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Dubai Islamic Bank

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Dubai Islamic Bank

Major Rating Factors

Strengths:

- Robust and sustainable financial performance
- Strong liquidity
- Good capitalization
- Likely government support in case of need

Weaknesses:

- High direct and indirect exposure to the domestic real estate sector
- Rapid loan growth
- Fierce competition

Counterparty Credit Rating

A/Stable/A-1

Rationale

The ratings on Dubai Islamic Bank (DIB) reflect its robust and sustainable financial performance, strong liquidity, and good capitalization. Partially offsetting these positive factors are DIB's high exposure to the domestic real estate sector, its rapid loan growth, and the fierce competition in the bank's operating environment. The long-term counterparty credit rating on DIB is two notches above the bank's stand-alone creditworthiness to reflect Standard & Poor's Ratings Services' expectation of strong likelihood of support from the Government of Dubai (not rated), the bank's largest shareholder. We classify DIB as a government-related entity (GRE) under our methodology.

With total assets of United Arab Emirates dirham (AED) 91.4 billion (\$24.8 billion) at midyear 2008, DIB controls a market share of about 11% of the UAE banking system's total deposits. The bank is heavily exposed to the real estate sector--its historical core competence--representing 31.4% of total assets and 2.4x of reported equity at year-end 2007. Mirroring patterns at peers, DIB's loan portfolio grew rapidly over the past three years and remains untested by a sharp economic downturn. On a positive note, the outlook remains bright for the UAE over the next 12 months.

DIB boasts a robust and sustainable financial performance on the back of the bank's stable intermediation margin, increasing business volumes, low cost of risk, and good efficiency. The increased cost of living in the UAE is pressuring the bank's efficiency, however. DIB's funding and liquidity profile is strong, with deposits fully funding the loan portfolio and the excess placed in liquid instruments and local investment vehicles. Contractual maturity mismatches are substantial but mitigated by highly stable deposits.

DIB's capitalization is good given the bank's risk profile. Dividend payout is becoming more conservative, allowing the bank to build capital internally to accompany its growth. In addition, DIB benefits from strong financial flexibility.

Outlook

The stable outlook reflects our expectations that DIB will maintain its strong financial performance and market position, and continue to benefit from its close relationship with the Dubai government. The ratings could be raised if DIB successfully reduces sector concentration while upholding current financial performance and capitalization. A negative rating action is possible if links with the Dubai government weaken, risks attached to real estate exposures materialize, or growth in risk assets squeezes capital excessively.

Profile: One Of The World's Largest Islamic Banks

DIB is one of the foremost Islamic banks in the world. Thanks to its strong brand and solid reputation, DIB's market position in the UAE Islamic finance industry is unparalleled. DIB captures a market share of about 11% in domestic deposits. The bank serves about 600,000 individual customers through a network of about 50 branches. DIB competes head on not only with domestic and regional Islamic banks, but also with conventional contenders across the UAE and the Gulf region. In 2005, DIB acquired 60% of Sudan-based Bank of Khartoum (BOK, not rated) and established a wholly owned subsidiary in Pakistan. We view DIB's international expansion as somewhat risky but not excessive compared with the bank's capital base. Standard & Poor's expects DIB's presence outside its core market to remain relatively limited in the foreseeable future. DIB's shareholding in BOK was diluted in the first quarter of 2008 to 28.4% following BOK's merger with Emirates and Sudan Bank (not rated). This dilution led to the deconsolidation of BOK from DIB's financial statements.

Support And Ownership: A Positive Rating Factor

The Dubai government--through Investment Corporation of Dubai's (not rated) 29.8% stake--and the UAE federal government--via the 4.3% holding of the General Pensions And Social Security Authority--are DIB's key shareholders. Four of the nine members of DIB's board of directors represent, directly or indirectly, the government, namely the Director General of The Ruler Court and his deputy as well as the Chief of Group Audit and Risk Management of Dubai Holding and The Chairman and Founder of the Bin Zayed Group. Other shareholders include prominent families, but none with a stake higher than 10%. Dominant state ownership is the result of a bail-out plan that the government orchestrated after a major fraud case discovered in 1998. The government's stake in DIB increased to about 30% from 6% that year, when it injected roughly \$116 million in capital. We do not expect state ownership to decrease in the medium term.

The long-term counterparty credit rating on DIB is two notches above the bank's stand-alone credit quality to reflect our expectation of strong likelihood of government support in case of need. This is all the more reinforced by DIB's status as a systemically important bank in a country where authorities are deemed interventionist. DIB is classified as a GRE under our methodology.

Strategy: Consistent, Focused, And Well Managed

Standard & Poor's believes that DIB's strategy is consistent, focused, supported by a good management team. Aware that being an Islamic bank is a competitive advantage in the overbanked UAE market, DIB has successfully widened the scope of its activities. Diversification across business lines and economic sectors is the main priority, whereas in

the past DIB focused mainly on real estate.

DIB plans to enhance its retail capabilities and further leverage its wide customer base. Branch network expansion, new products, and services are primary objectives. Standard & Poor's views positively this strategy owing to this business segment's high returns and manageable risk features. Competition is fierce, however.

In corporate banking, DIB's size enables it to build relationships with the region's major industrial groups. Because of its close ties with the government, DIB also has good access to public sector borrowers. Corporate exposures represent about 80% of the loan book (including government, private sector corporates, real estate, and contractors). In this business line, DIB intends to attract new customers and to diversify its revenues out of pure intermediation income, focusing on fee-rich transactions.

DIB enjoy good investment banking capabilities through its separate subsidiary under the Millennium brand. DIB is well positioned to benefit from increasing opportunities emerging in the Gulf region, particularly for Sharia-compliant corporate finance deals and sukuk issues, where the bank has established its name as a leading player. Millennium is set to contribute 5% of the bank's net income in 2008.

Risk Profile And Management: Solid Risk-Monitoring Architecture

DIB's risk profile is dominated by high direct and indirect exposure to the real estate sector. The asset-backing principle inherent to the bank's Sharia compliance and DIB's well-designed risk governance framework partially mitigate this risk, however. DIB's exposure to profit rate risk is limited as the bank uses profit rate swaps. Exposure to foreign exchange risk is also low as the bank has limited open positions in foreign currencies and uses foreign exchange contracts to reduce its exposure. DIB carries some direct exposure to the local real estate and equity market. The bank's strong funding and liquidity profile is characterized by the high portion of assets maintained in liquid form and the relatively high stability of deposits.

Enterprise risk management: Adequate

Standard & Poor's deems DIB's enterprise risk management (ERM) as adequate. The bank has established an independent division in charge of risk management, under a chief risk officer reporting directly to the CEO and with access to the board. The bank is in the process of further refining its tools for risk measurement and views the Basel II capital framework as an opportunity to move toward more complex risk measurement techniques. The bank enjoys highly centralized decision making. Overall, risk culture appears well ingrained within the bank.

Credit risk: Real estate and rapid loan growth are main sources of risk

DIB's loan leverage is adequate at 55.6% at midyear 2008 but stands to further increase in the future. DIB carries high direct and indirect exposure to the UAE real estate sector--about 30% of total assets at year-end 2007--making the bank vulnerable to any market correction, especially taking into account the sector's rapid growth over the past couple of years and the risks stemming from increasing raw materials prices. The recent partial divestment of Deyaar Development Company (Deyaar; not rated), DIB's former real estate development arm, is a positive factor, though. Single-name concentration in DIB's portfolio is also relatively high, with the top 20 funded exposures representing about 40% of total loans or about 1.7x of the bank's reported equity at year-end 2007. On a positive note, these loans include mainly GREs and some of the largest groups in the Gulf Cooperation Council countries.

Concentration is set to decline in the future, albeit gradually, as the bank plans to expand its foray into the retail segment. DIB's loan portfolio grew sharply, over the past couple of years, amid rosy economic conditions, increasing

the bank's vulnerability to unexpected economic shocks. If such a shock occurs, although not our base-case scenario, it would hamper DIB's asset quality figures and profitability.

DIB's nonperforming loans ratio reached 2.9% at June 30, 2008. Coverage by loan loss reserves--72.4% at the same date--is lower than for peers but adequate in our view and explained by the asset backing principle inherent to Islamic banking. Finally, DIB has a sukuk portfolio representing about 10% of total assets at year-end 2007 and concentrated mainly on a few highly rated or GRE issues.

Market risk: Limited exposure to margin and foreign currency risks

DIB's exposure to margin risk is limited thanks to the use of profit rate swaps. The bank's exposure to foreign currency risk is also low because the bank keeps small open positions and uses foreign exchange contracts to cover its exposure. The bank carries some direct exposures to the real estate through a portfolio of:

- Investment properties including mainly land and other real estate in the UAE amounting to AED1.5 billion and carrying unrealized gains in excess of AED1.0 billion; and
- Properties in Egypt, held by some its subsidiaries and classified as available for sale, representing AED131 million.

Finally, DIB has an equity portfolio made up of public equity, private equity, and investment funds--accounting for AED6.7 billion--concentrated on a few names operating in real estate and financial services. A portion of this portfolio is classified as available for sale investments with a total amount of unrealized gains of AED955.7 million at midyear 2008, up from AED544.6 million at year-end 2006, following the recovery of stock market.

Funding and liquidity risk: Strong

DIB's liquidity is strong with 19.4% of the bank's assets placed in liquid forms (cash, balances with central banks, and short-term international murabahas) at June 30, 2008. This figure declined considerably in the first half of 2008 as the bank deployed its excess liquidity in loans to customers and sukuk. Contractual maturity mismatches are substantial but mitigated by the relatively high stability of DIB's deposits. Moreover, in 2007, the bank issued a \$750 million five-year sukuk maturing in 2012. The deposit base covered DIB's loan portfolio by a factor of 1.4x at June 30, 2008 suggesting that DIB still has sizeable leeway to grow its loan leverage.

Profitability: Robust

DIB's core profitability is robust with the ratio of core earnings to total assets at about 3.0% in the first half of 2008. Increasing business volumes and margins have been boosting profitability since 2004. DIB's margins remain supported by a large portion of free funds--23.7% of the bank's total deposits at midyear 2008--and DIB's increasing foray into the profitable retail segment. Meanwhile, the rosy economic conditions in the UAE and huge investment needs notably in real estate and infrastructure continue to underpin volumes. DIB's profitability also benefits from a low cost of risk that would increase and weigh on the bank's profitability if economic conditions worsen. The bank's efficiency is strong thanks to stringent cost control. It remains, however, pressured by DIB's objective to expand its branch network and to strengthen its IT systems and by the increasing cost of living in the UAE. In the future, we expect the cost-to-income ratio to stabilize at actual levels--about 33% in the first half of 2008--or to increase slightly.

Earnings quality has improved, and is now stronger than that of most peers. Over the past five years, the proportion of nonintermediation earnings to total revenues has increased materially, and should stabilize between 40% and

50% over the next few years. The bank's good operating diversification has enhanced its fee-generating capabilities. Higher unfunded business volumes, material brokerage capabilities (which are sustainable), and some IPO financing and real estate trading (the sustainability of which is more questionable) have helped reduce dependence on intermediation margins.

Capital: Good But Set To Decline Slowly Along With Asset Growth

DIB's capitalization is good given the bank's risk profile and high exposure to the real estate sector. The ratio of ATE to assets reached 9.9% at midyear 2008 and compares favorably with regional peers'. Capitalization ratios are set to decline, however, as assets expand and DIB pursues its ambitious growth strategy. But these ratios should remain adequate for the bank's ratings. DIB's somewhat aggressive dividend payouts are becoming more conservative to allow the bank to build capital internally. Finally, DIB benefits from strong financial flexibility as demonstrated in the past through several capital increases. The quality of DIB's equity base is strong, comprised exclusively of Tier 1 capital.

Table 1

Dubai Islamic Bank Balance Sheet Statistics												
(Mil. AED)	--Year ended Dec. 31--						Breakdown as a % of assets (adj.)					
	2008*	2007	2006	2005	2004	2003	2008*	2007	2006	2005	2004	2003
Assets												
Cash and money market instruments	17,750	22,372	18,510	9,653	9,796	8,334	19.42	26.73	28.74	22.47	32.00	36.59
Securities	16,816	14,354	12,357	4,725	2,653	1,756	18.40	17.15	19.19	11.00	8.67	7.71
Trading securities (marked to market)	742	821	1,069	748	330	0	0.81	0.98	1.66	1.74	1.08	0.00
Nontrading securities	16,074	13,533	11,288	3,978	2,323	1,756	17.59	16.17	17.53	9.26	7.59	7.71
Customer loans (gross)	50,875	41,501	30,400	27,728	18,212	12,898	55.66	49.58	47.21	64.55	59.49	56.62
All other loans	50,875	41,501	30,400	27,728	18,212	12,898	55.66	49.58	47.21	64.55	59.49	56.62
Loan loss reserves	1,091	1,125	881	842	725	662	1.19	1.34	1.37	1.96	2.37	2.91
Customer loans (net)	49,784	40,376	29,518	26,886	17,487	12,236	54.46	48.24	45.84	62.59	57.12	53.72
Earning assets	79,039	73,321	58,155	38,940	28,593	21,744	86.47	87.60	90.31	90.65	93.40	95.46
Equity interests/participations (nonfinancial)	3,900	3,629	972	87	74	41	4.27	4.34	1.51	0.20	0.24	0.18
Inv. in unconsolidated subsidiaries (financial co.)	334	113	78	0	0	0	0.37	0.13	0.12	0.00	0.00	0.00
Intangibles (nonservicing)	37	37	37	42	0	0	0.04	0.04	0.06	0.10	0.00	0.00
Fixed assets	635	631	496	402	126	117	0.69	0.75	0.77	0.94	0.41	0.52
Accrued receivables	N.A.	929	971	828	403	254	0.00	1.11	1.51	1.93	1.32	1.12
All other assets	2,190	1,298	1,494	375	75	39	2.40	1.55	2.32	0.87	0.24	0.17
Total reported assets	91,408	83,739	64,434	42,998	30,613	22,778	100.00	100.04	100.06	100.10	100.00	100.00
Less nonservicing intangibles+ I/O strips	N.A.	(37)	(37)	(42)	0	0	0.00	(0.04)	(0.06)	(0.10)	0.00	0.00
Adjusted assets	91,408	83,702	64,397	42,956	30,613	22,778	100.00	100.00	100.00	100.00	100.00	100.00

Table 1

Dubai Islamic Bank Balance Sheet Statistics(cont.)												
	2008*	2007	2006	2005	2004	2003	Breakdown as a % of liabilities + equity					
							2008*	2007	2006	2005	2004	2003
Liabilities												
Total deposits	74,981	67,258	52,382	37,491	26,334	20,204	82.03	80.32	81.30	87.19	86.02	88.70
Noncore deposits	2,235	2,241	4,650	4,099	1,393	321	2.45	2.68	7.22	9.53	4.55	1.41
Core/customer deposits	72,746	65,017	47,732	33,392	24,941	19,883	79.58	77.64	74.08	77.66	81.47	87.29
Other borrowings	2,755	2,755	0	0	0	0	3.01	3.29	0.00	0.00	0.00	0.00
Other liabilities	3,229	3,061	4,403	2,266	1,592	1,022	3.53	3.66	6.83	5.27	5.20	4.49
Total liabilities	80,965	73,074	56,786	39,757	27,926	21,226	88.58	87.26	88.13	92.46	91.22	93.18
Total shareholders' equity	10,443	10,665	7,648	3,241	2,687	1,552	11.42	12.74	11.87	7.54	8.78	6.82
Minority interest-equity	0	251	287	122	0	4	0.00	0.30	0.45	0.28	0.00	0.02
Common shareholders' equity (reported)	10,443	10,414	7,361	3,119	2,687	1,548	11.42	12.44	11.42	7.25	8.78	6.80
Share capital and surplus	3,445	2,996	2,800	1,500	1,500	1,000	3.77	3.58	4.35	3.49	4.90	4.39
Revaluation reserve	956	1,007	545	0	0	0	1.05	1.20	0.85	0.00	0.00	0.00
General banking risk reserves	1,650	1,650	895	595	280	180	1.81	1.97	1.39	1.38	0.91	0.79
Reserves (incl. inflation revaluations)	3,036	3,060	3,078	1,027	910	364	3.32	3.65	4.78	2.39	2.97	1.60
Retained profits	1,356	1,701	43	5	5	4	1.48	2.03	0.07	0.01	0.02	0.02
Other equity	0	0	0	(8)	(8)	0	0.00	0.00	0.00	(0.02)	(0.03)	0.00
Memo: Dividends (not yet distributed)	0	(1,198)	0	0	0	0						
Total liabilities and equity	91,408	83,739	64,434	42,998	30,613	22,778	100.00	100.00	100.00	100.00	100.00	100.00
Equity Reconciliation Table												
Common shareholders' equity (reported)	10,443	10,414	7,361	3,119	2,687	1,548						
+ Minority Interest (equity)	0	251	287	122	0	4						
- Dividends (not yet distributed)	0	(1,198)	0	0	0	0						
- Revaluation reserves	(956)	(1,007)	(545)	0	0	0						
- Nonservicing Intangibles	(37)	(37)	(37)	(42)	0	0						
Adjusted common equity	9,450	8,423	7,067	3,199	2,687	1,552						
- Equity in Unconsolidated Subsidiaries	(334)	(113)	(78)	0	0	0						
Adjusted total equity	9,117	8,310	6,989	3,199	2,687	1,552						

*Data as of June 30, 2008. Ratios annualized where appropriate. Year-end financial statements are consolidated, audited, and compliant with International Financial Reporting Standards. Interim data are consolidated, compliant with IFRS, but not audited. AED--United Arab Emirates dirham. N.A.--Not available.

Table 2

Dubai Islamic Bank Profit And Loss Statement Statistics												
(Mil. AED)	--Year ended Dec. 31--						Adj. avg. assets (%)					
	2008*	2007	2006	2005	2004	2003	2008*	2007	2006	2005	2004	2003
Profitability												
Interest income	1,811	3,842	2,815	1,580	1,052	885	4.14	5.19	5.24	4.30	3.94	4.18
Interest expense	930	2,356	1,758	918	557	516	2.12	3.18	3.27	2.50	2.09	2.44
Net interest income	881	1,486	1,057	662	495	368	2.01	2.01	1.97	1.80	1.86	1.74
Operating noninterest income	1,157	2,166	1,762	1,116	418	140	2.64	2.93	3.28	3.03	1.57	0.66
Fees and commissions	471	705	870	385	92	53	1.08	0.95	1.62	1.05	0.34	0.25
Equity in earnings of unconsolidated subsidiaries	122	203	16	0	(4)	0	0.28	0.27	0.03	0.00	(0.01)	0.00
Trading gains	367	653	563	104	105	51	0.84	0.88	1.05	0.28	0.39	0.24
Gains/(losses) on liquidity portfolio securities	113	335	108	359	157	5	0.26	0.45	0.20	0.97	0.59	0.02
Other market-sensitive income	N.A.	144	84	176	48	10	0.00	0.19	0.16	0.48	0.18	0.04
Other noninterest income	84	127	121	91	19	21	0.19	0.17	0.23	0.25	0.07	0.10
Operating revenues	2,038	3,652	2,819	1,778	913	509	4.65	4.93	5.25	4.83	3.42	2.40
Noninterest expenses	670	1,469	1,158	569	336	286	1.53	1.98	2.16	1.55	1.26	1.35
Personnel expenses	N.A.	867	637	335	212	169	0.00	1.17	1.19	0.91	0.79	0.80
Other general and administrative expense	N.A.	592	511	203	101	101	1.52	0.80	0.95	0.55	0.38	0.48
Depreciation	6	11	10	31	23	17	0.01	0.01	0.02	0.08	0.08	0.08
Net operating income before loss provisions	1,368	2,183	1,660	1,208	578	222	3.12	2.95	3.09	3.28	2.16	1.05
Credit loss provisions (net new)	68	301	76	142	117	(17)	0.16	0.41	0.14	0.39	0.44	(0.08)
Net operating income after loss provisions	1,299	1,882	1,584	1,066	461	239	2.97	2.54	2.95	2.90	1.73	1.13
Nonrecurring/special income	0	969	0	0	0	0	0.00	1.31	0.00	0.00	0.00	0.00
Nonrecurring/special expense	0	352	0	0	0	0	0.00	0.48	0.00	0.00	0.00	0.00
Pretax profit	1,299	2,499	1,584	1,066	461	239	2.97	3.37	2.95	2.90	1.73	1.13
Tax expense/credit	(3)	(14)	6	3	0	0	(0.01)	(0.02)	0.01	0.01	0.00	0.00
Net income before minority interest	1,303	2,513	1,578	1,063	461	239	2.98	3.39	2.94	2.89	1.73	1.13
Minority interest in consolidated subsidiaries	0	12	18	2	0	4	0.00	0.02	0.03	0.01	0.00	0.02
Net income before extraordinary	1,303	2,500	1,560	1,061	461	234	2.98	3.38	2.91	2.88	1.73	1.11
Net income after extraordinary	1,303	2,500	1,560	1,061	461	234	2.98	3.38	2.91	2.88	1.73	1.11
Core Earnings Reconciliation												
Net Income (before Minority Interest)	1,303	2,513	1,578	1,063	461	239						
- Nonrecurring/Special Income	0	(969)	0	0	0	0						
+ Nonrecurring/Special Expense	0	352	0	0	0	0						
+/- Tax Impact of Adjustments	0	(3)	0	0	0	0						
Core earnings	1,303	1,892	1,578	1,063	461	239	2.98	2.56	2.94	2.89	1.73	1.13

Table 2

Dubai Islamic Bank Profit And Loss Statement Statistics(cont.)						
	2008*	2007	2006	2005	2004	2003
Asset Quality						
Nonperforming assets	1,506	1,685	1,416	1,195	1,111	1,050
Nonaccrual loans	1,506	1,685	1,416	1,195	1,111	1,050
Net charge-offs	54	(38)	4	2	N.A.	41
Average balance sheet						
Average customer loans	45,080	34,947	28,202	22,187	14,862	11,176
Average earning assets	76,180	65,738	48,548	33,767	25,169	20,271
Average assets	87,574	74,086	53,716	36,806	26,696	21,188
Average total deposits	71,120	59,820	44,937	31,913	23,269	18,717
Average interest-bearing liabilities	73,875	61,198	44,937	31,913	23,269	18,717
Average common equity	10,429	8,888	5,240	2,903	2,118	1,511
Average adjusted assets	87,555	74,049	53,676	36,785	26,696	21,188
Other data						
Number of employees (end of period)	1,777	1,817	1,350	1,203	900	888
Number of branches	50	48	31	26	22	19
Off-balance-sheet credit equivalents	22,588	18,006	12,174	8,081	2,785	1,561

*Data as of June 30, 2008. Ratios annualized where appropriate. Year-end financial statements are consolidated, audited, and compliant with International Financial Reporting Standards. Interim data are consolidated, compliant with IFRS, but not audited. AED--United Arab Emirates dirham. N.A.--Not available.

Table 3

Dubai Islamic Bank Ratio Analysis						
	--Year ended Dec. 31--					
	2008*	2007	2006	2005	2004	2003
ANNUAL GROWTH (%)						
Customer loans (gross)	45.18	36.52	9.64	52.25	41.20	19.14
Loss reserves	(6.05)	27.62	4.68	16.13	9.55	(6.84)
Adjusted assets	18.41	29.98	49.91	40.32	34.40	16.23
Customer deposits	23.78	36.21	42.95	33.88	25.44	17.05
Total equity	(4.17)	39.45	136.00	20.59	73.11	4.72
Operating revenues	11.60	29.56	58.57	94.65	79.58	15.38
Noninterest expense	(8.76)	26.81	103.42	69.68	17.24	30.37
Net operating income before provisions	25.30	31.47	37.43	109.16	159.87	0.50
Loan loss provisions	(54.67)	294.25	(46.07)	21.60	N.M.	(131.27)
Net operating income after provisions	38.11	18.78	48.53	131.31	93.05	41.89
Pretax profit	4.00	57.75	48.53	131.31	93.05	41.89
Net income	3.68	59.26	48.38	130.65	93.05	41.89

Table 3

Dubai Islamic Bank Ratio Analysis(cont.)						
	2008*	2007	2006	2005	2004	2003
PROFITABILITY (%)						
Interest Margin Analysis						
Net interest income (taxable equiv.)/avg. earning assets	2.31	2.26	2.18	1.96	1.97	1.82
Net interest spread	2.24	1.99	1.89	1.80	1.79	1.61
Interest income (taxable equiv.)/avg. earning assets	4.75	5.84	5.80	4.68	4.18	4.36
Interest income on loans/avg. total loans	6.07	7.67	7.17	6.05	5.69	4.88
Interest expense/avg. interest-bearing liabilities	2.52	3.85	3.91	2.88	2.39	2.76
Revenue Analysis						
Net interest income/revenues	43.23	40.68	37.50	37.24	54.24	72.45
Fee income/revenues	23.14	19.29	30.86	21.68	10.05	10.47
Market-sensitive income/revenues	23.54	30.98	26.78	35.92	33.99	12.87
Noninterest income/revenues	56.77	59.32	62.50	62.76	45.76	27.55
Personnel expense/revenues	N.A.	23.73	22.59	18.86	23.22	33.16
Noninterest expense/revenues	32.89	40.22	41.10	32.03	36.75	56.29
Noninterest expense/revenues less investment gains	34.82	46.29	44.09	45.81	47.40	57.93
Net operating income before provision/revenues	67.11	59.78	58.90	67.97	63.25	43.71
Net operating income after provisions/revenues	63.76	51.52	56.19	59.99	50.48	46.96
New loan loss provisions/revenues	3.35	8.26	2.71	7.98	12.77	(3.25)
Net nonrecurring/abnormal income/revenues	0.00	16.90	0.00	0.00	0.00	0.00
Pretax profit/revenues	63.76	68.42	56.19	59.99	50.48	46.96
Tax/pretax profit	(0.26)	(0.57)	0.39	0.28	0.00	0.00
Core Earnings/Revenues	63.92	51.81	55.97	59.82	50.48	46.96
	2008*	2007	2006	2005	2004	2003
Other Returns						
Pretax profit/avg. risk assets (%)	4.25	5.30	4.61	4.62	2.61	1.62
Revenues/avg. risk assets (%)	6.66	7.74	8.20	7.70	5.17	3.44
Net operating income before LLP/LLP	2,001.71	724.11	2,171.44	852.12	495.39	-1,344.70
Net operating income before loss provisions/avg. risk assets (%)	4.47	4.63	4.83	5.23	3.27	1.50
Net operating income after loss provisions/avg. risk assets (%)	4.25	3.99	4.61	4.62	2.61	1.62
Net income before minority interest/avg. adjusted assets	2.98	3.39	2.94	2.89	1.73	1.13
Net income/employee (AED)	1,449,746	1,587,380	1,236,070	1,011,296	515,696	270,452
Non-interest expenses/average adjusted assets	1.53	1.98	2.16	1.55	1.26	1.35
Personnel expense/employee (AED)	N.A.	547,380	498,794	318,807	237,173	190,963
Core earnings/average risk-weighted assets	4.26	4.01	4.59	4.60	2.61	1.62
Core earnings/average adjusted assets	2.98	2.56	2.94	2.89	1.73	1.13
Core earnings/ Average ACE (ROE)	29.15	24.43	30.74	36.13	21.75	15.74

Table 3

Dubai Islamic Bank Ratio Analysis(cont.)						
	2008*	2007	2006	2005	2004	2003
FUNDING AND LIQUIDITY (%)						
Customer deposits/funding base	93.58	92.86	91.12	89.07	94.71	98.41
Total loans/customer deposits	69.93	63.83	63.69	83.04	73.02	64.87
Total loans/customer deposits + long-term funds	59.20	52.91	54.89	75.69	65.92	60.17
Customer loans (net)/assets (adj.)	54.46	48.24	45.84	62.59	57.12	53.72
Parent Only Analysis						
	2008*	2007	2006	2005	2004	2003
CAPITALIZATION (%)						
Adjusted common equity/risk assets	13.40	16.26	16.63	12.19	13.46	10.11
Internal capital generation/prior year's equity	25.02	17.69	18.60	28.35	10.45	5.73
Tier 1 capital ratio	12.41	9.00	15.62	11.90	13.50	10.10
Regulatory total capital ratio	12.50	11.00	15.62	11.90	13.50	10.10
Adjusted total equity/adjusted assets	9.97	9.93	10.85	7.45	8.78	6.82
Adjusted total equity/adjusted assets + securitizations	9.97	9.93	10.85	7.45	8.78	6.82
Adjusted total equity/risk assets	12.92	16.04	16.44	12.19	13.46	10.11
Adjusted total equity plus LLR (specific)/customer loans (gross)	20.06	22.73	25.89	14.57	18.74	17.17
Common dividend payout ratio	N.M.	47.93	62.82	28.20	64.89	63.98
	2008*	2007	2006	2005	2004	2003
ASSET QUALITY (%)						
New loan loss provisions/avg. customer loans (net)	0.30	0.86	0.27	0.64	0.78	(0.15)
Net charge-offs/avg. customer loans (net)	0.24	(0.11)	0.01	0.01	N.A.	0.37
Loan loss reserves/customer loans (gross)	2.14	2.71	2.90	3.04	3.98	5.13
Credit-loss reserves/risk assets	1.55	2.17	2.07	3.21	3.63	4.31
Nonperforming assets (NPA)/customer loans + ORE	2.96	4.06	4.66	4.31	6.10	8.14
NPA (excl. delinquencies)/customer loans + ORE	2.96	4.06	4.66	4.31	6.10	8.14
Net NPA/customer loans (net) + ORE	0.84	1.39	1.81	1.31	2.21	3.17
NPA (net specifics)/customer loans (net specifics)	0.84	1.39	1.81	1.31	2.21	3.17
Loan loss reserves/NPA (gross)	72.40	66.76	62.22	70.45	65.26	63.02

*Data as of June 30, 2008. Ratios annualized where appropriate. Year-end financial statements are consolidated, audited, and compliant with International Financial Reporting Standards. Interim data are consolidated, compliant with IFRS, but not audited. AED--United Arab Emirates dirham. N.A.--Not available. N.M.--Not meaningful.

Ratings Detail (As Of September 1, 2008)*

Dubai Islamic Bank

Counterparty Credit Rating	A/Stable/A-1
Certificate Of Deposit	A/A-1
Senior Unsecured (1 Issue)	A

Counterparty Credit Ratings History

18-Oct-2006	A/Stable/A-1
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Sovereign Rating

Abu Dhabi (Emirate of)	AA/Stable/A-1+
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Ratings Detail (As Of September 1, 2008)*(cont.)

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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