

DUBAI ISLAMIC BANK P.J.S.C.

**Review report and interim
financial information for the
period ended 31 March 2012**

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	Pages
Report on review of interim financial information	1
Condensed consolidated statement of financial position	2
Condensed consolidated statement of income (unaudited)	3
Condensed consolidated statement of comprehensive income (unaudited)	4
Condensed consolidated statement of changes in equity	5
Condensed consolidated statement of cash flows (unaudited)	6
Notes to the condensed consolidated financial statements	7 - 25

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 31 March 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. Management of the Bank is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

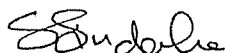
Scope of review

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
29 April 2012

**Condensed consolidated statement of financial position
as at 31 March 2012**

	Notes	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
ASSETS			
Cash and balances with Central Banks	4	14,277,294	12,952,319
Due from banks and financial institutions	5	2,182,680	3,043,096
Islamic financing and investing assets, net	6	52,532,237	51,586,088
Investments in Islamic sukuk	7	13,078,275	12,560,426
Other investments	8	2,063,510	2,034,389
Investments in associates		2,351,150	2,336,439
Properties under construction		105,284	105,284
Properties held for sale		520,826	504,472
Investment properties	9	1,772,659	1,785,205
Receivables and other assets		3,057,179	3,099,336
Property, plant and equipment		567,128	581,410
Total assets		92,508,222	90,588,464
LIABILITIES			
Customers' deposits	10	68,153,080	64,771,317
Due to banks and financial institutions		4,599,669	4,052,433
Sukuk financing instruments	11	2,537,828	4,173,983
Medium term wakala finance		3,752,543	3,752,543
Payables and other liabilities		3,523,420	3,543,355
Accrued zakat		-	121,076
Total liabilities		82,566,540	80,414,707
EQUITY			
Share capital	12	3,797,054	3,797,054
Statutory reserve		2,731,879	2,731,879
Donated land reserve		267,085	267,085
General reserve		2,350,000	2,350,000
Exchange translation reserve		(124,242)	(122,218)
Investments fair value reserve		(804,163)	(831,849)
Retained earnings		716,346	943,484
Equity attributable to equity holders of the Parent		8,933,959	9,135,435
Non-controlling interest		1,007,723	1,038,322
Total equity		9,941,682	10,173,757
Total liabilities and equity		92,508,222	90,588,464
Contingent liabilities and commitments	13	18,959,673	18,665,850

.....
H.E. Mohammad A Al Shaibani
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 31 March 2012**

		3 months ended 31 March	
	Notes	2012 AED'000	2011 AED'000
INCOME			
Income from Islamic financing and investing assets	14	806,080	918,923
Income from investments in Islamic sukuk		154,736	105,908
Income from international murabahat and wakala, short term		14,169	15,788
Income from other investments		7,618	20,607
Commissions, fees and foreign exchange income	15	191,321	165,659
Income from investment properties		20,365	13,229
Profit on sale of properties		2,496	2,638
Other income		28,315	41,998
Total income		1,225,100	1,284,750
EXPENSES			
Personnel expenses		(215,878)	(223,183)
General and administrative expenses		(135,372)	(133,417)
Depreciation of investment properties		(12,722)	(5,620)
Impairment loss on financial assets, net		(282,607)	(289,050)
Impairment loss on non-financial assets, net		(16,000)	(511)
Total expenses		(662,579)	(651,781)
Profit before depositors' share and tax		562,521	632,969
Depositors' share of profits		(321,906)	(387,105)
Operating profit for the period		240,615	245,864
Share of profit/(loss) of associates		15,564	(10,620)
Profit for the period before tax		256,179	235,244
Income tax		(2,859)	(1,566)
Profit for the period		253,320	233,678
Attributable to:			
Equity holders of the parent		245,049	221,583
Non-controlling interest		8,271	12,095
Profit for the period		253,320	233,678
Basic and diluted earning per share attributable to the equity holders of the parent	16	AED 0.064	AED 0.058

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 31 March 2012**

	3 months ended 31 March	
	2012	2011
	AED'000	AED'000
Profit for the period	253,320	233,678
Other comprehensive income/(loss) items		
Fair value gain/(loss) on other investments carried at FVTOCI	27,686	(75,873)
Currency translation differences of foreign operations	(2,024)	936
Other comprehensive income/(loss) for the period	25,662	(74,937)
Total comprehensive income for the period	278,982	158,741
Attributable to:		
Equity holders of the parent	270,711	146,646
Non-controlling interest	8,271	12,095
	278,982	158,741

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

Condensed consolidated statement of changes in equity for the period ended 31 March 2012

	Share capital 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 2011 (restated)	3,797,054	5,266,477	(243,166)	10,656	495,058	9,326,079	947,008	10,273,087
Effect of the change in accounting policy for classification and measurement of financial assets - IFRS 9 (note 3)	-	-	(441,973)	-	(36,070)	(478,043)	-	(478,043)
Balance at 1 January 2011 (restated)	3,797,054	5,266,477	(685,139)	10,656	458,988	8,848,036	947,008	9,795,044
Profit for the period	-	-	-	-	221,583	221,583	12,095	233,678
Other comprehensive loss for the period	-	936	(75,873)	-	-	(74,937)	-	(74,937)
Total comprehensive income for the period	-	936	(75,873)	-	221,583	146,646	12,095	158,741
Dividend payable (note 22)	-	-	-	-	(379,705)	(379,705)	-	(379,705)
Non-controlling interest	-	-	-	-	-	-	(16,343)	(16,343)
Balance at 31 March 2011 (unaudited)	3,797,054	5,267,413	(761,012)	10,656	300,866	8,614,977	942,760	9,557,737
Balance at 1 January 2012 (audited)	3,797,054	5,226,746	(831,849)	-	943,484	9,135,435	1,038,322	10,173,757
Profit for the period	-	-	-	-	245,049	245,049	8,271	253,320
Other comprehensive income for the period	-	(2,024)	27,686	-	-	25,662	-	25,662
Total comprehensive income for the period	-	(2,024)	27,686	-	245,049	270,711	8,271	278,982
Dividend paid (note 22)	-	-	-	-	(474,632)	(474,632)	(24,570)	(499,202)
Zakat adjustments	-	-	-	-	2,445	2,445	(14,300)	(11,855)
Balance at 31 March 2012 (unaudited)	3,797,054	5,224,722	(804,163)	-	716,346	8,933,959	1,007,723	9,941,682

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

**Condensed consolidated statement of cash flows (unaudited)
for the period ended 31 March 2012**

	3 months ended 31 March	
	2012	2011
	AED'000	AED'000
Operating activities		
Profit for the period before tax	256,179	235,244
Adjustments for:		
Dividend income	(4,769)	(16,475)
Revaluation of investments at fair value through profit and loss	(281)	-
Impairment loss on financial assets, net	282,607	289,050
Impairment loss on non-financial assets, net	16,000	511
Share of (profit)/ loss of associates	(15,564)	10,620
Depreciation of investment properties	12,722	5,620
Depreciation of property, plant and equipment	27,377	32,415
Gain on disposal of property, plant and equipment	(32)	(177)
Gain on disposal of properties held for sale	(2,496)	(2,638)
Gain on sale of investments in Islamic sukuk	(952)	(648)
Write off of property, plant and equipment	600	-
Amortisation of sukuk financing instruments issued by a subsidiary	3,476	4,083
Operating cash flow before changes in operating assets and liabilities	574,867	557,605
Decrease / (increase) in deposits and international murabihat with over 3 month maturity	995,980	(5,890,455)
(Increase) / decrease in Islamic financing and investing assets	(1,202,537)	1,313,856
Increase in receivables and other assets	(623,468)	(273,543)
Increase in customers' deposits	3,395,165	9,487,494
Increase in due to banks and other financial institutions	547,758	1,103,646
Increase in payables and other liabilities	635,547	151,863
Decrease in accrued zakat	(121,076)	(146,336)
Cash generated from operations	4,202,236	6,304,130
Tax paid	(550)	(4,849)
Net cash generated from operating activities	4,201,686	6,299,281
Investing activities		
Net movement in investments in Islamic sukuk	(603,104)	(2,452,713)
Net movement in other investments	62	5,403
Additions to properties under construction	-	(7,247)
Additions to properties held for sale	(18,708)	-
Dividend received	699	16,475
Net movement in investments in associates	853	1,080
Purchase of investment properties	(33,049)	(27,365)
Purchase of property, plant and equipment	(14,667)	(9,160)
Proceeds from disposal of property, plant and equipment	140	177
Proceeds from disposal of properties held for sale	4,850	6,148
Net cash used in investing activities	(662,924)	(2,467,202)
Financing activities		
Dividend paid	(499,202)	-
Net movement in sukuk financing instrument	(1,558,654)	-
Non-controlling interests	-	(16,343)
Net cash used in financing activities	(2,057,856)	(16,343)
Increase in cash and cash equivalents	1,480,906	3,815,736
Cash and cash equivalents at the beginning of the period	9,473,570	10,483,681
Effect of exchange rate changes on the balance of cash held in foreign currencies	(18,993)	(32,739)
Cash and cash equivalents at the end of the period (Note 18)	10,935,483	14,266,678
Non-cash transactions:		
Dividend payable	-	379,705

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

Notes to the condensed consolidated financial statements for the period ended 31 March 2012

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. It was subsequently registered under the Commercial Companies Law number 8 of 1984 (as amended) as a Public Joint Stock Company.

The registered head office of the Bank is at P.O. Box 1080, Dubai, United Arab Emirates.

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

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

The following new and revised IFRSs have 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 years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 *Financial Instruments : Disclosure – Transfer of Financial Assets*
- Amendments to IAS 12 *Deferred Tax – Recovery of Underlying Assets*

2.2 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 7 <i>Financial Instruments : Disclosure – Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities</i>	1 January 2013
• IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
• IFRS 11 <i>Joint Arrangements</i>	1 January 2013
• IFRS 12 <i>Disclosure of interests in other entities</i>	1 January 2013
• IFRS 13 <i>Fair Value Measurement</i>	1 January 2013
• Amendments to IAS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
• IAS 19 (as revised in 2011) <i>Employee Benefits</i>	1 January 2013
• IAS 27 (as revised in 2011) <i>Separate Financial Statements</i>	1 January 2013
• IAS 28 (as revised in 2011) <i>Investments in Associates and Joint Ventures</i>	1 January 2013
• Amendments to IAS 32 <i>Financial Instruments : Presentation - Offsetting of Financial Assets and Financial Liabilities</i>	1 January 2014
• IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

Management has not yet had an opportunity to consider the potential impact of the adoption of these standards and interpretations.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (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 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 2011. In addition, results for the period from 1 January 2012 to 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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 2011.

The Bank adopted IFRS 9 financial instruments (IFRS 9) in 2011 in advance of its effective date. The standard was applied retrospectively and the Bank had chosen the limited exemption not to restate comparative information in the year of initial application. As a result, the difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application were recognized in the opening retained earnings.

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 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 2011.

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 2011.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)****3 Summary of significant accounting policies (continued)****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 2011. 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

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.

3.6 Other investments***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.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

3 Summary of significant accounting policies (continued)

3.6 Other investments (continued)

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.

3.6.1 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.

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 use 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 31 March 2012 (continued)**

4 Cash and balances with Central Banks

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Cash in hand	1,263,393	1,494,417
Balances with the Central Banks:		
- Current accounts	3,336,825	773,160
- Reserve requirements	4,152,585	4,162,897
- International murabahat with Central Bank - short term	5,524,491	6,521,845
	<u>14,277,294</u>	<u>12,952,319</u>
Cash and balances with Central Banks by geography is as follows:		
Within the U.A.E.	14,152,711	12,822,994
Outside the U.A.E.	124,583	129,325
	<u>14,277,294</u>	<u>12,952,319</u>

5 Due from banks and financial institutions

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Current accounts	492,733	451,311
Investment deposits	638,918	793,828
International murabahat - short term	1,051,029	1,797,957
	<u>2,182,680</u>	<u>3,043,096</u>
Due from banks and financial institution by geography is as follows:		
Within the U.A.E.	1,817,430	2,672,090
Outside the U.A.E.	365,250	371,006
	<u>2,182,680</u>	<u>3,043,096</u>

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

6 Islamic financing and investing assets, net

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Islamic financing assets		
Commodities murabahat	4,232,010	4,254,785
International murabahat - long term	1,495,559	1,550,959
Vehicles murabahat	5,745,132	5,841,766
Real estate murabahat	4,428,008	4,580,452
Total Murabahat	15,900,709	16,227,962
Istisna'a	6,032,523	6,170,597
Home finance ijara	12,420,984	12,472,203
Other ijara	9,632,561	8,824,658
Salam	3,531,018	3,139,219
Islamic credit cards	444,899	454,715
	47,962,694	47,289,354
Deferred income	(2,841,238)	(2,983,812)
Contractors and consultants' Istisna'a contracts	(250,288)	(249,840)
Provisions for impairment	(3,713,832)	(3,508,555)
	41,157,336	40,547,147
Islamic investing assets		
Musharakat	6,872,982	6,124,109
Mudaraba	3,266,329	3,592,015
Wakalat	1,699,406	1,745,499
	11,838,717	11,461,623
Provisions for impairment	(463,816)	(422,682)
	11,374,901	11,038,941
Islamic financing and investing assets, net	52,532,237	51,586,088

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

6 Islamic financing and investing assets, net (continued)

Provision for impairment

Movements in the provision for impairment are as follows:

	31 March 2012 (unaudited)			31 December 2011 (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	3,508,555	422,682	3,931,237	2,824,393	132,681	2,957,074
Charge for the period/year	258,623	41,136	299,759	1,113,285	403,902	1,517,187
Release to the statement of income	(52,438)	-	(52,438)	(446,582)	(93,305)	(539,887)
Write-offs during the period/year	(720)	-	(720)	(1,979)	-	(1,979)
Others	(188)	(2)	(190)	19,438	(20,596)	(1,158)
Balance at end of the period/year	3,713,832	463,816	4,177,648	3,508,555	422,682	3,931,237

7 Investments in Islamic sukuk

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Investment in Islamic sukuk measured at amortised cost		
Within U.A.E.	12,462,290	11,946,910
Other G.C.C. Countries	126,948	128,899
Rest of the World	489,037	484,617
Total	13,078,275	12,560,426

8 Other investments

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Investments carried at fair value through profit or loss	53,767	52,987
Investments carried at fair value through other comprehensive income	2,009,743	1,981,402
	2,063,510	2,034,389

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

8 Other investments (continued)

The analysis of the other investments as at 31 March 2012 by geography is as follows:

31 March 2012 (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	<u>5,467</u>	<u>-</u>	<u>48,300</u>	<u>53,767</u>
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	416,350	175,999	38,964	631,313
Unquoted equity instruments	862,748	61,685	83,707	1,008,140
Unquoted investment funds	<u>137,116</u>	<u>5,851</u>	<u>227,323</u>	<u>370,290</u>
	<u>1,416,214</u>	<u>243,535</u>	<u>349,994</u>	<u>2,009,743</u>
Total	<u><u>1,421,681</u></u>	<u><u>243,535</u></u>	<u><u>398,294</u></u>	<u><u>2,063,510</u></u>

31 December 2011 (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	<u>4,305</u>	<u>-</u>	<u>48,682</u>	<u>52,987</u>
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	338,571	161,601	33,602	533,774
Unquoted equity instruments	962,748	61,685	68,387	1,092,820
Unquoted investment funds	<u>122,117</u>	<u>5,851</u>	<u>226,840</u>	<u>354,808</u>
	<u>1,423,436</u>	<u>229,137</u>	<u>328,829</u>	<u>1,981,402</u>
Total	<u><u>1,427,741</u></u>	<u><u>229,137</u></u>	<u><u>377,511</u></u>	<u><u>2,034,389</u></u>

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

9 Investment properties

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Land		
Within U.A.E.	443,722	420,339
Rest of the world	51,733	51,733
	<u>495,455</u>	<u>472,072</u>
Other real estate		
Within U.A.E.	568,036	568,037
Rest of the World	522,625	508,548
	<u>1,090,661</u>	<u>1,076,585</u>
Less: Accumulated depreciation and impairment	(273,389)	(213,718)
	<u>817,272</u>	<u>862,867</u>
Investment property under construction		
Within U.A.E.	459,932	450,266
	<u>1,277,204</u>	<u>1,313,133</u>
	<u>1,772,659</u>	<u>1,785,205</u>

10 Customers' deposits

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Current accounts	17,186,526	17,784,560
Saving accounts	11,146,709	10,848,614
Investment deposits	39,600,752	35,912,221
Margin accounts	185,937	192,765
Depositors' investment risk reserve	33,156	33,157
	<u>68,153,080</u>	<u>64,771,317</u>

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

10 Customers' deposits (continued)

Customers deposits by geography are as follows:

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Within the U.A.E.	66,114,810	62,910,730
Outside the U.A.E.	2,038,270	1,860,587
	<u>68,153,080</u>	<u>64,771,317</u>

11 Sukuk financing instruments

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Sukuk financing instruments issued by the Bank	-	2,357,075
Sukuk financing instruments issued by a subsidiary	2,537,828	1,816,908
	<u>2,537,828</u>	<u>4,173,983</u>

Sukuk financing instruments issued by the Bank matured during March 2012.

12 Share capital

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
<i>Authorised capital:</i>		
3,797,054,000 shares of AED 1 each (2011 : 3,797,054,000 shares of AED 1 each)	<u>3,797,054</u>	<u>3,797,054</u>
<i>Issued and fully paid up:</i>		
3,797,054,000 shares of AED 1 each (2011: 3,797,054,000 shares of AED 1 each)	<u>3,797,054</u>	<u>3,797,054</u>

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

13 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:

	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
<i>Contingent liabilities:</i>		
Letters of guarantee	6,998,350	7,510,949
Letters of credit	2,160,561	2,081,825
	<u>9,158,911</u>	<u>9,592,774</u>
<i>Commitments:</i>		
Capital expenditure commitments	328,631	316,575
Irrevocable undrawn facilities commitments	9,472,131	8,756,501
	<u>9,800,762</u>	<u>9,073,076</u>
Total contingent liabilities and commitments	<u><u>18,959,673</u></u>	<u><u>18,665,850</u></u>

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

14 Income from Islamic financing and investing assets (unaudited)

	3 months ended 31 March	
	2012	2011
	AED'000	AED'000
Islamic Financing assets		
Commodities murabahat	68,572	85,199
International murabahat	1,746	2,068
Vehicles murabahat	98,362	117,793
Real estate murabahat	47,105	60,043
Total murabahat income	215,785	265,103
Istisna'a	88,453	106,281
Home finance ijara	158,386	159,428
Ijara	118,874	107,981
Salam	91,844	48,863
Income from Islamic financing assets	673,342	687,656
Islamic investing assets		
Musharakat	79,178	154,189
Mudarabat	36,486	65,557
Wakalat	17,074	8,634
Other	-	2,887
Income from Islamic investing assets	132,738	231,267
Total income from Islamic financing and investing assets	806,080	918,923

15 Commissions, fees and foreign exchange income (unaudited)

	3 months ended 31 March	
	2012	2011
	AED'000	AED'000
Trade related commission and fees	79,225	46,901
Other commission and fees	96,595	94,145
Gains on unilateral promise to buy/sell currencies	16,959	24,339
Fair value changes of Islamic derivatives	(1,458)	274
	191,321	165,659

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

16 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 31 March	
	2012	2011
Profit for the period attributable to the equity holders of the Bank (AED'000)	245,049	221,583
Weighted average number of shares in issue throughout the period (000)	3,797,054	3,797,054
Basic and diluted earnings per share (AED)	0.064	0.058

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.

17 Related party transactions

The Bank enters into arm's 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 31 March 2012 (unaudited)				
Islamic financing and investing assets	1,469,201	18,966	382,979	1,871,146
Customers' deposits	3,096,726	21,137	39,521	3,157,384
Contingent liabilities	-	6	715	721
For the period ended 31 March 2012 (unaudited)				
Income from financing and investing assets	8,788	297	5,007	14,092
Depositors' share of profits	18,906	75	151	19,132

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

17 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 2011 (audited)				
Islamic financing and investing assets	612,167	34,468	390,000	1,036,635
Customers' deposits	2,676,188	132,076	80,272	2,888,536
Contingent liabilities	-	8	700	708
For the period ended 31 March 2011 (unaudited)				
Income from financing and investing assets	13,501	2,496	7,381	23,378
Depositors' share of profits	32,967	191	1,054	34,212

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

	3 months ended 31 March (unaudited)	
	2012	2011
	AED'000	AED'000
Salaries and other benefits	5,098	4,016
End of service benefits	2,476	1,281

18 Cash and cash equivalents

	31 March (unaudited)	
	2012	2011
	AED'000	AED'000
Cash and balances with Central Banks	14,277,294	18,622,833
Due from banks and financial institutions	2,182,680	4,654,375
	16,459,974	23,277,208
Less: Balances and deposits with banks and financial institutions with original maturity over 3 months	(5,524,491)	(9,010,530)
	10,935,483	14,266,678

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

19 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.

Reportable segment

The Bank's reporting segments are organised into four major business segments as follows:

- | | |
|---------------------------------------|--|
| i) Retail and business banking: | Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahats, ijarah, credit card and funds transfer facilities and trade finance facilities. |
| 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.

Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)

19 Segmental information (continued)

Reportable segments (continued)

The following table presents summarized condensed consolidated income statement related to Bank's reportable segments:

	Retail and business			Wholesale banking			Real estate			Treasury			Other			Total		
	Banking			31 March			31 March			31 March			31 March			31 March		
	(unaudited)	2011		(unaudited)	2011		(unaudited)	2011		(unaudited)	2011		(unaudited)	2011		(unaudited)	2011	
	2012	AED'000		2012	AED'000		2012	AED'000		2012	AED'000		2012	AED'000		2012	AED'000	
Net operating revenue	461,161		487,631	355,327		386,618	(133,289)		(166,682)	119,417		99,517	100,578		90,561	903,194		897,645
Share of profit/(loss) of associates	-		-	15,564		7,559	-		(18,179)	-		-	-		-	15,564		(10,620)
Operating expenses	(214,467)		(221,512)	(97,176)		(102,264)	(18,487)		(8,735)	(5,176)		(5,253)	(28,666)		(24,456)	(363,972)		(362,220)
Provision for impairment	(62,550)		(78,777)	(234,657)		(209,321)	-		-	-		-	(1,400)		(1,463)	(298,607)		(289,561)
Profit for the period before tax	184,144		187,342	39,058		82,592	(151,776)		(193,596)	114,241		94,264	70,512		64,642	256,179		235,244
Income tax	-		-	-		-	-		-	-		-	-		-	(2,859)		(1,566)
Profit for the period	-		-	-		-	-		-	-		-	-		-	253,320		233,678

Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)

19 Segmental information (continued)

Reportable segments (continued)

The following is an analysis of the Bank's assets and liabilities by the Bank's reportable segments:

	Retail and business banking			Wholesale Banking			Real estate			Treasury			Other			Total		
	31 March	31 December		31 March	31 December		31 March	31 December		31 March	31 December		31 March	31 December		31 March	31 December	
	2012	2011		2012	2011		2012	2011		2012	2011		2012	2011		2012	2011	
	(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	24,282,184	23,916,930		33,531,862	31,791,056		3,908,198	3,874,977		14,329,956	13,940,058		16,456,022	17,065,443		92,508,222	90,588,464	
Segment liabilities and equity	46,792,628	47,519,470		25,186,114	20,893,587		455,225	897,844		8,463,300	8,716,516		11,610,955	12,561,047		92,508,222	90,588,464	
Capital expenditure	4,400	17,441		4,400	17,441		-	-		2,933	11,628		2,934	11,628		14,667	58,138	

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

19 Segmental information (continued)

Geographical information

Although the management of the Bank is based primarily on reportable 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 31 March 2012 and 2011 (unaudited).

	31 March (unaudited)					
	Domestic		International		Total	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Gross income	<u>1,143,243</u>	<u>1,186,147</u>	<u>81,857</u>	<u>98,603</u>	<u>1,225,100</u>	<u>1,284,750</u>

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

	Domestic		International		Total	
	31 March	31 December	31 March	31 December	31 March	31 December
	2012 (unaudited) AED'000	2011 (audited) AED'000	2012 (unaudited) AED'000	2011 (audited) AED'000	2012 (unaudited) AED'000	2011 (audited) AED'000
Financial assets	<u>85,248,760</u>	<u>83,232,379</u>	<u>1,942,415</u>	<u>1,942,150</u>	<u>87,191,175</u>	<u>85,174,529</u>
Non-financial assets	<u>1,332,985</u>	<u>1,363,564</u>	<u>3,984,062</u>	<u>4,050,371</u>	<u>5,317,047</u>	<u>5,413,935</u>
Total assets	<u>86,581,745</u>	<u>84,595,943</u>	<u>5,926,477</u>	<u>5,992,521</u>	<u>92,508,222</u>	<u>90,588,464</u>
Total liabilities and equity	<u>89,774,403</u>	<u>85,856,351</u>	<u>2,733,819</u>	<u>4,732,113</u>	<u>92,508,222</u>	<u>90,588,464</u>
Capital expenditure	<u>13,296</u>	<u>46,785</u>	<u>1,371</u>	<u>11,353</u>	<u>14,667</u>	<u>58,138</u>

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

20 Capital adequacy as per BASEL II guidelines

	31 March 2012 (unaudited) AED'000	31 December 2011 (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	267,085	267,085
General reserves	2,350,000	2,350,000
Retained earnings	593,822	563,777
Non-controlling interest	943,171	971,427
	<u>10,683,011</u>	<u>10,681,222</u>
Less:		
Cumulative deferred exchange losses	<u>(107,630)</u>	<u>(105,560)</u>
	<u><u>10,575,381</u></u>	<u><u>10,575,662</u></u>
<i>Tier 2 Capital</i>		
Investments fair value reserve	(804,163)	(831,849)
Collective impairment	826,908	842,735
Medium term wakala finance	3,752,543	3,752,543
Deductions for associates and others	(615,027)	(602,255)
	<u>3,160,261</u>	<u>3,161,174</u>
Total capital base	<u><u>13,735,642</u></u>	<u><u>13,736,836</u></u>
<i>Risk weighted assets</i>		
Credit risk	70,574,740	70,353,269
Market risk	1,222,626	1,174,630
Operational risk	3,754,404	3,745,404
Total risk weighted assets	<u><u>75,551,770</u></u>	<u><u>75,273,303</u></u>
<i>Capital Ratios</i>		
Total regulatory capital expressed as a percentage of total risk weighted assets	18.2%	18.2%
Tier 1 capital to total risk weighted assets after deductions for associates and other	13.6%	13.6%

21 Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of income for the three months period ended 31 March 2012 and 2011.

22 Dividend

At the Annual General Meeting of the shareholders held on 20 March 2012, the shareholders approved a cash dividend of AED 0.125 per outstanding share on 31 December 2011 (31 December 2010: cash dividend of AED 0.10 per outstanding share).

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 29 April 2012.