

Credit Analysis



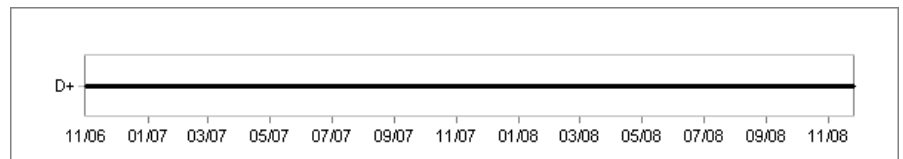
December 2008

Dubai Islamic Bank PJSC

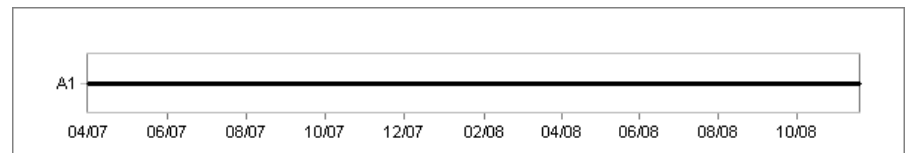
Dubai, United Arab Emirates

Summary Rating Rationale

Rating History – Bank Financial Strength Rating



Rating History – Long-Term Issuer Rating



Moody's assigns a bank financial strength rating (BFSR) of D+ to Dubai Islamic Bank PJSC (DIB), which translates into a Baseline Credit Assessment (BCA) of Baa3. The rating is constrained by significant credit concentrations, by name, sector and geography, as well as the bank's sizeable lending to government and government-related entities, which, despite their credit quality, leads to a high level of related-party exposure and thus governance weakness. However, the rating also reflects DIB's strong franchise as the largest Islamic bank in the United Arab Emirates (UAE) and one of the leading Islamic financial institutions globally, together with its robust financial fundamentals, including increasing earnings power, better business diversification and constantly improving profitability.

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This Credit Analysis provides an in-depth discussion of credit rating(s) for Dubai Islamic Bank PJSC and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. [Click here to link.](#)



Moody's Investors Service

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The rating also captures the fact that, in the context of rapid credit growth, a large proportion of DIB's new credit production has never been tested prior to the current economic downturn, as well as the structural challenges Islamic banks face in efficiently managing their liquidity. Additionally, the BFSR takes into account the developing nature of the Islamic banking industry and the challenging operating environment in the bank's domicile, where any severe price correction in the overheating property and real estate market and further possible share price volatility in the equity market could affect the profitability and asset quality of the UAE's banking sector, and ultimately its capacity to sustain future growth. Moreover, in common with any other Islamic bank, DIB is subject to reputation risk, which could be harmful should the application of Shari'ah rules be perceived as insufficient by the bank's client base.

The outlook on DIB's ratings is **negative**. On 15 December 2008, Moody's revised its outlook on DIB's supported ratings from stable to negative. This outlook change reflects: (i) mounting systemic risks within the UAE banking sector; (ii) declining asset liquidity; (iii) challenging and costly funding under current difficult market conditions; (iv) heightened risks of property price correction in the country; and (v) some asset quality issues at DIB. Although the outlook on the BFSR and BCA remains stable, the current deteriorating market conditions are putting increased pressure on DIB's standalone rating¹.

An upgrade in DIB's BFSR is likely to be dependent on the bank's capacity to book higher volumes while protecting its margins, at a time when funding costs are rising, as well as significant expansion and further diversification of the franchise in an increasingly competitive operating environment, while maintaining an acceptable risk profile. This scenario is unlikely in the medium term. A BFSR upgrade could theoretically exert upward pressure on the GLC long-term issuer rating. However, although a BFSR upgrade could be envisaged in the medium term, it is unlikely that such a move would automatically lead to a symmetrical upgrade in DIB's GLC long-term issuer rating.

The BFSR could be downgraded in any of the following cases: (i) severe deterioration in earnings power and profitability; (ii) a sharp increase in problem assets; (iii) a significant increase in the bank's leverage; or (iv) a severe deterioration in the operating environment. A downgrade of the bank's GLC deposit ratings could also occur if (i) DIB's BFSR is downgraded, or (ii) the probability of systemic support decreases. Such scenarios of either the BFSR being lowered or our support assumptions being revised downward carry a significant likelihood in the medium term, except if systemic and liquidity risks in Dubai soften more quickly than expected.

DIB's long-term global local currency (GLC) issuer rating remains A1 at this stage, which translates into a five-notch uplift from the bank's BCA of Baa3. This reflects Moody's current assessment of the probability of systemic support being provided to the bank should the need arise as very high.

Group Structure

DIB was established in 1975 and is one of the oldest Islamic banks in the world. The bank's major shareholder is the government of Dubai, which holds a direct 30% stake in the bank as well as a 4% stake held through the Federal Government Pension Fund. The remaining shares are in the public domain. DIB's shares are listed on the Dubai Financial Market.

DIB is organised along five business divisions: (i) Retail Banking, (ii) Corporate Banking, (iii) Real Estate Finance and Direct Equity, (iv) Investment and International Banking, which comes under Millennium Capital Holding, and (v) Treasury.

Retail Banking: aiming to expand the branch network and introduce innovative products

Retail Banking, comprising individuals and small businesses, accounts for about one-third of revenues and 15%-20% of assets. The bank offers a complete range of Shari'ah-compliant products to its retail customers, serving them through a network of more than 40 branches in the UAE. The bank is focusing on expanding its depositor base by broadening the range of Shari'ah-compliant products. In addition, it intends to increase its

¹ For more details on this recent rating action, please refer to Moody's announcement dated 15 December 2008: "Moody's changes outlooks on four UAE banks".

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revenue by focusing on low-cost liabilities and on higher-yield financing (such as auto and personal finance), aiming to capture an increasing share of the demand for Shari'ah-compliant products.

DIB aims to further expand its distribution capability by growing its branch network. In terms of deposit products, the bank offers current accounts (which are non-profit sharing), savings accounts (paying an end-of-the-period profit), and profit-sharing investment accounts (short-term and long-term). In terms of financing products, the bank offers mortgages, credit cards, auto finance and personal finance.

Corporate Banking: aiming to expand its customer base in targeted segments

Corporate Banking, accounting for 10%-15% of revenues and 20% of assets, focuses on servicing the top ten players in each market segment/industry, managing more than 300 relationships. The unit is segmented into large corporate, middle market corporate, public sector and GCC.

The main products are *Mudaraba* (partnership), *Murabaha* (asset finance), working capital finance, *Musharaka* (equity participation), *Istisna'a* (construction and manufacturing finance), *Ijara* (leasing) and *Murabaha* letters of credit (trade finance). The bank intends to grow its business with existing customers offering them non-funded products (such as cash management and treasury products) and new innovative Islamic products and structures. At the same time, through its strong expertise in investment banking, the bank aims to meet its customer investment banking needs in Shari'ah-compliant products and services.

Real Estate Finance and Direct Equity

DIB is a major player in real estate financing and services a number of real estate developments, both residential and commercial. In addition to a real estate financing portfolio in excess of AED8 billion, DIB has a real estate investment portfolio of about AED1.6 billion.

The bank offers: (i) *Istisna'a*, financing covering the construction of property, (ii) *Murabaha*, acquisition finance covering purchase of land/property, (iii) "diminishing *Musharaka*", cash-out financing where the bank purchases a share in a customer's existing property, with its share diminishing during the financing period, and (d) *Ijara*, lease financing covering the purchase of property that is then leased to the customer with the option to buy.

According to management, the following limits have been adopted for real estate financing: (i) maximum loan-to-value (LTV) of 75%, excluding land price, for construction projects; (ii) maximum LTV of 75% of existing properties; (iii) for land, a 50% maximum LTV; and (iv) debt service of less than 75% of net rental from property.

The Direct Equity department manages the bank's Shari'ah-compliant investments, established companies and business start-ups across the Middle East and North Africa region. Accordingly, returns are recognised through regular dividend payments and equity price appreciation realised at the sale of the stake.

We believe that the bank's relatively high exposure to the equity markets raises its market risk profile and makes its profitability vulnerable to any significant fluctuation in equity prices. However, we note that this is not atypical within GCC banking, where a number of banks have significant exposure to the GCC equity markets.

Investment and International Banking operate through Millennium Capital Holding

DIB's investment banking and international activities function under Millennium Capital Holding (MCH), a wholly owned subsidiary. MCH is based at the Dubai International Finance Centre (a financial hub in Dubai, outside the jurisdiction of the Central Bank of the UAE) and is regulated and supervised by the Dubai Financial Services Authority. The investment banking division comprises the following units: (i) Capital Markets, (ii) Project Finance, Structured Finance and Syndications, and (iii) Asset Management. A pioneer in Islamic investment banking, DIB has been involved in a number of high-profile Islamic financing and sukuk transactions, including the first convertible sukuk, issued by Ports Customs & Free Zone Corporation (PCFC).

We expect DIB to remain a leading player in this field, supported by a strong team of highly experienced professionals with international investment banking experience. The international banking division, also under

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MCH, is responsible for managing the group's international operations. The bank's international strategy centres on expansion in selected markets with potential for Islamic banking. The bank has acquired a majority (60%) stake in Bank of Khartoum, the largest bank in Sudan. It has started operations in Pakistan, through DIB Pakistan Ltd, with a capital base of US\$100 million, and plans to expand its current network of a dozen branches to more than 70 units within the next five years. Furthermore, the bank has representative offices in Turkey and Iran and is evaluating a number of proposals/opportunities for possible expansion in the GCC.

Treasury: deals with foreign exchange services, asset-liability management and Islamic derivatives

The remit of the Treasury division is to manage the balance sheet of the bank, while focusing closely on its liquidity and exposure to foreign exchange risks associated with the business. New Islamic derivative structures are being engineered by the bank, to enable clients to hedge their profit rate and foreign exchange risks, resulting in an additional revenue stream for the bank.

The bank also operates through a large network of business subsidiaries, associates (ranging from brokerage services and investment companies to real estate developers) and joint ventures, headquartered mainly in its home country.

Key Issues

- Year-end 2007 results indicated a sharp increase in bottom-line profitability: although core earnings improved, the spectacular jump in net income was mainly attributed to the gains of AED969 million (US\$264 million, AED617 million after deducting the share of depositors) from the transfer of DIB's 100% stake in Deyaar Development Company PSC, to Deyaar Development PJSC, which is not consolidated by DIB as the bank only owns 43% of Deyaar Development. The bank's core profits in 2007, excluding its extraordinary income, grew by 20% from the 2006 level, driven by higher net income from Islamic financial investment assets. Total assets grew by 30% to AED83.7 billion (US\$222.8 billion). DIB took advantage of the availability of large non-recurring revenues to book some additional charges, in the form of more conservative provisions, and further investments in infrastructure (human resources, its branch network and technology).
- In October 2007, the bank announced the departure of its CEO. An existing director of DIB has been appointed as managing director. The bank has further strengthened its international presence, especially in Sudan and Pakistan, with plans to seek opportunities in Syria, Jordan and neighbouring GCC countries.
- DIB's assets did not grow in line with the market during the first three quarters of 2008. The balance sheet increased by only 3.7%. That said, the composition of DIB's assets has changed: credit exposures continued their upward trend, with the lending portfolio increasing by 29.3%; on the contrary, liquidity and the bank's investment portfolio shrank. As for its domestic and regional peers, DIB's liquidity ratio dropped, from 31.8% at YE2007 to a still satisfactory 17.3%. This reflects higher loan leverage, the price to pay to avoid an excessive drop in net margins. As a matter of fact, with funding costs jumping to 3.1% from 2.2%, and asset yields declining by about 180 basis points, only volumes could have offset margin compression. Therefore, DIB took the strategic view of substituting excess liquidity into cheaper credit to book loan assets more quickly than usual. Otherwise, with a static asset allocation, DIB would have suffered both a margin compression and a balance sheet decline. Contrary to some of its domestic and regional peers, DIB would likely not get stronger out of the systemic credit and liquidity pressures the UAE banking system is facing. On the contrary, given its large direct and indirect exposures to real estate, the bad publicity it suffered from the alleged wrongdoings of some of its former officers and its close ties with the increasingly leveraged government of Dubai, DIB will likely suffer from increasing competition and find it difficult to replicate past financial performance and growth rates going forward.

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Analysis of Rating Considerations

Discussion of Qualitative Rating Drivers

Franchise Value

A leading Islamic banking institution with growing market shares

Moody's assessment of DIB's franchise value balances the following key factors:

- Its strong market position as the oldest and largest Islamic financial institution in the UAE;
- Its adequate operating diversification bringing balanced revenue streams across several profitable business lines; and
- The bank's still limited geographic diversification despite recent foray into a selected number of developing markets overseas.

- **Market Share and Sustainability**

DIB is well-positioned to maintain or expand its market position despite mounting competition

Our assessment of DIB's franchise value takes into account its strong franchise as a leading Islamic financial institution. With total assets of AED83.7 billion (US\$2.8 billion) at year-end 2007, DIB is the largest Islamic bank in the UAE and one of the leading Islamic financial institutions internationally. Established in 1975 as the world's first Islamic bank, DIB is the fifth-largest bank in UAE in terms of assets (7% market share) and the third-largest in terms of deposits (7% market share) at December 2007. With the support of its controlling shareholder – the Dubai government – DIB underwent a major organisational transformation from 2003 to 2006. The result was the arrival of a proactive and hands-on board of directors, supported by an experienced management team. Visionary shareholders and rigorous managers have together placed the bank at the forefront of Islamic banking in the UAE and in the region.

As an Islamic bank, DIB operates under Shari'ah principles, which means that in its business transactions it cannot charge or pay interest. The Islamic banking industry has matured and to a large extent become part of mainstream finance, at least in the GCC at large and in the UAE in particular. However, Islamic banks do not yet have the capacity to compete on equal terms with their leading conventional peers in terms of operating flexibility, product innovation, technical sophistication and business entrenchment. In particular, the product range of Islamic banks is not as broad as that of conventional banks, and the availability of complex Shari'ah-compliant liquidity and hedging instruments/products is limited. Conversely, Islamic banking is gaining market share, hence its growth over the past decade has outpaced the already impressive development of conventional financial services in the region. Islamic finance is now better understood, more accepted, and in greater demand by the region's customers, especially in the retail segment, where unsurprisingly DIB is putting further emphasis.

In an increasingly competitive and fragmented banking environment in the UAE, DIB faces competition from both Islamic and conventional banks that offer Islamic products and services. Despite increasing competition, we believe that DIB is well-placed to maintain and even further expand its position given: (i) its strong brand as a leading Islamic institution; (ii) its broad and innovative product range; (iii) its highly experienced and dynamic management team; and (iv) the support of its main shareholder, the Dubai government.

- **Geographic Diversification**

The international reach and spread of DIB's franchise remains very limited

DIB's franchise value is limited by its relative lack of geographic diversification outside the UAE. Although the bank has established an international strategy focusing on expanding in selected markets with potential for Islamic banking, the contribution of overseas operations remains insignificant at this stage.

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However, we believe that as the contribution of these operations increases, leading to higher geographic diversification, DIB's franchise value will be strengthened further.

DIB's international strategy is centred on expansion in selected markets with potential for Islamic banking. The bank has acquired a majority (60%) stake in the Bank of Khartoum, the largest bank in Sudan. It has also started operations in Pakistan, through DIB Pakistan Ltd, with a capital base of US\$100 million, and plans to expand its current network of six branches to more than 70 units within the next five years. Furthermore, the bank has representative offices in Turkey and Iran and is evaluating a number of proposals/opportunities for possible expansion in the GCC region. However, the contribution of overseas operations remains insignificant at this stage. Going forward, as the income generated from its foreign operations increases, DIB's overall franchise value assessment will be enhanced further.

■ Earnings Stability

DIB exhibits an acceptable level of revenue and earnings stability and diversification across its main business operations. The bank's retail banking, treasury and asset management activities, which Moody's considers to be relatively stable, contribute slightly more than half of the bank's total revenues with retail banking still constituting the dominant business stream (with about one-third of operating income).

Going forward, we consider the bank's main strategic initiatives to be moving in the right direction in order to further diversify its revenue streams both domestically and internationally, and defend its well-established retail position from increasing competition through product innovation. We believe that successful implementation of management's plans could exert positive pressure on the bank's overall franchise value.

Risk Positioning

Significant credit and funding concentration, as well as related-party exposures

Moody's assessment of DIB's risk positioning balances the following key factors:

- The bank's large related-party exposures;
- Concentration risks by name and sector, DIB's major rating concern;
- Adequate financial disclosure; and
- Satisfactory as well as improving risk management architecture and culture.

■ Corporate Governance

Significant related-party exposures, in line with other government-related banks in the UAE

In line with other government-related banks in the UAE, significant related-party exposures characterise DIB's corporate governance framework. Moody's notes that DIB's controlling shareholder – the Dubai government, with two representatives on the board of directors – is also one of the bank's main borrowers, resulting in a high level of related-party exposure. However, the bank has at least two independent members on its board of directors, a factor that helps to bolster its corporate governance assessment. It also has a well-qualified and highly dedicated management team, enabling the bank to transform itself and bring itself back to the forefront of the banking industry.

■ Controls & Risk Management

Controls and risk management are satisfactory and continue to evolve

The bank's risk management infrastructure has been improving and its market risk appetite is relatively low, when direct and indirect exposures to the property market are not considered as part of market risk. We view Dubai's real estate sector as a source of risk: the sector is not only naturally versatile in all economies, especially in emerging markets, but also, in the case of Dubai, largely dependent on

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confidence and sentiment, driven by regional dynamics, and a function of the government's willingness and capacity to manage supply as opposed to demand. In the wake of such uncertainties related to lack of visibility, Moody's prefers to take a conservative view on banks' exposures to both real estate and property-related businesses.

DIB's risk management systems are adequate, while still evolving. While the systems and processes are being streamlined to align with the business risks encountered, there remains room for improvement. One of the issues being looked at is the appointment of a chief risk officer and an independent risk management framework and reporting line.

With the implementation of Basel II (standardised approach from January 2008, advancing to the establishment of an internal ratings-based (IRB) approach in 2011) and the 90-day benchmark to delineate non-performing loans from January 2008, the Central Bank of the UAE has imposed higher credit standards, with the latter expected to adversely affect asset quality at several banks.

■ Financial Reporting Transparency

Adequate financial disclosure

The bank reports under IFRS on a quarterly basis. Financial and management analysis provide some information regarding the bank's financial and business performance, with relatively adequate disclosures regarding risk-weighted assets and Tier 1 capital.

DIB reports its results under IFRS and in a timely manner. Moody's notes that, although the bank's annual report is adequate within the requirements of the local regulators and in line with other UAE banks' financial disclosure, it does omit important information such as problem loans, large credit exposures, borrower and depositor concentrations, risk-adjusted returns and risk-weighted assets, scenario analysis and risk management practices, among others.

■ Credit Risk Concentration

Significant credit concentration remains a major rating concern

In line with other government-related banks in the UAE, DIB has significant credit and funding concentration and a high level of related-party exposure, which constrains its risk factor score. Owned 30% by the Dubai government, DIB has significant financing transactions with government and/or government-related entities, while such institutions are among the bank's main depositors. Moody's notes that DIB's controlling shareholder – the Dubai government, with two representatives on the board of directors – is also one of the bank's main borrowers, resulting in a high level of related-party exposure, and therefore with a weak score for governance.

The bank's loan granularity reveals significant counterparty credit concentrations, which we view negatively, and which constrains its BFSR. The top 20 largest funded exposures typically exceed 200% of Tier 1 capital. We note that it is not atypical within the UAE and GCC banking sectors for a number of banks to have significant credit exposures, a combination of a narrow corporate base and the high involvement of GCC governments in the energy, infrastructure and other business sectors of the economy.

DIB's largest sectoral exposure is to real estate, which directly and indirectly accounts for about 20% of the bank's assets. We view positively the bank's effort to diversify its financing portfolio and to reduce the proportion of its financing channelled towards real estate. Nevertheless, the bank's real estate exposure, far exceeding Tier 1 capital (although incrementally decreasing as a proportion of equity), still represents a significant risk factor. Given that the real estate and construction sectors in Dubai have been going through some wide cycles, Moody's is concerned that the bank remains vulnerable to any correction in real estate price valuations.

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■ Liquidity Management

Adherence to Islamic principles makes liquidity management a challenge for Islamic banks

Given the nature of their operations, Islamic banks are to a certain extent restricted in their ability to manage liquidity, unlike conventional banks. For instance, Islamic banks cannot utilise government securities and short-term interbank placements to manage their liquidity, due to the prohibition against charging interest.

In light of the short-term nature of its deposit base and the inability to utilise traditional money market instruments, DIB invests in international *murabaha* (short-term placements with highly rated international and increasingly regional banks). As of 30 September 2008, short-term international *murabaha* accounted for 7% of total assets, compared with 21% at end-December 2007. That said, the bank's liquidity position is somewhat enhanced by additional placements in cash and with the central bank. Its liquidity ratio² totalled 17% at 30 September 2008, from 32% at YE2007. DIB has unutilised available financing lines with a number of institutions that it can access when needed as well as access to an interest-free overdraft facility from the Central Bank of the UAE, collateralised against the bank's reserves with the central bank. Another option open to the bank is the securitisation of its real estate portfolio, which other non-bank Islamic financial institutions like Tamweel or Amlak have pursued or are in the process of resorting to.

Operating Environment

The UAE remains a business-friendly and fast-growing environment, albeit with notable inflationary pressures

While the UAE's economic and political stability is viewed positively, this is offset by deficiencies in integrity and corruption (Moody's uses the World Bank Indicator on Control of Corruption for this measure) and by the effectiveness of the legal system.

Business continues to boom, underpinned by high oil prices, abundant liquidity, a surge in government-initiated infrastructure projects and real estate development. The latter is prompted by a growing local population and an influx of those choosing to invest in the UAE, attracted by good returns and its leisure and lifestyle offerings. Strong growth is being adversely affected by a rising rate of inflation, captured by jumps in consumer price indices and by evidence of overheating of financial asset prices. The prevailing macroeconomic factors continue to underpin and support the financial performance of banks in the UAE, but risks are gradually building up in the real estate and property sectors.

The Central Bank of the UAE mandated that UAE banks implement Basel II by January 2008, using the standardised approach for credit and operational risks, followed by adopting the IRB approach by January 2011. Both conventional and Islamic financial institutions will have to apply Basel II guidelines, as applicable in the UAE, in a similar way. In other words, Islamic banks will not be subject to specific adjustments.

In the wake of the global credit turmoil, the UAE banking system has been facing a severe liquidity shortage, prompting the authorities to act on heightened systemic risks

In the midst of a global financial crisis, the UAE financial sector cannot claim immunity. Liquidity in the UAE banking system deteriorated significantly during the nine months to September 2008 prompted by: (i) the departure of speculative money that was mounding on the expectation of a UAE dirham revaluation; (ii) the enduring disruption of foreign market funding; (iii) substantial irrevocable loan commitments to existing clients that need to be serviced; and (iv) the need for refinancing of existing foreign liabilities as they mature. These pressures have created a short-term liquidity shortage in the UAE banking sector, which escalated in August 2008 following massive currency outflows outside the country, prompting government intervention to alleviate the liquidity shortage.

²As per Moody's calculations, this is the ratio of core liquid assets (cash, placements with banks, international *Murabaha*) over total assets.

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Moody's views the Central Bank of the UAE as an agency committed to maintaining the regulatory framework of the banking system within the banking laws of the federation and proactively stepping in to avoid any systemic problem. Hitherto, it has successfully navigated through crises faced by individual banks.

This time, again, the authorities provided two forms of liquidity support: (i) a repo type facility from the Central Bank of the UAE; and (ii) a direct deposits scheme from the Ministry of Finance. In addition, according to Emirates News Agency, on 13 October 2008, the federal council of ministers decided to guarantee banking deposits for three years covering both national and foreign banks with significant operations in the UAE. The above measures contributed to provide a short-term solution and renew confidence in the banking sector.

However, we note that liquidity stress will most probably have a long-lasting effect, inhibiting future asset growth and core profitability due to increased funding costs. We also note the prevailing extensive competitive rivalry in attracting deposits, creating large movements in deposits between banks due to a 'shopping around' strategy of placing funds with the highest bidder. This price war creates additional volatility in the funding base, putting pressure on banks to maintain highly liquid (and often low return) positions and also, in response, to raise their deposit rates.

For more details on Moody's assessment of the current operating environment in the UAE, please refer to our Special Comment entitled "*Impact of Global Crisis on Liquidity of UAE Banks*" published in November 2008.

Discussion of Quantitative Rating Drivers

Profitability

Strong profitability underpins the BFSR

Boosted by wider profit margins and higher fee and commission income, DIB's core profitability (excluding extraordinary income streams) has been steadily increasing during the past five years. A strong UAE economy, boosted by high energy prices has led to strong financial performances for all UAE banks, including DIB. Furthermore, the bank's income diversification has been improving, with a reducing reliance on net financing income. To a large extent, these trends reflect higher fee and commission income derived from capital market activities, brokerage services, initial public offering-financing activities, but also investment banking and more value-added financing solutions provided to both corporate and retail clients. The benefits of an active foray into the retail banking arena are now materialising, with the combined advantage of relatively cheaper deposits and wider margins on asset allocation.

DIB's balance sheet increased by only 3.7% during the nine months to 30 September 2008. That said, the composition of DIB's assets has changed: credit exposures continued their upward trend, with the lending portfolio increasing 29.3%; on the contrary, liquidity and the bank's investment portfolio shrank. This reflects higher loan leverage, the price to pay to avoid an excessive drop in net margins. As a matter of fact, with funding costs jumping to 3.1% from 2.2%, and asset yields declining by about 180 basis points, only volumes could have offset margin compression. Contrary to some of its domestic and regional peers, DIB will probably not gain in strength via the systemic credit and liquidity pressures the UAE banking system is facing. On the contrary, given its large direct and indirect exposures to real estate, the bad publicity it suffered from the alleged wrongdoings of some of its former officers and its close ties with the increasingly leveraged government of Dubai, DIB will be likely to suffer from increasing competition and find it difficult to replicate past financial performance and growth rates going forward.

Liquidity

DIB enjoys a healthy liquidity profile underlined by a strong deposit base, satisfactory core liquidity levels and better funding diversification than peers

DIB enjoys a wide, stable and relatively affordable deposit base, although it exhibits some concentration, especially in the corporate funding pool. The remaining part of the deposit base, which is steadily increasing, is composed of more granular retail funds. While it ranks fifth in terms of assets, DIB has built up the third-largest deposit base in the country, benefiting from its profile as the world's first Islamic bank, its relationship with the Dubai government and its good product-innovation approach. The bank is a primarily deposit-funded

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institution: depositors' accounts totalled for 78% of total assets at 30 September 2008. That said, DIB has been an early issuer of sukuk, in order to promote greater diversification in its funding mix, manage increasing maturity mismatches and help to mitigate the concentration risks attached to its wholesale funding sources.

Given the nature of their operations, Islamic banks are restricted in their ability to manage their liquidity, unlike conventional banks. For example, Islamic banks cannot utilise government securities and short-term interbank placements to manage their liquidity, due to the prohibition against charging interest. In light of the short-term nature of its deposit base and the inability to utilise traditional money market instruments, DIB invests in international *murabaha* (placements with high-rated international banks). At 27% at year-end 2007, the ratio of core liquidity to total assets was high: therefore, despite rapid credit growth, DIB does not appear to jeopardise liquidity under normal conditions. Loan leverage has slightly increased, but to a point at which we would consider it excessive. DIB's desire for yield, itself derived from a moderate appetite for risk, appears to be well balanced with the necessity to carry sufficient liquidity buffers on its balance sheet.

Like its domestic and regional peers, DIB materially reduced the liquidity of its balance sheet across the first three quarters of 2008: the liquidity ratio dropped, from 31.8% at YE2007 to a still satisfactory 17.3% at 30 September 2008. DIB took the tactical view of substituting excess liquidity into cheaper credit to book loan assets more quickly than usual, to respond to current pressure on funding and margins. Otherwise, with a static asset allocation, DIB would have suffered both a margin compression and a balance sheet decline. Lower liquidity was the price to pay to protect returns in times of minimal asset growth.

Capital Adequacy

Declining capitalisation on the back of fast growth in risk assets; but financial flexibility is strong

A sharp growth in balance sheet size during the past few years has resulted in a significant increase in leverage for DIB. However, in order to support the bank's robust expansion plans, management proceeded with an equity increase during 2006, raising its capitalisation to satisfactory levels. We believe that further capital increases will be required over the medium term in order to support DIB's ambitious plans while maintaining sufficient capital levels to protect the bank against unanticipated losses, should the need arise. Internal capital generation might not be sufficient to maintain current robust capital ratios, given that DIB plans for a material increase in its risk assets. However, Moody's remains confident that capital will be made available by shareholders when the need arises: DIB's financial flexibility is a key positive for the ratings.

Efficiency

Reasonably strong efficiency by international standards

Operating charges have remained under control, despite continued investments in personnel, infrastructure and technology. DIB's cost of risk is also satisfactory, as delinquencies tend to incrementally decline. That said, in 2007, DIB took additional provisions buffered by large non-recurring gains. We do not expect future provisioning needs to materially deviate from the trends set over the past five years. DIB exhibits satisfactory efficiency levels with an average cost-to-income ratio of 36% for the past three years. Although this ratio compares unfavourably with that of other banks in the UAE, DIB's efficiency levels are quite strong by international standards. Efficiency has not suffered in recent months, suggesting DIB's good capacity to adapt to more difficult market conditions.

Asset Quality

Some asset quality improvement, while robust loan growth elevates the risk profile

DIB exhibits satisfactory credit quality with a declining level of non-performing exposure. However, robust credit growth, high exposure to the real estate market, significant counterparty concentration and poor transparency elevate the bank's credit risk profile, raising concerns regarding future credit quality and constraining its BFSR. In particular, DIB has been struggling since the end of 2007 with one large defaulting exposure, partially provided for but against which collateral was seized, following a court decision in favour of the bank.

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Overall, DIB still exhibits adequate and improving credit quality indicators. Asset quality data show a declining trend in the level of non-performing exposures. Despite this improvement, the ratio of non-performing exposures to total exposures remains above the average ratio of non-performing assets for rated UAE banks. In addition, coverage of non-performing assets by loan loss reserves is only adequate compared with that of peers, at 59% at year-end 2007. This is partly mitigated by the fact that DIB's collateralisation levels, as an Islamic bank, are high. This has been a buffer against the recent default of one large borrower in 2008, against which DIB managed to have access to collateral in the form of land and properties, following a court decision in favour of the bank. It is still unclear how this case will be reflected in DIB's financial statements for 2008, either in the form of additional NPLs or in that of real estate owned as debt settlement.

We note that a strong domestic economy, on the back of high energy prices, is presenting UAE banks, including DIB, with ample opportunities to significantly expand their financing activities. However, this ongoing rapid expansion of portfolios could lead to future asset quality problems, as a significant part of this credit is channelled to the real estate market and to the equity market. Such growing exposure is making banks, including DIB, vulnerable to any significant correction in real estate prices.

Discussion of Support Considerations

DIB's deposit ratings benefit from a five-notch uplift, given the high probability of external support from the UAE authorities

Under Moody's Joint Default Analysis (JDA) methodology, DIB's GLC deposit rating of A1 receives a five-notch uplift from the Baa3 BCA (which is derived from the D+ BFSR, see Exhibit). This reflects Moody's judgment that there is a high probability that the bank would receive systemic support from the UAE authorities in a period of financial distress. The UAE has a local deposit currency ceiling of Aa2.

We consider that the government would be very unlikely to ignore the needs of DIB in a period of severe financial test to its stability, given both its 30% stake in the institution and the bank's importance to the UAE commercial banking system and the Islamic banking industry. DIB, one of five banks in which the government of Dubai has a stake, is the third-largest bank in the UAE in terms of banking deposits, the fifth-largest bank in terms of assets and a leading Islamic banking institution, with a strong franchise and a recognised brand image.

Moody's views the UAE as a "high support" country. The government has stepped in on several occasions to assist banks and the banking system at times of crisis, irrespective of the size of the bank or its systemic importance. The Central Bank of the UAE has intervened to restructure banks, to ensure the stability of the system and the timely repayment of banks' deposits and senior obligations. To date, we believe that no depositor has lost money as a result of a UAE bank failing to meet its obligations. This view is shared by other observers of the UAE banking system over the years, even though the central bank does not articulate in its legal framework that it is the backstop, i.e. lender of last resort, for banks and the banking system..

Notching Considerations

The ratings for DIB's junior obligations should be notched down from the fully supported issuer rating, i.e. the GLC deposit rating, because there is no legal authority mechanism in place for the UAE regulators to impose losses on subordinated creditors outside of a liquidation scenario. Thus, Moody's assigns an A3 local currency debt rating for subordinated debt issued by the bank.

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Company Annual Statistics

Dubai Islamic Bank

	09/30/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Summary Balance Sheet (AED millions)					
Cash & Central Bank	5,445	4,906	3,112	3,166	2,067
Due from Banks	6,057	17,466	15,398	6,487	7,728
Trading Securities	156	821	1,069	748	330
Available for sale securities	3,401	3,390	2,455	1,108	918
Other Liquid Assets	--	--	--	--	--
Islamic Financial Assets and Investments (Gross)	64,297	50,013	36,164	29,148	18,212
Impairment Reserves (LLR)	(1,104)	(1,125)	(881)	(842)	(725)
Net Islamic Financial Assets and Investments	63,193	48,888	35,283	28,306	17,487
Trading and investments properties	1,748	1,631	3,069	1,292	1,355
Equity in affiliates and participations	4,364	3,742	1,050	87	74
Fixed Assets	644	631	496	402	126
Inventories	--	--	--	--	--
Other Assets	1,815	2,265	2,502	1,403	528
Total Assets	86,823	83,739	64,434	42,998	30,613
Total Assets (USD millions)	23,648	22,791	17,538	11,708	8,336
Depositors Accounts	68,028	65,017	47,732	33,392	25,044
Due to Banks	3,070	2,241	4,650	4,099	1,393
Borrowings	--	--	--	--	--
Other Liabilities	5,919	7,463	4,403	2,266	1,489
Share of unrestricted investment account holder	--	--	--	--	--
Total Liabilities	77,018	74,721	56,786	39,757	27,926
Minority Interest	0	251	287	122	0
Shareholders' Equity	9,805	8,767	7,361	3,119	2,687
Total Capital Funds	9,805	9,017	7,648	3,241	2,687
Total Liabilities & Capital Funds	86,823	83,739	64,434	42,998	30,613
Derivatives - Notional Amount	--	--	--	--	--
Risk Weighted Assets (RWA)	--	--	--	--	--
Contingent Liabilities and commitments	21,757	18,584	13,261	9,087	2,964

Dubai Islamic Bank PJSC

Dubai Islamic Bank

	09/30/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Summary Income Statement (AED millions)					
Income from Islamic Financial Assets and Investments	2,871	3,842	2,815	1,930	1,171
Return paid on Depositors accounts	(1,383.4)	(2,356.0)	(1,757.6)	(918.4)	(556.8)
Net income from Islamic Financial Assets Investments	1,487.7	1,485.6	1,057.1	1,011.7	614.3
FX Income	88.4	93.7	36.9	15.9	21.0
Trading Income	--	--	--	--	--
Fees & Commissions	575.7	704.6	869.8	385.4	91.8
Property-Related Income	132.8	329.0	565.9	291.5	179.0
Other Operating Income	528.6	1,656.2	289.1	73.2	7.1
Operating Income	2,813.2	4,269.1	2,818.8	1,777.6	913.3
Personnel Expenses	--	(866.5)	(636.7)	(335.2)	(212.0)
Other Operating Expenses	(1,002.8)	(602.5)	(521.7)	(245.9)	(151.5)
Total operating expenses	(1,002.8)	(1,469.0)	(1,158.4)	(581.1)	(363.5)
Pre-provision Income (PPI)	1,810.4	2,800.1	1,660.4	1,196.6	549.7
Provisions for impairment reserves	(81.4)	(301.5)	(76.5)	(130.2)	(88.7)
Other Provisions	--	--	--	--	--
Pre-Tax (Pre-Zakat) Income	1,729	2,499	1,584	1,066	461
Taxes (Zakat)	(0)	14	(6)	(3)	--
Net income	1,729	2,513	1,578	1,063	461
Minority Interests	--	(12)	(18)	(2)	--
Net Income (Group share)	1,729	2,500	1,560	1,061	461
Dividends	(1,198)	(980)	(300)	(299)	(150)
Transfers to Capital Reserves	(530)	(1,520)	(1,260)	(762)	(311)
Other Adjustments	--	--	--	--	--

Dubai Islamic Bank PJSC

Dubai Islamic Bank

	09/30/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Summary Balance Sheet - Growth (%)					
Cash & Central Bank	10.99	57.65	-1.72	53.16	66.07
Due from Banks	-65.32	13.43	137.38	-16.06	9.01
Trading Securities	-81.04	-23.23	43.00	126.48	--
Available for sale securities	0.34	38.10	121.53	20.73	--
Other Liquid Assets	--	--	--	--	--
Islamic Financial Assets and Investments (Gross)	28.56	38.29	24.07	60.05	41.20
Impairment Reserves (LLR)	-1.85	27.62	4.68	16.13	9.55
Net Islamic Financial Assets and Investments	29.26	38.56	24.65	61.87	42.91
Trading and investments properties	7.19	-46.85	137.44	-4.61	--
Equity in affiliates and participations	16.62	256.21	1,112.32	17.78	81.05
Fixed Assets	2.11	27.25	23.36	217.71	7.69
inventories	--	--	--	--	--
Other Assets	-19.86	-9.49	78.37	165.75	-74.25
Total Assets	3.68	29.96	49.85	40.46	34.40
Total Assets (USD millions)	3.76	29.95	49.80	40.46	34.40
Depositors Accounts	4.63	36.21	42.95	33.34	25.70
Due to Banks	36.99	-51.80	13.43	194.25	334.37
Borrowings	--	--	--	--	--
Other Liabilities	-20.69	69.49	94.31	52.17	51.70
Share of unrestricted investment account holder	--	--	--	--	--
Total Liabilities	3.07	31.58	42.83	42.37	31.57
Minority Interest	-99.95	-12.64	136.01	1,216,360.00	-99.77
Shareholders' Equity	11.84	19.09	135.99	16.07	73.59
Total Capital Funds	8.73	17.90	136.00	20.59	73.11
Total Liabilities & Capital Funds	3.68	29.96	49.85	40.46	34.40
Derivatives - Notional Amount	--	--	--	--	--
Risk Weighted Assets (RWA)	--	--	--	--	--
Contingent Liabilities and commitments	17.07	40.14	45.93	206.54	89.92

Dubai Islamic Bank PJSC

Dubai Islamic Bank

	09/30/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Summary Income Statement - Growth (%)					
Income from Islamic Financial Assets and Investments	-0.35	36.48	45.84	64.82	65.15
Return paid on Depositors accounts	-21.71	34.05	91.38	64.95	7.86
Net income from Islamic Financial Assets and Investments	33.52	40.54	4.49	64.69	218.51
FX Income	25.74	154.03	131.66	-24.22	--
Trading Income	--	--	--	--	--
Fees & Commissions	8.94	-19.00	125.71	319.69	6.57
Property-Related Income	-46.19	-41.87	94.12	62.86	-17.16
Other Operating Income	-57.45	472.86	295.18	926.10	-46.91
Operating Income	-12.14	51.45	58.57	94.65	79.58
Personnel Expenses	--	36.09	89.93	58.10	25.74
Other Operating Expenses	121.92	15.48	112.20	62.31	3.79
Total operating expenses	-8.98	26.81	99.36	59.85	15.56
Pre-provision Income (PPI)	-13.80	68.64	38.77	117.66	183.41
Provisions for impairment reserves	-64.02	294.25	-41.26	46.73	-297.90
Other Provisions	--	--	--	--	--
Pre-Tax (Pre-Zakat) Income	-7.74	57.75	48.54	131.30	93.06
Taxes (Zakat)	-101.48	-331.10	103.05	--	--
Net income	-8.26	59.26	48.38	130.65	93.06
Minority Interests	--	-30.14	670.07	--	--
Net Income (Group share)	-7.81	60.27	47.03	130.15	96.64
Balance Sheet - % of Total Assets					
Cash & Central Bank	6.27	5.86	4.83	7.36	6.75
Due from Banks	6.98	20.86	23.90	15.09	25.24
Trading Securities	0.18	0.98	1.66	1.74	1.08
Available for sale securities	3.92	4.05	3.81	2.58	3.00
Other Liquid Assets	--	--	--	--	--
Islamic financial assets and investments (Gross)	74.06	59.72	56.13	67.79	59.49
Impairment Reserves (LLR)	-1.27	-1.34	-1.37	-1.96	-2.37
Net Islamic Financial Assets and investments	72.78	58.38	54.76	65.83	57.12
Trading and investments properties	2.01	1.95	4.76	3.01	4.43
Equity in affiliates and participations	5.03	4.47	1.63	0.20	0.24
Fixed Assets	0.74	0.75	0.77	0.93	0.41
inventories	--	--	--	--	--
Other Assets	2.09	2.70	3.88	3.26	1.72
Depositors Accounts	78.35	77.64	74.08	77.66	81.81
Due to Banks	3.54	2.68	7.22	9.53	4.55
Borrowings	--	--	--	--	--
Other Liabilities	6.82	8.91	6.83	5.27	4.86
Share of unrestricted investment account holder	--	--	--	--	--
Total Liabilities	88.71	89.23	88.13	92.46	91.22
Minority Interest	0.00	0.30	0.45	0.28	0.00
Shareholders' Equity	11.29	10.47	11.42	7.25	8.78
Total Capital Funds	11.29	10.77	11.87	7.54	8.78

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Dubai Islamic Bank

	09/30/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Income Statement - % of Average Assets					
Income from Islamic Financial Assets and Investments	4.49	5.19	5.24	5.24	4.39
Return paid on Depositors accounts	-2.16	-3.18	-3.27	-2.50	-2.09
Net income from Islamic Financial Assets and Investments	2.33	2.01	1.97	2.75	2.30
FX Income	0.10	0.13	0.07	0.04	0.08
Trading Income	--	--	--	--	--
Fees & Commissions	0.90	0.95	1.62	1.05	0.34
Property-Related Income	0.16	0.44	1.05	0.79	0.67
Other Operating Income	0.83	2.24	0.54	0.20	0.03
Operating Income	4.40	5.76	5.25	4.83	3.42
Personnel Expenses	--	-1.17	-1.19	-0.91	-0.79
Other Operating Expenses	-1.57	-0.81	-0.97	-0.67	-0.57
Total Operating Expenses	-0.01	-1.98	-2.16	-1.58	-1.36
Pre-provision Income (PPI)	2.83	3.78	3.09	3.25	2.06
Provisions for impairment reserves	-0.13	-0.41	-0.14	-0.35	-0.33
Other Provisions	--	--	--	--	--
Pre-Tax (Pre-Zakat) Income	2.70	3.37	2.95	2.90	1.73
Taxes (Zakat)	0.00	0.02	-0.01	-0.01	--
Net income	2.70	3.39	2.94	2.89	1.73
Minority Interests	--	-0.02	-0.03	-0.01	--
Net Income (Group share)	2.70	3.38	2.90	2.88	1.73
Income Statement - % of Operating Income					
Income from Islamic Financial Assets and Investments	102.06	89.99	99.85	108.57	128.23
Return paid on Depositors accounts	-49.18	-55.19	-62.35	-51.66	-60.96
Net income from Islamic Financial Assets and Investments	52.88	34.80	37.50	56.91	67.26
FX Income	3.14	2.20	1.31	0.90	2.30
Trading Income	--	--	--	--	--
Fees & Commissions	20.46	16.50	30.86	21.68	10.05
Property-Related Income	4.72	7.71	20.08	16.40	19.60
Other Operating Income	18.79	38.80	10.26	4.12	0.78
Operating Income	100.00	100.00	100.00	100.00	100.00
Personnel Expenses	--	-20.30	-22.59	-18.86	-23.22
Other Operating Expenses	-35.65	-14.11	-18.51	-13.83	-16.59
Total Operating Expenses	-35.65	-34.41	-41.10	-32.69	-39.80
Pre-provision Income (PPI)	64.35	65.59	58.90	67.31	60.20
Provisions for impairment reserves	-2.89	-7.06	-2.71	-7.32	-9.71
Other Provisions	--	--	--	--	--
Pre-Tax (Pre-Zakat) Income	61.46	58.53	56.19	59.99	50.48
Taxes (Zakat)	-0.01	0.33	-0.22	-0.17	--
Net income	61.46	58.86	55.97	59.82	50.48
Minority Interests	--	-0.29	-0.63	-0.13	--
Net Income (Group share)	61.46	58.57	55.35	59.69	50.48

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Dubai Islamic Bank

	09/30/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Profitability Indicators					
Return on Average Assets (%)	2.70	3.38	2.90	2.88	1.73
Return on Shareholder's Equity - period end (%)	23.51	28.52	21.19	34.02	17.16
Recurring Earning Power 1	2.83	3.78	3.09	3.25	2.06
PPI (%) Avg Total Capital Funds	25.65	33.60	30.50	40.37	25.93
Return paid on depositors accounts (%) Income from Islamic Financial Assets and Investments	48.18	61.33	62.44	47.58	47.54
Income from Islamic Financial Assets and Investments (%) Net Islamic Financial Assets and Investments	6.06	7.86	7.98	6.82	6.70
Return paid on depositors accounts (%) Depositors accounts	2.71	3.62	3.68	2.75	2.22
Net Spread (%) 2	3.35	4.23	4.30	4.07	4.47
FX Income (%) Operating Income	3.14	2.20	1.31	0.90	2.30
Property-related income (%) Operating income	4.72	7.71	20.08	16.40	19.60
Other income (%) Operating Income	18.79	38.80	10.26	4.12	0.78
Gross Return on Investment Accounts	#REF!	--	--	--	--
Actual Return paid on Investment Accounts	--	--	--	--	--
Efficiency Indicators					
Operating Expense (%) Avg Assets	1.18	1.98	2.16	1.58	1.36
Cost to Income Ratio (%) 3	35.65	34.41	41.10	32.69	39.80
Personnel Expenses (%) Avg Assets	#VALUE!	1.17	1.19	0.91	0.79
Personnel Expenses (%) Operating Income	#VALUE!	20.30	22.59	18.86	23.22
Personnel Expenses (%) Operating expenses	--	58.99	54.96	57.69	58.33
Liquidity Indicators					
Net Islamic financial assets and investments (%) Depositors Accounts	92.89	75.19	73.92	84.77	69.83
Net Islamic financial assets and investments (%) Total Deposits	88.88	72.69	67.36	75.50	66.15
Average Net Islamic financial assets and investments (%) Average Depositors accounts	84.24	74.65	78.38	78.37	66.10
Average Net Islamic financial assets and investments (%) Average Assets	65.71	56.81	59.19	62.21	55.67
Liquid Assets 4 (%) Total Assets	17.34	31.75	34.20	26.77	36.07
Depositors accounts (%) Total Deposits 5	95.68	96.67	91.12	89.07	94.73
Depositors accounts / Shareholders' Equity	6.94	7.42	6.48	10.71	9.32
Due from Banks (%) Due to Banks	197.27	779.29	331.16	158.24	554.73
Investment Portfolio Quality Indicators					
Impairment Reserves (%) Gross Islamic financial assets and investments	1.72	2.25	2.44	2.89	3.98
Provisions for impairment reserves (%) Preprovision Income	4.49	10.77	4.61	10.88	16.14
Provisions for impairment reserves (%) (Impairment Reserve - provision for impairment reserve)	10.90	36.62	9.50	18.29	13.94
Provisions for impairment reserves (%) Gross Islamic financial assets and investments	0.17	0.60	0.21	0.45	0.49
Pre-provision income (%) Net Islamic Financial assets and investments	3.82	5.73	4.71	4.23	3.14
Shareholders' Equity (%) Net Islamic financial assets and investments	15.52	17.93	20.86	11.02	15.37
Loans to Related Cos (%) Gross Islamic financial assets and investments	--	9.91	10.84	24.80	17.40
Problem Investments (%) Gross Islamic financial assets and investments	--	3.83	4.24	4.35	6.50

Dubai Islamic Bank PJSC

Dubai Islamic Bank

	09/30/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Capitalization Indicators					
Tier 1 ratio (%)	--	9.00	14.60	--	--
Shareholders' Equity (%) Total Assets	11.29	10.47	11.42	7.25	8.78
Shareholders' Equity (%) T. Assets + Contingent Liabilities	9.03	8.57	9.47	5.99	8.00
Total Capital funds (%) Total Assets	11.29	10.77	11.87	7.54	8.78
Total Capital (%) T. Assets + Contingent Liabilities	9.03	8.81	9.84	6.22	8.00
Shareholders' Equity (%) Total Capital funds	100.00	97.22	96.25	96.25	100.00
Contingent Liabilities (%) Total Assets	25.06	22.19	20.58	21.13	9.68
"Free" Capital 6 (%) Shareholders' Equity	48.93	50.13	79.00	84.34	92.56
Dividend Payout (%) 7	69.32	39.19	19.23	28.20	32.54
Internal Capital Growth (%) 8	8.07	20.82	40.97	28.44	20.09

Notes:

1. *Recurring Earning Power = Preprovision Income (%) Average Total Assets*
2. *Net spread = Income from IFA&I (%) Net IFA&I - Return paid on depositors accounts (%) Depositors accounts*
3. *Cost to Income Ratio = Operating expense (%) Operating income*
4. *Liquid Assets = Cash & Central Bank + Due from Banks + Trading Securities + AFS Securities + Other Liquid Assets*
5. *Total deposits = Depositors accounts + Due to banks*
6. *Free Capital = Shareholders' Equity - Fixed Assets - Equity in Affiliates*
7. *Dividend Payout = Cash Dividends (%) Net Income*
8. *Internal Capital Growth = Current period's Net income - Current period's Dividends (%) Last period's Shareholders' Equity*

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Moody's Related Research

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- Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology, March 2007 (102639)
- Bank Financial Strength Ratings: Global Methodology, February 2007 (102151)

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- Dubai Islamic Bank, September 2008

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- Gulf Islamic Banks Resilient Amid Global Credit Woes, November 2008 (112431)
- Frequently Asked Questions: Notable Trends in Global Islamic Finance, August 2008 (110404)
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- Islamic Banks and Sukuk: Growing Fast, but Still Fragmented, April 2008 (108331)
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- A Guide to Rating Islamic Financial Institutions, April 2006 (97226)
- Moody's Involvement in Rating Islamic Financial Institutions, April 2006 (97113)
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