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

The financing instruments (i.e. Islamic Sukuks) are measured at amortized cost only if:

- (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.1 Revised IFRS affecting amounts reported in the current period (continued)

IFRS 9 Financial Instruments: Recognition and Measurement (continued)

If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss ("FVTPL"). Additionally, even if the asset meets the amortised cost criteria, the entity may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The Bank has elected not to designate any financing instruments (i.e. Islamic Sukuks) as FVTPL under the fair value option.

Only financial assets that are classified as measured at amortized cost are tested for impairment.

All Islamic derivatives are classified FVTPL, except if designated in an effective cash flow hedge or hedge of a foreign operation hedge accounting relationship. In accordance with IFRS 9, embedded derivatives within the scope of that Standard are not separately accounted for as financial assets.

Investments in equity instruments not held for trading are designated by the bank as at fair value through other comprehensive income ("FVTOCI") as the equity investments are not held for trading. If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income are recognised in other comprehensive income and are not subsequently reclassified to statement of income.

The management has reviewed and assessed all of the Bank's existing financial assets as at the date of initial application of IFRS 9. As a result:

- the Bank's investments in financing instruments meeting the required criteria are measured at amortized cost; and
- the Bank's equity investments that are not held for trading have been designated as at FVTOCI.

The change in accounting policy has been applied retrospectively, in accordance with the transitional provisions of IFRS 9, where no restatement of comparative figures was applied.

The impact of this change in accounting policy at the beginning of the current period (as at 1 January 2011) is as follows:

	Investments fair value reserve AED'000	Retained earnings AED'000
<i>Investment in AFS Islamic Sukuks</i>		
▪ Reversal of related revaluation reserve	(4,784)	-
▪ Impact of funded income at effective profit rate in previous period	-	252
<i>Other Equity Investments</i>		
▪ FVTPL Equity Investments – cumulative fair value impacts earlier accounted in consolidated statement of income in earlier years	(14,658)	14,658
▪ Quoted AFS Investments – cumulative impairment losses accounted in consolidated statement of income in earlier years	(422,531)	422,531
▪ Unquoted Equity investments – re-measured at FVTOCI	-	(473,511)
	<u>(441,973)</u>	<u>(36,070)</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.1 Revised IFRS affecting amounts reported in the current period (continued)

IFRS 9 Financial Instruments: Recognition and Measurement (continued)

Had IFRS 9, not been adopted during the current period, the consolidated statement of income would have been impacted by a decrease in net profit by AED 29.2 million resulting from fair value changes in FVTPL investments.

Additional disclosures required, reflecting the revised classification and measurement of financial assets of the Bank as a result of adopting IFRS 9, are shown in Notes 7 and 8 to the condensed consolidated financial statements.

2.2 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following new and revised IFRSs have also been adopted in these condensed consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 1 relating to Limited Exemption from comparative IFRS 7 Disclosure for First-time adoption.
- Amendments to IAS 32 Financial Instruments: Presentation, relating to Classification of Right Issues.
- Amendment to IFRIC 14 relating to Prepayments of a Minimum Funding Requirement.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

2.3 New and revised IFRSs is in issue but not yet effective

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
▪ Amendments to IFRS 1 relating to Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2011
▪ Amendments to IFRS 1 relating to Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	1 July 2011
▪ Amendments to IFRS 7 Financial Instruments: Disclosures, relating to Disclosures on Transfers of Financial Assets	1 July 2011
▪ IFRS 10 Consolidated Financial Statements	1 January 2013
▪ IFRS 11 Joint Arrangements	1 January 2013
▪ IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
▪ IFRS 13 Fair Value Measurement	1 January 2013

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.3 New and revised IFRSs is in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
▪ Amendments to IAS 12 Income Taxes - Limited scope amendment (recovery of underlying assets)	1 January 2012
▪ Amendments to IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	1 July 2012
▪ Amendments to IAS 19 Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
▪ IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements	1 January 2013
▪ IAS 28 Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013

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 an opportunity to consider the potential impact of the adoption of these amendments.

3 Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard 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 do not include all the information required in full consolidated financial statements and should be read in conjunction with the Bank's consolidated financial statements for the year ended 31 December 2010. In addition, results for the period from 1 January 2011 to 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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 2010 except for adoption of the accounting policy related to classification and measurement of financial assets in accordance with IFRS 9 (Note 2).

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.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)****3 Summary of significant accounting policies (continued)****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 amount 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 2010.

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 2010.

3.4 Basis of consolidation

These 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 as disclosed in the annual audited financial statements for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

3.5 Investments in Islamic Sukuk**3.5.1 Investments in Islamic Sukuk - Per IFRS 9**

Investments in Islamic Sukuk are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Investments in Islamic Sukuk meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective yield method less any impairment, with profit recognised on an effective yield basis in income from investments in Islamic Sukuk in the condensed consolidated statement of income.

Subsequent to initial recognition, the Bank is required to reclassify investments in Islamic Sukuk from amortised cost to fair value through profit or loss, if the objective of the business model changes so that the amortised cost criteria is no longer met.

The Bank may irrevocably elect at initial recognition to classify investment in Islamic Sukuk that meets the amortised cost criteria above as at fair value through profit or loss, if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost. At the reporting date, the Bank has elected not to designate any investments in Islamic Sukuk as FVTPL under the fair value option.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

3 Summary of significant accounting policies (continued)

3.5 Investments in Islamic Sukuk (continued)

3.5.2 Investments in Islamic Sukuk - Per IAS 39 - For comparatives only

Held to maturity

Investments in Islamic Sukuk 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. Held to maturity investments in Islamic Sukuk are carried at amortised cost, using effective profit rate method less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective profit rate method.

If there is objective evidence that an impairment on held to maturity investments in Islamic Sukuk 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 the condensed consolidated statement of income.

Available for sale investments

Investments in Islamic Sukuk not classified as “held to maturity” are classified as “available for sale” and are stated at fair value.

Available for sale investments in Islamic Sukuk are initially recognised at fair value plus any directly attributable transaction cost and are subsequently measured at fair value.

After initial recognition, investments in Islamic Sukuk which are classified as “available for sale” are remeasured at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and recorded in the cumulative changes in fair value with the exception of impairment losses, profit calculated using the effective yield method and foreign exchange gains and losses on monetary assets, which are recognised directly in the condensed consolidated statement of income.

Where the investment in Islamic Sukuk is disposed of or is determined to be impaired, the cumulative gain or loss previously in condensed consolidated statement of changes in equity in the cumulative changes in fair value is reclassified to condensed consolidated statement of income.

If available for sale investment is impaired, the difference between the acquisition cost (net if any principal repayment and amortisation) and the current fair value, less any previous impairment loss recognised in the condensed consolidated statement of income.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

3 Summary of significant accounting policies (continued)

3.6 Other investments

3.6.1 Other investments classification- Per IFRS 9

Investments carried at fair value through profit or loss

Investments in equity instruments are classified as financial assets measured at FVTPL, unless the Bank designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition.

Financial assets measured at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in the condensed consolidated statement of income. The net gain or loss recognised is included in the net investment income in the condensed consolidated statement of income.

Dividend income on investments in equity instruments at FVTPL is recognised in condensed consolidated statement of income when the Bank's right to receive the dividends is established.

Investments carried at fair value through other comprehensive income

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate other investments as at fair value through other comprehensive income (FVTOCI). Designation at FVTOCI is not permitted if the equity investment is held for trading.

Other investments are held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair values. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the cumulative changes in fair value is not reclassified to the condensed consolidated statement of income, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in condensed consolidated statement of income when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investments.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

3 Summary of significant accounting policies (continued)

3.6 Other investments

3.6.2 Other investments classification - Per IAS 39 - For comparatives only

Investments carried at fair value through profit or loss

Other investments are classified at fair value through profit or loss ("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; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss arising on re-measurement in the condensed consolidated statement of income.

Available for sale investments

Investments not classified as "FVTPL" are classified as "available for sale" and are stated at fair value.

If available for sale investment is impaired, the difference between the acquisition cost and the current fair value, less any previous impairment loss recognised in the condensed consolidated statement of income is removed from equity and recognised in the condensed consolidated statement of income.

Once an impairment loss has been recognised on an available-for-sale financial asset, subsequent decline in the fair value of the instrument is recognised in the condensed consolidated statement of income when there is further objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised directly in equity.

Reclassification of other investments

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Derecognition of other investments

The Bank derecognises an investment security only when the contractual rights to the cash flows from the investment expire, or when it transfers the investment and substantially all the risks and rewards of ownership of the investment to another entity. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

3 Summary of significant accounting policies (continued)

3.7 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 accumulated depreciation and any accumulated impairment losses. Depreciation on investment in buildings is charged on a straight-line basis over 25 years.

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

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

3.8 Assets held for sale

Assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable and the assets are available for immediate sale in its present condition. These are stated at the lower of carrying amount and fair value less costs to sell.

4 Cash and balances with Central Banks

	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Cash in hand	1,264,526	1,374,754
Balances with the Central Banks:		
- Current accounts	3,362,854	2,664,847
- Reserve requirements	4,186,088	3,905,838
- International murabihat with Central Bank - short term	14,025,927	3,301,786
	22,839,395	11,247,225
Cash and balances with Central Banks by geography is as follows:		
Within the U.A.E.	22,697,751	11,114,569
Outside the U.A.E.	141,644	132,656
	22,839,395	11,247,225

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

5 Due from banks and financial institutions

	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Current accounts	135,634	336,541
Investment deposits	962,172	751,880
International murabahat - short term	2,183,006	1,268,110
	3,280,812	2,356,531

Due from banks and financial institution by geography is as follows:

Within the U.A.E.	1,940,121	2,019,539
Outside the U.A.E.	1,340,691	336,992
	3,280,812	2,356,531

6 Islamic financing and investing assets, net

	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Financing Assets:		
Commodities murabahat	4,719,885	5,495,201
International murabahat - long term	1,645,119	1,661,426
Vehicles murabahat	6,170,374	6,546,265
Real estate murabahat	5,157,676	5,187,596
	17,693,054	18,890,488
Total Murabahat		
Istisna'a	6,609,386	7,289,783
Home finance ijara	12,447,498	12,225,198
Other ijara	9,244,231	10,032,307
Salam	2,465,604	1,399,132
Islamic credit cards	434,000	431,953
	48,893,773	50,268,861
Less: Deferred income	(3,424,573)	(3,834,249)
Contractors and consultants' Istisna'a contracts	(254,151)	(524,002)
Provisions for impairment	(3,190,967)	(2,824,393)
	42,024,082	43,086,217

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

6 Islamic financing and investing assets, net (continued)

	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Investing Assets:		
Musharakat	8,290,468	9,717,533
Mudaraba	3,724,529	3,709,791
Wakalat	1,567,418	790,207
	<u>13,582,415</u>	<u>14,217,531</u>
Less: Provisions for impairment	(247,014)	(132,681)
	<u>13,335,401</u>	<u>14,084,850</u>
Islamic financing and investing assets, net	<u><u>55,359,483</u></u>	<u><u>57,171,067</u></u>

Provision for impairment

Movements in the provision for impairment are as follows:

	30 June 2011 (unaudited)			31 December 2010 (audited)		
	Financing AED'000	Investing AED'000	Total AED'000	Financing AED'000	Investing AED'000	Total AED'000
Balance at beginning of the period/year	2,824,393	132,681	2,957,074	1,845,257	103,045	1,948,302
Acquisition of controlling interest	-	-	-	364,073	-	364,073
Charge for the period/year	453,360	141,573	594,933	834,493	94,470	928,963
Release to the statement of income	(106,529)	(6,637)	(113,166)	(217,206)	(58,321)	(275,527)
Write-offs during the period/year	(758)	-	(758)	(2,135)	(6,260)	(8,395)
Others	20,501	(20,603)	(102)	(89)	(253)	(342)
Balance at end of the period/year	<u><u>3,190,967</u></u>	<u><u>247,014</u></u>	<u><u>3,437,981</u></u>	<u><u>2,824,393</u></u>	<u><u>132,681</u></u>	<u><u>2,957,074</u></u>

7 Investments in Islamic sukuk

7.1 The analysis of the Bank's investment in Islamic Sukuk as at 30 June 2011 (classified in accordance with IFRS 9) is as follows:

	30 June 2011 (unaudited) AED'000
Investment in Islamic Sukuk measured at amortised cost	
Within U.A.E.	10,186,890
Other G.C.C. Countries	132,802
Rest of the World	347,964
Total	<u><u>10,667,656</u></u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

7 Investments in Islamic sukuk (continued)

7.2 The analysis of the Bank's investment in Islamic Sukuk as at 31 December 2010 (classified in accordance with IAS 39) is as follows:

	31 December 2010 (audited) AED'000
Held to maturity – at amortised cost	
Within U.A.E.	6,567,730
Other G.C.C. Countries	136,705
Rest of the World	300,890
	<u>7,005,325</u>
Available for sale	
Within U.A.E.	1,195,151
	<u>8,200,476</u>
Total	<u><u>8,200,476</u></u>

8 Other investments

8.1 The analysis of the other investments as at 30 June 2011 (classified in accordance with IFRS 9).

	30 June 2011 (unaudited) AED'000
Investments carried at fair value through profit or loss	954
Investments carried at fair value through other comprehensive income	1,276,046
	<u>1,277,000</u>

The analysis of the other investments as at 30 June 2011 (classified in accordance with IFRS 9) by geography is as follows:

	30 June 2011 (unaudited)			
	Within 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				
Quoted equity instruments	954	-	-	954
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	413,393	173,257	93,061	679,711
Unquoted equity instruments	129,542	61,685	59,450	250,677
Unquoted investment funds	107,265	7,871	230,522	345,658
	<u>650,200</u>	<u>242,813</u>	<u>383,033</u>	<u>1,276,046</u>
Total	<u>651,154</u>	<u>242,813</u>	<u>383,033</u>	<u>1,277,000</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

8 Other investments

8.2 The analysis of the other investments as at 31 December 2010 (classified in accordance with IAS 39).

	31 December 2010 (audited) AED'000
Investments carried at fair value through profit or loss	108,406
Available for sale investments	1,664,540
	<u>1,772,946</u>

The analysis of the other investments as at 31 December 2010 (classified in accordance with IAS 39) by geography is as follows:

	31 December 2010 (audited)			
	Within 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				
Quoted equity instruments	1,013	78,185	29,208	108,406
Available for sale investments				
Quoted equity instruments	443,654	122,526	35,168	601,348
Unquoted equity instruments	223,148	124,430	191,624	539,202
Unquoted investment funds	157,855	9,182	356,953	523,990
	<u>824,657</u>	<u>256,138</u>	<u>583,745</u>	<u>1,664,540</u>
Total	<u>825,670</u>	<u>334,323</u>	<u>612,953</u>	<u>1,772,946</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

9 Investment properties

	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Land		
Within U.A.E.	413,907	1,171,398
Rest of the world	51,733	51,733
	<u>465,640</u>	<u>1,223,131</u>
Other real estate		
Within U.A.E.	374,054	353,121
Rest of the World	557,115	519,856
	<u>931,169</u>	<u>872,977</u>
Less: Accumulated depreciation	(188,604)	(173,197)
	<u>742,565</u>	<u>699,780</u>
	<u><u>1,208,205</u></u>	<u><u>1,922,911</u></u>

10 Assets held for sale

The Bank intends to dispose off certain investment properties with a carrying value of AED 784.86 million. These investment properties were reclassified during the period to assets held for sale. No impairment loss was recognised at the time of the reclassification as the carrying amount of these assets approximate to fair values less costs to sell.

11 Customers' deposits

	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Current accounts	16,038,244	15,087,566
Saving accounts	13,882,830	10,047,003
Investment deposits	47,542,405	38,124,012
Margin accounts	181,547	188,102
Profit equalisation provision	390	387
	<u>77,645,416</u>	<u>63,447,070</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

11 Customers' deposits

Customers deposits by geography are as follows:

	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Within the U.A.E.	75,472,912	61,122,089
Outside the U.A.E.	2,172,504	2,324,981
	<u>77,645,416</u>	<u>63,447,070</u>

12 Sukuk financing instruments

	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Sukuk financing instruments issued by the Bank	2,357,075	2,357,075
Sukuks financing instruments issued by a subsidiary	1,834,134	1,818,940
	<u>4,191,209</u>	<u>4,176,015</u>

13 Share capital

	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
<i>Authorised capital:</i>		
3,797,054,000 shares of AED 1 each (2010 : 3,797,054,000 shares of AED 1 each)	3,797,054	3,797,054
<i>Issued and fully paid up:</i>		
3,797,054,000 shares of AED 1 each (2010: 3,797,054,000 shares of AED 1 each)	3,797,054	3,797,054

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

14 Contingent liabilities and commitments

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 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
<i>Contingent liabilities:</i>		
Letters of guarantee	8,361,571	8,774,047
Letters of credit	2,329,688	2,535,666
	10,691,259	11,309,713
<i>Commitments:</i>		
Capital expenditure commitments	365,876	388,932
Irrevocable undrawn facilities commitments	9,897,983	12,567,539
	10,263,859	12,956,471
Total contingent liabilities and commitments	20,955,118	24,266,184

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

15 Income from Islamic financing and investing assets (unaudited)

	3 months ended 30 June		6 months ended 30 June	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
Financing assets:				
Commodities murabahat	79,438	109,249	164,637	213,746
International murabahat	2,020	3,273	4,088	5,086
Vehicles murabahat	114,664	123,997	232,457	244,998
Real estate murabahat	57,183	59,878	117,226	136,472
Total murabahat income	253,305	296,397	518,408	600,302
Istisna'a	112,377	123,534	218,658	233,582
Home finance ijara	102,507	34,036	261,935	64,182
Ijara	151,168	108,157	259,149	208,005
Salam	60,615	1,471	109,478	1,471
Income from financing assets	679,972	563,595	1,367,628	1,107,542
Investing assets:				
Musharakat	112,463	152,347	266,652	305,748
Mudarabat	38,388	66,423	103,945	130,081
Wakalat	13,029	9,167	21,663	18,614
Other	2,891	3,336	5,778	6,436
Income from investing assets	166,771	231,273	398,038	460,879
Total income from Islamic financing and investing assets	846,743	794,868	1,765,666	1,568,421

16 Commissions, fees and foreign exchange income (unaudited)

	3 months ended 30 June		6 months ended 30 June	
	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000
Trade related commission and fees	61,913	49,368	108,814	96,158
Other commission and fees	124,894	92,256	219,039	186,172
Gains on unilateral promise to buy/sell currencies	23,267	40,804	47,606	70,527
Fair value changes of Islamic derivatives	583	1,515	857	1,498
Amortisation of cash flow hedging reserve	8,964	23,044	8,964	23,044
	219,621	206,987	385,280	377,399

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

17 Basic and diluted earnings per share (unaudited)

Basic and diluted earnings per share are calculated by dividing the 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	
	2011	2010	2011	2010
Profit for the period attributable to the equity holders of the Bank (AED'000)	330,556	301,341	552,139	501,364
Weighted average number of shares in issue throughout the period (000)	3,797,054	3,772,112	3,797,054	3,772,112
Basic and diluted earnings per share (AED)	0.09	0.08	0.15	0.13

The figures for basic and diluted earnings per share are the same as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

18 Related party transactions

The Bank enters into arms length 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.

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

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 at 30 June 2011 (unaudited)				
Islamic financing and investing assets	1,836,500	177,949	417,825	2,432,274
Customers' deposits	9,470,362	45,368	53,257	9,568,987
Contingent liabilities	-	5	700	705
For the period ended 30 June 2011 (unaudited)				
Income from financing and investing assets	26,332	4,592	14,310	45,234
Depositors' share of profits	55,241	273	1,103	56,617

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

18 Related party transactions (continued)

	Major shareholders AED'000	Directors and key management personnel AED'000	Associates AED'000	Total AED'000
As at 31 December 2010 (audited)				
Islamic financing and investing assets	1,836,500	183,701	463,475	2,483,676
Customers' deposits	2,847,087	43,772	172,052	3,062,911
Contingent liabilities	-	303	700	1,003
For the period ended 30 June 2010 (unaudited)				
Income from financing and investing assets	27,887	5,651	9,673	43,211
Depositors' share of profits	44,810	297	-	45,107

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

	6 months ended 30 June (unaudited)	
	2011 AED'000	2010 AED'000
Salaries and other benefits	9,473	17,008
End of service benefits	1,682	1,878

19 Cash and cash equivalents

	30 June (unaudited)	
	2011 AED'000	2010 AED'000
Cash and balances with Central Banks	22,839,395	11,088,399
Due from banks and financial institutions	3,280,812	3,748,754
	<u>26,120,207</u>	<u>14,837,153</u>
Less: Balances and deposits with banks and financial institutions with original maturity over 3 months	(14,092,040)	(88,836)
	<u><u>12,028,167</u></u>	<u><u>14,748,317</u></u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

20 Segmental information

Operating segments are identified on the basis of internal reports about the components of the Bank that are regularly reviewed by the Bank's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For operating purposes, the Bank is organised into five major business segments as follows:

- | | |
|---------------------------------------|--|
| i) Retail and business banking: | Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahats, ijarah, credit card and funds transfer facilities and trade finance facilities. |
| ii) Corporate and investment banking: | Principally handling financing and other credit facilities and deposit and current accounts for corporate and institutional customers and investment banking services. |
| iii) Real estate: | Property development and other real estate investments. |
| iv) Treasury: | Principally responsible for managing bank's overall liquidity and market risk and provides treasury services to customers. Treasury also run its own Islamic debt and specialise financial instruments book to manage the above risks. |
| v) Others: | Functions other than above core lines of businesses. |

Transactions between segments are conducted at estimated profit rates which approximate to market rates on an arm's length basis.

20 Segmental information (continued)

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

	Retail and business banking		Wholesale banking		Real estate		Treasury		Others		Total	
	30 June (unaudited)		30 June (unaudited)		30 June (unaudited)		30 June (unaudited)		30 June (unaudited)		30 June (unaudited)	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Net operating revenue	979,790	777,362	631,717	559,549	(157,685)	(198,957)	218,899	197,067	128,631	200,471	1,801,352	1,535,492
Share of profit/(loss) of associates	-	-	78,121	20,273	(70,765)	(70,765)	-	-	-	-	7,356	(50,492)
Operating expenses	(510,091)	(399,930)	(132,609)	(181,222)	(23,515)	(17,123)	(10,000)	(9,648)	(50,778)	(51,671)	(726,993)	(659,594)
Provision for impairment	(132,161)	(75,379)	(365,377)	(241,406)	-	-	-	-	(2,488)	(3,320)	(500,026)	(320,105)
Profit for the period before tax	337,538	302,053	211,852	157,194	(251,965)	(286,845)	208,899	187,419	75,365	145,480	581,689	505,301
Income tax											(4,609)	(2,798)
Profit for the period											577,080	502,503

Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)

20 Segmental information (continued)

Primary segment information - business segments (continued)

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

	Retail and business banking		Wholesale Banking		Real estate		Treasury		Others		Total	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	(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	24,066,800	23,718,232	35,548,929	37,999,806	4,802,593	4,748,006	11,929,120	9,598,156	26,625,999	14,073,571	102,973,441	90,137,771
Segment liabilities and equity	47,539,306	46,862,730	33,632,045	21,079,548	908,933	547,096	8,354,956	8,925,308	12,538,201	12,723,089	102,973,441	90,137,771
Capital expenditure	6,824	27,991	6,824	27,991	-	-	4,549	18,661	4,549	18,660	22,746	93,303

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

20 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: U.A.E. which is designated as domestic and outside the U.A.E. which is designated as international. The following table shows the distribution of the Bank's operating income by geographical segment for the period ended 30 June 2011 and 2010 (unaudited).

	30 June (unaudited)					
	Domestic		International		Total	
	2011	2010	2011	2010	2011	2010
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross income	2,456,785	2,147,532	106,800	101,253	2,563,585	2,248,785

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

	Domestic		International		Total	
	30 June	31 December	30 June	31 December	30 June	31 December
	2011	2010	2011	2010	2011	2010
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Total assets	96,016,400	84,110,228	6,957,041	6,027,543	102,973,441	90,137,771
Total liabilities and equity	97,703,453	84,757,343	5,269,988	5,380,428	102,973,441	90,137,771
Capital expenditure	18,344	78,869	4,403	14,434	22,747	93,303

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

21 Capital adequacy as per BASEL II guidelines

	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
<i>Tier 1 Capital</i>		
Share capital	3,797,054	3,797,054
Statutory reserves	2,731,879	2,731,879
Donated land reserve	276,139	276,139
General reserves	2,350,000	2,350,000
Retained earnings	608,290	368,723
Non-controlling interest	951,993	942,434
	<u>10,715,355</u>	<u>10,466,229</u>
Less:		
Goodwill and intangibles	(17,258)	(17,258)
Cumulative deferred exchange losses	(80,232)	(79,279)
	<u>10,617,865</u>	<u>10,369,692</u>
<i>Tier 2 Capital</i>		
Hedging reserves	769	4,795
Investments fair value reserve	(756,482)	(243,166)
Collective impairment	782,464	764,689
Medium term wakala finance	3,752,543	3,752,543
Deductions for associates	(562,802)	(551,053)
Others	(46,132)	(45,897)
	<u>3,170,360</u>	<u>3,681,911</u>
Total capital base	<u>13,788,225</u>	<u>14,051,603</u>
<i>Risk weighted assets</i>		
Credit risk	73,454,049	73,395,388
Market risk	1,562,065	1,986,235
Operational risk	3,772,256	3,772,256
Total risk weighted assets	<u>78,788,370</u>	<u>79,153,879</u>
<i>Capital Ratios</i>		
Total regulatory capital expressed as a percentage of total risk weighted assets	17.5%	17.8%
Tier 1 capital to total risk weighted assets after deductions for associates	13.1%	12.7%

The capital adequacy ratio was above the minimum requirement of 12% stipulated by U.A.E. Central Bank as at 30 June 2011 (2010: 11%).

22 Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of income for the six months period ended 30 June 2011 and 2010.

23 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 26 July 2011.