

**Dubai Islamic Bank
(Public Joint Stock Company)
and Subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2002**

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
DUBAI ISLAMIC BANK (PUBLIC JOINT STOCK COMPANY)**

We have audited the accompanying consolidated balance sheet of **Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries** as of 31 December 2002 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries** as of 31 December 2002 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

We also confirm that in our opinion proper books of account have been kept by the Bank and the contents of the report of the Board of Directors relating to these consolidated financial statements are in agreement with the books of account of the bank and its subsidiaries. We have obtained all the information and explanations we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Bank have occurred during the year which would have had a material effect on the business of the Bank or on its financial position.

Signed by:
Hamed Kazim
Registration No. 20

5 March 2003

Dubai, United Arab Emirates

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year Ended 31 December 2002

	<i>Notes</i>	<i>2002 AED'000</i>	<i>2001 AED'000</i>
INCOME			
Income from financing and investing activities	3	649,714	580,636
Income from international murabahat, short term		92,803	172,188
Income from investment properties	4	78,856	35,355
Commissions, fees and foreign exchange	5	59,576	45,870
Other operating income		951	-
TOTAL INCOME		881,900	834,049
EXPENSES			
General and administrative expenses	6	(219,574)	(167,071)
Depreciation of investment properties		(26,870)	(15,179)
Provisions for impairment	7	(26,000)	(35,962)
TOTAL EXPENSES		(272,444)	(218,212)
Net income for the year before minority interest and depositors' share		609,456	615,837
Minority interest		(8,522)	-
Net income for the year before depositors' share		600,934	615,837
Depositors' share of profits	8	(441,136)	(463,313)
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS'		159,798	152,524
Earning per share (Dirhams)	9	1.58	1.52

The attached notes 1 to 35 form part of these financial statements.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

CONSOLIDATED BALANCE SHEET

31 December 2002

	<i>Notes</i>	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
ASSETS			
Cash and balances with U.A.E. Central Bank	10	1,046,782	1,105,825
Balances and deposits with banks		252,164	441,427
International murabahat, short term		6,111,541	4,104,025
Financing and investing activities, net	11	10,115,730	8,391,200
Investment properties, net	12	1,390,091	906,373
Other investments, net	13	260,118	163,308
Prepayments and other assets	14	302,057	173,363
Fixed assets, net	15	119,307	48,457
Total assets		19,597,790	15,333,978
LIABILITIES			
Customers' deposits	16	16,986,809	13,192,609
Due to banks and other financial institutions	17	242,406	216,255
Other liabilities	18	775,486	679,897
Accrued zakat	19	10,581	8,657
Total liabilities		18,015,282	14,097,418
Minority interest	20	8,522	-
Shareholders' equity			
Share capital	21	1,000,000	1,000,000
Statutory reserve	22	56,017	40,037
Donated land reserve	22	284,701	-
General reserve	22	130,000	95,000
Retained earnings		3,268	1,523
Proposed dividends	23	100,000	100,000
Total shareholders' equity		1,573,986	1,236,560
Total liabilities and shareholders' equity		19,597,790	15,333,978
Commitments and contingent liabilities	24	2,810,088	2,560,432

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 5 March 2003.

Dr. Mohammad K. Kharbash
Chairman

Sultan Saeed Al Mansouri
Deputy Chairman

Butti Khalifah Al-Falasi
General Manager

The attached notes 1 to 35 form part of these financial statements.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2002

	<i>Notes</i>	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
OPERATING ACTIVITIES			
Profit attributable to shareholders		159,798	152,524
Adjustments for:			
Provisions for impairment		26,000	35,962
Depreciation of investment properties		26,818	15,179
Depreciation of fixed assets		20,251	5,529
		232,867	209,194
Changes in operating assets and liabilities			
Reserves with U.A.E. Central Bank		(171,782)	(72,878)
Investment deposits with banks		158,914	(231,399)
Financing and investing activities, net		(1,759,853)	(2,820,264)
Prepayments and other assets		(130,568)	32,859
Customers' deposits		3,794,200	3,349,174
Due to banks and other financial institutions		26,151	123,993
Other liabilities		95,589	32,190
Accrued Zakat		(3,699)	(2,261)
Net cash provided by operating activities		2,241,819	620,608
INVESTING ACTIVITIES			
Movement in investment properties, net		(225,835)	(130,762)
Movement in other investments, net		(96,810)	57,064
Movement in fixed assets, net		(91,101)	(8,666)
Minority interest		8,522	-
Net cash used in investing activities		(405,224)	(82,364)
FINANCING ACTIVITY			
Dividends paid		(100,000)	(75,000)
Cash used in financing activity		(100,000)	(75,000)
INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year	25	4,697,780	4,234,536
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	25	6,434,375	4,697,780

The attached notes 1 to 35 form part of these financial statements.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2002

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Donated land reserve AED'000</i>	<i>General reserve AED'000</i>	<i>Retained earnings AED'000</i>	<i>Proposed dividends AED'000</i>	<i>Total AED'000</i>
As of 31 December 2000	1,000,000	24,785	-	60,000	4,905	75,000	1,164,690
Net income for the year	-	-	-	-	152,524	-	152,524
Transfer to reserves	-	15,252	-	35,000	(50,252)	-	-
Dividends paid – 2000	-	-	-	-	-	(75,000)	(75,000)
Zakat	-	-	-	-	(4,204)	-	(4,204)
Directors' remuneration	-	-	-	-	(1,450)	-	(1,450)
Proposed dividends	-	-	-	-	(100,000)	100,000	-
As of 31 December 2001	1,000,000	40,037	-	95,000	1,523	100,000	1,236,560
Transfer during the year (Note 22)	-	-	284,701	-	-	-	284,701
Net income for the year	-	-	-	-	159,798	-	159,798
Transfer to reserves	-	15,980	-	35,000	(50,980)	-	-
Dividends paid – 2001	-	-	-	-	-	(100,000)	(100,000)
Zakat	-	-	-	-	(5,623)	-	(5,623)
Directors' remuneration	-	-	-	-	(1,450)	-	(1,450)
Proposed dividends	-	-	-	-	(100,000)	100,000	-
As of 31 December 2002	1,000,000	56,017	284,701	130,000	3,268	100,000	1,573,986

The attached notes 1 to 35 form part of these financial statements.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

1 ACTIVITIES

Dubai Islamic Bank (Public Joint Stock Company) was incorporated as a Public Joint Stock Company, 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 services based on Islamic principles.

In addition to its main office in Dubai, the Bank operates through 16 branches (2001: 13 branches) in the U.A.E. The accompanying consolidated financial statements combine the activities of the Bank's head office, its branches and the following subsidiaries:

<u>Company</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Percentage of equity</u>	
			2002	2001
1. Naseej Industries Company L.L.C.	Textile Manufacturing	UAE	98.0 %	98.0 %
2. Al Bustan Center L.L.C.	Rental of apartments and shops	UAE	50.0 %	50.0 %
3. DIB Printing Press L.L.C.	Printing	UAE	99.5 %	99.5 %
4. Al Ahlia Aluminum Company L.L.C.	Aluminum fixtures	UAE	75.5 %	75.5 %
5. United Mineral Water P.S.C.	Bottling of natural water	Egypt	74.5 %	74.5 %
6. Emirates Finance Co. L.L.C.	Financing	UAE	99.5 %	99.5 %
7. Gulf Tankers L.L.C.	Cargo and transport	UAE	50.0 %	50.0 %
8. Islamic Financial Services L.L.C.	Financing	UAE	95.5 %	95.5 %
9. Islamic Investment Company P.S.C.	Financing & investing	UAE	95.5 %	95.5 %
10. Global Real Estate Development Company P.S.C.	Real estate development	UAE	95.5 %	-
11. Al Tanmyah Services L.L.C.	Labour services	UAE	99.5 %	-

The entities listed under 7 and 9 did not conduct any operations during the current or previous year.

The Bank carries out full banking services, financing and investing activities through various Islamic instruments such as Murabaha, Istisna, Mudaraba, Musharaka, Wakala, Ijara, etc. All the activities of the Bank are conducted in accordance with Islamic Sharia, which prohibits usury, and with the provisions of its Articles and Memorandum of Association.

The Bank's registered office address is P.O. Box 1080, Dubai, United Arab Emirates.

As of 31 December 2002 the Bank and Subsidiaries employed 1,318 (Bank 2001: 867) employees.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Basis of preparation

The consolidated financial statements have been prepared in accordance with Standards issued, or adopted by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee, Sharia rules and principles as determined by the Bank's Sharia Supervisory Board and applicable requirements of UAE laws.

The consolidated financial statements have been presented in UAE Dirhams.

Accounting convention

The consolidated financial statements have been prepared under the historical cost convention as modified for the measurement at fair value of available for sale investments.

The accounting policies are consistent with those used in the previous year except for consolidation of certain subsidiaries (Note 35).

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and each of the entities that it controls (see note 1). Control is normally evidenced when the Bank owns, either directly or indirectly, more than 50% of the voting rights of an entity's capital or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

All significant inter-company transactions are eliminated upon consolidation.

Definitions

The following terms are used in the financial statements with the meaning specified:

Murabaha

An agreement whereby the Bank sells to a customer a commodity which the Bank has purchased and acquired based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises of the cost of the commodity and an agreed profit margin.

Istissna'a

An agreement between the Bank and a customer whereby the Bank would sell to the customer a developed property according to agreed upon specifications. The Bank would develop the property either on its own or through a subcontractor and then hand it over to the customer at a fixed date against an agreed price.

Ijara

An agreement whereby the Bank (lessor) purchases or leases an asset according to the customer's request (lessee), based on his promise to lease the asset for a specific period and against certain rent installments. Ijara could end by transferring the ownership of the asset to the lessee.

Musharaka

An agreement between the Bank and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise.

Mudaraba

An agreement between the Bank and a customer whereby the Bank would provide a certain amount of funds, which the customer would then invest in a specific enterprise or activity against a specific share in the profit. The customer would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba.

Wakala

An agreement whereby the Bank provides a certain sum of money to an agent, who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

Balances and deposits with banks

Balances and deposits with banks are stated at cost less amounts written off and provision for impairment, if any. The gains or losses are recognized in the consolidated income statement.

International murabahats, short term

International murabahats, short term are stated at cost less provisions for impairment and deferred profits.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Financing and investing activities

Financing and investing activities consist of Murabaha receivables, Mudaraba financing, Musharaka financing, investments under Wakala arrangements, Istissna'a and Ijarah contracts.

Istissna'a cost is measured and reported in the consolidated financial statements at a value not exceeding to cash equivalent value.

Other financing and investing activities are stated at amortized cost less any provisions for impairment and deferred profits.

Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the assets' estimated useful lives.

Other investments

Investments in associates are accounted for under the equity method of accounting and are carried in the balance sheet at the lower of the equity-accounted amount and the recoverable amount. Associates are enterprises in which the bank generally holds 20% to 50% of the voting power or over which it exercises significant influence.

Other available for sale investment are initially recognized at cost, being the fair value of the consideration given including all acquisition costs associated with the investment.

Subsequent to initial recognition, available for sale investments are measured at fair value. Investments whose fair value cannot be reliably measured are carried at cost less any impairment losses.

Gains or losses arising from a change in the fair value of investments classified as available for sale are recognized directly in the consolidated income statement.

Fixed assets

Fixed assets are initially recorded at cost. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount and, where carrying values exceed this recoverable amount, assets are written down.

Depreciation is provided on a straight-line basis over the estimated useful lives of all fixed assets, other than freehold land which is deemed to have an indefinite life.

The rates of depreciation are based upon the following estimated useful lives:

- Buildings 20-25 years
- Plant and machinery 10-15 years
- Furniture and office equipment 4-5 years
- Information technology 5 years
- Motor vehicles 3 years

Revenue recognition

Murabaha

Where the income is quantifiable and contractually determined at the commencement of the contract, income is recognised on a time-apportioned basis over the period of the contract based on the principal amounts outstanding.

Istissna'a

Istissna'a revenue and the associated profit margin (difference between the cash price of al-masnoo to the customer and the bank's total Istissna'a cost) is accounted for on a time proportionate basis.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Ijarah

Ijarah income is recognised on a time-apportioned basis over the lease term.

Musharaka

Income is accounted for on the basis of the reducing balance on a time proportionate basis that reflects the effective yield on the asset.

Mudaraba

Income on mudaraba financing is recognised on distribution by the mudarib, whereas the losses are charged to income on their declaration by the mudarib.

Fee and commission income

Fee and commission income is recognised when earned.

Rental income

Rental income is recognized on an accrual basis.

Dividends

Dividends from investments in equities are recognised when the right to receive the dividend is established.

Forfeited income

According to Fatwa and Shariah Supervisory Board, the Bank has to identify any income deemed to be derived from non-Islamic sources, and to set aside such amount in a separate account used to pay for local social activities (forfeited income).

Provisions

Provisions are recognised when the bank has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

The Bank provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Bank makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are recognised in the consolidated income statement when due.

Zakat

Zakat is computed as per the Bank's Articles and Memorandum of Association and is approved by the Bank's Fatwa and Shariah Supervisory Board on the following basis:

- Zakat on investment and financing activities general provision is deducted from profit for the year before appropriation.
- Zakat on shareholders' equity is deducted from their dividends and is computed on their zakat pool (shareholders' equity less paid up capital, plus employees' end of service benefits).
- Zakat on profit equalization reserve is charged to this reserve after it has been calculated.
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board.
- Zakat on the paid up capital is not included in the zakat computations and is payable by the shareholders personally.

Allocation of profit

Allocation of profits between depositors and shareholders is calculated according to the Bank's standard procedures and is approved by the Bank's Fatwa and Shariah Supervisory Board.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

For the purpose of preparation of the consolidated statement of cash flows, cash equivalents are considered to be cash and balances with the U.A.E. Central bank, due from banks and international Murabaha. Cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the bank and accordingly are not included in these consolidated financial statements.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net realizable value of future anticipated cash flows, recognised for the difference between the recoverable amount and the carrying amount in the consolidated income statement.

In addition to covering specific impaired financing and investing exposures, the provision for impairment also covers losses where there is objective evidence that probable losses are present in components of the financing and investing activities portfolio at the balance sheet date. These have been estimated based on historical patterns of losses in each component of financing and investing activity and reflecting the current economic climate.

Foreign currencies

Transactions in foreign currencies are recorded at rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the exchange rates prevailing at that date. Any gain or loss arising from changes in exchange rates subsequent to the date of a transaction is recognized in the consolidated income statement.

Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

For unquoted investments, a reasonable estimate of the fair value is determined by reference to the market value of similar investment or is based on acceptable valuation techniques.

For investment in properties, fair value is determined periodically on the basis of independent professional valuations.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

3 INCOME FROM FINANCING AND INVESTING ACTIVITIES

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Financing activities		
Commodities murabahat	227,843	226,838
Vehicles murabahat	106,269	87,852
Istissna'a	160,246	162,211
Ijara	23,730	8,183
	<u>518,088</u>	<u>485,084</u>
Investing activities		
Musharakat	71,634	58,432
Mudarabat	25,396	21,131
Wakalat	12,976	2,115
Investment funds, net	1,246	-
Others	10,298	4,425
	<u>121,550</u>	<u>86,103</u>
Investments in companies		
Dividend income	5,577	3,487
Gain on valuing investments available for sale	4,499	5,962
	<u>10,076</u>	<u>9,449</u>
Total income from financing and investing activities	<u><u>649,714</u></u>	<u><u>580,636</u></u>

Others amounting to AED 10,298,000 (2001: AED 4,425,000) are presented net of forfeited income of AED 837,000 (2001: AED 484,000).

4 INCOME FROM INVESTMENT PROPERTIES

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Rental income	72,695	32,014
Others	6,161	3,341
	<u>78,856</u>	<u>35,355</u>

5 COMMISSIONS, FEES AND FOREIGN EXCHANGE

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Commissions and fees	44,532	34,810
Foreign exchange gains	15,044	11,060
	<u>59,576</u>	<u>45,870</u>

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

6 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Payroll and payroll-related expenses	132,655	105,840
Operating expenses	40,125	31,361
Administrative expenses	28,665	21,764
Depreciation of fixed assets	15,552	5,529
Zakat on provision for impairment	2,577	2,577
	<u>219,574</u>	<u>167,071</u>

7 PROVISIONS FOR IMPAIRMENT

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Financing and investing activities (Note 11)	23,400	35,962
Others (Note 14)	2,600	-
	<u>26,000</u>	<u>35,962</u>

8 DEPOSITORS' SHARE OF PROFITS

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Share for the year	441,136	463,313
Less: Pertaining to opening profit equalisation reserve (Note 26)	(3,341)	(2,685)
Less: Additional transfer to profit equalisation reserve (Note 26)	(17,791)	(27,173)
	<u>420,004</u>	<u>433,455</u>

9 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to the shareholders' for the year, net of directors' remuneration, of AED 158,348,000 (2001: AED 151,074,000) by the weighted average number of shares outstanding during the year of 100,000,000 of AED 10 each (2001: 100,000,000 of AED 10 each).

10 CASH AND BALANCES WITH U.A.E. CENTRAL BANK

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Cash in hand	125,280	124,278
Balances with Central Bank:		
Current accounts	120,790	352,617
Reserve requirements	800,712	628,930
	<u>1,046,782</u>	<u>1,105,825</u>

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

11 FINANCING AND INVESTING ACTIVITIES (NET)

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Financing activities		
International Murabahat	1,074,803	885,066
Commodities Murabahat	2,509,509	2,759,410
Vehicles Murabahat	1,609,871	1,255,446
Buildings Murabahat	828,199	748,070
	<hr/>	<hr/>
Total Murabahat	6,022,382	5,647,992
Istisna	2,639,189	3,079,032
Ijara	782,338	279,145
Others	80,932	99,193
	<hr/>	<hr/>
	9,524,841	9,105,362
Less: Deferred income	(1,287,610)	(1,372,252)
Contractors and consultants' Istisna contracts	(342,402)	(421,396)
Down payments from Istisna customers	(10,954)	(55,487)
Provision for impairment	(657,933)	(605,156)
	<hr/>	<hr/>
	7,225,942	6,651,071
	<hr/>	<hr/>
Investing activities		
Musharakat in buildings	1,091,217	1,040,795
Mudarabat	653,897	488,950
Wakalat	630,198	262,272
Investment funds	41,678	18,365
	<hr/>	<hr/>
	2,416,990	1,810,382
Less: Provision for impairment	(52,395)	(79,326)
	<hr/>	<hr/>
	2,364,595	1,731,056
	<hr/>	<hr/>
Projects in progress	525,193	9,073
	<hr/>	<hr/>
Total financing and investing activities, net	10,115,730	8,391,200
	<hr/> <hr/>	<hr/> <hr/>

Financing and investing activities by geographical areas are as follows:

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Within U.A.E.	10,880,458	9,707,035
Outside U.A.E.	1,586,566	1,217,782
	<hr/>	<hr/>
	12,467,024	10,924,817
	<hr/> <hr/>	<hr/> <hr/>

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 FINANCING AND INVESTING ACTIVITIES (NET) - continued

Financing and investing activities by industry groups are as follows:

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Financial institutions	1,762,418	1,383,365
Real estate	4,900,108	4,839,918
Trade	810,398	667,627
Government	642,546	521,217
Manufacturing and services	730,259	513,257
Personal financing and others	3,621,295	2,999,433
	<u>12,467,024</u>	<u>10,924,817</u>

Movements in the provision for impairment are as follows:

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Balance, beginning of the year	684,482	661,811
Transfers in respect of subsidiaries	21,680	-
	<u>706,162</u>	<u>661,811</u>
Charge for the year (Note 7)	23,400	35,962
Write-offs	(19,234)	(13,291)
	<u>710,328</u>	<u>684,482</u>

12 INVESTMENT PROPERTIES (NET)

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Land		
In U.A.E.	795,217	386,243
Outside U.A.E.	60,356	906
	<u>855,573</u>	<u>387,149</u>
Less: Provision for impairment	(700)	(1,326)
	<u>854,873</u>	<u>385,823</u>
Real estate		
In U.A.E.	612,664	570,780
Outside U.A.E.	70,193	69,965
	<u>682,857</u>	<u>640,745</u>
Less: Accumulated depreciation and provision for impairment	(147,639)	(120,195)
	<u>535,218</u>	<u>520,550</u>
Investment properties, net	<u>1,390,091</u>	<u>906,373</u>

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

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12 INVESTMENT PROPERTIES - continued

The fair value of the Bank's investment properties in U.A.E as of 31 December 2002 is AED 1,275,866,000 (2001: AED 860,074,000) as per valuations conducted by the Bank's real estate department. Management believes this valuation is in line with the market.

Land in UAE includes land valued at AED 284,701,000 donated by the Government for the sole benefit of the shareholders during the current year. The land has been valued by independent professional valuers and the fair market value determined by these valuers at the date of the donation is considered as the cost (Note 22).

Investment properties outside U.A.E. include AED 89 million (2001: AED 71 million) registered in the name of third parties on trust for the Bank. These investments include advances of AED 66 million relating to properties in Egypt (2001: AED 66 million). The Bank is in the process of completing formalities to transfer the title in those properties to its name.

The movement in investment properties is as follows:

	<i>Land</i> <i>AED '000</i>	<i>Real Estate</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
Cost:			
Balance, beginning of the year	387,149	640,745	1,027,894
Additions during the year	532,975	24,879	557,854
Disposals during the year	(56,365)	(800)	(57,165)
Transfers, net (Note 15)	(8,186)	18,033	9,847
	<hr/>	<hr/>	<hr/>
Balance, end of the year	855,573	682,857	1,538,430
	<hr/>	<hr/>	<hr/>
Accumulated depreciation/provision for impairment:			
Balance, beginning of the year	1,326	120,195	121,521
Charge for the year	-	26,818	26,818
Transfers	(626)	626	-
	<hr/>	<hr/>	<hr/>
Balance, end of the year	700	147,639	148,339
	<hr/>	<hr/>	<hr/>
Net book value and carrying value, end of the year	854,873	535,218	1,390,091
	<hr/>	<hr/>	<hr/>

13 OTHER INVESTMENTS (NET)

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Investments available for sale, net	219,206	61,306
Investments in associates	40,912	35,238
Investments in subsidiaries	-	66,764
	<hr/>	<hr/>
	260,118	163,308
	<hr/>	<hr/>

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

13 OTHER INVESTMENTS - continued

Investments available for sale are as follows:

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Quoted securities	<u>121,496</u>	<u>19,676</u>
Unquoted securities:		
Local	950	950
Foreign	<u>112,269</u>	<u>54,478</u>
	113,219	55,428
Less: Provision for impairment	<u>(15,509)</u>	<u>(13,798)</u>
	<u>97,710</u>	<u>41,630</u>
	<u><u>219,206</u></u>	<u><u>61,306</u></u>

Investments in unquoted securities are carried at cost less provision for impairment, as the fair value cannot be reliably measured.

Investments in associated companies comprise:

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Share in capital	40,354	27,079
Share of estimated profits	<u>558</u>	<u>8,159</u>
	<u>40,912</u>	<u>35,238</u>

The Bank's associated companies are:

<i>Company</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Percentage of equity</i>	
			<i>2002</i>	<i>2001</i>
General Gypsum Company	Gypsum manufacture	UAE	28.7%	28.7%
Dubai Islamic Insurance Co. (AMAN)	Islamic insurance	UAE	25.0%	-
Bosnia International Bank	Banking	Bosnia	27.3%	27.3%

Investments in subsidiaries were as follows:

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Capital	-	31,083
Financing accounts	<u>-</u>	<u>98,099</u>
	-	129,182
Less: Provision for impairment in value	<u>-</u>	<u>(62,418)</u>
	<u>-</u>	<u>66,764</u>

Investment in certain subsidiaries, were not consolidated in the previous year on the basis that the Bank's control was either intended to be temporary or the investment in these subsidiaries were not material to the financial statements of the Bank and were accounted for as "available for sale" investments (Note 35).

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 PREPAYMENTS AND OTHER ASSETS

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Rental income receivable	47,136	29,901
Other income receivable	35,316	25,118
Checks sent for collection	59,256	28,408
Prepaid expenses	25,692	22,841
Over drawn current accounts, net	31,252	35,977
Qard Hassan (profit-free loan)	3,996	3,996
Inventories	30,973	-
Others	68,436	27,122
	<u>302,057</u>	<u>173,363</u>

Overdrawn current accounts are stated net of provision for impairment of AED 15,600,000 (2001: AED 13,000,000).

Inventories pertain to subsidiaries and are stated at the lower of cost and net realisable value.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

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15 FIXED ASSETS

	<i>Land and buildings AED '000</i>	<i>Plant and machinery AED '000</i>	<i>Furniture and office equipment AED '000</i>	<i>Information technology AED '000</i>	<i>Motor vehicles AED '000</i>	<i>Construction in progress AED '000</i>	<i>Total AED '000</i>
Cost:							
As of 1 January 2002	32,028	-	35,855	36,250	2,104	7,668	113,905
In respect of subsidiaries	19,568	71,251	50,158	-	3,059	394	144,430
Additions	3,337	839	9,491	100	444	7,861	22,072
Disposals	-	(1,097)	(2)	-	(473)	(1,409)	(2,981)
Transfers	(9,847)	-	1,789	1,757	-	(3,546)	(9,847)
Balance as of 31 December 2002	<u>45,086</u>	<u>70,993</u>	<u>97,291</u>	<u>38,107</u>	<u>5,134</u>	<u>10,968</u>	<u>267,579</u>
Accumulated depreciation:							
As of 1 January 2002	14,289	-	21,463	28,342	1,354	-	65,448
In respect of subsidiaries	4,714	26,875	29,983	-	2,490	-	64,062
Charge for the year	1,640	5,187	9,931	2,903	590	-	20,251
Disposals	-	(1,094)	(2)	-	(393)	-	(1,489)
Balance as of 31 December 2002	<u>20,643</u>	<u>30,968</u>	<u>61,375</u>	<u>31,245</u>	<u>4,041</u>	<u>-</u>	<u>148,272</u>
Net book value and carrying value:							
31 December 2002	<u>24,443</u>	<u>40,025</u>	<u>35,916</u>	<u>6,862</u>	<u>1,093</u>	<u>10,968</u>	<u>119,307</u>
31 December 2001	<u>17,739</u>	<u>-</u>	<u>14,392</u>	<u>7,908</u>	<u>750</u>	<u>7,668</u>	<u>48,457</u>

Transfers amounting to AED 9,847,000 from land and buildings reflects the value of land transferred to investment properties (Note 12).

In the opinion of management, there are no indications of impairment losses.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

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16 CUSTOMERS' DEPOSITS

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
a) By type:		
Current accounts	2,622,921	2,134,736
Saving accounts	2,510,461	2,020,814
Investment deposits	11,660,201	8,858,505
Margins	103,128	107,616
Profit equalisation reserve (Note 26)	90,098	70,938
	<u>16,986,809</u>	<u>13,192,609</u>
b) By maturity:		
Demand deposits	5,239,612	4,263,166
Deposits due within 3 months	3,885,662	2,834,854
Deposits due within 6 months	3,254,781	2,468,876
Deposits due within 1 year	4,606,754	3,625,713
	<u>16,986,809</u>	<u>13,192,609</u>
c) By geographical areas:		
Within U.A.E.	16,746,302	12,977,281
Others	240,507	215,328
	<u>16,986,809</u>	<u>13,192,609</u>
d) By currency:		
U.A.E. Dirham	16,625,476	12,649,387
Other currencies, mainly U.S Dollars	361,333	543,222
	<u>16,986,809</u>	<u>13,192,609</u>

17 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Current accounts	18,559	10,572
Investment deposits	223,847	205,683
	<u>242,406</u>	<u>216,255</u>

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

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18 OTHER LIABILITIES

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Depositors' share of profit (Note 8)	420,004	433,455
Sundry deposits	41,249	62,825
Bankers checks	66,685	68,423
Provision for end-of-service benefits	29,599	26,561
Checks received for collection	76,976	31,243
Rent received in advance	26,425	20,796
Unclaimed dividends	12,107	10,735
Board of directors' remuneration	1,450	1,450
Over-subscription in an associate company	41,599	-
Others	59,392	24,409
	<u>775,486</u>	<u>679,897</u>

19 ACCRUED ZAKAT

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Zakat on shareholders' equity (except for share capital)	5,623	4,204
Zakat on provision for impairment	2,577	2,577
Zakat on profit equalization reserve (Note 26)	2,381	1,876
	<u>10,581</u>	<u>8,657</u>

20 MINORITY INTEREST

Minority interest represents the minority shareholders' proportionate share in the aggregate value of the net assets of the Subsidiaries and the results of the Subsidiaries operations.

21 SHARE CAPITAL

As at 31 December 2002, the Bank's authorized, issued and fully paid-up capital comprises of 100,000,000 shares (2001: 100,000,000) of AED 10 each (2001: AED 10).

22 RESERVES

Statutory reserve

Article 192 of the UAE Commercial Companies Law No. (8) of 1984 (as amended) and the Articles of Association of the Bank, require that 10% of the profit attributable to the shareholders is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution.

Donated land reserve

The Government of Dubai has donated certain unrestricted land for the sole benefit of the shareholders. Such land is included in investment properties (Note 12). As of 31 December 2002, the donated land reserve represented the fair value of the land at the time of donation.

General reserve

Transfer to general reserve is made based on the discretion of the Board of Directors and approved by the annual general meeting.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

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23 PROPOSED DIVIDENDS

The Board of Directors have proposed a cash dividend amounting to AED 100,000,000 at AED 1.00 per share of AED 10 each (2001: AED 100,000,000 at AED 1.00 per share of AED 10 each). This is subject to the approval of the shareholders at the annual general meeting.

24 COMMITMENTS AND CONTINGENT LIABILITIES

Financing-related financial instruments

Financing-related financial instruments include commitments to extend financing, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the bank's customers.

Commitments to extend financing represents 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, guarantees and acceptances 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 arising in the normal course of business, as follows:

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Commitments:		
Capital commitments	<u>1,171,725</u>	<u>1,136,933</u>
Contingent liabilities:		
Letters of guarantee	923,536	875,047
Letters of credit	<u>714,827</u>	<u>548,452</u>
	<u>1,638,363</u>	<u>1,423,499</u>
	<u>2,810,088</u>	<u>2,560,432</u>

25 CASH AND CASH EQUIVALENTS

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Cash and balances with U.A.E. Central Bank	1,046,782	1,105,825
International Murabahat, short term	6,111,541	4,104,025
Balances and deposits with banks	252,164	441,427
Less:		
Reserves with U.A.E. Central Bank	(800,712)	(628,930)
Deposits with banks with original maturity over 3 months	<u>(175,400)</u>	<u>(324,567)</u>
	<u>6,434,375</u>	<u>4,697,780</u>

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

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26 PROFIT EQUALIZATION RESERVE

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Balance, beginning of the year	70,938	42,969
Share of profit for the year (Note 8)	3,341	2,685
Adjustments during the year	409	(13)
	<u>74,688</u>	<u>45,641</u>
Zakat of the year	(2,005)	(1,176)
Additional transfer from depositors' share of profit during the year (Note 8)	17,791	27,173
Zakat of the transferred amount	(376)	(700)
	<u>90,098</u>	<u>70,938</u>

Profit equalization reserve represents a portion of the depositors' share of profit set as a reserve. This reserve was created and is payable to the depositors upon the approval of the Board of Directors and the Bank's Fatwa and Shariah Supervisory Board. Zakat on profit equalization reserve is included under accrued Zakat.

27 RELATED PARTY TRANSACTIONS

The Bank carries out transactions in the ordinary course of business with related parties, defined as shareholders and directors of the Bank and entities in which such shareholders and directors have significant interests.

The significant balances outstanding at 31 December in respect of related parties included in the financial statements are as follows:

	<i>2002</i> <i>AED'000</i>	<i>2001</i> <i>AED'000</i>
Financing and investing activities	893,276	914,315
Customers' deposits	360,820	221,514

28 SEGMENTAL INFORMATION

For operating purposes the Bank is organised into two major business segments: Financing activities, which principally provides murabahats, istisna'a, ijara and other financing facilities and deposit and current accounts for corporate, government, institutional and individual customers and Investment activities, which involves the management of the Bank's investment properties, entering into musharakats, mudarabats, wakalat and participating in investment funds. These segments are the basis on which the Bank reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Profit is charged/credited to business segments based on a pool rate which approximates the marginal cost of funds.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 SEGMENTAL INFORMATION - continued

	<i>Financing activities</i>		<i>Investing activities</i>		<i>Total</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Segment revenue	655,845	695,876	226,055	138,173	881,900	834,049
Inter-segment adjustment	126,797	104,061	(126,797)	(104,061)	-	-
	782,642	799,937	99,258	34,112	881,900	834,049
Net profit for the year before depositors' share					600,934	615,837
Segment assets	14,700,331	12,035,019	4,897,459	3,298,959	19,597,790	15,333,978
Segment liabilities	19,079,174	15,086,675	518,616	247,303	19,597,790	15,333,978

For operational and management reporting purposes the Bank is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

29 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the bank's performance to developments affecting a particular industry or geographic location.

The Bank seeks to manage its credit risk exposure through diversification of financing and investment activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. For details of the composition of financing and investing activities refer to Note 10.

30 MARKET RISK

Market risk arises from fluctuations in profit rates and foreign exchange rates. Senior management monitors the effect of market fluctuations on the Bank periodically.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 PROFIT MARGIN RISK

The return payable to investment account holders by the Bank is based on the principle of the Mudaraba contract by which the investment account holders agree to share the profit or loss made by the Bank over a given period. Any change in the market profit margin rates will determine both the profit margins the Bank is able to charge on its assets and the returns payable to investment account holders. Therefore, the Bank is not directly exposed to profit margin risk from changes in the market profit margin rates.

32 CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank had an overbought position in US Dollars of AED equivalent 8,258,000 as at 31 December 2002 (2001: AED equivalent 5,559,000). There was no significant open position in any other currency. The UAE Dirham/US Dollar dealing rate fixed by the UAE Central Bank has remained virtually unchanged since November 1980.

The Bank does not undertake any hedging transactions as this is against Islamic Shari'a.

33 LIQUIDITY RISK

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents.

The table below summarises the maturity profile of the Bank's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the year end are based on contractual repayment arrangements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

33 LIQUIDITY RISK - continued

The maturity profile of the assets and liabilities at 31 December 2002 was as follows:

	<i>Less than 3 months AED '000</i>	<i>3 months to 1 year AED '000</i>	<i>Over 1 year AED '000</i>	<i>Total AED '000</i>
2002				
Assets:				
Cash and balances with U.A.E. Central Bank	1,046,782	-	-	1,046,782
Balances and deposits with banks	86,512	165,652	-	252,164
International Murabahat, short term	6,111,541	-	-	6,111,541
Financing and investing activities, net	1,722,300	1,529,613	6,863,817	10,115,730
Investment properties, net	-	-	1,390,091	1,390,091
Other investments, net	122,054	-	138,064	260,118
Prepayments and other assets	217,417	84,640	-	302,057
Fixed assets, net	-	-	119,307	119,307
Total assets	9,306,606	1,779,905	8,511,279	19,597,790
Liabilities and shareholders' equity:				
Customers' deposits	9,125,274	7,861,535	-	16,986,809
Due to banks and other financial institutions	55,289	187,117	-	242,406
Other liabilities	744,083	-	39,925	784,008
Accrued zakat	-	10,581	-	10,581
Shareholders' equity	-	-	1,573,986	1,573,986
Total liabilities and shareholders' equity	9,924,646	8,059,233	1,613,911	19,597,790
2001				
Assets:				
Cash and balances with U.A.E. Central Bank	1,105,825	-	-	1,105,825
Balances and deposits with banks	116,861	324,566	-	441,427
International Murabahat, short term	4,104,025	-	-	4,104,025
Financing and investing activities, net	2,944,641	1,006,290	4,440,269	8,391,200
Investment properties, net	-	385,823	520,550	906,373
Other investments, net	27,835	-	135,473	163,308
Prepayments and other assets	141,081	32,282	-	173,363
Fixed assets, net	-	-	48,457	48,457
Total assets	8,440,268	1,748,961	5,144,749	15,333,978
Liabilities and shareholders' equity:				
Customers' deposits	7,098,020	6,094,589	-	13,192,609
Due to banks and other financial institutions	10,572	205,683	-	216,255
Other liabilities	653,336	-	26,561	679,897
Accrued zakat	-	8,657	-	8,657
Shareholders' equity	100,000	-	1,136,560	1,236,560
Total liabilities and shareholders' equity	7,861,928	6,308,929	1,163,121	15,333,978

Maturities of assets and liabilities have been determined on the basis of the remaining periods at the balance sheet date.

Dubai Islamic Bank (Public Joint Stock Company) and Subsidiaries

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34 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value represents the amount at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Difference can therefore arise between book value under the historical cost method and fair value estimates.

The fair values of the Bank's assets and liabilities, except unquoted securities which are stated at cost, are not materially different from their carrying values as at 31 December 2002.

35 CONSOLIDATION OF SUBSIDIARIES

During the year, the bank has consolidated certain subsidiaries which were not consolidated in the previous year. These subsidiaries were not consolidated in the previous year on the basis that either the net assets and the net operating results of these subsidiaries were not material to the financial statements of the Bank or the Bank's control was intended to be temporary. These subsidiaries were accounted for as "available for sale" investments. As there has been no disposal of any of the subsidiaries, these subsidiaries have been consolidated in the current year.

The bank's unconsolidated subsidiaries in the previous year were:

<u>Company</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Percentage of equity</u>	
			<u>2002</u>	<u>2001</u>
1. Naseej Industries Company L.L.C.	Textile Manufacturing	UAE	98.0 %	98.0 %
2. Al Bustan Center L.L.C.	Rental of apartments and shops	UAE	50.0 %	50.0 %
3. DIB Printing Press L.L.C.	Printing	UAE	99.5 %	99.5 %
4. Al Ahlia Aluminum Company L.L.C.	Aluminum fixtures	UAE	75.5 %	75.5 %
5. United Mineral Water P.S.C.	Bottling of natural water	Egypt	74.5 %	74.5 %
6. Gulf Tankers L.L.C.	Cargo and transport	UAE	50.0 %	50.0 %

The income and expenses of the above subsidiaries for the year ended 31 December 2002 included in the financial statements is as follows:

	<i>AED'000</i>
Income from investment properties	41,641
Other operating income	1,149
General and administrative expenses	(30,301)
Minority interest	(8,406)
Net income	<u>4,083</u>

The assets and liabilities of the above subsidiaries as of 31 December 2002 included in the consolidated financial statements are as follows:

	<i>AED'000</i>
Cash and balances with U.A.E. Central Bank	115
Balances and deposits with banks	6
Other investments	1,000
Other assets	33,857
Inventory	14,264
Fixed assets, net	75,953
Other liabilities	(31,065)
Minority interest	(8,449)
Net assets	<u>85,681</u>