

DUBAI ISLAMIC BANK P.J.S.C.

**Review report and interim
financial information for the
six months period ended 30 June 2012**

DUBAI ISLAMIC BANK P.J.S.C.

**Review report and interim financial information
for the six months period ended 30 June 2012**

	Pages
Report on review of interim financial information	1
Condensed consolidated statement of financial position	2
Condensed consolidated income statement (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 30 June 2012 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* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

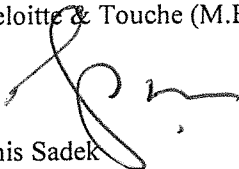
Scope of review

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.)



Anis Sadek
Registration Number 521
31 July 2012

**Condensed consolidated statement of financial position
as at 30 June 2012**

	Notes	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
ASSETS			
Cash and balances with Central Banks	4	13,002,366	12,952,319
Due from banks and financial institutions	5	5,752,120	3,043,096
Islamic financing and investing assets, net	6	53,237,218	51,586,088
Investments in Islamic sukuk	7	11,052,630	12,560,426
Other investments	8	1,981,856	2,034,389
Investments in associates		2,341,795	2,336,439
Properties under construction		105,284	105,284
Properties held for sale		508,113	504,472
Investment properties	9	2,102,366	1,785,205
Receivables and other assets		3,237,996	3,099,336
Property, plant and equipment		561,802	581,410
Total assets		93,883,546	90,588,464
LIABILITIES			
Customers' deposits	10	68,288,520	64,771,317
Due to banks and financial institutions		3,397,534	4,052,433
Sukuk financing instruments	11	4,400,445	4,173,983
Medium term wakala finance		3,752,543	3,752,543
Payables and other liabilities		3,715,773	3,543,355
Accrued zakat		-	121,076
Total liabilities		83,554,815	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		(138,005)	(122,218)
Investments fair value reserve		(834,763)	(831,849)
Retained earnings		1,026,425	943,484
Equity attributable to equity holders of the parent		9,199,675	9,135,435
Non-controlling interest		1,129,056	1,038,322
Total equity		10,328,731	10,173,757
Total liabilities and equity		93,883,546	90,588,464
Contingent liabilities and commitments	13	19,871,927	18,665,850

.....
H.E. Mohammad Ibrahim Al Shaibani
Chairman

.....
Abdulla Ali Al Hamli
Chief Executive Officer

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

**Condensed consolidated income statement (unaudited)
for the six months period ended 30 June 2012**

		3 months ended 30 June		6 months ended 30 June	
	Notes	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
INCOME					
Income from Islamic financing and investing assets	14	809,954	846,743	1,616,034	1,765,666
Income from investments in Islamic sukuk		167,592	135,126	322,328	241,034
Income from international murabahat and wakala, short term		13,321	21,838	27,490	37,626
Income from other investments, net		11,645	9,045	19,263	29,652
Commissions, fees and foreign exchange income	15	195,784	219,621	387,105	385,280
Income from investment properties		29,391	15,280	49,756	28,509
Profit on sale of properties held for sale		5,114	4,088	7,610	6,726
Other income		21,842	27,094	50,157	69,092
Total income		1,254,643	1,278,835	2,479,743	2,563,585
EXPENSES					
Personnel expenses		(215,504)	(220,038)	(431,382)	(443,221)
Depreciation of investment properties		(8,043)	(6,869)	(20,765)	(12,489)
General and administrative expenses		(133,273)	(137,866)	(268,645)	(271,283)
Impairment loss on financial assets, net		(234,133)	(196,936)	(516,740)	(485,986)
Impairment loss on non-financial assets, net		(6,750)	(13,529)	(22,750)	(14,040)
Total expenses		(597,703)	(575,238)	(1,260,282)	(1,227,019)
Profit before depositors' share of profit and income tax		656,940	703,597	1,219,461	1,336,566
Depositors' share of profit		(332,037)	(375,128)	(653,943)	(762,233)
Operating profit for the period		324,903	328,469	565,518	574,333
Share of profit of associates		2,805	17,976	18,369	7,356
Profit for the period before income tax		327,708	346,445	583,887	581,689
Income tax		(4,247)	(3,043)	(7,106)	(4,609)
Profit for the period		323,461	343,402	576,781	577,080
Attributable to:					
Equity holders of the parent		310,079	330,556	555,128	552,139
Non-controlling interest		13,382	12,846	21,653	24,941
Profit for the period		323,461	343,402	576,781	577,080
Basic and diluted earning per share attributable to the equity holders of the parent (AED per share)	16	AED 0.08	AED 0.09	AED 0.15	AED 0.15

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the six months period ended 30 June 2012**

	3 months ended 30 June		6 months ended 30 June	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Profit for the period	323,461	343,402	576,781	577,080
<i>Other comprehensive loss items</i>				
Reclassification of cash flow hedging reserve to income statement	-	(8,946)	-	(8,946)
Fair value (loss)/gain on other investments carried at FVTOCI	(30,600)	4,530	(2,914)	(71,343)
Currency translation differences of foreign operations	(13,763)	(6,364)	(15,787)	(5,428)
Other comprehensive loss for the period	(44,363)	(10,780)	(18,701)	(85,717)
Total comprehensive income for the period	279,098	332,622	558,080	491,363
Attributable to:				
Equity holders of the parent	265,716	319,776	536,427	466,422
Non-controlling interest	13,382	12,846	21,653	24,941
Total comprehensive income for the period	279,098	332,622	558,080	491,363

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

**Condensed consolidated statement of changes in equity
for the six months period ended 30 June 2012**

	Share capital AED'000	Other 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 (audited)	3,797,054	5,266,477	(685,139)	10,656	458,988	8,848,036	947,008	9,795,044
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 (Note 22)	-	-	-	-	(379,705)	(379,705)	(2,952)	(382,657)
Zakat adjustment	-	-	-	-	(425)	(425)	(13,391)	(13,816)
Balance at 30 June 2011 (unaudited)	3,797,054	5,261,049	(756,482)	1,710	630,997	8,934,328	955,606	9,889,934
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	-	-	-	-	555,128	555,128	21,653	576,781
Other comprehensive loss for the period	-	(15,787)	(2,914)	-	-	(18,701)	-	(18,701)
Total comprehensive income for the period	-	(15,787)	(2,914)	-	555,128	536,427	21,653	558,080
Dividend paid (Note 22)	-	-	-	-	(474,632)	(474,632)	(24,570)	(499,202)
Net movement of non-controlling interest	-	-	-	-	-	-	107,951	107,951
Zakat adjustment	-	-	-	-	2,445	2,445	(14,300)	(11,855)
Balance at 30 June 2012 (unaudited)	3,797,054	5,210,959	(834,763)	-	1,026,425	9,199,675	1,129,056	10,328,731

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

**Condensed consolidated statement of cash flows (unaudited)
for the six months period ended 30 June 2012**

	6 months ended 30 June	
	2012	2011
	AED'000	AED'000
Operating activities		
Profit for the period before income tax	583,887	581,689
Adjustments for:		
Dividend income	(14,292)	(23,862)
Revaluation of investments at fair value through profit and loss	(1,186)	59
Impairment loss on financial assets, net	516,740	485,986
Impairment loss on non-financial assets, net	22,750	14,040
Share of profit of associates	(18,369)	(7,356)
Depreciation of investment properties	20,765	12,489
Depreciation of property, plant and equipment	51,239	60,757
Gain on disposal of property, plant and equipment	(13)	(189)
Gain on disposal of properties held for sale	(7,610)	(6,726)
Gain on sale of other investments	(1,035)	(712)
Amortisation of hedging reserve	-	(8,946)
Amortisation of sukuk financing instruments issued by a subsidiary	6,953	8,161
Operating cash flow before changes in operating assets and liabilities	1,159,829	1,115,390
Decrease/(increase) in deposits and international murabahat with over 3 months maturity	1,458,716	(10,971,965)
(Increase)/decrease in Islamic financing and investing assets	(2,186,893)	1,329,817
Increase in receivables and other assets	(901,722)	(134,657)
Increase in customers' deposits	3,605,348	14,198,346
Decrease in due to banks and other financial institutions	(811,680)	(702,204)
Increase/(decrease) in payables and other liabilities	914,959	(165,378)
Decrease in accrued zakat	(121,076)	(146,336)
Cash generated from operations	3,117,481	4,523,013
Tax paid	(550)	(1,734)
Net cash generated from operating activities	3,116,931	4,521,279
Investing activities		
Net decrease/(increase) in investments in Islamic sukuk	1,497,563	(2,489,744)
Net decrease/(increase) in other investments	49,309	(44,175)
Additions to properties under construction	-	(17,148)
Dividend received	12,390	23,862
Net decrease in investments in associates	14,556	1,539
Purchase of investment properties	(105,798)	(48,296)
Purchase of property, plant and equipment	(38,524)	(22,746)
Purchase of property held for sale	(17,757)	(69)
Proceeds from disposal of property, plant and equipment	1,689	369
Proceeds from disposal of properties held for sale	13,606	14,031
Net cash generated from/(used in) investing activities	1,427,034	(2,582,377)
Financing activities		
Dividend paid	(499,202)	(382,657)
Sukuk financing instrument issued during the period	2,576,584	-
Sukuk financing instrument repaid during the period	(2,357,075)	-
Net cash used in financing activities	(279,693)	(382,657)
Increase in cash and cash equivalents	4,264,272	1,556,245
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 and cash equivalents held in foreign currencies	(34,473)	(11,759)
Cash and cash equivalents at the end of the period (Note 18)	13,703,369	12,028,167

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

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 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 revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these 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 standards and interpretation are in issue but not yet effective

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

<u>New and revised IFRSs & IFRIC</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 amended 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
• Amendments to IAS 1 <i>Presentation of Financial Statements</i> (comparative information); IAS 16 <i>Property, Plant and Equipment</i> (servicing equipment); IAS 32 <i>Financial Instruments – Presentation</i> (tax effect of equity distribution); and IAS 34 <i>Interim Financial Reporting</i> (interim reporting of segment assets) resulting from annual improvements 2009-2011 cycle	1 January 2013
• IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

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

2.2 New and revised standards and interpretation are in issue but not yet effective (continued)

As of date of issuance of these condensed consolidated financial statements, management are still in the process of evaluating the impact of these new and revised standards and interpretation on the condensed consolidated financial statements.

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 30 June 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 balance of retained earnings of the period.

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 in 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, 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 which were applied to the consolidated financial statements as at and for the year ended 31 December 2011.

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

3 Summary of significant accounting policies (continued)

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.

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 consolidated 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 income statement.

Subsequent to initial recognition, the Bank is required to reclassify investments in Islamic Sukuk from amortised cost to fair value through profit or loss ("FVTPL"), 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 ("FVTPL"), 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

(a) Investments measured at fair value through profit or loss (FVTPL)

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 income statement. The net gain or loss recognised in the condensed consolidated income statement.

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

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

3 Summary of significant accounting policies (continued)

3.6 Other investments (continued)

(b) Investments measured at fair value through other comprehensive income ("FVTOCI")

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 investments fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments fair value reserve is not reclassified to the condensed consolidated income statement, but is reclassified to retained earnings directly.

Dividends on these investments in equity instruments are recognised in condensed consolidated income statement 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.

3.7 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 income statement 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 sell.

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

4 Cash and balances with Central Banks

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Cash in hand	1,436,575	1,494,417
Balances with the Central Banks:		
- Current accounts	2,280,572	773,160
- Reserve requirements	4,278,181	4,162,897
- Murabahat with Central Bank - short term	5,007,038	6,521,845
	<u>13,002,366</u>	<u>12,952,319</u>

Cash and balances with Central Banks by geography is as follows:

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Within the U.A.E.	12,851,496	12,822,994
Outside the U.A.E.	150,870	129,325
	<u>13,002,366</u>	<u>12,952,319</u>

5 Due from banks and financial institutions

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Current accounts	508,452	451,311
Investment deposits	1,113,698	793,828
International murabahat - short term	4,129,970	1,797,957
	<u>5,752,120</u>	<u>3,043,096</u>

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

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Within the U.A.E.	5,356,474	2,672,090
Outside the U.A.E.	395,646	371,006
	<u>5,752,120</u>	<u>3,043,096</u>

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

6 Islamic financing and investing assets, net

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Islamic financing assets		
Commodities murabahat	4,328,928	4,254,785
International murabahat - long term	1,541,981	1,550,959
Vehicles murabahat	5,600,552	5,841,766
Real estate murabahat	4,235,174	4,580,452
Total murabahat	15,706,635	16,227,962
Istisna'a	5,701,405	6,170,597
Home finance ijara	12,411,273	12,472,203
Other ijaras	9,760,614	8,824,658
Salam finance	3,903,216	3,139,219
Islamic credit cards	443,820	454,715
	47,926,963	47,289,354
Deferred income	(2,662,597)	(2,983,812)
Contractors and consultants' istisna'a contracts	(213,113)	(249,840)
Provisions for impairment	(3,813,542)	(3,508,555)
Total Islamic financing assets, net	41,237,711	40,547,147
Islamic investing assets		
Musharakat	6,726,112	6,124,109
Mudaraba	3,423,519	3,592,015
Wakalat	2,443,774	1,745,499
	12,593,405	11,461,623
Provisions for impairment	(593,898)	(422,682)
Total Islamic investing assets, net	11,999,507	11,038,941
Total Islamic financing and investing assets, net	53,237,218	51,586,088

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

6 Islamic financing and investing assets, net (continued)

Provisions for impairment

Movements in the provisions for impairment are as follows:

	30 June 2012 (unaudited)			31 December 2011 (audited)		
	Financing assets AED'000	Investing assets AED'000	Total AED'000	Financing assets AED'000	Investing assets 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	485,530	96,316	581,846	1,113,285	403,902	1,517,187
Release to income statement	(103,208)	(100)	(103,308)	(446,582)	(93,305)	(539,887)
Write-offs during the period/year	(981)	-	(981)	(1,979)	-	(1,979)
Other, net	(76,354)	75,000	(1,354)	19,438	(20,596)	(1,158)
Balance at end of the period/year	3,813,542	593,898	4,407,440	3,508,555	422,682	3,931,237

7 Investments in Islamic sukuk

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
<i>Investment in Islamic sukuk measured at amortised cost</i>		
Within the U.A.E.	10,207,689	11,946,910
Other G.C.C. Countries	124,997	128,899
Rest of the World	719,944	484,617
Total	11,052,630	12,560,426

8 Other investments

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Investments carried at fair value through profit or loss	1,579	52,987
Investments carried at fair value through other comprehensive income	1,980,277	1,981,402
Total	1,981,856	2,034,389

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

8 Other investments (continued)

The analysis of the other investments by geography is as follows:

30 June 2012 (unaudited)				
	Within the 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>855</u>	<u>-</u>	<u>724</u>	<u>1,579</u>
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	385,845	154,657	38,326	578,828
Unquoted equity instruments	856,230	68,617	82,668	1,007,515
Unquoted investment funds	<u>151,368</u>	<u>5,851</u>	<u>236,715</u>	<u>393,934</u>
	<u>1,393,443</u>	<u>229,125</u>	<u>357,709</u>	<u>1,980,277</u>
Total	<u><u>1,394,298</u></u>	<u><u>229,125</u></u>	<u><u>358,433</u></u>	<u><u>1,981,856</u></u>

31 December 2011 (audited)				
	Within the 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>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 six months period ended 30 June 2012 (continued)

9 Investment properties

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Land		
Within the U.A.E.	443,722	420,339
Rest of the world	51,733	51,733
Total land	495,455	472,072
Other real estate		
<i>Cost:</i>		
Within the U.A.E.	901,236	568,037
Rest of the World	495,398	508,548
	1,396,634	1,076,585
Less: Accumulated depreciation and impairment	(259,480)	(213,718)
	1,137,154	862,867
Investment property under construction		
Within U.A.E.	469,757	450,266
Total carrying amount of other real estate	1,606,911	1,313,133
Total investment properties	2,102,366	1,785,205

10 Customers' deposits

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Current accounts	17,615,676	17,784,560
Saving accounts	11,158,775	10,848,614
Investment deposits	39,281,550	35,912,221
Margin accounts	197,829	192,765
Depositors' investment risk reserve	34,690	33,157
	68,288,520	64,771,317

Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is paid to the depositors with the approval of the Bank's Fatwa and Sharia'a Supervisory Board.

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

10 Customers' deposits (continued)

Customers deposits by geography are as follows:

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Within the U.A.E.	65,976,321	62,910,730
Outside the U.A.E.	2,312,199	1,860,587
	<u>68,288,520</u>	<u>64,771,317</u>

11 Sukuk financing instruments

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Sukuk financing instruments issued by the Bank	1,836,500	2,357,075
Sukuk financing instruments issued by a subsidiary	2,563,945	1,816,908
	<u>4,400,445</u>	<u>4,173,983</u>

In May 2012, the Bank, through a Sharia'a compliant financing arrangement, established a Trust Certificate Issuance Programme for USD 2,500 million (the "Programme"). As part of the Programme, the first series of the trust certificates amounting to USD 500 million (AED 1,837 million) were issued and listed on Irish Stock Exchange on 30 May 2012.

The terms of the Programme include transfer of certain identified assets (the "Co-Owned Assets") including original leased and musharakat assets, Sharia'a compliant authorised investments and any replaced assets of the Bank to DIB Sukuk Limited, Cayman Islands (the "Issuer"). These assets are under the control of the Bank and shall continue to be serviced by the Bank.

The Issuer will pay the semi-annually distribution amount from returns received in respect of the Co-Owned Assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to the sukuk holders on the semi-annually distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at the exercise price.

The trust certificates mature in May 2017 and bear a variable profit rate payable semi-annually at the rate of 6 months LIBOR + 3.65%.

The Sukuk financing instruments issued previously by the Bank amounting to AED 2,357 million were settled during March 2012.

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

12 Share capital

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
<i>Authorised, issued and fully paid up share capital:</i>		
3,797,054,290 shares of AED 1 each	<u>3,797,054</u>	<u>3,797,054</u>

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:

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
<i>Contingent liabilities:</i>		
Letters of guarantee	8,150,742	7,510,949
Letters of credit	<u>2,057,952</u>	<u>2,081,825</u>
	<u>10,208,694</u>	<u>9,592,774</u>
<i>Commitments:</i>		
Capital expenditure commitments	309,318	316,575
Irrevocable undrawn facilities commitments	<u>9,353,915</u>	<u>8,756,501</u>
	<u>9,663,233</u>	<u>9,073,076</u>
Total contingent liabilities and commitments	<u><u>19,871,927</u></u>	<u><u>18,665,850</u></u>

Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)

14 Income from Islamic financing and investing assets (unaudited)

	3 months ended 30 June		6 months ended 30 June	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
<i>Islamic financing assets</i>				
Commodities murabahat	65,399	79,438	133,971	164,637
International murabahat - long term	1,397	2,020	3,143	4,088
Vehicles murabahat	95,840	114,664	194,202	232,457
Real estate murabahat	41,169	57,183	88,274	117,226
Total murabahat income	203,805	253,305	419,590	518,408
Istisna'a	86,511	112,377	174,964	218,658
Home finance ijara	147,291	102,507	305,677	261,935
Other ijaras	123,394	151,168	242,268	259,149
Salam finance	103,392	60,615	195,236	109,478
Total income from Islamic financing assets	664,393	679,972	1,337,735	1,367,628
<i>Islamic investing assets</i>				
Musharakat	96,214	112,463	175,392	266,652
Mudarabat	37,317	38,388	73,803	103,945
Wakalat	12,030	13,029	29,104	21,663
Other	-	2,891	-	5,778
Total income from Islamic investing assets	145,561	166,771	278,299	398,038
Total income from Islamic financing and investing assets	809,954	846,743	1,616,034	1,765,666

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

15 Commissions, fees and foreign exchange income (unaudited)

	3 months ended 30 June		6 months ended 30 June	
	2012	2011	2012	2011
	AED'000	AED'000	AED'000	AED'000
Trade related commission and fees	71,910	61,913	151,135	108,814
Other commission and fees	102,727	124,894	199,322	219,039
Gains on unilateral promise to buy and sell currencies	19,519	23,267	36,478	47,606
Fair value changes of Islamic Derivatives	1,628	583	170	857
Cumulative gains on hedging reserve reclassified to the income statement	-	8,964	-	8,964
Total	195,784	219,621	387,105	385,280

16 Basic and diluted earning per share (unaudited)

Basic and diluted earning 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 as at end of the reporting period as follows:

	3 months ended 30 June		6 months ended 30 June	
	2012	2011	2012	2011
Profit for the period attributable to the equity holders of the parent (AED'000)	310,079	330,556	555,128	552,139
Weighted average number of shares in issue throughout the period ('000)	3,797,054	3,797,054	3,797,054	3,797,054
Basic and diluted earnings per share (AED per share)	AED 0.08	AED 0.09	AED 0.15	AED 0.15

As of the reporting date, the diluted earning per share is equal to the basic earning per share as the Bank has not issued any financial instruments that should be taken into consideration when the diluted earning per share is calculated.

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

17 Related party transactions

The Bank enters into arm's length transactions with shareholders, directors, key management personnel, their related concerns and the Bank's associates 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 fully eliminated upon consolidation and they are not disclosed in this note.

The significant balances and transactions with related parties included in these 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 2012 (unaudited)				
Islamic financing and investing assets	1,469,200	9,144	382,979	1,861,323
Customers' deposits	2,559,974	123,147	60,507	2,743,628
Contingent liabilities	-	6	728	734
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 six months period ended 30 June 2012 (unaudited)				
Income from Islamic financing and investing assets	21,115	414	9,421	30,950
Depositors' share of profits	33,691	1,006	197	34,894
For the six months period ended 30 June 2011 (unaudited)				
Income from Islamic financing and investing assets	26,332	4,592	14,310	45,234
Depositors' share of profits	55,241	273	1,103	56,617

No impairment allowances have been recognised against Islamic financing and investing assets extended to related parties or contingent liabilities issued in favour of related parties during the six months period ended 30 June 2012 (year ended 31 December 2011: Nil).

The compensation paid to/accrued for key management personnel of the Bank during the six-month periods ended 30 June 2012 and 2011 was as follows:

	2012 (unaudited) AED'000	2011 (unaudited) AED'000
Salaries and other benefits	10,235	9,473
End of service benefits	2,536	1,682

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

18 Cash and cash equivalents (unaudited)

	30 June	
	2012	2011
	AED'000	AED'000
Cash and balances with Central Banks	13,002,366	22,839,395
Due from banks and financial institutions	5,752,120	3,280,812
	18,754,486	26,120,207
Less: Balances and deposits with banks and financial institutions with original maturity over 3 months	(5,051,117)	(14,092,040)
	13,703,369	12,028,167

19 Segmental information

Reportable segment

Operating reportable 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.

The Bank's reportable segments are organised into five major 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 runs its own Islamic debt and specialise financial instruments book to manage the above risks.
- v) Other: Functions other than above core lines of businesses.

The accounting policies of the reportable segments are the same as the Bank's accounting policies. Transactions between segments are conducted at estimated profit rates which approximate to market rates on an arm's length basis.

19 Segmental information (continued)

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

	Corporate and investment banking						Total					
	Retail and business Banking		banking		Real estate		Treasury		Other			
	6 months ended 30 June (unaudited)		6 months ended 30 June (unaudited)		6 months ended 30 June (unaudited)		6 months ended 30 June (unaudited)		6 months ended 30 June (unaudited)		6 months ended 30 June (unaudited)	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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	918,170	979,790	611,107	631,717	(107,249)	(157,685)	242,233	218,899	161,539	128,631	1,825,800	1,801,352
Share of profit/(loss) of associates	-	-	18,369	78,121	-	(70,765)	-	-	-	-	18,369	7,356
Operating expenses	(468,289)	(510,091)	(146,530)	(132,609)	(40,600)	(23,515)	(8,846)	(10,000)	(56,527)	(50,778)	(720,792)	(726,993)
Total impairment loss	(107,752)	(132,161)	(426,919)	(365,377)	-	-	-	-	(4,819)	(2,488)	(539,490)	(500,026)
Profit for the period before income tax	342,129	337,538	56,027	211,852	(147,849)	(251,965)	233,387	208,899	100,193	75,365	583,887	581,689
Income tax	-	-	-	-	-	-	-	-	-	-	(7,106)	(4,609)
Profit for the period	-	-	-	-	-	-	-	-	-	-	576,781	577,080

Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)

19 Segmental information (continued)

Reportable segments (continued)

The following table presents summarized condensed consolidated financial position related to Bank's reportable segments:

	Retail and business banking		Corporate and investment banking		Real estate		Treasury		Other		Total	
	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Segment assets	24,651,797	23,916,930	34,024,158	31,791,056	4,209,197	3,874,977	12,814,747	13,940,058	18,183,647	17,065,443	93,883,546	90,588,464
Segment liabilities and equity	48,547,816	47,519,470	23,616,129	20,893,587	472,752	897,844	8,808,194	8,716,516	12,438,655	12,561,047	93,883,546	90,588,464
Capital expenditure	11,557	17,441	11,557	17,441	-	-	7,705	11,628	7,705	11,628	38,524	58,138

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

19 Segmental information (continued)

Geographical information

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 2012 and 2011.

	6 months ended 30 June (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>2,327,319</u>	<u>2,456,785</u>	<u>152,424</u>	<u>106,800</u>	<u>2,479,743</u>	<u>2,563,585</u>

* Geographical analysis for gross income is based on the Bank's operational centres and subsidiaries locations.

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

	Domestic		International		Total	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	(unaudited) AED'000	(audited) AED'000	(unaudited) AED'000	(audited) AED'000	(unaudited) AED'000	(audited) AED'000
Financial assets	<u>82,378,611</u>	<u>80,055,817</u>	<u>5,745,129</u>	<u>5,079,564</u>	<u>88,123,740</u>	<u>85,135,381</u>
Non-financial assets	<u>4,824,317</u>	<u>4,540,126</u>	<u>935,489</u>	<u>912,957</u>	<u>5,759,806</u>	<u>5,453,083</u>
Total assets	<u>87,202,928</u>	<u>84,595,943</u>	<u>6,680,618</u>	<u>5,992,521</u>	<u>93,883,546</u>	<u>90,588,464</u>
Total liabilities and equity	<u>89,237,301</u>	<u>85,856,351</u>	<u>4,646,245</u>	<u>4,732,113</u>	<u>93,883,546</u>	<u>90,588,464</u>
Capital expenditure	<u>31,885</u>	<u>46,785</u>	<u>6,639</u>	<u>11,353</u>	<u>38,524</u>	<u>58,138</u>

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012 (continued)**

20 Capital adequacy ratio

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
<i>Capital base</i>		
Tier 1 Capital	10,727,696	10,575,662
Tier 2 Capital	2,982,127	3,161,174
Total capital base	13,709,823	13,736,836
<i>Risk weighted assets</i>		
Credit risk	69,076,828	70,353,269
Market risk	1,750,178	1,174,630
Operational risk	3,745,404	3,745,404
Total risk weighted assets	74,572,410	75,273,303
<i>Capital Ratios</i>		
Total regulatory capital expressed as a percentage of total risk weighted assets	18.4%	18.2%
Tier 1 capital to total risk weighted assets after deductions for associates	14.0%	13.6%

The capital adequacy ratio calculation is based on Basel 2 and the U.A.E. Central Bank rules and regulations.

21 Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated income statement for the six months periods ended 30 June 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 0.100 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 31 July 2012.