BASE PROSPECTUS

TAMWEEL FUNDING III LTD.

(incorporated in the Cayman Islands as an exempted company with limited liability)

U.S.$ 1,000,000,000 Trust Certificate Issuance Programme

Under the trust certificate issuance programme (the "**Programme**") described in this Base Prospectus (the "**Base Prospectus**"), Tamweel Funding III Ltd. (in its capacity as issuer (the "**Issuer**") and as trustee, the "**Trustee**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the "**Certificates**") in any currency agreed between the Trustee and the relevant Dealers(s) (as defined below).

Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.$.1,000,000,000 (or its equivalent in other currencies calculated as provided in the Programme Agreement described herein), subject to increase as described herein.

Certificates may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional dealer(s) appointed under the Programme from time to time by the Trustee (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Certificates.

The Certificates will be limited recourse obligations of the Trustee. An investment in Certificates issued under the Programme involves certain risks. For a discussion of these risks, see "*Risk Factors*".

Each Series (as defined herein) of Certificates issued under the Programme will be constituted by (i) a master declaration of trust dated 22 December 2011 (the "**Closing Date**") (the "**Master Declaration of Trust**") entered into between the Trustee, Tamweel PJSC ("**Tamweel**") and Deutsche Trustee Company Limited as delegate of the Trustee (in such capacity, the "**Delegate**") in relation to the Programme and (ii) a supplemental declaration of trust (the "**Supplemental Declaration of Trust**") in relation to the relevant Series. Certificates of each Series confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from a *pro rata* interest in the assets of a trust declared by the Trustee in relation to the relevant Series (the "**Trust**") over, *inter alia*, the rights, title, interests, benefits and entitlements of the Trustee in, to and under the relevant Sukuk Assets (as described in the applicable final terms relating to a particular series (the "**applicable Final Terms**") (such assets being referred to as the "**Trust Assets**" for the relevant Series).

Certain payment obligations of Tamweel in connection with each Series of Certificates may have the benefit of a guarantee from Dubai Islamic Bank PJSC (the "**Guarantor**"). The applicable Final Terms for each Series of Certificates will specify whether the guarantee is "applicable" or "not applicable" to the relevant Series of Certificates. Pursuant to the terms of (i) the master deed of guarantee dated the Closing Date made by the Guarantor in favour of the Trustee (the "**Master Deed of Guarantee**") as supplemented from time to time by (ii) a supplemental deed of guarantee (the "**Supplemental Deed of Guarantee**") in relation to the relevant Series, the Guarantor will unconditionally and irrevocably guarantee to the Trustee the prompt and complete payment of the Guaranteed Amounts (as defined in the Conditions) by Tamweel. The obligations of the Guarantor under the Master Deed of Guarantee will rank *pari passu* with all other present and future unsecured obligations of the Guarantor, except such obligations preferred by law.

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Regulated Market**"). Such approval relates only to the Certificates which are to be admitted to trading on the regulated market of the Irish Stock Exchange or any other regulated markets for the purposes of Directive 2004/39/EC (each such regulated market being a "**MiFID Regulated Market**") or which are to be offered to the public in any member state of the European Economic Area (each a "**Member State**").

References in this Base Prospectus to Certificates being "**listed**" (and all related references) shall mean that such Certificates have been admitted to listing on the Official List and admitted to trading on the Regulated Market or, as the case may be, another MiFID Regulated Market.

Notice of the aggregate face amount of Certificates and any other terms and conditions not contained herein which are applicable to each Series will be set out in the applicable Final Terms (as defined herein) relating to the relevant Series which, with respect to Certificates to be listed on the Irish Stock Exchange, will be delivered to the Central Bank and the Irish Stock Exchange on or around the date of issue of the Certificates of such Series.

The Programme permits Certificates to be issued on the basis that they may not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the Trustee and the relevant Dealer.

The Trustee may agree with Tamweel and any Dealer that Certificates may be issued with terms and conditions not contemplated by the Terms and Conditions of the Certificates herein, in which event a new Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Certificates.

The rating of certain Series of Certificates to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Certificates will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") will be disclosed in the Final Terms.

Moody's Investors Service Ltd. ("Moody's") and Fitch Ratings Ltd. ("Fitch") are each established in the European Union and registered under the CRA Regulation. As such, each of Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation. A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the *Shari'a* advisory board of Tamweel and each of the Arrangers. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in the approval referred to above is in compliance with *Shari'a* principles.

This Base Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules (the "**Rules**") of the Dubai Financial Services Authority. This Base Prospectus is intended for distribution only to Persons of a type specified in those Rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The Certificates to which this Base Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Certificates offered should conduct their own due diligence on the Certificates. If you do not understand the contents of this Base Prospectus you should consult an authorised financial adviser.

Arrangers and Dealers

Citigroup **Dubai Islamic Bank** **Standard Chartered Bank**

The date of this Base Prospectus is 22 December 2011.

IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus ("**Base Prospectus**") for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Trustee, Tamweel, the Guarantor and the Certificates which, according to the particular nature of the Trustee, Tamweel, the Guarantor and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee, Tamweel and the Guarantor.

Each of the Trustee and Tamweel accepts responsibility for all the information contained in this Base Prospectus, and each declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect the import of such information.

The Guarantor accepts responsibility for the information relating to the Guarantor and the guarantee contained in this Base Prospectus under the headings "*Summary of Principal Transaction Documents—Master Deed of Guarantee*", "*Terms and Conditions of the Certificates—Status, Guarantee and Limited Recourse—Guarantee*", and "*Description of Dubai Islamic Bank PJSC*", and declares that, having taken all reasonable care to ensure that such is the case, the information in those sections are, to the best of its knowledge, in accordance with the facts and, when read in the context of the other information contained in the Base Prospectus, contains no omission likely to affect the import of such information.

The Dealers and the Delegate have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers and the Delegate as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Trustee, Tamweel or the Guarantor in connection with the Programme. No Dealer nor the Delegate accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Trustee, Tamweel and the Guarantor in connection with the Programme.

This Base Prospectus should be read and construed together with any amendments or supplements hereto and with any information presented herein and, in relation to any Series (as defined herein) of Certificates, should be read and construed together with the applicable Final Terms.

Certain information under the headings "*Description of Tamweel PJSC*", "*Overview of the Property Market in Dubai*", "*Description of Dubai Islamic Bank PJSC*", "*Overview of the United Arab Emirates*", "*The United Arab Emirates Banking Sector and Regulations*" and "*Book-entry Clearance Systems*" has been extracted from information provided by: (i) the Real Estate Regulatory Authority of Dubai ("**RERA**"), Colliers International, Jones Lang LaSalle, in the case of "*Risk Factors*" (ii) the UAE and Dubai governments, and the UAE Central Bank, in the case of "*Description of Tamweel PJSC*"; (iii) RERA, the Dubai Statistics Centre and the Dubai government, in the case of "*Overview of the Property Market in Dubai*"; (iv) the UAE and Dubai governments, and the UAE Central Bank, in the case of "*Description of Dubai Islamic Bank PJSC*"; (v) the BP Statistical Review of World Energy, the Organization of Oil Exporting Countries ("**OPEC**"), the UAE Central Bank, and the UAE and Dubai governments, in the case of "*Overview of the United Arab Emirates*"; (vi) the Abu Dhabi Securities Exchange, the Dubai Financial Market and the UAE Central Bank, in the case of "*The United Arab Emirates Banking Sector and Regulations*", and (vii) the clearing systems referred to therein, in the case of "*Book-entry Clearance Systems*", and in each case, the relevant source of such information is specified where it appears under those headings.

Each of the Trustee, Tamweel and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person has been authorised by the Trustee, Tamweel or the Guarantor to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme, any information supplied by the Trustee, Tamweel or the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, Tamweel, the Guarantor, the Delegate or any of the Dealers.

None of the Arrangers, the Dealers, the Delegate or any of their respective affiliates make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Certificate shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Trustee, Tamweel or the Guarantor since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Delegate and the Dealers expressly do not undertake to review the financial condition or affairs of the Trustee, Tamweel or the Guarantor during the life of the Programme or to advise any investor in the Certificates of any information coming to their attention.

No comment is made or advice given by, the Trustee, Tamweel, the Guarantor, the Delegate or the Dealers in respect of taxation matters relating to any Certificates or the legality of the purchase of Certificates by an investor under applicable or similar laws.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Trustee, Tamweel, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Certificates and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Certificates, see "*Subscription and Sale*". In particular, Certificates have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"). Subject to certain exceptions, Certificates may not be offered, sold or delivered within the United States or to U.S. persons as defined in Regulation S under the Securities Act ("**Regulation S**"). The Trustee, Tamweel, the Guarantor, the Delegate and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Certificates and should not be considered as a recommendation by the Trustee, the Delegate, Tamweel, the Guarantor, the Arrangers, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Certificates. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee, Tamweel and the Guarantor.

The maximum aggregate face amount of Certificates outstanding at any one time under the Programme will not exceed U.S.$1,000,000,000 (and for this purpose, any Certificates denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Certificates (calculated in accordance with the provisions of the Programme Agreement)). The maximum aggregate face amount of Certificates which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement.

The Certificates are complex financial instruments and may not be a suitable investment for all investors. Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Base Prospectus and the applicable Final Terms;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates or where the currency for principal is different from the potential investor's currency;

(d) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

In connection with the issue of any Series, the Dealer or Dealers (if any) named as the stabilising manager (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager(s) shall act as principal and not as agent of the Trustee, Tamweel or the Guarantor. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the Issue Date of the relevant Series, and if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Series and 60 days after the date of the allotment of the relevant Series. The Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) shall act as principal and not as agent and must conduct such stabilisation in accordance with all applicable laws and rules with the prior consultation and prior agreement of the Dealers. Any loss or profit sustained as a consequence of any stabilisation shall be for the account of the Stabilising Manager, with the prior consultation and prior agreement of the Dealers.

PRESENTATION OF INFORMATION

Certain Defined Terms

Capitalised terms which are used but not defined in any section of this Base Prospectus will have the meaning attributed thereto in the Conditions or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

- references to "**Dubai**" herein are to the Emirate of Dubai;
- references to the "**Government**" herein are to the government of Dubai;
- references to a "**Member State**" herein are references to a Member State of the European Economic Area; and
- references to the "**U.A.E.**" herein are to the United Arab Emirates.

Certain Conventions

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

All references in this Base Prospectus to "**U.S. dollars**", "**U.S.$**", "**dollars**" and "**$**" refer to United States dollars being the legal currency for the time being of the United States of America; all references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the Treaty on the Functioning of the European Union, as amended; and all references to "**dirham**" and "**AED**" refer to U.A.E. dirham being the legal currency for the time being of the U.A.E. The dirham has been pegged to the U.S. dollar since 22 November 1980. The midpoint between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00.

References to a "**billion**" are to a thousand million.

CREDIT RATING AGENCIES

Moody's has rated the U.A.E., see page 148.

NOTICE TO UK RESIDENTS

Any Certificates to be issued under the Programme which do not constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the FSA. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Base Prospectus, any Final Terms and any other marketing materials relating to the Certificates (A) if effected by a person who is not an authorised person under the FSMA, is being addressed to, or directed at, only the following persons (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**") and (ii) persons falling within any of the categories of persons described in Article 49 (*High net worth companies, unincorporated associations, etc*) of the Financial Promotion Order and (B) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"), (ii) persons falling within any of the categories of person described in Article 22 (*High net worth companies, unincorporated associations, etc.*) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any Final Terms or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in any investment described in this Base Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

CAYMAN ISLANDS NOTICE

No invitation, whether directly or indirectly, may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed an invitation to any member of the public of the Cayman Islands to subscribe for Certificates.

NOTICE TO THE KINGDOM OF BAHRAIN RESIDENTS

Any offer of Certificates in the Kingdom of Bahrain will be undertaken by way of private placement.

Such offers are subject to the regulations of the Central Bank of Bahrain that apply to private offerings of securities and the disclosure requirements and other protections that these regulations contain. This Base Prospectus is therefore intended only for "accredited investors" (as defined below, see "*Subscription and Sale—Kingdom of Bahrain*").

The Certificates offered in the Kingdom of Bahrain may only be offered in registered form in minimum denominations of U.S.$100,000 (or equivalent in other currencies).

The Central Bank of Bahrain and the Bahrain Stock Exchange assume no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Base Prospectus. Each potential investor intending to subscribe for Certificates on the Issue Date of such Certificates (each, a "**potential investor**") may be required to provide satisfactory evidence of identity and, if so required, the source of funds to purchase the Certificates within a reasonable time period determined by the Trustee, Tamweel, the Guarantor and the relevant Dealer(s). Pending the provision of such evidence, an application to subscribe for Certificates will be postponed. If a potential investor fails to provide satisfactory evidence within the time specified, or if a potential investor provides evidence but none of the Trustee, Tamweel, the Guarantor or the relevant Dealer(s) are satisfied therewith, its application to subscribe for Certificates may be rejected in which event any money received by way of application will be returned to the potential investor (without any additional amount added thereto and at the risk and expense of such potential investor). In respect of any potential investors, the Trustee will comply with Bahrain's Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and various Ministerial Orders issued thereunder including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering.

NOTICE TO RESIDENTS OF MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to person or in categories falling within Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act, 2007 of Malaysia. The Securities Commission of Malaysia shall not be liable for any nondisclosure on the part of the Trustee, Tamweel or the Guarantor and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Certificates have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar ("**Qatar**") in a manner that would constitute a public offering. This Base Prospectus has not been reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange or the Qatar Financial Markets Authority. This Base Prospectus is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

KINGDOM OF SAUDI ARABIA NOTICE

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**"). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of the Certificates issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Base Prospectus he or she should consult an authorised financial adviser.

CONTENTS

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

Tamweel presents in this Base Prospectus its audited consolidated financial statements as at and for the year ended 31 December 2010 and the year ended 31 December 2009 (the "**Tamweel Annual Financial Statements**") and its unaudited interim condensed consolidated financial statements as at and for the nine month period ended 30 September 2011, (the "**Tamweel Interim Financial Statements**" and together with the Tamweel Annual Financial Statements, the "**Tamweel Financial Statements**"). The Tamweel Financial Statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by International Accounting Standards Board.

The Guarantor presents in this Base Prospectus its audited consolidated financial statements as at and for the year ended 31 December 2010, including comparative audited information for the year ended 31 December 2009 (the "**Guarantor Annual Financial Statements**") and its unaudited interim consolidated financial statements as at and for the nine month period ended 30 September 2011, including comparative information for the nine month period ended 30 September 2010 (the "**Guarantor Interim Financial Statements**" and together with the Guarantor Annual Financial Statements, the "**Guarantor Financial Statements**"). The Guarantor Financial Statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by International Accounting Standards Board.

Unless otherwise stated herein:

(a) in relation to Tamweel:

- all financial information as at and for the nine months ended 30 September 2011 and 30 September 2010 has been extracted without material adjustment from the Tamweel Interim Financial Statements;
- all financial information as at and for the year ended 31 December 2010 and 31 December 2009 has been extracted without material adjustment from the Tamweel Annual Financial Statements;

(b) in relation to the Guarantor:

- all financial information as at and for the nine months ended 30 September 2011 and 30 September 2010 has been extracted without material adjustment from the Guarantor Interim Financial Statements;
- all financial information as at and for the year ended 31 December 2010 and 31 December 2009 has been extracted without material adjustment from the Guarantor Annual Financial Statements;

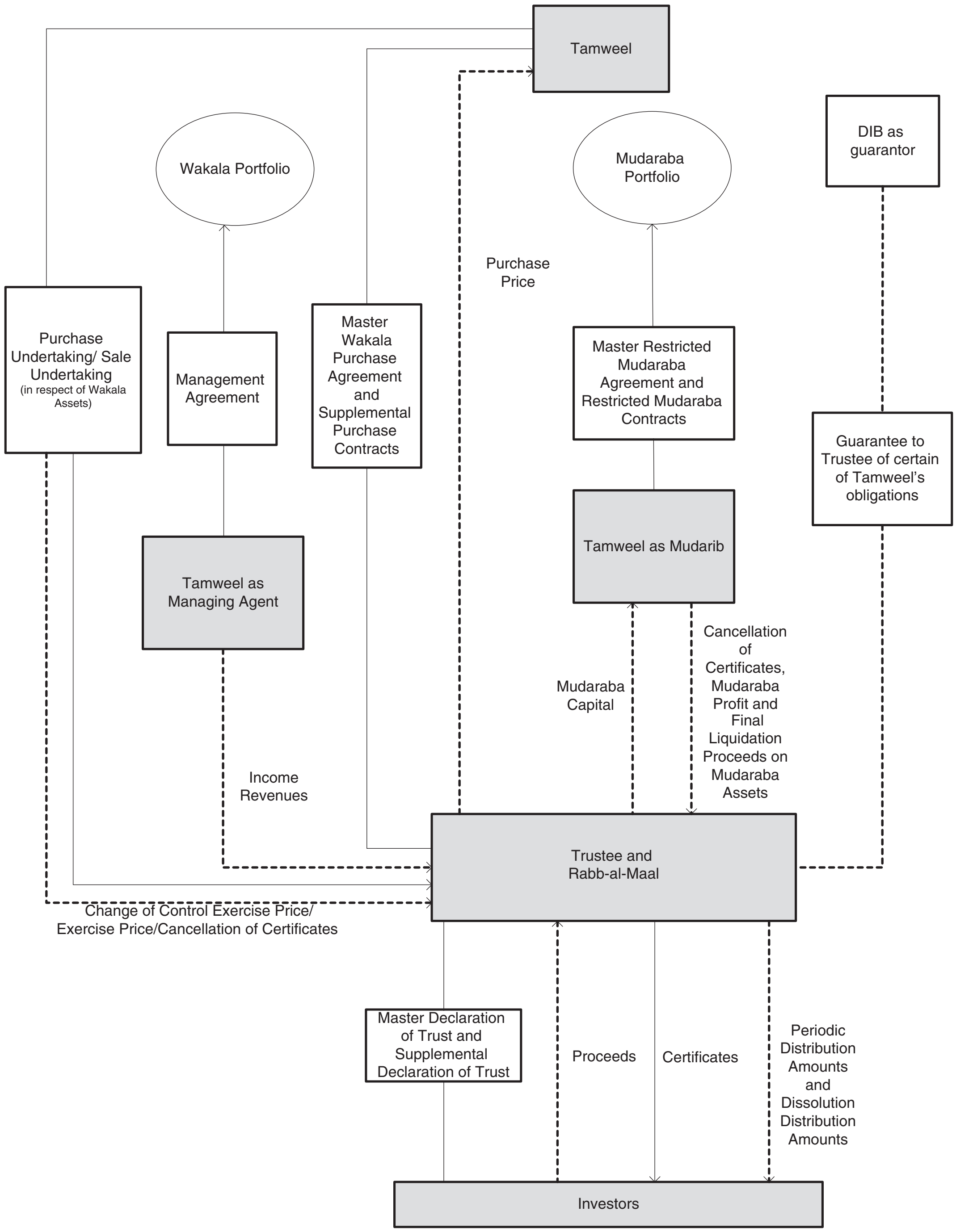
Presentation of U.A.E. Statistical Information

The statistical information in the section entitled "*Overview of the United Arab Emirates*" has been accurately reproduced from a number of different identified sources. All statistical information provided in that section may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. GDP data is not final and may be subject to revision in future periods and certain other historical GDP data set out in that section may also be subject to future adjustment.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the transaction. Potential investors are referred to the terms and conditions of the Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Base Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram



Cashflows

Payments by the Certificateholders and the Trustee

On the Closing Date, the Trustee will enter into a master wakala purchase agreement (the "**Master Wakala Purchase Agreement**") with Tamweel and, on the issue date of each Series of Certificates (each, an "**Issue Date**"), the relevant Certificateholders will pay the issue price to the Trustee (the "**Proceeds**") and, in accordance with the terms of the Master Wakala Purchase Agreement, the Trustee will enter into a supplemental purchase contract (a "**Supplemental Purchase Contract**") with Tamweel pursuant to which the Trustee shall, using a proportion of the proceeds of a Series of Certificates, purchase and receive from Tamweel, non-real estate *ijara* assets (each a "**Non-Real Estate Ijara Asset**") that are subject to *ijara* contracts (each a "**Non-Real Estate Ijara Contract**"), *Shari'a*-compliant principal protected deposit or deposit like investments in relation to which Tamweel is entitled to receive all returns (each a "***Shari'a*-Compliant Investment**") and/or any asset, other than a Non-Real Estate Ijara Asset or an asset having associated with it any registrable interest in real estate, which is an income generating asset that has associated with it underlying tangible assets and is originated, held or owned by Tamweel in accordance with *Shari'a* principles as interpreted by the *Shari'a* Board, (each an "**Other Tangible *Shari'a*-Compliant Asset**", and each such asset an "**Initial Wakala Asset**") and the portfolio of such assets, as will be established pursuant to a certificate signed by authorised officers of Tamweel, in accordance with the powers delegated to such authorised officers by the board of directors of Tamweel, being the "**Initial Wakala Portfolio**", and following the Issue Date of a Series, together with Eligible Wakala Assets, which may have been substituted for any Initial Wakala Asset in accordance with the Sale Undertaking Deed, the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract, as the case may be, excluding any Cancellation Wakala Assets and Change of Control Wakala Assets, the "**Wakala Portfolio**" and each asset comprising the Wakala Portfolio, a "**Wakala Asset**"). The Trustee shall appoint Tamweel as its managing agent (the "**Managing Agent**") to manage the Wakala Portfolio in respect of each Series under, and in accordance with the terms of, a management agreement (the "**Management Agreement**"). Under the Management Agreement, the Managing Agent shall be obliged, to manage the Wakala Portfolio in accordance with an investment plan (the "**Wakala Investment Plan**") through the provision of certain services (the "**Services**") including, but not limited to, ensuring timely receipt of all revenues from each Wakala Asset (the "**Wakala Portfolio Revenues**"), collecting or enforcing the collection of such Wakala Portfolio Revenues and investing all Wakala Portfolio Revenues which do not comprise Wakala Portfolio Income Revenues (the "**Wakala Portfolio Principal Revenues**") in acquiring further Eligible Wakala Assets from Tamweel. Pursuant to the terms of the Management Agreement, the Managing Agent shall be obliged to maintain separate ledgers to record: (1) any amount of Wakala Portfolio Principal Revenues received in respect of the Wakala Portfolio; (2) the amount of Wakala Portfolio Income Revenues received in respect of the Wakala Portfolio; and (3) any amount of Wakala Portfolio Income Revenues remaining after deducting amounts payable to the Trustee.

On the Closing Date, the Trustee will enter into a master restricted mudaraba agreement ("**Master Restricted Mudaraba Agreement**") (as the same will be supplemented, on the Issue Date of each Series, by an individual restricted mudaraba contract (each a "**Restricted Mudaraba Contract**")) with Tamweel as the mudarib (the "**Mudarib**"), pursuant to which, in relation to each Series, the Trustee (as "**Rabb-al-Maal**") will pay the remainder of the Proceeds to the Mudarib as a capital contribution (the "**Mudaraba Capital**") for investment pursuant to a restricted mudaraba arrangement (a "**Restricted Mudaraba**") in accordance with an investment plan (the "**Mudaraba Investment Plan**") contained in the applicable Restricted Mudaraba Contract pursuant to which the Mudarib will invest the relevant Mudaraba Capital in a portfolio of (i) real estate assets (each a "**Real Estate Ijara Asset**"), for which Tamweel (or another person on its behalf) has provided *Shari'a-* compliant financing pursuant to *ijara* contracts (each a "**Real Estate Ijara Contract**"); (ii) eligible Non-Real Estate Ijara Assets that are subject to Non Real Estate Ijara Contracts (including any ancillary rights under such Non-Real Estate Ijara Contracts); and (iii) any assets which (a) Tamweel has purchased pursuant to an Istisna agreement from a developer and which is to be constructed in accordance with the agreed specifications and delivered on the agreed delivery date (but which has not yet been delivered) in accordance with such Istisna agreement relating to such asset; and (b) are the subject of a forward lease agreement (*ijara mansufah ti zimmah*) pursuant to which Tamweel is entitled to receive all lease payments relating to such assets (and includes any ancillary rights under such forward lease agreement) ("**Istisna Assets**") acquired by the Mudarib in accordance with the Master Restricted Mudaraba Agreement, the related Restricted Mudaraba Contract and the relevant Mudaraba Investment Plan, (each such asset being an "**Initial Mudaraba Asset**" and the portfolio of such assets being the "**Initial Mudaraba Portfolio**"). The Initial Mudaraba Portfolio, together with any Eligible Mudaraba Asset, which may have been substituted for any such Initial Mudaraba Asset or otherwise acquired from time to time in accordance with the Master Restricted Mudaraba Agreement, the related Restricted Mudaraba Contract and the relevant Mudaraba Investment Plan shall, excluding any Cancellation Mudaraba Assets and Change of Control

Mudaraba Assets, constitute the mudaraba portfolio (the "**Mudaraba Portfolio**"). Certain payment obligations of Tamweel under the Transaction Documents may be guaranteed by the Guarantor (as described below under "*Structure Diagram and Cashflows—Master Deed of Guarantee*").

Under the terms of the Master Restricted Mudaraba Agreement, in relation to each Restricted Mudaraba, the Mudarib shall be obliged, among other things, to ensure that the Mudaraba Capital is invested in accordance with the terms of the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba Contract and the related Mudaraba Investment Plan. The Mudarib shall, to the extent possible, reinvest all revenues from the Mudaraba Portfolio in the nature of principal (the "**Mudaraba Portfolio Principal Revenues**") in additional Eligible Mudaraba Assets and shall use its reasonable endeavours to manage the Mudaraba Portfolio such that the Value of the relevant Mudaraba Portfolio is, throughout the Mudaraba Term at equal to or greater than the relevant Mudaraba Capital.

Pursuant to the terms of the Master Restricted Mudaraba Agreement, the Mudarib shall be obliged to maintain separate ledgers to record: (1) any amount of Mudaraba Portfolio Principal Revenues received in respect of the relevant Restricted Mudaraba; (2) the amount of Mudaraba Profit received in respect of the relevant Mudaraba Portfolio which is payable to the Rabb al Maal; and (3) any amounts of Mudaraba Profit remaining after deducting amounts payable to the Rabb al Maal. The acts of the Mudarib under the Master Restricted Mudaraba Agreement and each Restricted Mudaraba Contract will be monitored and audited from time to time by the *Shari'a* Board in accordance with its standard practices.

The Rabb-al-Maal undertakes, acknowledges and agrees that the sole right of the Rabb-al-Maal shall be to enforce compliance by the Mudarib with the terms of the Restricted Mudaraba Agreement and in respect of which the obligations of Tamweel as Mudarib shall be direct, unconditional, unsecured and general obligations of Tamweel only which rank at least *pari passu* with all other unsecured, unsubordinated and general obligations of Tamweel, and to the extent the Rabb-al-Maal may have any other interest, rights, claim or priority on the bankruptcy or insolvency of the Mudarib or otherwise, the Rabb-al-Maal expressly waives all such interest, rights, claim and priority.

The Wakala Assets and the Mudaraba Assets shall together constitute the "**Sukuk Assets**" for each Series. In the event that, on the Issue Date of a Series, no Eligible Real Estate Ijara Assets or Istisna Assets are available for investment in accordance with the Master Restricted Mudaraba Agreement and the relevant Restricted Mudaraba Contract, the Trustee may invest the whole of the Proceeds of such Series in a Wakala Portfolio, as would be indicated in the applicable Final Terms.

On the Issue Date of each Series, at least 70 per cent. of the aggregate Value of (i) the Mudaraba Portfolio; and (ii) the Wakala Portfolio, on such Issue Date shall be derived from Real Estate Ijara Assets, Non-Real Estate Ijara Assets and any Other Tangible *Shari'a*-Compliant Assets.

At all times the Tangibility Ratio of each of the Mudaraba Portfolio and the Wakala Portfolio shall be no less than 70 per cent. "**Tangibility Ratio**" means, at any time,:

(a) in relation to a Mudaraba Portfolio, the ratio of (i) the aggregate of the Value of the Real Estate Ijara Assets and Non-Real Estate Ijara Assets comprising a Mudaraba Portfolio to (ii) the aggregate of the Value of that Mudaraba Portfolio and any Mudaraba Portfolio Principal Revenues received in respect of such Mudaraba Portfolio and not re-invested in accordance with the terms of the Master Restricted Mudaraba Agreement, expressed as a percentage; and

(b) in relation to a Wakala Portfolio, the ratio of (i) the aggregate of the Value of the Non-Real Estate Ijara Assets and Other Tangible Shari'a-Compliant Assets comprising a Wakala Portfolio to (ii) the aggregate of the Value of that Wakala Portfolio and any Wakala Portfolio Principal Revenues received in respect of such Wakala Portfolio and not re-invested in accordance with the terms of the Management Agreement, expressed as a percentage.

For each Series, the percentage of the Proceeds used to invest in a Wakala Portfolio shall be the "**Wakala Percentage**" and the percentage of the Proceeds of a Series paid to the Mudarib as the Mudaraba Capital shall be the "**Mudaraba Percentage**" for such Series. The Trustee will, pursuant to the Master Declaration of Trust (as the same will be supplemented, on the occasion of the issue of each Series of Certificates, by a Supplemental Declaration of Trust), declare a Trust over, *inter alia*, the Proceeds for each Series in favour of the relevant Certificateholders.

Periodic Distribution Payments

Prior to each Periodic Distribution Date, following the distribution of profit between the Mudarib and Tamweel in respect of their respective undivided ownership interests in Tamweel's portfolio of assets: (i) the Mudarib will pay to the Trustee (as Rabb al Maal), in accordance with a pre agreed profit sharing ratio, amounts representing the Mudaraba Profit in respect of the Mudaraba Portfolio; and (ii) the Managing Agent will pay to the Trustee amounts representing the Wakala Portfolio Income Revenues in respect of the Wakala Portfolio, which, in aggregate, are intended to be sufficient to fund the Periodic Distribution Amounts payable by the Trustee under the Certificates.

Redemption of the Certificates

On any Dissolution Date:

(a) pursuant to the Purchase Undertaking Deed, the Trustee (or, prior thereto following the occurrence of a Dissolution Event, the Delegate), may exercise its rights under the Purchase Undertaking Deed and require Tamweel to purchase and receive from the Trustee by way of assignment and transfer, the relevant Wakala Portfolio specified in the Purchase Undertaking Exercise Notice at the Exercise Price (as defined in the Conditions). An amount equal to:

(i) the amounts repayable but unpaid under the Liquidity Facility to be paid by Tamweel as part of any Exercise Price under the Purchase Undertaking Deed and any amounts repayable but unpaid by the Trustee under Clause 5 of the Management Agreement, shall be set off against one another; and

(ii) any other Management Liabilities Amounts to be paid by Tamweel as part of any Exercise Price under the Purchase Undertaking Deed and any Management Liabilities Amounts payable but unpaid by the Trustee under the Management Agreement, shall be set off against one another.

Accordingly, the Exercise Price payable on any Dissolution Date shall exclude, the amounts set off as described in paragraphs (i) and (ii) above.

In relation to each Guaranteed Series, the Guarantor may in its sole and absolute discretion, on behalf of the Trustee and pursuant to the right delegated to it by the Trustee in the Master Declaration of Trust, deliver an Exercise Notice to Tamweel (with a copy to the Trustee and the Delegate) if (and only if):

(i) the event described in sub-paragraph (i) of Condition 14 has occurred and has subsisted for not less than two (2) Business Days;

(ii) no Exercise Notice has been delivered by or on behalf of the Trustee under the Purchase Undertaking Deed; and

(iii) the Trustee has not exercised any of its rights in relation to the relevant Guaranteed Series under the Master Deed of Guarantee.

(b) pursuant to the Management Agreement, the Managing Agent will pay to the Trustee the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the relevant Series that have not as of the Dissolution Date been invested in Eligible Wakala Assets by crediting such amounts into the Transaction Account; and

(c) pursuant to the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba will be liquidated and the Mudarib will distribute to the Rabb al Maal an amount equal to the aggregate of: (i) an amount equal to the Value of the relevant Mudaraba Portfolio on the relevant Dissolution Date; and (ii) any Mudaraba Portfolio Principal Revenues held by the Mudarib in relation to such Restricted Mudaraba Contract at the relevant time that have not yet been invested in further Eligible Mudaraba Assets (the **"Final Liquidation Proceeds"**).

Following the occurrence of a Change of Control Event:

(a) the Trustee may exercise its rights under the Purchase Undertaking Deed and require Tamweel, on the Change of Control Put Date, to purchase the Change of Control Wakala Assets, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Change of Control Wakala Assets, at the Change of Control Exercise Price (as defined in the Conditions) specified in the relevant Exercise Notice, provided always that following the sale of the Change of Control Wakala Assets, the Tangibility Ratio shall be not less than 70 per cent.; and

(b) upon the issue by the Trustee of a Change of Control Exercise Notice, the Raab-Al-Maal may instruct the Mudarib to, and upon such instruction the Mudarib shall, liquidate such Mudaraba Assets as selected by the Mudarib in its sole and absolute discretion (the "**Change of Control Mudaraba Assets**"), provided that the aggregate Value of such Change of Control Mudaraba Assets shall be no greater than the Mudaraba Percentage of the face amount of the Change of Control Certificates (as such term is defined in the Purchase Undertaking Deed), and promptly, and in any event by the relevant Change of Control Put Date (as such term is defined in the Purchase Undertaking Deed), pay an amount equal to the Value of the Change of Control Mudaraba Assets into the Transaction Account.

"**Value**" means, at any time, (1) in respect of a Mudaraba Asset or a Wakala Asset, the amount equal to: (i) in the case of an Istisna Asset, the aggregate outstanding fixed rental amounts payable to Tamweel under the relevant forward lease contract; (ii) in the case of a Real Estate Ijara Asset and a Non-Real Estate Ijara Asset the aggregate of all outstanding fixed rental instalment amounts due from the relevant Transaction Party to Tamweel in relation to such Real Estate Ijara Asset or Non-Real Estate Ijara Asset as the case may be; or (iii) in the case of a *Shari'a*-Compliant Investment or Other Tangible *Shari'a*-Compliant Assets, the outstanding face amount or principal value then outstanding of that *Shari'a*-Compliant Investment or Other Tangible *Shari'a*-Compliant Asset; and (2) in respect of the relevant Mudaraba Portfolio or Wakala Portfolio, the aggregate of the amounts determined under (i), (ii) and/or (iii) in respect of the Mudaraba Assets or Wakala Assets, as applicable, comprising the Mudaraba Portfolio or Wakala Portfolio on such date, in each case as determined by Tamweel on the relevant date.

Pursuant to the Sale Undertaking Deed, and prior to any Dissolution Date, Tamweel may:

(a) upon the occurrence of a Tax Event, exercise its rights under the Sale Undertaking Deed to require the Trustee to sell and transfer to Tamweel the relevant Wakala Portfolio, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to or under the relevant Wakala Portfolio, at the Exercise Price (as defined in the Conditions) specified in the relevant Exercise Notice; and

(b) provided that an Optional Dissolution (Call) is stated to be applicable in the applicable Final Terms, to require the Trustee, on an Optional Dissolution Date specified in the applicable Final Terms, to sell and transfer to Tamweel the Wakala Portfolio applicable to the relevant Series, at the Exercise Price specified in the relevant Exercise Notice;

(c) to oblige the Trustee to transfer, assign and convey on any Substitution Date the Substituted Wakala Assets (as defined in the Conditions), together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Substituted Wakala Assets, against the transfer, assignment and conveyance to the Trustee of the New Wakala Assets (as defined in the Conditions), together with all of Tamweel's rights, title, interests, benefits and entitlements in, to and under the New Wakala Assets, which shall be not less than the Value of the Substituted Wakala Assets, **provided that** (i) no Exercise Notice has otherwise been delivered under this Deed in respect of the Substituted Wakala Assets; and (ii) no Exercise Notice (as defined in the Purchase Undertaking Deed) has been delivered under the Purchase Undertaking Deed in respect of the Substituted Wakala Assets or generally.

On a Tax Redemption Date or an Optional Dissolution Date, pursuant to the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba will be liquidated and the Mudarib will distribute to the Rabb al Maal an amount equal to the Final Liquidation Proceeds.

Master Deed of Guarantee

The applicable Final Terms for each Series of Certificates will specify whether the guarantee is "applicable" or "not applicable" to the relevant Series of Certificates. The Guarantor has in the Master Deed of Guarantee unconditionally and irrevocably guaranteed to the Trustee the due and punctual payment by Tamweel of the Guaranteed Amounts (as defined in the Conditions) in connection with each Guaranteed Series. The maximum amount payable by the Guarantor in relation to each Guaranteed Series shall not exceed the Guaranteed Amounts of that Guaranteed Series (as defined in the Conditions).

Please see "*Summary of the Principal Transaction Documents—Master Deed of Guarantee*" below for a description of the Guarantee.

Cancellation of Certificates held by Tamweel and/or any of its Subsidiaries and/or the Guarantor and/or any of its Subsidiaries

Pursuant to the Conditions, Tamweel and/or any of its Subsidiaries and/or the Guarantor and/or any of its Subsidiaries, may at any time purchase Certificates in the open market or otherwise. If Tamweel wishes to cancel such Certificates purchased by it and/or any of its Subsidiaries and/or the Guarantor and/or any of its Subsidiaries, Tamweel may, in accordance with the terms of the Sale Undertaking Deed, deliver a Cancellation Notice to the Trustee requiring it to cancel any relevant Certificates so held by Tamweel and/or any of its Subsidiaries and/or the Guarantor and/or any of its Subsidiaries and the Trustee shall be obliged to transfer on any Cancellation Date the Wakala Assets specified by Tamweel in its sole and absolute discretion in the relevant Cancellation Notice (the "**Cancellation Wakala Assets**"), the Value which shall be no greater than the Wakala Percentage of the aggregate outstanding face amount of the Cancellation Certificates and provided always that:

(a) no Exercise Notice (as defined in the Purchase Undertaking Deed) has been delivered under the Purchase Undertaking Deed; and

(b) following the exercise of such right, the Tangibility Ratio shall be no less than 70 per cent.

Upon receipt by the Trustee of a Cancellation Notice, the Raab-Al-Maal acknowledges and agrees that the Mudarib shall, transfer to Tamweel such Mudaraba Assets as selected by the Mudarib in its sole and absolute discretion (the "**Cancellation Mudaraba Assets**") provided that the aggregate Value of such Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Cancellation Certificates.

OVERVIEW OF THE PROGRAMME

The following is an overview of the principal features of the Programme and does not purport to be complete. This overview does not contain all of the information that an investor should consider before investing in Certificates and is qualified in its entirety by the remainder of this Base Prospectus and the applicable Final Terms. Each investor should read the entire Base Prospectus and the applicable Final Terms carefully, especially the risks of investing in the Certificates issued under the Programme discussed under "Risk Factors".

Trustee	Tamweel Funding III Ltd., as trustee for and on behalf of the Certificateholders and, in such capacity, as Trustee of the Certificates, a limited liability exempted company incorporated on 9 August, 2011 in accordance with the laws of, and formed and registered in, the Cayman Islands with registered number WK-260532 with its registered office at the offices of Walkers SPV Limited, Walker House, 87 Mary Street, Georgetown, Grand Cayman, KY1-9002, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.
Ownership of the Trustee	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 shares of U.S.$1.00 par value each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held on trust by Walkers SPV Limited, with registered office at Walker House, 87 Mary Street, Georgetown, Grand Cayman, KY1-9002, Cayman Islands on trust for charitable purposes.
Administration of the Trustee	The affairs of the Trustee are managed by Walkers SPV Limited, (the "**Trustee Administrator**"), who will provide, *inter alia*, corporate administrative services and director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement dated 2 November, 2011 made between, *inter alios*, the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**").
Arrangers	Citigroup Global Markets Limited, Dubai Islamic Bank PJSC and Standard Chartered Bank.
Dealers	Citigroup Global Markets Limited, Dubai Islamic Bank PJSC and Standard Chartered Bank.
Managing Agent	Tamweel PJSC (in such capacity, the "**Managing Agent**") shall be appointed to act as managing agent to provide certain services to the Trustee pursuant to the terms of the Management Agreement.
Obligor	Tamweel PJSC (in such capacity, the "**Obligor**") shall execute the Purchase Undertaking Deed (as defined below) in favour of the Trustee, pursuant to which the Obligor shall undertake to, in certain circumstances, purchase all of the Trustee's rights, title, interests, benefits and entitlements in and to the Wakala Portfolio.
Delegate	Deutsche Trustee Company Limited (the "**Delegate**"). In accordance with the Master Declaration of Trust, the Trustee will unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future duties, powers, authorities and discretions vested in the Trustee by certain provisions in the Master Declaration of Trust in accordance with the terms of the Master Declaration of Trust. In addition, pursuant to the Master Declaration of Trust, certain powers will be vested solely in the Delegate.
Guarantor	Dubai Islamic Bank PJSC.

Guarantee	Pursuant to the Master Deed of Guarantee, Dubai Islamic Bank PJSC (as the Guarantor) will agree to unconditionally and irrevocably guarantee Tamweel's obligations to pay the Guaranteed Amounts (as defined in the Conditions) in respect of each Guaranteed Series. The applicable Final Terms will specify whether the guarantee is "applicable" or "not applicable". The obligations of the Guarantor under the Master Deed of Guarantee will rank *pari passu* with all other present and future unsecured obligations of the Guarantor (see also "*Summary of the Principal Transaction Documents*" below).
Principal Paying Agent and Calculation Agent	Deutsche Bank AG, London Branch
Registrar, Transfer Agent and Replacement Agent	Deutsche Bank Luxembourg S.A.
Wakala Portfolio	Pursuant to the terms of a Master Wakala Purchase Agreement (as supplemented on each Issue Date by a Supplemental Purchase Contract), a proportion of the Proceeds in respect of each Series will be used to purchase and receive the Wakala Portfolio, which will be managed by Tamweel as Managing Agent pursuant to the terms of the Management Agreement and the Wakala Investment Plan.
Restricted Mudaraba Contract	Pursuant to the terms of the Master Restricted Mudaraba Agreement, in respect of each Series, the Trustee (as Rabb al Maal) will enter into a Restricted Mudaraba Contract with Tamweel (as Mudarib) pursuant to which the remainder of the Proceeds of such Series will be applied by the Mudarib in accordance with the Mudaraba Investment Plan as Mudaraba Capital for investment in the Mudaraba Portfolio, which the Mudarib will hold and manage in favour of the Rabb-al-Maal (see "*Summary of the Principal Transaction Documents—Master Restricted Mudaraba Agreement*").
Initial Programme Size	Up to U.S.$.1,000,000,000 (or its equivalent in other currencies) aggregate face amount of Certificates outstanding at any time. The size of the Programme may be increased in accordance with the terms of the Programme Agreement.
Method of Issue	The Certificates will be issued in series (each Series of Certificates being a "**Series**"). The specific terms of each Series will be completed in a final terms document (the "**applicable Final Terms**").
Distribution	Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Certificates may be denominated in U.S. dollars, euro, AED or any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Certificates may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Certificates are denominated.
Maturities	The Certificates will have such maturities as may be agreed between the Trustee and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the Specified Currency (as defined in the applicable Final Terms).

Issue Price	Certificates may be issued at the issue price specified in the applicable Final Terms. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, Tamweel and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Status of the Certificates	Each Certificate will represent an undivided ownership interest in the Trust Assets of the relevant Series, will be a limited recourse obligation of the Trustee and will rank *pari passu*, without preference or priority, with all other Certificates of the relevant Series issued under the Programme.
Periodic Distribution Amounts	Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.
Cross-Default	The Purchase Undertaking Deed contains a cross-default provision and other events of default that apply to Tamweel and the Master Deed of Guarantee contains a cross-default provision and other events of default that apply to the Guarantor, see *Summary of the Principal Transaction Documents*.
Negative Pledge	The Purchase Undertaking Deed contains a negative pledge given by Tamweel and events of default that apply to Tamweel and the Master Deed of Guarantee contains a negative pledge given by the Guarantor, see *Summary of the Principal Transaction Documents*.
The Trust Assets	Pursuant to the Master Declaration of Trust, as supplemented by a Supplemental Declaration of Trust for each Series, the Trustee will declare that it will hold, for each Series, certain assets (the "**Trust Assets**"), consisting of: (a) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the relevant Sukuk Assets; (b) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in and to the Transaction Documents (excluding (i) any representations given to the Trustee and the Delegate by Tamweel pursuant to any of the Transaction Documents, and (ii) the covenant given to the Trustee by Tamweel in Clause 17.1 of the Master Declaration of Trust); (c) all monies standing to the credit of the Transaction Account (as defined in Condition 5(c)(*Trust—Summary of the Trust*)); and (d) any other assets, rights, cash or investments as may be specified in the applicable Final Terms, and all proceeds of the foregoing upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder for the relevant Series.
Master Restricted Mudaraba Agreement	On the Closing Date, the Trustee will enter into a master restricted mudaraba agreement ("**Master Restricted Mudaraba Agreement**") (as the same will be supplemented, on the Issue Date of each Series, by an individual restricted mudaraba contract (each a "**Restricted Mudaraba Contract**")) (see "*Summary of the Principal Transaction Documents—Master Restricted Mudaraba Agreement*") with Tamweel as the mudarib (the "**Mudarib**"), pursuant to which, in

relation to each Series, the Trustee (as "**Rabb-al-Maal**") will deposit a portion of the Proceeds with the Mudarib, as a capital contribution (the "**Mudaraba Capital**") for investment pursuant to a restricted mudaraba arrangement (a "**Restricted Mudaraba**") in accordance with an investment plan (the "**Mudaraba Investment Plan**") contained in the applicable Restricted Mudaraba Contract pursuant to which the Mudarib will invest the relevant Mudaraba Capital in a Mudaraba Portfolio (as defined in the Conditions).

Master Wakala Purchase Agreement . . . . The Trustee will use a portion of the Proceeds for the relevant Series of Certificates to purchase from Tamweel, pursuant to the master wakala purchase agreement (the "**Master Wakala Purchase Agreement**") dated on or about the Closing Date as supplemented by a supplemental wakala purchase contract relating to that Series of Certificates (each a "**Supplemental Purchase Contract**"), a portfolio of non-real estate assets and other *Shari'a*-compliant income generating assets (the "**Wakala Portfolio**").

Transaction Account . . . . All payments by any of the Managing Agent, Mudarib or the Obligor to the Trustee under each Transaction Document to which it is party will be deposited into an account in the name of the Trustee maintained for such purpose (the "**Transaction Account**").

Distribution of monies deriving from the Trust Assets will be made to Certificateholders from funds standing to the credit of the Transaction Account in the order of priority set out in the Conditions.

Collection and Reserve Accounts . . . . . Pursuant to the Management Agreement, the Managing Agent shall receive and accumulate all Wakala Portfolio Income Revenues for each Series and shall record the same in the relevant Wakala Income Collection Account.

Pursuant to the Management Agreement, the Managing Agent shall credit any surplus amounts of Wakala Portfolio Income Revenues (if any) to the relevant Wakala Reserve Account in accordance with the Conditions.

Pursuant to the Master Restricted Mudaraba Agreement, the Mudarib shall credit any excess Mudaraba Profit to the relevant Mudaraba Reserve Account in accordance with the Conditions.

Liquidity Facility . . . . If the aggregate amounts standing to the credit of the Transaction Account, the Mudaraba Reserve Account, and the Wakala Reserve Account, are insufficient (after the Managing Agent or Mudarib, as applicable, has re-credited the amounts standing to the credit of the Mudaraba Reserve Account and the Wakala Reserve Account used for its own account) to meet the Trustee's obligation to pay the Periodic Distribution Amount or its payment obligation under Clause 5.3 of the Management Agreement, the Managing Agent may meet the shortfall through the provision of a *Sharia* compliant liquidity facility (without recourse to the Sukuk Assets) to the Trustee to ensure that in respect of each Series, the Trustee receives the full amount payable prior to the relevant Periodic Distribution Date or Dissolution Date, as applicable.

Purchase Undertaking Deed . . . . Tamweel shall execute a purchase undertaking deed (the "**Purchase Undertaking Deed**") in favour of the Trustee, on or about the

Closing Date, under which the Obligor undertakes to purchase the Change of Control Wakala Assets or Wakala Portfolio (as the case may be) (as defined in the Conditions) and all of the Trustee's rights, title, interests, benefits and entitlements in the relevant Change of Control Wakala Assets or Wakala Portfolio (as the case may be). See "*Summary of the Principal Transaction Documents—Purchase Undertaking Deed*".

Sale Undertaking Deed .... The Trustee shall execute a sale undertaking deed (the "**Sale Undertaking Deed**") in favour of Tamweel dated on or about the Closing Date. Pursuant to the Sale Undertaking Deed, on exercise of Tamweel's option under the Sale Undertaking Deed following the delivery of a tax redemption notice (under Condition 10(b)), the Trustee shall sell all of its rights, title, interests, benefits and entitlements in, to or under the Wakala Portfolio at the Exercise Price.

Pursuant to the Sale Undertaking Deed, Tamweel may require the Trustee, on an Optional Dissolution Date specified in the applicable Final Terms, to sell and transfer to Tamweel the Wakala Portfolio applicable to the relevant Series, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under such Wakala Portfolio, at the Exercise Price specified in the relevant Exercise Notice.

Pursuant to the Sale Undertaking Deed, if Tamweel wishes to substitute one or more of the Wakala Assets, the Trustee will transfer, assign and convey the Substituted Wakala Assets and all of its rights, title, interests, benefits and entitlements to the Substituted Wakala Assets against the transfer, assignment and conveyance by Tamweel of one or more New Wakala Assets and all of its rights, title, interests, benefits and entitlements to the New Wakala Assets, subject to the New Wakala Assets being Eligible Wakala Assets of a Value not less than the Value of the Substituted Wakala Assets.

Dissolution on the Scheduled Dissolution Date .... Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem the Series at the Dissolution Distribution Amount and the Trust in relation to the relevant Series will be dissolved by the Trustee on the relevant Scheduled Dissolution Date specified in the applicable Final Terms for such Series.

Dissolution Distribution Amount: .... Means, in relation to a particular Series, the aggregate of:

(a) the outstanding face amount of such Series; and

(b) any due but unpaid Periodic Distribution Amounts for such Series.

Early Dissolution of the Trust: .... The Trust may only be dissolved prior to the Scheduled Dissolution Date upon:

(a) the occurrence of a Dissolution Event;

(b) the exercise of an Optional Dissolution (Call) option (if the Optional Dissolution (Call) option is applicable to the relevant Series);

(c) the occurrence of a Tax Event (as defined in Condition 11(b) (*Capital Distributions of the Trust—Early Dissolution for Tax Reasons*)); or

	(d) all of the Certificates of the relevant Series being cancelled upon a Change of Control Event (if the Change of Control Exercise Option is applicable to the relevant Series) under the Purchase Undertaking Deed. In each case, the Certificates of a Series will be redeemed using the proceeds received by the Trustee following the exercise of the relevant Purchase Undertaking or Sale Undertaking (as applicable) and the liquidation of the relevant Restricted Mudaraba. The Exercise Price payable under the relevant foregoing undertaking, together with the proceeds from the liquidation of the Restricted Mudaraba, will be used to fund the redemption of the Certificates at an amount equal to the Dissolution Distribution Amount.
Dissolution Events	The Dissolution Events are described in Condition 15 (*Dissolution Events*). Following the occurrence of a Dissolution Event which is continuing, the Certificates of the relevant Series may be redeemed in full at an amount equal to the Dissolution Distribution Amount.
Early Dissolution for Tax Reasons . . .	Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 11 (*Taxation*) or Tamweel has or will become obliged to pay any additional amounts in respect of amounts payable under the Transaction Documents as a result of a change in the laws of the Relevant Jurisdiction (as defined in the Conditions) and such obligation cannot be avoided by the Trustee or Tamweel, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of a notice (the "**Sale Undertaking Exercise Notice**") under the Sale Undertaking Deed, following the liquidation of the relevant Restricted Mudaraba in accordance with the provisions of the Master Restricted Mudaraba Agreement and the relevant Mudaraba Contract, and the sale and transfer of the Wakala Portfolio in accordance with the provisions of the Sale Undertaking Deed, redeem the Certificates at an amount equal to the Dissolution Distribution Amount on the relevant exercise date specified in the Exercise Notice **provided that** such exercise date must not be less than 45 days after the date on which the Exercise Notice is given and (if the Floating Periodic Distribution Provisions (as defined in Condition 8(a) (*Floating Periodic Distribution Provisions—Application*)) are specified in the applicable Final Terms as being applicable) must be a Periodic Distribution Date.
Optional Dissolution (Call)	If so specified in the applicable Final Terms as being applicable, the Trustee shall, in accordance with Condition 10(c) (*Capital Distributions of the Trust—Dissolution at the Option of Tamweel*), redeem the Certificates of the relevant Series at any Optional Dissolution Date specified in the Final Terms at an amount equal to the Dissolution Distribution Amount together with Periodic Distribution Amounts accrued.
Change of Control Exercise Option . . .	If so specified in the applicable Final Terms as being applicable, the Trustee shall, in accordance with Condition 10(d) (*Capital Distribution of the Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*), upon the occurrence of a Change of Control Event (and following the notification thereof by Tamweel to the Trustee and the Delegate), in the event that Certificateholders holding Certificates of the relevant Series elect within 30 days (or such other period as set out in the applicable Final Terms) of a notice that a Change of Control Event

has occurred being delivered to the Certificateholders (the "**Change of Control Exercise Period**") by the Trustee to redeem their Certificates (the "**Change of Control Certificates**"), in accordance with the terms of the Purchase Undertaking Deed, require Tamweel, on the Change of Control Put Date: (a) to purchase the Change of Control Wakala Assets, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Change of Control Wakala Assets, at the Change of Control Exercise Price specified in the relevant Change of Control Exercise Notice provided always that following the sale of the Change of Control Wakala Assets, the Tangibility Ratio shall be not less than 70 per cent.; and (b) in its capacity as Rabb-al-Maal, to instruct Tamweel, in its capacity as the Mudarib to liquidate such Mudaraba Assets as the Mudarib may select, in its sole and absolute discretion (the "**Change of Control Mudaraba Assets**"), provided that the aggregate Value of such Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Change of Control Certificates (as such term is defined in the Conditions) and will pay to the Trustee by wire transfer in the Specified Currency and in same day, freely transferable, cleared funds, the Change of Control Exercise Price, (plus an amount equal to any Taxes payable (if any and as applicable) in respect of such sale) into the Transaction Account.

The Trustee shall use the proceeds of the sale of the Change of Control Wakala Assets and the Change of Control Mudaraba Assets to redeem the Change of Control Certificates and shall cancel the Change of Control Certificates.

Change of Control Event . . . . A Change of Control Event shall occur, in respect of any Series of Certificates which is not a Guaranteed Series, if at any time Dubai Islamic Bank PJSC, the Government of Dubai, the Government of Abu Dhabi and the Federal Government of the United Arab Emirates, collectively (and not individually), cease to Control (as defined in the Conditions), directly or indirectly, the Obligor.

Cancellation of Certificates held by Tamweel and/or any of its Subsidiaries, and/or the Guarantor and/or any of its Subsidiaries . . . . . . Pursuant to Condition 13(b) (*Purchase and Cancellation of Certificates—Cancellation of Certificates held by Tamweel and/or any of its Subsidiaries and/or the Guarantor and/or any of its Subsidiaries*), Tamweel and/or any of its Subsidiaries, and/or the Guarantor, and/or any of its Subsidiaries, may at any time purchase Certificates in the open market or otherwise. If Tamweel wishes to cancel such Certificates purchased by it and/or any of its Subsidiaries, and/or the Guarantor and/or any of its Subsidiaries Tamweel may, in accordance with the terms of the Sale Undertaking Deed, deliver a Cancellation Notice to the Trustee, requiring it to cancel any relevant Certificates so held by Tamweel and/or any of its Subsidiaries and/or the Guarantor and/or any of its Subsidiaries and the Trustee shall be obliged to transfer on any Cancellation Date the Wakala Assets specified by Tamweel in its sole and absolute discretion in the relevant Cancellation Notice (the "**Cancellation Wakala Assets**"), the Value of which shall be no greater than the Wakala Percentage of the aggregate outstanding face amount of the Cancellation Certificates and provided always that:

(a) no Exercise Notice (as defined in the Purchase Undertaking Deed) has been delivered under the Purchase Undertaking Deed; and

(b) following the exercise of such right, the Tangibility Ratio shall be no less than 70 per cent.

Upon receipt by the Trustee of a Cancellation Notice, the Trustee, as Rabb-al-Maal, acknowledges and agrees that the Mudarib shall, transfer on the relevant Cancellation Date to Tamweel such Mudaraba Assets as selected by the Mudarib in its sole and absolute discretion ("**Cancellation Mudaraba Assets**"), provided that the aggregate Value of such Cancellation Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Cancellation Certificates.

Limited Recourse .... Each Certificate of a particular Series will represent an undivided ownership interest in the Trust Assets for such Series. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.

The Rabb-al-Maal undertakes, acknowledges and agrees that the sole right of the Rabb-al-Maal shall be to enforce compliance by the Mudarib with the terms of the Restricted Mudaraba Agreement and in respect of which the obligations of Tamweel, as Mudarib shall be direct, unconditional, unsecured and general obligations of Tamweel only which rank at least *pari passu* with all other unsecured, unsubordinated and general obligations of Tamweel, and to the extent the Rabb-al-Maal may have any other interest, rights, claim or priority on the bankruptcy or insolvency of the Mudarib or otherwise, the Rabb-al-Maal expressly waives all such interest, rights, claim and priority.

Certificateholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or Tamweel (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or the Guarantor (to the extent it fulfils its obligations under the Master Deed of Guarantee) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been enforced, realised and fully discharged following which all obligations of the Trustee, Tamweel and the Guarantor shall be extinguished.

Denomination of Certificates .... The Certificates will be issued in such denominations as may be agreed between the Trustee and the relevant Dealer save that the minimum denomination of each Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Specified Currency and save that the minimum denomination of each Certificate admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area, in circumstances which require the publication of a prospectus under the Prospectus Directive, will be at least EUR100,000 (or, if the Certificates are denominated in a currency other than euro, the equivalent amount in such currency, as calculated on the Closing Date of such Series).

Form and Delivery of the Certificates .... The Certificates will be issued in registered form only. The Certificates will be represented on issue by beneficial interests in a

	global Certificate (the "**Global Certificate**"), which will be deposited with, and registered in the name of a nominee for, a common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. See the section entitled "*Form of the Certificates*". Certificates in definitive form evidencing holdings of Certificates ("**Definitive Certificates**") will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances.
Clearance and Settlement	Certificateholders must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.
Withholding Tax	Tamweel, in its capacities as Mudarib and Wakeel, has represented to the Trustee that all payments by Tamweel under the Transaction Documents to which it is a party will not be subject to withholding or deduction for, or on account of, any Taxes imposed in the U.A.E. (or any political subdivision or any authority thereof or therein having power to tax). In the event that any such deduction is made by Tamweel as a result of any requirement of law, Tamweel will be required, pursuant to the relevant Transaction Document, to pay to the Trustee additional amounts so that the Trustee will receive the full amount which otherwise would have been due and payable under the relevant Transaction Document. All payments by the Trustee in respect of the Certificates shall be made without withholding or deduction for, or on account of, Taxes imposed in the Cayman Islands (or any political subdivision or any authority thereof or therein having power to tax). In the event that any such deduction is made by the Trustee as a result of any requirement of law, the Trustee will be required, in respect of the Certificates, to pay to the Certificateholders additional amounts so that the Certificateholders will receive the full amount which otherwise would have been due and payable in respect of the Certificates.
Listing and Trading	Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and admitted to trading on the Regulated Market. Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, Tamweel and the relevant Dealer(s) in relation to the Series. Certificates which are neither listed nor admitted to trading on any market may also be issued.
Certificateholder Meetings	A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 18 (*Meetings of Certificateholders, modification, waiver, authorisation and determination*).
Tax Considerations	See the section entitled "*Taxation*" for a description of certain tax considerations applicable to the Certificates.

Governing Law	The Master Restricted Mudaraba Agreement and each Restricted Mudaraba Contract and will be governed by, and construed in accordance with, Dubai law and, to the extent applicable, the federal laws of the U.A.E. The Programme Agreement, the Guarantor Agreement, the Master Declaration of Trust, each Supplemental Declaration of Trust, the Agency Agreement, the Master Deed of Guarantee, each Supplemental Deed of Guarantee the Master Wakala Purchase Agreement, each Supplemental Purchase Contract, the Purchase Undertaking Deed, the Sale Undertaking Deed, the Management Agreement, the Certificates and any non-contractual obligations arising out of or in connection with the same will be governed by, and construed in accordance with, English law. The Corporate Services Agreement will be governed by the laws of the Cayman Islands and subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.
Transaction Documents	The Master Restricted Mudaraba Agreement, each Restricted Mudaraba Contract, the Management Agreement, the Master Wakala Purchase Agreement, each Supplemental Purchase Contract, the Purchase Undertaking Deed, the Sale Undertaking Deed, any sale agreement entered into in connection with the Purchase Undertaking Deed or the Sale Undertaking Deed, the Programme Agreement, the Guarantor Agreement, the Master Declaration of Trust, each Supplemental Declaration of Trust, the Master Deed of Guarantee, each Supplemental Deed of Guarantee, the Agency Agreement, the Certificates, the Corporate Services Agreement and any documents specified in the applicable Final Terms.
Rating	The rating(s) of any Series to be issued under the Programme which is to be rated will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation. Whether or not each credit rating applied for in relation to the relevant Series of Certificates will be issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No. 1060/2009 (the "**CRA Regulation**") will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued or endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.
Subscription and Sale	There are restrictions on the distribution of this Base Prospectus and the offer, sale and transfer of the Certificates in the Dubai International Financial Centre, the European Economic Area, the Republic of Ireland, Hong Kong, the Kingdom of Bahrain, the

	Kingdom of Saudi Arabia, the State of Qatar, Kuwait, the Sultanate of Oman, Malaysia, Singapore, Japan, the United Kingdom, the United Arab Emirates (excluding the Dubai International Financial Centre), the Cayman Islands and the United States of America and such other restrictions as may be required in connection with the offering and sale of the Certificates. See "*Subscription and Sale*".
United States Selling and Transfer Restrictions	Regulation S, Category 2.
Waiver of Sovereign Immunity	Tamweel acknowledges in the Transaction Documents to which it is a party that to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution before judgment or otherwise or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, Tamweel represents and agrees that it will not claim and irrevocably and unconditionally waives to the fullest extent possible under applicable law such immunity in relation to any proceedings.

RISK FACTORS

The purchase of Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective subscribers of Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Base Prospectus.

Each of the Trustee, Tamweel and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons which may not be considered significant risks by the Trustee, Tamweel or the Guarantor based on information available to them or which they may not be able to anticipate. None of the Trustee, Tamweel or the Guarantor represents that the statements below regarding the risks of holding any Certificate are exhaustive.

There may also be other considerations, including some which may not be presently known to the Trustee, Tamweel or the Guarantor, or which the Trustee, Tamweel or the Guarantor currently deem immaterial, that may impact any investment in the Certificates.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. Tamweel's and the Guarantor's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Base Prospectus. See "Forward-Looking Statements".

Risk Factors that may affect the ability of the Trustee to fulfil its obligations under the Certificates issued under the Programme

The Issuer was incorporated under the laws of the Cayman Islands on 9 August 2011 as an exempted company with limited liability and has a limited operating history. As at the date of this Base Prospectus, the only activities that the Issuer has engaged in (or will engage in) are the issuance of Certificates under the Programme, the acquisition of Trust Assets, as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents. The Issuer has not engaged (and will not engage) in any other business activity.

The Issuer's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets relating to each Series of Certificates, including the obligation of Tamweel (failing which DIB, in accordance with the Guarantee (if applicable to the relevant Certificates)) to make payments under the Management Agreement, the Purchase Undertaking and/or the Sale Undertaking to the Issuer.

The ability of the Issuer to pay amounts due on the Certificates will primarily be dependent upon receipt by the Issuer from Tamweel (failing which DIB, in accordance with the Guarantee (if applicable to the relevant Certificates)) of all amounts due under the Master Restricted Wakala Agreement (together with the Restricted Mudaraba Contract relating to the applicable Series of Certificates), the Purchase Undertaking and/or the Sale Undertaking (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents in the event that Tamweel and/or DIB do not fully perform their respective obligations thereunder).

Risk Factors that may affect Tamweel's ability to fulfil its obligations under the transaction documents to which it is a party and/or DIB's ability to fulfil its obligations under the guarantee

The risks set out below apply to each of Tamweel's and DIB's businesses. In addition, certain specific risks apply to the particular businesses carried on by Tamweel and DIB, respectively, and these are discussed separately below.

General

Investors should note that Tamweel and DIB are both UAE companies and are incorporated in and have their operations and the majority of their assets located in the UAE. Accordingly, there may be insufficient assets of Tamweel and/or DIB located outside the UAE to satisfy in whole or part any judgment obtained from a foreign court relating to amounts owing under the Certificates. If investors were to seek enforcement of a foreign judgment in the UAE or to bring proceedings in relation to the Certificates in the UAE, then certain limitations would apply.

Majority of business in the UAE

All of Tamweel's and a significant proportion of DIB's operations and assets are located in the UAE and accordingly each of their businesses may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East generally.

These markets, being emerging markets, are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Political, economic and related considerations

Each of Tamweel and DIB's businesses are, and will continue to be, affected by economic and political developments in or affecting the UAE, the Middle East and North Africa ("**MENA**") region and investors' reactions to developments in one country may affect securities of issuers in other markets including the UAE. All of Tamweel's and a significant proportion of DIB's operations and interests are located in the UAE, with a particular focus on Dubai. While the UAE is currently seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not and there is no guarantee that the UAE will continue to be so in the future. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Libya, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and has given rise to increased political uncertainty across the region. In addition, DIB's wholly-owned subsidiary, DIB Pakistan, Ltd., is, in common with all other industries therein, affected by the on-going political uncertainty and civil unrest within the Islamic Republic of Pakistan. Whilst neither of Tamweel's nor DIB's businesses have been directly impacted by such unrest to date, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that either of Tamweel or DIB would be able to sustain its current profit levels if adverse political events or circumstances were to occur.

Since early 2008, global credit markets, particularly in the United States and Europe, have experienced difficult conditions of varying intensity. These challenging market conditions have resulted at times in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit markets. In addition, since late 2008, property and construction markets in the UAE and a number of other countries in the MENA region have been significantly adversely affected (see further "*—Risk Factors relating to Tamweel's Business—Real Estate Exposure*"). Each of Tamweel and DIB could be adversely affected further in the future by any deterioration of general economic conditions in the markets in which they operate, as well as by United States, European and international trading market conditions and/or related factors.

Investors should also note that each of Tamweel's and DIB's businesses and financial performance could be adversely affected by political, economic or related developments both within and outside the MENA region because of interrelationships within the global financial markets.

The economic and/or political factors which could adversely affect each of Tamweel's and DIB's businesses, financial condition, results of operations and prospects include:

- regional political instability, including government or military regime change, riots or other forms of civil disturbance or violence, including through acts of terrorism;
- military strikes or the outbreak of war or other hostilities involving nations in the region;
- a material curtailment of the industrial and economic infrastructure development that is currently underway across the MENA region;
- government intervention, including expropriation or nationalisation of assets or increased levels of protectionism;

- an increase in inflation and the cost of living;
- cancellation of contractual rights, expropriation of assets and/or inability to repatriate profits and/or dividends;
- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies and land and water use and foreign ownership;
- arbitrary, inconsistent or unlawful government action;
- changing tax regimes, including the imposition of taxes in tax favourable jurisdictions such as the UAE;
- difficulties and delays in obtaining governmental and other approvals for operations or renewing existing ones; and
- inability to repatriate profits or dividends.

There can be no assurance that either the economic performance of, or political stability in, the countries in which Tamweel and DIB currently operate or may in the future operate can or will be sustained. To the extent that economic growth or performance in these countries or the MENA region as a whole slows or begins to decline, or political conditions become sufficiently unstable to affect adversely either Tamweel's or DIB's operations in those countries, Tamweel's and/or DIB's business, financial condition, results of operations and prospects may be adversely affected.

Financial performance is affected by general economic conditions

Risks arising from changes in credit quality and the recoverability of amounts due from customers and counterparties are inherent in banking and financial institution businesses. In common with other banks and financial institutions in the Gulf Co-operation Council ("**GCC**") region, each of Tamweel and DIB has suffered a deterioration in its financing portfolio, principally manifested in the form of increases in non-performing loan levels (in the case of DIB) and impaired residential financing (in the case of Tamweel), as a result of such adverse economic conditions (see "*—Business Risks—Credit Risk*"). All of Tamweel's and a significant proportion of DIB's operations are undertaken in the UAE and, consequently, their respective operations have been and may continue to be affected by economic developments impacting the UAE, in particular, the level of economic activity in the UAE. Moreover, while the UAE Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. Traditionally, the oil and gas industry has been the basis of the development in the GCC regional economy, which means that economic development has been impacted by the general level of oil and gas prices.

Tamweel and DIB each use different hedging strategies to minimise risk, including collateral and insurance (*Takaful*) that reduce the credit risk level to be within their respective strategy and risk appetite. However, there can be no guarantee that such measures will continue to eliminate or reduce such risks and consequently Tamweel's and/or DIB's business, financial condition, results of operations and prospects may be adversely affected.

Impact of regulatory changes

Each of Tamweel and DIB are subject to the laws, regulations, administrative actions and policies of the UAE and each other jurisdiction in which it operates. These regulations may limit Tamweel's and/or DIB's activities and changes in supervision and regulation, particularly within the UAE, could affect Tamweel's and/or DIB's business, the products or services offered, the value of its assets and its financial condition. Future changes in regulatory, fiscal, taxation or other policies cannot be predicted and are beyond the control of Tamweel and DIB.

Business Risks

Risk is inherent in each of Tamweel's and DIB's activities but is managed through a process of ongoing identification, measurement and monitoring, the imposition of risk limits and other controls. Each of Tamweel and DIB is exposed to a number of business-related risks including credit risk, market risk (which can be sub-divided into trading and non-trading risks), liquidity risk and legal and operational risk. Any failure by Tamweel and/or DIB to manage and/or mitigate such risks effectively could have an adverse effect on its business, results of operations, financial condition and prospects and, consequently its ability to fulfil its obligations under the Transaction Documents to which it is a party.

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. Each of Tamweel and DIB attempts to control credit risk by implementing a credit risk strategy, monitoring credit exposures (in particular, in relation to those counterparties falling within higher risk rating bands), limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties as part of their normal processes. In addition to monitoring credit limits, each of Tamweel and DIB manages the credit exposure relating to its trading activities by entering into collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure.

Each of Tamweel and DIB has also established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established by the use of a credit risk classification system *(see* "Description of Tamweel PJSC—Business Pillars—Origination" and "Description of Dubai Islamic Bank PJSC—Risk Management"), which assigns each counterparty a risk rating. Such risk ratings are subject to regular revision. The credit quality review process allows Tamweel and DIB to assess any potential loss as a result of the risks to which they are exposed. However, there can be no assurance that such measures will continue to eliminate or reduce credit risk and, consequently, Tamweel's and/or DIB's business, results of operations, financial condition and prospects may be adversely affected.

See also "*—Risks relating to DIB's business—DIB's business is subject to portfolio concentration*" for a description of certain credit risks arising from a concentration of DIB's counterparties in certain economic sectors and, geographically, within the UAE.

Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and (in the case of DIB only) equity prices, as well as in their correlation and implied volatilities. Each of Tamweel's and DIB's management of market risk is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or (in the case of DIB only) equity prices and considerable attention is paid by Tamweel and DIB to managing this risk. Each of Tamweel and DIB uses appropriate models, in accordance with standard market practice, for the valuation of its positions and receives regular market information in order to regulate its market risk. Each of Tamweel's and DIB's policies and procedures and its trading limits are set to ensure the implementation of Tamweel's and DIB's market risk policy in their respective day-to-day operations and such operations are reviewed periodically to ensure compliance with internal policies. However, there can be no assurance that such measures will continue to eliminate or reduce market risk and, consequently, each of Tamweel's and DIB's business, results of operations, financial condition and prospects may be adversely affected.

Liquidity risk

Liquidity risk is the risk that each of Tamweel and DIB may be unable to meet its payment obligations when they fall due under normal and stress circumstances.

An inability on Tamweel's and/or DIB's part to access funds or to access the markets from which it raises funds may lead to Tamweel and/or DIB being unable to finance its operations adequately. A dislocated credit environment compounds the risk that Tamweel and/or DIB will not be able to access funds at favourable rates (see "*—Political, economic and related considerations*" above). These and other factors could also lead creditors to form a negative view of Tamweel's and DIB's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. As DIB receives a significant portion of its funding from deposits, DIB is subject to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing a liquidity strain. In addition, Tamweel's inability to receive customer deposits as a source of funding and reliance on mortgage lending activities could further compound this liquidity strain. Since DIB is expected to be a principal source of funding support for Tamweel (on an arm's length basis) in the future (see "*Description of Tamweel PJSC—Strategy*"), if DIB experiences liquidity problems as a result of any of the above factors this may, in turn, adversely impact its ability to provide funding support to Tamweel.

As described above under "*—Political, economic and related considerations*", during most of 2008 and into 2009, global credit markets, particularly in the United States and Europe, experienced difficult conditions resulting in, among other things, reduced liquidity in credit markets. Liquidity risk directly impacted Tamweel's business during 2009 and 2010 when it was unable to obtain funding in the wholesale markets during that period. This inability to obtain funding was one of the principal reasons for Tamweel ceasing to enter into new financing arrangements with customers from the first quarter of 2009 until the first quarter of 2011 (see "*Description of Tamweel PJSC—History—Effect of the global credit crisis*" and "*—Risks Factors relating to Tamweel's Business—Tamweel's funding sources have traditionally been short-term while its financing products are long-term*").

In addition, there are always timing differences between the cash payments DIB owes on its liabilities and the cash payments due to it on its investments. DIB's ability to overcome these cash mismatches may be adversely affected if the fixed income markets were to experience significant liquidity problems. Also, under certain market conditions, DIB could be unable to sell additional products or be unable to sell its portfolio investments in sufficient amounts to raise the cash required to fulfil its obligations under the Guarantee (if applicable to the relevant Certificates) when due.

All of the abovementioned factors relating to liquidity risk could have a further adverse effect on Tamweel's business, results of operations, financial condition or prospects and could have an adverse effect on DIB's business, results of operations, financial condition or prospects.

Legal and operational risk

Legal risk is the risk of losses occurring due to legal or regulatory action that invalidates or otherwise precludes performance by Tamweel, DIB or any of their respective counterparties under the terms of their contractual agreements. Each of Tamweel and DIB seeks to mitigate this risk through the use of properly reviewed standardised documentation and obtaining appropriate legal advice in relation to its non-standard documentation.

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements or conduct of business rules, failure of internal systems, equipment and external systems (including those of DIB's and Tamweel's respective counterparties or vendors) and the occurrence of natural disasters. Each of Tamweel and DIB has developed a detailed operational risk framework which clearly defines the roles and responsibilities of individuals and units across different functions of Tamweel and DIB that are involved in performing various operational risk management tasks. The operational risk management framework established by each of Tamweel and DIB is also aimed at ensuring that operational risks within those institutions are properly identified, monitored, managed and reported. Tamweel and DIB will, when appropriate, insure themselves against operational risks. Notwithstanding insurance against operational risks, each of Tamweel and DIB might nonetheless be subject to losses arising from operational risk as a result of inadequate insurance coverage and delay in claim settlement.

There can be no assurance that such measures will continue to eliminate or reduce legal and operational risk and, consequently, each of Tamweel's and/or DIB's business, results of operations, financial condition and prospects may be adversely affected.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

Competition

DIB and Tamweel face competition from other banks and financial institutions.

DIB faces competition in all of its business areas from locally incorporated and foreign banks operating in the UAE. DIB also faces competition from both Islamic banks and conventional banks. There are currently 51 different banks (comprising of 23 locally incorporated banks and 28 foreign banks) licensed to operate inside the UAE (excluding the Dubai International Financial Centre (the "**DIFC**")).

Tamweel faces most competition from these banks. While banks are licensed to accept deposits from customers, Tamweel, as an Islamic finance company, has traditionally funded its Islamic mortgage lending activities principally through short-term wholesale bank financing and corporate investment deposits. The inability of Tamweel to receive customer deposits as a relatively inexpensive form of funding could lead creditors to form a negative view of Tamweel's liquidity and competitiveness due to higher borrowing costs and less accessible funds.

The financial institutions market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation, the GCC or any other similar entities, it is likely to lead to a more competitive environment for Tamweel, DIB and other domestic financial institutions. In addition, the introduction of new laws regulating the real estate market and anticipated increased transparency of regulator frameworks and issuance of new title deeds are further expected to remove barriers to entry and result in increased competition in the residential financing market. This could have an adverse effect on each of Tamweel's and DIB's business, results of operations, financial condition and prospects.

Foreign exchange movements may adversely affect Tamweel's and/or DIB's profitability

Each of Tamweel and DIB maintains its accounts, and reports its results, in UAE dirham. The UAE dirham has been 'pegged' at a fixed exchange rate to the U.S. dollar since 22 November 1980. However, there can be no assurance that the UAE dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects Tamweel's and/or DIB's results of operations and financial condition. Any such de-pegging, particularly if the UAE dirham weakens against the U.S. dollar, could have an adverse effect on Tamweel's and/or DIB's business, results of operations, financial condition and prospects.

Dependence on key personnel

Each of Tamweel's and DIB's operations depend, in part, on the continued service of senior executives and other qualified personnel as well as their ability to recruit and retain skilled employees. The competition for such employees in the UAE is intense. Failure by either of Tamweel or DIB to manage its personnel needs successfully could have a material adverse effect on its business, results of operations, financial condition and prospects.

Risk Factors relating to Tamweel's Business

Real estate exposure

Tamweel's portfolio of Islamic financing and investing assets is concentrated in the UAE residential property financing sector. Accordingly, Tamweel's portfolio of Islamic financing and investing assets is concentrated both geographically and by industry sector.

Since the middle of 2008, a number of real estate projects in Dubai have been cancelled or delayed, principally reflecting liquidity shortages for developers, decreasing headline real estate prices and rental rates, increasing market uncertainty and negative sentiment. These factors adversely affected real GDP growth rates in the real estate and construction sectors in 2008 to 2010 and remain current in 2011. Should these adverse conditions persist for a prolonged period, they could exacerbate the adverse effects that have already been manifested in property values and rental rates in the residential markets in which Tamweel operates. A negative impact on growth rates of the real estate market of Dubai and the UAE could have a material adverse effect on Tamweel's results of operations, financial condition and prospects. According to RERA, of the total number of registered projects at 31 May 2011, 129 projects have been completed since the beginning of 2009. In the last two years, RERA has additionally completed a review of more than 450 projects and, of these reviewed projects, 237 are expected to be completed in due course. 217 registered projects have been cancelled by RERA as at 31 May 2011.

Since late 2008 a real estate correction has been taking place in Dubai's real estate market such that according to the Colliers International House Price Index published in the fourth quarter of 2010, the average price of residential property in Dubai decreased by 50 per cent. between the third quarter of 2008 and the fourth quarter of 2010. Further, according to a report entitled "Dubai Real Estate Market Overview" published by Jones Lang LaSalle in the second quarter of 2011, the average prime rentals price for commercial office property in Dubai fell by approximately 63 per cent. between the fourth quarter of 2008 and the second quarter of 2011.

In recent response to the real estate correction seen in the UAE, Tamweel has adopted what it sees as a more conservative strategy. As such, reflecting both the changing operating environment and Tamweel's conservative strategy (see "*Description of Tamweel PJSC—Strategy—Focus on originating a high quality portfolio of selected end-user customers and properties*"), Tamweel's past financial performance might not be a good indicator of Tamweel's future results of operations.

In addition to the decline in property values, the economic downturn in Dubai has also led to a significant decrease in property sales volumes. Figures from the Dubai Land Department for 2009 show that there were

1,924 land transactions with a combined value of AED 18.078 billion. However, although 2010 saw an increase in the number of sale transactions to 2,105, the combined value of such transactions fell to AED 14.372 billion, representing an approximately 21 per cent. decline in the total value of sale transactions completed between 2009 and 2010.

The sharp correction in the UAE real estate sector since the end of 2008 market exposes Tamweel to the following risks:

Finance-to-value ratio of the portfolio

Tamweel entered into a significant number of financing transactions with its customers during 2008 when property prices and rental rates in Dubai and Abu Dhabi were at their peak. Following the correction in real estate prices described above, the weighted average finance-to-value ratio of Tamweel's portfolio of Islamic financing and investing assets is currently estimated by Tamweel to be more than 100 per cent. If the finance-to-value ratio of any particular property financed by Tamweel exceeds 100 per cent., Tamweel faces the risk that it may not be able to recover the whole of the customer's debt owed to it by selling that property. Any further decreases in the market value of the properties financed by Tamweel prior to the real estate price correction and/or any significant discount to market value that Tamweel is required to apply to properties sold in foreclosure proceedings (see "*—Real Estate is Illiquid*") may require Tamweel to increase its impairment provisions which, in turn, could have a material adverse effect on Tamweel's business, results of operations, financial condition and prospects.

Additional risks relating to under-construction property

Tamweel has, historically, provided financing for under-construction property (using, for example, *Istisna'a* and forward *Ijara* contracts) which exposes Tamweel to customer default risk and developer default risk, the latter of which arises as a result of project delays and cancellations. Customer default risk is high as Islamic home finance repayments on *Istisna'a* and forward *Ijara* contracts only commence on completion and handover of the properties. Given that the market value of the completed property may be significantly lower now than when the under-construction property was purchased there may be little incentive for some customers to take on those properties and begin repaying their Islamic home financings. This disincentive may be compounded by the requirement imposed on such customers to make a large accrued profit payment (charged during the construction phase) to Tamweel upon handover. As a result, Tamweel may be required to increase its impairment provisions which, in turn, could have a material adverse effect on Tamweel's business, results of operations, financial condition and prospects.

Depressed residential rental market

The current market rental rates for residential properties in the UAE (and, in particular, Dubai and Abu Dhabi) have, in some cases, led to significantly lower than expected returns for some property investors. If there are further declines in the UAE rentals market, there is an increased risk that certain of Tamweel's customers will not be able to service their Islamic home finance obligations either in whole or in part. Any significant increase in customer defaults could have a material adverse effect on Tamweel's business, results of operations, financial condition and prospects.

Tamweel's funding sources have traditionally been short-term while its financing products are long-term

Tamweel's ability to provide long-term home financing is dependent on its ability to source appropriate funds to provide financing to customers. As a wholesale-funded institution Tamweel faced significant liquidity and funding challenges and its funding profile was, prior to the increase in DIB's shareholding, characterised by being concentrated and expensive with inherent asset-liability mismatches. Whilst Tamweel's funding profile has improved recently with DIB's increased share ownership and the roll-over in the maturity dates of certain short-term financing (see "*Description of Tamweel PJSC—Funding*"), DIB is not contractually obliged to provide funding or liquidity support to Tamweel in the future and, in the absence of such support from DIB, Tamweel may experience difficulties in obtaining further medium term or long-term financing from third parties.

There is no assurance that Tamweel will be able to obtain long-term funding (either from DIB or from third parties) on acceptable terms so as to match the tenor of its Islamic financing and investing assets. A limitation on the part of Tamweel to source adequate funds with appropriate maturities could have a material adverse effect on Tamweel's business, results of operations, financial condition and prospects.

Real estate valuation is inherently subjective and uncertain

Real estate assets are inherently difficult to value. Tamweel provides financing based on market best estimates which are dated as at a certain (historic) date, are subject to substantial uncertainty and are made on the basis of assumptions which may not be correct. Furthermore, it is possible that not all valuations have been carried out in compliance with international best practice, such as the Royal Institution of Chartered Surveyors ("**RICS**") Appraisal and Valuation Standards and by RICS-approved valuers. This increases the risk of subjectivity and uncertainty with respect to the valuation of the asset in question. In addition, a key component of determining the fair value of property is based on the assessment by management or the independent valuer of real estate market conditions in the city or country where the project is located. The real estate market is in turn affected by many factors such as general economic conditions, availability of financing, profit rates and other factors, including supply and demand, that are beyond Tamweel's control and may adversely impact property even after its most recent valuation date. As a result, any material decline in the real estate markets where Tamweel operates could have a material adverse effect on its business, financial condition and results of operations and there can be no assurance that sales proceeds in the event of customer default would be sufficient to cover the finance provided by Tamweel.

Real estate is illiquid

Tamweel generally owns the property against which it provides home financing. In the event of customer default, Tamweel's ability to realise its collateral will be subject to conditions in the real estate market at that time. The real estate market is affected by many factors that are beyond Tamweel's control (see "*—Real estate valuation is inherently subjective and uncertain*" above). In addition, because real estate is in general relatively illiquid, Tamweel's ability promptly to sell one or more properties which it owns is limited. Tamweel's management cannot be certain that it will be able to sell any property for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. Tamweel's management also cannot predict the length of time needed to find a willing purchaser for any property and to effect the sale of any such property. No assurance can be given that Tamweel will be able to realise any property in amounts that exceed the financing amount due to it on a timely basis or at all. These factors could have a material adverse effect on Tamweel's business, results of operations, financial condition and prospects.

The process for foreclosing on properties in the UAE is lengthy and complex

If Tamweel is unable to restructure or reschedule adequately the financing arrangements of any delinquent account, it may be forced to commenced foreclosure proceedings on the underlying property. As at the date of this Base Prospectus, Tamweel has 128 cases under foreclosure, out of which 35 cases are before the Court of First Instance, two cases are before the Court of Appeal, 34 cases before an Execution Judge with the remainder being processed by Tamweel's internal legal department. The process for foreclosing on the properties' of defaulting customers in the UAE is lengthy and complex. On average, the process takes approximately 14 months (but may take up to two years) and requires the appointment of external counsel as well as the commencement of official proceedings before various courts in Dubai.

The markets in which Tamweel operates are characterised by a lack of real estate transparency

According to a real estate transparency survey conducted by Jones Lang LaSalle in 2010, the Dubai real estate market is judged to be only semi-transparent. The degree of transparency of a real estate market is determined by reference to a number of factors, including comparable transactions, accessibility of information relating to counterparties and land title, reliability of market data, clarity of regulations relating to all matters of real estate conveyance and access to government agencies to verify information provided by counterparties in connection with real estate transactions (see "*—The regulatory framework governing the Dubai real estate market is not yet fully developed*" below). There can be no assurance that the factors described above will not result in the discovery at a later date of information or liabilities that could affect the value, expected purpose or returns on investment of properties owned by Tamweel's customers which could in turn have a material adverse effect on Tamweel's business, results of operations, financial condition and prospects.

The regulatory framework governing the Dubai real estate market is not yet fully developed

The regulatory framework governing the Dubai real estate market is not yet fully developed. However, it is becoming subject to increasing levels of regulation and monitoring, including by RERA, which was established in July 2007. RERA is taking responsibility for the implementation and enforcement of its new regulations in

Dubai. However, in light of their recent implementation, there may be uncertainty surrounding the application of such new regulations, which in turn may lead to difficulties and/or delays in enforcing them.

Tamweel cannot predict the contents of any future legislation that is imposed or implemented by RERA or the Government of Dubai. While many of the real estate laws and regulations recently implemented and to be implemented in the future in Dubai are intended to improve the real estate market in Dubai, the effects of the implementation of such laws, including the newly implemented Law No. (9) of 2009 (see "*Overview of the Property Market in Dubai*"), is often uncertain and there can be no assurance that such laws and regulations will not impose more onerous obligations on Tamweel or have a material adverse effect on the Tamweel's business, results of operations, financial condition and prospects.

Tamweel's business may be influenced by a principal beneficial shareholder

Tamweel's principal beneficial shareholder is DIB, holding approximately 58.25 per cent. of Tamweel's share capital as at 30 September 2011. By virtue of such shareholding, DIB has the ability to influence Tamweel's business significantly through its ability to control actions that require shareholder approval. If circumstances were to arise where the interests of DIB or any future significant shareholder conflicts with the interests of the Sukukholders, the Sukukholders could be disadvantaged. DIB's business may, in turn, be influenced by the Government of Dubai as its principal beneficial shareholder (see "*—Risk Factors relating to DIB's business*" below).

Risk Factors relating to DIB's Business

9/11 Litigation

In 2003 DIB was named as a defendant in nine civil lawsuits filed in various federal district courts in the United States that relate to the terrorist attacks on 11 September 2001. The plaintiffs in these lawsuits are victims of the terrorist attacks, the families or estates of deceased victims, the leaseholders of the World Trade Center properties, and certain insurance companies that have paid claims to victims of the attacks. In total, the lawsuits named over 520 defendants. The defendants include among other entities numerous organisations, Islamic charities, and other major financial institutions in the Middle East (including National Commercial Bank, Al Rajhi Bank, Arab Bank plc and Samba), and individuals, including members of the royal family of Saudi Arabia. The complaints filed in these lawsuits made substantially identical allegations against DIB, including that DIB provided material support and assistance to Al Qaeda and that all defendants knew or should have known they were providing material support, aiding and abetting, and enabling the terrorists that perpetrated the attacks. It is not possible to quantify the liability of DIB in respect of the amounts claimed under such lawsuits due to the number of defendants involved and due to the difficulty in determining the monetary amount of damages suffered by the plaintiffs.

In December 2003, the United States Judicial Panel on Multi-District Litigation consolidated the actions against DIB and the other defendants and transferred those actions to the Federal District Court in the Southern District of New York (the "**New York Federal Court**"). In May 2005, DIB filed a motion to dismiss all nine actions with the New York Federal Court. In June 2010, the New York Federal Court denied DIB's motion to dismiss, however the court accepted the motion to dismiss of 37 other defendants (being all of the other defendants whose motion to dismiss was being considered at the time). The New York Federal Court denied DIB's motion to dismiss due to the allegations by the plaintiffs that DIB was intentionally providing support to Al Qaeda and therefore, the court held that it had reasonable grounds to continue the actions by ordering the commencement of documentation discovery (whereas the other defendants whose motions to dismiss were accepted, were considered to have acted without knowledge).

In August 2010, DIB sought permission from the New York Federal Court to appeal the order denying DIB's motion to dismiss. DIB asserted that the New York Federal Court erred in finding that it had jurisdiction over DIB and that DIB could have caused the plaintiffs' injuries. The motion is fully briefed, and the New York Federal Court may decide it at any time. If it is granted, DIB will appeal the order to the U.S. Court of Appeals for the Second Circuit.

Notwithstanding that the claims against certain defendants have been dismissed, DIB currently remains a joint defendant with over 100 other defendants (being the remaining defendants of the initial 520 defendants who have not been dismissed from the claims). Two cases against DIB were recently dismissed (one in August 2010 and the other in March 2011) as the plaintiffs did not wish to carry on with this litigation, such that seven cases are pending as at the date of this Base Prospectus.

DIB is currently at the discovery phase of this litigation. The discovery phase requires the plaintiffs and the defendants to put forward evidence by means of documents and witnesses to approve their case while dismissing the other party's case. Completion of the documentary discovery phase is currently scheduled for 30 January 2012 wherein DIB will have to produce all the documents that it wishes to use in the defence of this case plus documents requested by the plaintiffs in the same proceedings. The depositions phase is expected to take place around July 2012 whereby DIB and the plaintiffs will call each other's witnesses to give evidence in this case. At the end of this stage, if DIB can prove that the plaintiffs have no basis in their claim, its lawyers can move the court for summary judgement with the intention of having the cases against DIB dismissed.

DIB believes that it has meritorious defences to these claims, and has defended itself, and intends to continue to defend itself, vigorously. No provision has been made as at 30 September 2011 in respect of any outstanding 11 September legal proceedings against DIB as professional advice indicates that it is unlikely that any significant or material costs or loss, other than legal costs in connection with the defence, is expected to be incurred, although U.S. litigation is by its nature uncertain and it is therefore not always possible to accurately predict any outcome in terms of withdrawals, dismissal or ultimate liability.

Adverse publicity in relation to the 11 September claims could affect DIB's reputation, particularly outside the UAE. In addition, if such claims, either in aggregate or individually, were to be successful, and substantial damages and/or penalties were to be assessed against DIB, these could have a material adverse effect on the DIB's business, results of operations, financial condition and prospects. For a more complete description of the 11 September claims, see "*Description of Dubai Islamic Bank PJSC—Legal Proceedings*".

DIB's business may be influenced by a principal beneficial shareholder

DIB's principal beneficial shareholder is the Government of Dubai, holding 30 per cent. of DIB's share capital as at 30 September 2011. By virtue of such shareholding, the Government of Dubai has the ability to influence DIB's business significantly through its ability to control actions that require shareholder approval. If circumstances were to arise where the interests of the Government of Dubai or any future major shareholder conflicts with the interests of the Sukukholders, Sukukholders could be disadvantaged by any such conflict.

DIB's business is influenced by growth in its portfolio of Islamic financing and investing assets

DIB's Islamic financing and investing assets, net of impairment provisions, have grown from AED 49.9 billion (U.S.$ 13.6 billion) as at 31 December 2009 to AED 52.7 billion (U.S.$ 14.3 billion) as at 30 September 2011.

The increase in DIB's Islamic financing and investing assets portfolio size during this period has increased its credit exposure. In addition, DIB's strategy of continuing to grow its core banking activities organically within the UAE by offering a wider range of products (in particular in relation to its retail businesses) may also increase the credit risk exposure in DIB's Islamic financing and investing assets portfolio. Whilst DIB has adopted a more prudent and risk adverse strategy in respect of new financings since late 2008 (by reducing its exposure to large corporate wholesale financings and, in particular, by running-off its corporate real estate portfolio), failure to manage growth and development successfully and to maintain the quality of its assets could have an adverse effect on DIB's business, results of operations, financial condition and prospects.

DIB's business is subject to portfolio concentration

DIB's portfolio of Islamic financing and investing assets is concentrated, geographically, in the UAE, where certain sectors (including the real estate sector) and certain regions (including Dubai) have been more significantly affected than others by the global financial crisis that commenced in early 2008. See "*—Risk Factors relating to Tamweel's Business—Real Estate Exposure"* for a description of the principal risks relating to the Dubai real estate sector. In addition, the composition of DIB's financing portfolio will change from time to time and, in some circumstances, the portfolio may contain a concentration of exposure to particular industries or sectors, Government entities, Government Related Entities or individuals.

DIB's consolidated portfolio of Islamic financing and investing assets, net of impairment provisions, constituted 56.4 per cent. of its consolidated total assets, or AED 52.7 billion (U.S.$ 14.3 billion), as at 30 September 2011. Of such total portfolio as at 30 September 2011, more than 95 per cent. of DIB's Islamic financing and investing assets were situated in the UAE.

DIB's customers' deposits constituted 82.5 per cent. of its total liabilities, or AED 68.6 billion (U.S.$ 18.7 billion), as at 30 September 2011, of which the majority were located in the UAE. As a result of the concentration of DIB's portfolio of Islamic financing and investment assets and customer deposit bases in the UAE, any deterioration in general economic conditions in the UAE or any failure of DIB to manage effectively its risk concentrations could have an adverse effect on its business, results of operations, financial condition and prospects (see further "*—Political, economic and related considerations*" above).

Risk relating to the leased assets underlying the Certificates

No investigation or enquiry will be made and no due diligence will be conducted in respect of the leased assets underlying any Certificates. Only limited representations will be obtained from the Tamweel in respect of the leased assets underlying any Certificates.

Risks relating to the Certificates

The Certificates may have no secondary market and may have limited liquidity

There can be no assurances that a secondary market for the Certificates of any Series will develop, or if a secondary market does develop, that it will provide the Certificateholders of the relevant Series with liquidity of investment or that it will continue for the life of the Certificates of that Series. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at a price that will enable the Certificateholder to realise a desired yield. The market value of a Series of Certificates may fluctuate and a lack of liquidity, in particular, can have an adverse effect on the market value of the Certificates. Consequently, any sale of Certificates by Certificateholders in any secondary market that may develop could be at a discount from the original purchase price of such Certificates and accordingly an investor in the Certificates of a particular Series must be prepared to hold the Certificates until the Certificates have been redeemed or all amounts then due have been paid in full. An application has been made for the listing of the Certificates on the Irish Stock Exchange but there can be no assurance that any such listing will occur on or prior to the date of this Base Prospectus or at all, or, if it does occur, that it will enhance the liquidity of the Certificates.

There may be tax consequences associated with payments on the Certificates

Payments made to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates of a particular Series could become subject to withholding or deduction for or on account of taxation. Condition 11 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by a Relevant Jurisdiction in certain circumstances. In the event that the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, Tamweel has, pursuant to the Master Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 11(*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

Also, to the extent that the Trust Assets do not generate the anticipated level of revenues as a result of withholding tax or deductions in the U.A.E. (and consequentially there are insufficient funds in the Transaction Account and the aggregate of the amounts in the Mudaraba Reserve Account, when aggregated with the amounts in the Wakala Reserve Account, is less than the amount of any shortfall in the Periodic Distribution Amount in respect of any Series of Certificates then payable to Certificateholders), the Managing Agent may provide *Shari'a*-compliant financing by way of the Liquidity Facility (as defined in the Conditions) to ensure that the Trustee meets its obligation to pay the full amount of the Periodic Distribution Amount on the relevant Periodic Distribution Date.

If Tamweel has or will become obliged to provide funding to ensure that the funds available to the Trustee are sufficient to pay the relevant Periodic Distribution Amount or the Dissolution Distribution Amount pursuant to either Condition 11 (*Taxation*) or via the Liquidity Facility (as defined in Condition 5(b) (*Trust—Collection Accounts*)), and such obligation cannot be avoided by the Trustee taking reasonable measures available to it, then Condition 10(b) (*Capital Distributions of the Trust—Early Dissolution for Tax Reasons*) provides that, in such circumstances, Tamweel has the option to require the Trustee to dissolve the Trust and redeem the Certificates prior to their scheduled maturity.

In addition, each prospective investor must take its own professional advice as to the tax consequences for that prospective investor of acquiring, holding and disposing of Certificates of a particular Series.

Certificateholders will not have any claims against any of Tamweel's subsidiaries for payment of any amount under any Series of Certificates

In the event of a liquidation, winding up or dissolution or a bankruptcy, administration, reorganisation, insolvency, receivership or similar proceeding of any of Tamweel's subsidiaries, these subsidiaries would be required to pay the holders of their own debt, their trade creditors and any preferred shareholders before they would be able to distribute any of their assets to Tamweel. In such event, there is therefore a risk that the Certificateholders of any Series may not receive back their capital or accrued payments due under their Certificates.

Enforcement and immunity of Tamweel

Each of Tamweel, under the Transaction Documents to which it is a party, and the Guarantor, under the Master Deed of Guarantee, irrevocably and unconditionally waives to the fullest extent possible and to the extent that it may in any jurisdiction waive immunity, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and, to the extent that such immunity (whether or not claimed) may be attributed to its assets or revenues, each of Tamweel and the Guarantor represents and agrees that it will not claim such immunity.

There can be no assurance as to the impact of a change in the laws governing the Certificates

The Conditions and certain of the Transaction Documents are governed by English law. Certain Transaction Documents are governed by U.A.E. law. No assurance can be given as to the impact of any possible judicial decision or change to English or U.A.E. law after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under any Series of Certificates.

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an interest in the Trust Assets. Recourse to the Trustee in respect of each Series of Certificates is limited to the Trust Assets of that Series and the proceeds of such Trust Assets are the sole source of payments on the relevant Certificates. Upon the occurrence of a Dissolution Event, or early dissolution pursuant Condition 10(b) (*Capital Distributions of Trust—Early Dissolution for Tax Reasons*), or 10(c) (*Capital Distributions of Trust—Dissolution at Option of the Trustee*) or 10(d)(*Capital Distributions of Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option*), the sole rights of each of the Trustee, the Delegate and the Certificateholders of the relevant Series of Certificates will be against Tamweel and, as the case may be, the Guarantor to: (i) pay the Exercise Price in respect of such Series; (ii) liquidate the relevant Restricted Mudaraba and pay the Final Liquidation Proceeds to the Trustee (subject to any applicable set-off provisions under the Purchase Undertaking Deed); and (iii) otherwise perform its obligations under the Transaction Documents to which it is a party and the Master Deed of Guarantee (as applicable).

Certificateholders will otherwise have no recourse to any assets of the Trustee (including its directors and corporate service providers), the Delegate, the Guarantor (to the extent that it fulfils all of its obligations under the Master Deed of Guarantee), Tamweel, the Dealers or the Agents (as defined in the Conditions) or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts due under the relevant Trust Assets. Tamweel and the Guarantor are obliged to make certain payments under the respective Transaction Documents to which they are a party directly to the Trustee, and the Trustee and the Delegate will have direct recourse against Tamweel and the Guarantor to recover payments due to the Trustee from Tamweel and the Guarantor pursuant to such Transaction Documents. There can be no assurance that the proceeds of the realisation of, or enforcement with respect to, the Trust Assets will be sufficient to make all payments due in respect of the Certificates of the relevant Series.

Furthermore, under no circumstances shall any Certificateholder, the Trustee or the Delegate have (i) any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking Deed or the Master Restricted Mudaraba Agreement (by liquidating the relevant Restricted Mudaraba), or (ii) any other recourse against the Trust Assets, except the right to receive distributions derived from the Trust Assets in accordance with the Conditions, and the sole right of the Trustee, the Delegate and the Certificateholders against Tamweel and the Guarantor shall be to enforce the obligations of Tamweel and the Guarantor to pay the relevant Exercise Price under the Purchase Undertaking Deed, liquidate the relevant Restricted Mudaraba for an amount equal to the relevant Final Liquidation Proceeds and otherwise perform its obligations under the Transaction Documents to which it is a party or the Master Deed of Guarantee (as applicable).

The Certificates may be subject to Early Dissolution

In certain circumstances, the Certificates may be subject to early dissolution. If the Optional Dissolution (Call) option is specified as being applicable in the applicable Final Terms, Tamweel shall (i) exercise its option under the Sale Undertaking Deed and (ii) liquidate the relevant Restricted Mudaraba and distribute the Final Liquidation Proceeds to procure the Trustee to dissolve the Trust and redeem the Certificates (in whole, but not in part) on the relevant Optional Dissolution Date at the relevant Optional Dissolution Amount as specified in the applicable Final Terms.

In addition, the Certificates may be redeemed prior to their stated maturity if Tamweel has or will become obliged to provide funding to ensure that the funds available to the Trustee are sufficient to pay the relevant Periodic Distribution Amount or the Dissolution Distribution Amount by reason of either Condition 11 (*Taxation*) or via the Liquidity Facility and such obligation cannot be avoided by the Trustee taking reasonable measures available to it. In such circumstances, Tamweel has the option to require the Trustee to dissolve the Trust and redeem the Certificates prior to their scheduled maturity. Early dissolution in either instance may reduce the return that a Certificateholder would have realised had the Certificates been redeemed at maturity.

Any Redemption at the Option of the Certificateholders by virtue of the exercise of the Change of Control Exercise Option will only be exercisable if Certificateholders elect within 90 days of a notice of a Change of Control Event to redeem their Certificates. See Condition 10(d) (*Capital Distribution of Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*).

An early dissolution feature of any Certificate is likely to limit its market value. During any period when the Trustee may elect to redeem Certificates, the market value of those Certificates generally will not rise substantially above the dissolution distribution amount payable. This also may be true prior to any dissolution period.

Certificates are subject to modification by a majority of the Certificateholders of a Series without the consent of all of the Certificateholders

The Master Declaration of Trust contains provisions for calling meetings of the Certificateholders of one or more Series to consider matters affecting their interests. These provisions permit defined majorities to bind all of the Certificateholders of the relevant Series (including Certificateholders who did not attend or vote at the relevant meeting as well as Certificateholders who did attend the relevant meeting, but voted in a manner contrary to the majority).

There is no assurance that the Certificates will be Shari'a-compliant

The *Shari'a* advisory boards of Tamweel and the Arrangers have issued a Fatwa in respect of the Certificates and the related structure and mechanisms described in the Transaction Documents and their compliance with *Shari'a* principles. However, a Fatwa is only an expression of the view of the *Shari'a* Advisory Board based on its extensive experience in the subject and is not a binding opinion. There can be no assurance as to the *Shari'a* permissibility of the structure of the issue and the trading of the Certificates and neither the Trustee nor Tamweel makes any representation as to the same. Investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Investors are advised to obtain their own independent *Shari'a* advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradeability of the Certificates on any secondary market.

The European Monetary Union may cause Certificates denominated in certain currencies to be re-denominated in euro

If any Series of Certificates are issued under the Programme that are denominated in the currency of a country which, at the time of issue, is not a member of the European Monetary Union (the "**EMU**") and, before the relevant Series of Certificates are redeemed, such country joins the EMU and thereby adopts the euro as its sole currency, certain consequences may result, including, but not limited to, any or all of the following: (i) all amounts payable in respect of the relevant Series of Certificates may become payable in euro; (ii) applicable law may allow or require such Certificates in the relevant Series to be re-denominated into euro and additional measures to be taken in respect of such Certificates; and (iii) there may no longer be available published or displayed rates for deposits in such currency used to determine the rates of interest on such Certificates or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could be accompanied by a volatile interest rate environment which could adversely affect investors in the relevant Series of Certificates. Any of these or any other consequences could adversely affect the holders of the relevant Series of Certificates.

The EU Savings Directive may give rise to withholding on certain Certificates

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of certain payments paid by a person within its jurisdiction to, or collected by such a person for, an individual resident, in that Member State or to certain limited types of entity, established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

A number of non EU countries and territories and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in doubt about their position should consult their professional adviser.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Trustee, Tamweel, the Guarantor nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Certificate as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Trustee will be required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

U.S. Foreign Account Tax Compliance Withholding

The Issuer and other non-U.S. financial institutions through which payments on the Certificates are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2014 in respect of any Certificates issued after 18 March 2012 pursuant to the U.S. Foreign Account Tax Compliance Act ("**FATCA**"). This withholding tax may be triggered if (i) the Issuer is a foreign financial institution ("**FFI**") (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (a term which includes the holders of its debt or equity interests that are not regularly traded on an established securities market) (making the Issuer a "**participating FFI**"), (ii) the Issuer has a positive "passthru percentage" (as defined in FATCA), and (iii)(a) an investor does not provide information sufficient for the participating FFI (or the Guarantor, if payment is required under the guarantee) to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of such Issuer, or (b) any FFI through which payment on such Certificates is made is not a participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Certificates is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Certificates as a result of a holder's failure to comply with these rules or as a result of the presence in the payment chain of a non-participating FFI, neither the Issuer nor the Guarantor nor any paying agent nor any other person would, pursuant to the conditions of the Certificates be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of Certificates should consult their own tax advisers on how these rules may apply to payments they receive under the Certificates.

The application of FATCA to Certificates issued after 18 March 2012 may be addressed in the relevant Final Terms or a Supplement to the Base Prospectus, as applicable.

As the Global Certificates will be held by or on behalf of Euroclear; Clearstream, Luxembourg investors will have to rely on their procedures for transfer, payment and communication

The Certificates may be represented by one or more Global Certificates which may be deposited with the common depositary for Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described under "*Form of the Certificates*", investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg, will maintain records of the beneficial interests in each Global Certificate deposited with such clearing system and, so long as such Global Certificate is held by such clearing system (or a nominee thereof), investors will be able to trade their beneficial interests in such Global Certificate only through such clearing system. So long as a Global Certificate is held by Euroclear or Clearstream, Luxembourg, as applicable, such clearing system (or nominee thereof) will be considered the sole holder of such Global Certificate (and the Certificates represented by such Global Certificate) and the Trustee or the Delegate will make all payments in respect of such Global Certificate (and the Certificates represented by such Global Certificate) to such clearing system (or nominee thereof). Each holder of a beneficial interest in a Global Certificate deposited with Euroclear or Clearstream, Luxembourg, as applicable, must look solely to such clearing system (and any participant in such clearing system through which it holds such beneficial interest) for its share of each payment made by the Trustee or the Delegate to such clearing system (or nominee thereof) in respect of the relevant Global Certificate and in relation to all other rights arising under the Certificates represented by such Global Certificate. In addition, holders of beneficial interests in a Global Certificate held by Euroclear or Clearstream, Luxembourg, as applicable, will not have a direct right to vote in respect of the Certificates and instead will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies. Neither the Trustee nor the Delegate has any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial interests in any Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

The investment activities of certain investors are subject to legal investment laws and regulations

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent: (i) the Certificates constitute legal investments for it; (ii) Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Certificates by the investor. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk based capital or similar rules and regulations.

US persons investing in Certificates may have indirect contact with countries sanctioned by the Office of Foreign Assets Control of the U.S. Department of Treasury as a result of the Trustee's, Tamweel's or the Guarantor's investments in and business with countries on the sanctions list

The Office of Foreign Assets Control of the U.S. Department of Treasury ("**OFAC**") administers regulations that restrict the ability of US persons to invest in, or otherwise engage in business with, certain countries, including Iran and Sudan, and specially designated nationals (together "**Sanction Targets**"). None of Tamweel, the Trustee or the Guarantor itself is a Sanction Target and OFAC regulations do not prohibit US persons from investing in, or otherwise engaging in business with, either Tamweel, the Trustee or the Guarantor. Although Tamweel's and the Guarantor's current policy is not to engage in any business with countries which are Sanction Targets, to the extent that either Tamweel or the Trustee or the Guarantor invests in, or otherwise engages in business with, Sanction Targets in the future, US persons investing in either the Trustee, Tamweel or the Guarantor may incur the risk of indirect contact with Sanction Targets.

To date, none of Tamweel, the Trustee or the Guarantor has made any investments or engaged in any business with any Sanction Targets. However, to the extent that either Tamweel, the Trustee or the Guarantor increases its investments in or business with Sanction Targets, US persons investing in Certificates issued by either entity may increase their risk of indirect contact with Sanction Targets and possible violations of OFAC sanctions.

The Certificates may be subject to exchange rate risks and exchange controls

Neither the Trustee nor Tamweel has any control over factors that generally affect exchange rate risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and such exchange rate volatility with a variety of currencies may continue in the future.

The Trustee and Tamweel, as the case may be, will pay all amounts due on any Certificates in the Specified Currency. If an investor's financial activities are denominated principally in a currency or currency unit (the

"**Investor's Currency**") other than the Specified Currency, it may therefore bear certain exchange rate risks. These include: (i) the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency); and (ii) the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. Any appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Certificates; (ii) the Investor's Currency-equivalent value of the Dissolution Distribution Amount payable on the Certificates; and (iii) the Investor's Currency-equivalent market value of the Certificates. Further, any amount received or recovered by Certificateholders in a currency other than the Specified Currency as a result of a judgment or order of a court of any jurisdiction or otherwise, may, to the extent of the costs incurred in exchanging such amount into the Specified Currency, be less than the relevant Dissolution Distribution Amount and in such circumstances, neither Tamweel nor the Guarantor shall be obliged to indemnify the recipient for any such shortfall.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of amounts on a Certificate. As a result, investors may receive less than expected, or no payment at all. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Certificate would not be available at such Certificate's maturity.

Claims for specific enforcement

In the event that Tamweel fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of Tamweel's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement, which is a discretionary matter.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by Tamweel to perform its obligations set out in the Transaction Documents to which it is a party.

Investors may experience difficulty in enforcing arbitration awards and foreign judgments in Dubai

Ultimately the payments under the Certificates are dependent upon Tamweel making payments to the Trustee in the manner contemplated under the Transaction Documents and upon the Guarantor making payments in respect of the Guaranteed Amounts in the manner contemplated under the Master Deed of Guarantee. If Tamweel fails to do so it may be necessary to bring an action against Tamweel to enforce its obligations which could be both time consuming and costly.

Furthermore, to the extent that the enforcement of remedies must be pursued in Dubai, it should be borne in mind that there is limited scope for self help remedies under Dubai law and that generally enforcement of remedies in Dubai must be pursued through the courts.

Under current Dubai law, the Dubai courts are unlikely to enforce an English judgment without re-examining the merits of the claim and may not observe the parties' choice of English law as the governing law of the transaction. In the U.A.E., foreign law is required to be established as a question of fact and the interpretation of English law, by a court in the U.A.E., may not accord with the perception of an English court. In principle, courts in the U.A.E. recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the U.A.E., or to any mandatory law of, or applicable in, the U.A.E.

The U.A.E. is a civil law jurisdiction and judicial precedents in Dubai have no binding effect on subsequent decisions. In addition, court decisions in Dubai are generally not recorded. These factors create greater judicial uncertainty.

Each of the Programme Agreement, the Guarantor Agreement the Master Declaration of Trust, each Supplemental Declaration of Trust, the Agency Agreement, the Master Deed of Guarantee, each Supplemental Deed of Guarantee the Master Wakala Purchase Agreement, the Purchase Undertaking Deed, the Sale Undertaking Deed, the Management Agreement and the Certificates are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the London Court of International Arbitration in London, England (the "**LCIA Rules**"). The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the U.A.E. on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Dubai in accordance with the terms of the New York Convention. Under the New York Convention, the U.A.E. has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement or the Dubai courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the U.A.E. There have been limited instances where the U.A.E. courts, most notably the Fujairah Court of First Instance and the Dubai Court of First Instance, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. There is, however, no system of binding judicial precedent in the U.A.E. and it is unclear if these decisions are subject to any appeal. In practice, therefore, how the New York Convention provisions would be interpreted and applied by the Dubai courts, and whether the Dubai courts will enforce a foreign arbitration award in accordance with the terms of the New York Convention remains largely untested.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Certificates. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Certificates where denominations involve integral multiples: Definitive Certificates

In relation to any issue of Certificates which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Certificates may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to a Specified Denomination.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risk factors relating to the Sukuk Assets

Investment in the Mudaraba Portfolio

Pursuant to the Master Restricted Mudaraba Agreement, a proportion of the Proceeds will be directly invested through Restricted Mudaraba Contracts in a Mudaraba Portfolio with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates. In the event that any of the risks relating to the business of Tamweel mentioned above (see "*Risk Factors—Risks factors relating to Tamweel's Business*") materialise or otherwise impact the Trustee's business, the value of and profit earned from the investment in such Mudaraba Portfolio may drop which may, in turn, have a material adverse effect on the Trustee's ability to fulfil its repayment obligations in respect of the Certificates.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Mudaraba Assets. The Mudaraba Assets shall be selected by Tamweel and the Certificateholders shall have no ability to influence such selection. Tamweel may invest a portion of the Proceeds through the purchase of an undivided interest in each of the Mudaraba Assets and, as a result, it may not be possible to identify the Mudaraba Assets separately from the assets of Tamweel. The precise terms of the Mudaraba Assets, and the nature of the assets leased or sold underlying each Mudaraba Asset, will not be known. Obligors and lessees may have rights of set-off or counterclaim against Tamweel in respect of such Mudaraba Assets.

Liability attaching to owners of Wakala Assets

In order to comply with the requirements of *Shari'a*, the ownership of the Wakala Portfolio of each Series of Certificates will pass to the Trustee in its capacity as trustee under the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract. The Trustee will declare a trust in respect of such Wakala Portfolio and the other Trust Assets of the relevant Series in favour of the Certificateholders of such Series pursuant to a Supplemental Declaration of Trust constituting the Series. Accordingly, Certificateholders will have interests in the relevant Wakala Portfolio unless transfer of the Wakala Portfolio is prohibited by, or ineffective under, any applicable law (see "*Transfer of the Wakala Portfolio*" below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Wakala Portfolio. The Wakala Assets in a Wakala Portfolio will be selected by Tamweel and the Certificateholders will have no ability to influence such selection. Only limited representations will be obtained from Tamweel in respect of the Wakala Assets of any Series. Tamweel has undertaken to invest a proportion of the Proceeds in non-real estate *ijara* assets that are subject to *ijara* contracts (including any ancillary rights under such *ijara* contracts) and other *Shari'a*-compliant assets originated, held or owned by Tamweel, including the income generated therefrom and any agreement and documents in relation to such assets. The assets that are invested into will form the Wakala Portfolio. The precise terms of the underlying contracts associated with the Wakala Assets in a Wakala Portfolio, the nature of the assets leased or sold or the contracts underlying each Wakala Asset will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by Tamweel to give effect to the transfer of the relevant Wakala Assets). No steps will be taken to perfect any transfer of the relevant Wakala Assets or otherwise give notice to any lessee or obligor in respect thereof. Obligors and lessees may have rights of set-off or counterclaim against Tamweel in respect of such Wakala Assets.

In addition, if and to the extent that a third party is able to establish a direct claim against the Trustee for any amount payable to such third party as a result of the Trustee's holding of the Wakala Portfolio, Tamweel has agreed in the Master Declaration of Trust to indemnify the Trustee, the Delegate and any Certificateholder against any cost, expense, loss or taxes which it may suffer in respect of such liabilities, excluding the cost of funding the same. In the event that Tamweel does not have the resources to meet such claims or to meet its indemnity obligations, then any Certificateholders who have met such claims through the Trustee as their agent in respect of the Wakala Portfolio may suffer losses in excess of the original face amount invested which they will be unable to recoup.

Sale and transfer of the Wakala Assets

No investigation has been or will be made as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract will have the effect of selling and transferring the Wakala Assets of the relevant Series of Certificates.

Rights of Enforcement

As indicated earlier, the Certificateholders will not have any rights of enforcement as against the Trust Assets and their rights are limited to enforcement against Tamweel of its obligation to liquidate the relevant Restricted Mudaraba and return all amounts due and payable to the Trustee in relation to the relevant Restricted Mudaraba Contract (whether in respect of Mudaraba Capital or Mudaraba Profit) pursuant to the terms of the Master Restricted Mudaraba Agreement and to purchase the Wakala Portfolio from the Trustee pursuant to the terms of the Purchase Undertaking Deed. Accordingly, any such restriction on the ability of Tamweel to make a "true sale" of the Wakala Portfolio to the Trustee is likely to be of limited consequence to the rights of the Certificateholders.

Limited Recourse

The Certificateholders shall have no recourse against the Trustee other than in respect of the proceeds of the Sukuk Assets in accordance with the Transaction Documents. The sole right of the Certificateholders against the Sukuk Assets shall be the right to enforce the respective obligations of the Trustee and Tamweel under the Transaction Documents.

Certificateholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or Tamweel (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or to the Guarantor (to the extent that it fulfils its obligations under the Master Deed of Guarantee) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been enforced, realised and fully discharged following which all obligations of the Trustee and Tamweel shall be extinguished.

Risk factors relating to payments

Periodic Distribution Amount and Credit Risk

It is expected that the rate of return on the Sukuk Assets of each Series will exceed the relevant Periodic Distribution Amount due in respect of such Series and accordingly that the Rabb-al-Maal and the Managing Agent will, in the aggregate, receive Profit Revenues in respect of the Sukuk Assets of each Series at least equal to the relevant Periodic Distribution Amount. Such amounts will be paid by the Rabb-al-Maal and the Managing Agent to the Trustee's Transaction Account for the relevant Series.

If the aggregate of the Profit Revenues received by the Rabb-al-Maal and the Managing Agent during any Return Accumulation Period are less than the Required Amount (being the aggregate of the Periodic Distribution Amounts then falling due and certain other amounts), then the Mudarib and the Managing Agent will be required to pay further amounts up to the current aggregate balances of the Mudaraba Reserve Account and the Wakala Reserve Account to remedy such shortfall. In the event of any remaining shortfall, the Managing Agent may provide the Trustee with *Shari'a* compliant financing by way of the Liquidity Facility to enable full payment of the Periodic Distribution Amount.

The Collection Account, the Mudaraba Reserve Account and the Wakala Reserve Account are nominal ledger accounts maintained on the books of Tamweel to record, respectively, Profit Revenues during each Return Accumulation Period and the accumulated surplus of such Profit Revenues over the Required Amounts for each such period.

The Managing Agent and the Mudarib shall each have the right to use and invest amounts standing to the credit of the Collection Account, the Wakala Reserve Account and the Mudaraba Reserve Account (as appropriate) for its own account and its obligations to pay amounts to the Rabb-al-Maal and the Trustee (as relevant) constitute unsecured obligations of the Managing Agent and the Mudarib. Neither the Trustee, the Delegate nor any Certificateholder shall have any proprietary interest in the monies standing to the credit of the Collection Account, the Mudaraba Reserve Account or the Wakala Reserve Account, and accordingly Certificateholders will be exposed to the full credit risk of the Mudarib in relation to such amounts.

In addition, any failure to pay the Periodic Distribution Amount due on a Periodic Distribution Date (subject to the grace period) could constitute a Dissolution Event in respect of the relevant Series of Certificates and, if such Series is not redeemed in accordance with its terms, each other Series of Certificates.

Credit Risk

On the Dissolution Date, the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets shall be paid by the Managing Agent into the Transaction Account for payment *pari passu* to the Certificateholders in settlement of the Dissolution Distribution Amount, see "*Summary of the Principal Transaction Documents—Management Agreement*". This is also an unsecured obligation of Tamweel and accordingly investors will also be subject to the full credit risk of Tamweel in relation to the redemption amounts.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates which will be incorporated by reference into each Global Certificate and Definitive Certificate, in the case of Definitive Certificates only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Trustee and Tamweel at the time of issue but, if not so permitted and agreed, each Definitive Certificate will have endorsed thereon or attached thereto such terms and conditions. The applicable Final Terms in relation to any Tranche may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace or modify the following terms and conditions for the purpose of such Certificates. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Certificate and Definitive Certificate. Reference should be made to the "applicable Final Terms" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Certificates.

Tamweel Funding III Ltd. (in, its capacity as Issuer, and, in its capacity as trustee, the "**Trustee**") has established a programme (the "**Programme**") for the issuance of trust certificates (the "**Certificates**") in a maximum aggregate face amount of U.S.$.1,000,000,000 as increased in accordance with the terms of the Master Declaration of Trust (as defined below).

Certificates issued under the Programme are issued in series (each Series of Certificates being a "**Series**"). The final terms for each Series (or the relevant provisions thereof) are set out in the applicable Final Terms attached to or endorsed on a Certificate which supplement and amend these terms and conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of each Series. References to the "**applicable Final Terms**" are to the final terms (or the relevant provisions thereof) attached to or endorsed on each Certificate.

Each Certificate will represent an undivided ownership interest in the relevant Trust Assets (as defined below) held on trust by the Trustee (the "**Trust**") for the holders of such Certificates pursuant to (i) a master declaration of trust (the "**Master Declaration of Trust**") dated 22 December, 2011 and to be entered into by the Trustee, Tamweel PJSC as Obligor ("**Tamweel**" or the "**Obligor**") and Deutsche Trustee Company Limited as the Trustee's delegate (the "**Delegate**") and (ii) a supplemental declaration of trust in respect of the relevant Series (the "**Supplemental Declaration of Trust**") having the details set out in the applicable Final Terms. The applicable Final Terms for each Series of Certificates will specify whether the guarantee is "applicable" or "not applicable" to the relevant series. Pursuant to (i) a master deed of guarantee dated 22 December, 2011 (the "**Master Deed of Guarantee**") made by Dubai Islamic Bank PJSC (the "**Guarantor**") in favour of the Trustee as supplemented from time to time by (ii) a supplemental deed of guarantee, in respect of the relevant Series (the "**Supplemental Deed of Guarantee**"), if the guarantee is specified as "applicable" in the applicable Final Terms, the Guarantor guarantees Tamweel's obligations to pay the Guaranteed Amounts in respect of each relevant Series of Certificates.

The Certificates of each Series shall form a separate series and these Conditions shall apply *mutatis mutandis* separately and independently to the Certificates of each Series and, in these Conditions, the expressions "**Certificates**", "**Certificateholders**" and related expressions shall be construed accordingly.

In these Conditions, references to "**Certificates**" shall be references to the Certificates (whether in global form as a global certificate (a "**Global Certificate**") or in individual form as definitive certificates (each a "**Definitive Certificate**")) which are the subject of the applicable Final Terms.

These Conditions include summaries of, and are subject to, the detailed provisions of the Master Declaration of Trust as supplemented by each relevant Supplemental Declaration of Trust. Payments relating to the Certificates will be made pursuant to an agency agreement dated 22 December, 2011 (the "**Agency Agreement**") made between, *inter alios*, the Trustee, Tamweel, the Delegate and Deutsche Bank AG, London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**"), calculation agent (together with any further or other calculation agents appointed from time to time in respect of the Certificates, in such capacity, the "**Calculation Agent**") and exchange agent (together with any further or other exchange agents appointed from time to time in respect of the Certificates, in such capacity, the "**Exchange Agent**"), Deutsche Bank Luxembourg, S.A. as registrar (in such capacity, the "**Registrar**"), transfer agent (in such capacity, the "**Transfer Agent**") and replacement agent (in such capacity, the "**Replacement Agent**") in respect of any Certificates. The Principal Paying Agent, the Calculation Agent, the Exchange Agent, the Registrar, the Transfer Agent and the Replacement Agent are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors.

The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of the following documents, physical copies of which are available for inspection during usual business hours at the principal office of the Trustee (presently at c/o Walkers SPV Limited, Walker House, 87 Mary Street, Geroge Town, Grand Cayman, KY1-9002, Cayman Islands) and Tamweel (presently at Business Avenue Building, Mezzanine Floor, P.O. Box 111555, Dubai, United Arab Emirates) and at the specified offices of the Paying Agents:

(a) a master restricted mudaraba agreement dated 22 December, 2011 between, Tamweel Funding III Ltd. (in its capacity as the Rabb-al-Maal, the "**Rabb-al-Maal**") and Tamweel (in its capacity as the Mudarib, the "**Mudarib**") (the "**Master Restricted Mudaraba Agreement**") and, in respect of each Series, the restricted mudaraba contract with respect thereto (each a "**Restricted Mudaraba Contract**");

(b) a management agreement dated 22 December, 2011 between, the Trustee and Tamweel (in its capacity as the managing agent, the "**Managing Agent**") (the "**Management Agreement**");

(c) a master wakala purchase agreement dated 22 December, 2011 between, the Trustee and Tamweel (the "**Master Wakala Purchase Agreement**") and, in respect of each Series, the supplemental purchase contract with respect thereto (each a "**Supplemental Purchase Contract**");

(d) a purchase undertaking deed executed by Tamweel in favour of the Trustee and the Delegate (the "**Purchase Undertaking Deed**"), containing the form of sale agreement to be entered into by Tamweel and the Trustee, if applicable;

(e) a sale undertaking deed executed by the Trustee in favour of Tamweel (the "**Sale Undertaking Deed**") containing the form of sale agreement to be entered into by Tamweel and the Trustee, if applicable;

(f) the Master Declaration of Trust;

(g) in respect of each Series, a Supplemental Declaration of Trust;

(h) the Agency Agreement;

(i) the Master Deed of Guarantee;

(j) in respect of each Series, a Supplemental Deed of Guarantee;

(k) a corporate services agreement between Walkers SPV Limited (as provider of corporate administrative services to the Trustee) and the Trustee dated 2 November 2011 (the "**Corporate Services Agreement**"); and

(l) in respect of each Series, the applicable Final Terms,

each as may be amended and restated and/or supplemented from time to time.

The statements contained in these Conditions include summaries of, and are subject to, the detailed provisions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust and the Agency Agreement.

Each Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, to (a) purchase the Wakala Portfolio and enter into the Management Agreement with the Managing Agent in respect thereof; (b) apply the sums paid by it in respect of its Certificates in consideration for the sale by the Seller of its rights, title and interest in and to leased assets and istisna assets and invest, as Rabb-al-Maal, with the Mudarib in the Mudaraba Portfolio in accordance with the Master Restricted Mudaraba Agreement, and (c) enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust and these Conditions.

1. INTERPRETATION

Words and expressions defined in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust and the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of any inconsistency between any such document and the applicable Final Terms, the applicable Final Terms will prevail. In these Conditions, any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions. In addition, in these Conditions the following expressions have the following meanings:

"**Accrual Period**" has the meaning given to it in Condition 7(c)(i) (*Fixed Periodic Distribution Provisions—Determination of Periodic Distribution Amount*);

"**Adverse Claim**" means any claim of ownership of any person (other than as contemplated by the relevant Transaction Contracts);

"**AED**" means the United Arab Emirates dirham, being the lawful currency for the time being of the United Arab Emirates;

"**Broken Amount**" has the meaning given to it in the applicable Final Terms;

"**Business Day**" has the meaning given to it in Condition 8(b) (*Floating Periodic Distribution Provisions—Periodic Distribution Amount*);

"**Business Day Convention**", in relation to any particular date, has the meaning given in the applicable Final Terms and, if so specified in the applicable Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided**, **however**, **that**:

    (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

    (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

    (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Amount**" has the meaning given to it in the applicable Final Terms;

"**Cancellation Certificates**" has the meaning given to in Condition 13(b)(*Purchase and Cancellation of Certificates*);

"**Cancellation Mudaraba Assets**" has the meaning given to it in Condition 5(a) (*Summary of Trust*);

"**Cancellation Notice**" means a cancellation notice in substantially the form of Schedule 3 (*Form of Cancellation Notice*) to the Sale Undertaking Deed;

"**Cancellation Wakala Assets**" has the meaning given to it in the Sale Undertaking Deed;

"**Capital Stock**" of any corporation means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such corporation, including any Preferred Stock, but excluding any debt securities convertible into such equity;

"**Certificateholder**" means a person in whose name a Certificate is registered in the Register (or in the case of joint holders, the first named thereof) save that, for so long as the Certificates of any Series are represented by a Global Certificate, each person who has for the time being a particular aggregate face amount of such Certificates credited to his or her securities account in the records of Clearstream, Luxembourg, or Euroclear, shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates for the purposes hereof other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Trustee, solely in the registered holder of such Global Certificate in accordance with and subject to the terms of the Master Declaration of Trust and such Global Certificates, and the expressions "**holder**" and "**holder of Certificates**" and related expressions shall (where appropriate) be construed accordingly;

"**Change of Control Amount**" means, in relation to a particular Series:

(a) the aggregate of:

(i) the aggregate face amount of the Change of Control Certificates to be redeemed following the exercise of the Change of Control Exercise Option; and

(ii) any accrued but unpaid Periodic Distribution Amounts for the Change of Control Certificates to be redeemed calculated in accordance with either Condition 7(c) (*Fixed Periodic Distribution Provisions—Determination of Periodic Distribution Amount*) or Condition 8(e) (*Floating Periodic Distribution Provisions—Calculation of Periodic Distribution Amount*); or

(b) any other amount specified in the applicable Final Terms.

"**Change of Control Certificate**" means the Certificates specified as such in an Exercise Notice;

"**Change of Control Confirmation Notice**" has the meaning given to it in Condition 10(d)(*Capital Distribution of the Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*);

"**Change of Control Event**" shall occur, in respect of any Series of Certificates which is not a Guaranteed Series, if at any time Dubai Islamic Bank PJSC, the Government of Dubai, the Government of Abu Dhabi and the Federal Government of the United Arab Emirates, collectively (and not individually), cease to Control, directly or indirectly, the Obligor;

"**Change of Control Exercise Notice**" has the meaning given to it in Condition 10(d)(*Capital Distribution of the Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*);

"**Change of Control Exercise Option**" means the option specified in Condition 10(d)(*Capital Distribution of the Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*);

"**Change of Control Exercise Period**" has the meaning given to it in the applicable Final Terms;

"**Change of Control Exercise Price**" has the meaning given in Condition 5(a) *(Summary of the Trust)*;

"**Change of Control Mudaraba Assets**" has the meaning given to it in Condition 10(d)(*Capital Distribution of the Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*);

"**Change of Control Purchase Notice**" has the meaning given to it in Condition 10(d)(*Capital Distribution of the Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*);

"**Change of Control Put Date**" means the date specified as such in the Exercise Notice in accordance with the requirements of the Purchase Undertaking Deed;

"**Change of Control Wakala Assets**" means the Wakala Assets identified as such by Tamweel in the relevant Exercise Notice, the identity of which shall be determined by Tamweel in its sole and absolute discretion, subject only as provided in the Purchase Undertaking Deed;

"**Clearstream, Luxembourg**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title—Form and Denomination*);

"**Closing Date**" means 22 December, 2011;

"**Collection Accounts**" means, in relation to each Series, the separate non-interest bearing ledger account maintained on the books of the Managing Agent in accordance with the provisions of the Management Agreement to record Wakala Portfolio Income Revenues (the "**Income Collection Account**") and Wakala Portfolio Principal Revenues (the "**Principal Collection Account**") received in respect of the Wakala Portfolio relating to such Series;

"**Control**" means: (i) the acquisition, control or beneficial ownership of more than fifty per cent. of the Voting Stock of the Obligor; or (ii) the right to appoint and/or remove all or the majority of the members of the Obligor's board of directors or other governing body; or (iii) the control or the power to control, the affairs and policies of the Obligor, in each case, whether obtained directly or indirectly, and whether obtained by ownership of Capital Stock of the Obligor, the possession of Voting Rights, contract, trust or otherwise;

"**Day Count Fraction**" has the meaning given to it in Condition 7(c)(i) (*Fixed Periodic Distribution Provisions—Determination of Periodic Distribution Amount*) if the Fixed Periodic Distribution provisions are applicable or Condition 8(e) (*Floating Periodic Distribution Provisions—Calculation of Periodic Distribution Amount*) if the Floating Periodic Distribution Provisions are applicable;

"**Delegation**" has the meaning given to it in Condition 19 (*The Delegate*);

"**Determination Date**" has the meaning specified in the applicable Final Terms;

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Income Period Commencement Date or the final Periodic Distribution Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

"**DIB**" means Dubai Islamic Bank PJSC;

"**DIB Event**" has the meaning given in clause 4 of the Master Deed of Guarantee;

"**Dispute**" has the meaning given to it in Condition 21 (*Governing Law and Arbitration*);

"**Dissolution Date**" means, in relation to a particular Series, any of:

(a) the Scheduled Dissolution Date;

(b) the Tax Redemption Date;

(c) if an Optional Dissolution (Call) is applicable to the relevant series, the Optional Dissolution date;

(d) the Change of Control Put Date; or

(e) the Dissolution Event Redemption Date.

"**Dissolution Distribution Amount**" means, in relation to a particular Series, either:

(a) the sum of:

    (i) the outstanding face amount of such Series;

    (ii) any accrued but unpaid Periodic Distribution Amounts for such Series; or

(b) such other amount specified in the applicable Final Terms as being payable upon dissolution of the relevant Series;

"**Dissolution Event**" has the meaning given to it in Condition 14 (*Dissolution Events*);

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 14 (*Dissolution Events*);

"**Dissolution Request**" has the meaning given to it in Condition 14 (*Dissolution Events*);

"**Distribution Date**" means the Business Day immediately prior to each Periodic Distribution Date;

"**Eligible Mudaraba Asset**" means:

(a) a Real Estate Ijara Asset or Non-Real Estate Ijara Asset:

    (i) in respect of which Tamweel is entitled to receive payments due to it in respect of the Real Estate Ijara Contract or Non-Real Estate Ijara Contract related to such Real Estate Ijara Asset or Non-Real Estate Ijara Asset;

    (ii) in respect of which no party to the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract is in breach of its payment obligations under that Real Estate Ijara Contract or Non-Real Estate Ijara Contract or any documents associated with that Real Estate Ijara Contract or Non-Real Estate Ijara Contract;

    (iii) that has been originated or is held or owned by Tamweel in a manner consistent with its usual credit and origination policies;

    (iv) that constitutes legal, valid, binding and enforceable obligations of the obligor under the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located;

    (v) in respect of which there has not occurred any acceleration or analogous event;

(vi) in respect of which the Value of such Real Estate Ijara Asset or Non-Real Estate Ijara Asset is equal to or greater than the value of the consideration given for such Real Estate Ijara Asset or Non-Real Estate Ijara Asset as at the date upon which the relevant Real Estate Ijara Asset or Non-Real Estate Ijara Asset becomes part of the Mudaraba Portfolio; or

(b) an Istisna Asset.

"**Eligible Non-Real Estate Ijara Asset**" means, in respect of the Mudaraba Portfolio, a Non-Real Estate Ijara Asset that is an Eligible Mudaraba Asset and, in respect of the Wakala Portfolio, a Non-Real Estate Ijara Asset that is an Eligible Wakala Asset;

"**Eligible Real Estate Ijara Asset**" means a Real Estate Ijara Asset that is an Eligible Mudaraba Asset;

"**Eligible Wakala Asset**" means, in respect of each Series, an Income Generating Asset: (a) which has been originated or is held or owned by Tamweel in a manner consistent with its usual credit and origination policies; (b) which constitutes legal, valid, binding and enforceable obligations of the obligor thereof in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located; (c) in respect of which Tamweel is entitled to receive all payments due to it in respect of such Income Generating Asset; (d) in respect of which there has not occurred any acceleration or analogous event; (e) which is capable of being sold and transferred to the Trustee by Tamweel in accordance with the terms set out in the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract; and (f) in respect of which the Value of such Income Generating Asset is equal to or greater than the value of the consideration given for such Income Generating Asset as at the date the asset is sold and transferred to the Trustee under the relevant Supplemental Purchase Contract or Sale Undertaking Deed, as applicable;

"**Euroclear**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title—Form and Denomination*);

"**Exercise Notice**" means (as the context requires) an exercise notice delivered or to be delivered in connection with any Purchase Undertaking Deed or Sale Undertaking Deed;

"**Exercise Period**" has the meaning given to it in the applicable Final Terms;

"**Exercise Price**" has the meaning given in Condition 5(a) (*Trust—Summary of the Trust*);

"**Extraordinary Resolution**" has the meaning given to it in Schedule 4 (*Provisions for Meetings of Certificateholders*) to the Master Declaration of Trust;

"**Final Liquidation Proceeds**" has the meaning given to it in Condition 5(a) (*Trust—Summary of the Trust*);

"**First Periodic Distribution Date**" has the meaning given to it in the applicable Final Terms;

"**Fixed Amount**" has the meaning given to it in the applicable Final Terms;

"**Fixed Periodic Distribution Provisions**" has the meaning given to it in Condition 7(a) (*Fixed Periodic Distribution Provisions—Application*);

"**Floating Periodic Distribution Provisions**" has the meaning given to it in Condition 8(a) (*Floating Periodic Distribution Provisions—Application*);

"**Guarantee**" means the guarantee provided by the Guarantor, pursuant to the Master Deed of Guarantee dated 22 December, 2011 as supplemented by any Supplemental Deed of Guarantee, of certain payment obligations of the Obligor, being the Guaranteed Amounts;

"**Guaranteed Amounts**" means, in respect of each Guaranteed Series:

(i) the amount described in paragraph (a) of the definition of Exercise Price (as defined in the Purchase Undertaking Deed) (including any amount payable by Tamweel to the Trustee (for the benefit of the Certificateholders) under clause 11 of the Management Agreement);

(ii) the Final Liquidation Proceeds (including any amount payable by Tamweel to the Trustee (for the benefit of the Certificateholders) under clause 17.1 of the Master Restricted Mudaraba Agreement);

(iii) the Wakala Portfolio Principal Revenue payable by Tamweel to the Trustee under clause 6.4 of the Management Agreement;

(iv) the amount described in paragraph (b) of the definition of Exercise Price (as defined in the Purchase Undertaking Deed).

provided that the aggregate of the amounts specified in paragraphs (i), (ii) and (iii) above shall not exceed, and are subject to, the Principal Limit; and

"**Guaranteed Series**" means the Series of Certificates specified as such in a Supplemental Deed of Guarantee executed by the Guarantor;

"**Guarantor**" means Dubai Islamic Bank PJSC;

"**Income Period Commencement Date**" has the meaning given to it in the applicable Final Terms;

"**Income Generating Assets**" means: (a) Non-Real Estate Ijara Assets; (b) *Shari'a*-Compliant Investments; and/or (c) Other Tangible *Shari'a*-Compliant Assets;

"**Indebtedness**" means any present or future indebtedness of any person or in respect of any money borrowed or raised including (without limitation) any liability arising under sukuk or other securities or any moneys raised under any transaction having the commercial effect of borrowing or raising money;

"**Initial Mudaraba Asset**" means, in respect of each Series, each asset constituting the relevant Initial Mudaraba Portfolio;

"**Initial Mudaraba Portfolio**", in respect of each Series, has the meaning given to the term in the Master Restricted Mudaraba Agreement;

"**Initial Wakala Asset**", in respect of any Series, means each asset constituting the relevant Initial Wakala Portfolio;

"**Initial Wakala Portfolio**", in respect of any Series, has the meaning given to the term in the relevant Supplemental Purchase Contract;

"**Issue Date**" means, in respect of each Series of Certificates, the date specified as such in the applicable Final Terms;

"**Issue Price**" has the meaning given to it in the applicable Final Terms;

"**Istisna Asset**" means an asset which (i) Tamweel has purchased pursuant to an Istisna agreement from a developer and which is to be constructed in accordance with the agreed specifications and delivered on the agreed delivery date (but which has not yet been delivered) in accordance with such Istisna agreement relating to such asset; and (ii) is the subject of a forward lease agreement (*ijara mausufah fi zimmah*) entered into by or on behalf of Tamweel pursuant to which Tamweel is entitled to receive all lease payments relating to such asset (and includes any ancillary rights under such forward lease agreement);

"**Liability**" means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to "**Liabilities**" shall mean all of these;

"**Liquidity Facility**" has the meaning given to it in Condition 5(g) (*Trust—Operation of Liquidity Facility*);

"**Management Liabilities Amount**" means, in respect of each Series, any amount due to the Managing Agent under the Management Agreement in respect of any *Shari'a*-compliant financing provided by the Managing Agent pursuant to Condition 5(g) (*Trust—Operation of Liquidity Facility*) and clause 5 of the Management Agreement, the amount of any claims, losses, costs and expenses properly incurred or suffered by the Managing Agent in providing the Services and any other payments made by the Managing Agent on behalf of the Trustee;

"**Margin**" has the meaning given to it in the applicable Final Terms;

"**Mudaraba Accounts**" means, in relation to a Restricted Mudaraba Contract and in respect of each Mudaraba Income Distribution Period relating to such Restricted Mudaraba Contract, the statement of account prepared by the Mudarib in respect of the Mudaraba Assets for each Series;

"**Mudaraba Asset**" has the meaning given to it in Condition 5(a) (*Trust—Summary of the Trust*);

"**Mudaraba Capital**" has the meaning given to it in Condition 5(a) (*Trust—Summary of the Trust*);

"**Mudaraba End Date**" means, in relation to a Restricted Mudaraba Contract, the Dissolution Date of the Series to which such Restricted Mudaraba Contract relates;

"**Mudaraba Income Distribution Date**" means, in relation to a Restricted Mudaraba Contract, during the period from the Issue Date to the Mudaraba End Date, the dates set out in such Restricted Mudaraba Contract for distribution of Mudaraba Profit, subject to, if applicable, adjustment in accordance with the relevant Business Day Convention;

"**Mudaraba Income Distribution Period**" means, in relation to a Restricted Mudaraba Contract, the period beginning on (and including) the Issue Date and ending on (but excluding) the First Mudaraba Income Distribution Date and each successive period beginning on (and including) a Mudaraba Income Distribution Date and ending on (but excluding) the next succeeding Mudaraba Income Distribution Date;

"**Mudaraba Investment Plan**" has the meaning given to it in the relevant Restricted Mudaraba Contract;

"**Mudaraba Percentage**" has the meaning given to it in Condition 5(a) (*Trust—Summary of the Trust*);

"**Mudaraba Portfolio**" has the meaning given to it in Condition 5(a) (*Trust—Summary of the Trust*);

"**Mudaraba Profit**" means, in relation to each Mudaraba Income Distribution Period, the profit (if any) earned from the investment of the Mudaraba Capital by the Mudarib, being an amount equal to all revenues received in respect of the Mudaraba Assets during such Mudaraba Income Distribution Period, minus the aggregate of:

(a) the Mudaraba Portfolio Principal Revenues received during that Mudaraba Income Distribution Period;

(b) any costs (consisting of direct costs and allocated costs) and/or provisions associated with the Mudaraba Assets during the Mudaraba Term; and

(c) any taxes incurred in connection with the Master Restricted Mudaraba Agreement or that Restricted Mudaraba Contract (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the Mudaraba Term) but excluding the Mudarib's obligations (if any) to pay any taxes or additional amounts under, or in connection with, Condition 11 (*Taxation*);

as reflected in the Mudaraba Accounts.

"**Mudaraba Portfolio Principal Revenues**" means, all revenues derived in the nature of principal (and not income) from the Mudaraba Portfolio;

"**Mudaraba Reserve Account**" has the meaning given to it in Condition 5(f) (*Trust—Operation of Mudaraba Reserve Account*);

"**Mudaraba Term**" means, in relation to a Restricted Mudaraba Contract, the period commencing on the relevant Issue Date and ending on the Mudaraba End Date of that Restricted Mudaraba Contract;

"**New Wakala Assets**" means the Eligible Wakala Asset(s) specified in the Substitution Notice, the identity of which shall be determined by Tamweel in its sole and absolute discretion, save as provided for in the Sale Undertaking Deed;

"**Non-Real Estate Ijara Asset**" means a non-real estate asset in relation to which Tamweel has entered into a Non-Real Estate Ijara Contract (and includes any ancillary rights under such Non-Real Estate Ijara Contract;

"**Non-Real Estate Ijara Contract**" means: (i) a lease ijara contract entered into by Tamweel or any person on its behalf (the "**Lessor**") and a person (the "**Lessee**") pursuant to which the Lessor leases a non-real estate asset to the Lessee, and in respect of which payments are due from the Lessee to the Lessor; or (ii) any arrangement similar in economic effect to that described in subparagraph (i);

"**Obligor**" means Tamweel PJSC;

"**Optional Dissolution (Call)**" means the right specified in Condition 10(c) (*Capital Distributions of the Trust— Dissolution at the Option of Tamweel*);

"**Optional Dissolution Date**" means, in relation to the exercise of an Optional Dissolution (Call), the date specified as such in the Exercise Notice delivered by Tamweel to the Trustee and:

(a) if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, must be a Periodic Distribution Date; and

(b) must be no less than 45 days after the date on which the Exercise Notice is delivered to the Trustee.

"**Other Tangible *Shari'a*-Compliant Asset**" means any asset other than a Non-Real Estate Ijara Asset or an asset having associated with it any registrable interest in real estate, which is an income generating asset that has associated with it underlying tangible assets and is originated, held or owned by Tamweel in accordance with *Shari'a* principles as interpreted by the *Shari'a* Board, including the income generated therefrom, any agreements or documents in relation to such asset and all rights under such agreements and documents;

"**Payment Business Day**" means a day on which banks in the relevant place of surrender of any Certificate are open for presentation and payment of registered securities and for dealings in foreign currencies; and in the case of payment by transfer to an account, if the currency of payment is euro, a TARGET Settlement Day; or if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 7(b) (*Fixed Periodic Distribution Provisions—Periodic Distribution Amount*) or Condition 8(b) (*Floating Periodic Distribution Provisions—Periodic Distribution Amount*), as specified in the applicable Final Terms;

"**Periodic Distribution Date**" has the meaning given to it in Condition 8(b)(i)(*Floating Periodic Distribution Provisions—Periodic Distribution Amount*);

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Potential Dissolution Event**" means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

"**Preferred Stock**" means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation;

"**Principal Limit**" means, in respect of each Guaranteed Series, the amount as specified in the Supplemental Deed of Guarantee. As at the date of this Deed, the Guarantor has obtained board approval in respect of the first Guaranteed Series to be issued under the Programme for, *inter alia*, a Principal Limit of an amount equal to U.S.$300,000,000;

"**Proceedings**" has the meaning given to it in Condition 21 (*Governing Law and Arbitration*);

"**Proceeds**" means the proceeds from the issue of a Series of Certificates under the Programme;

"**Rate**" means, in relation to a particular Series, the rate or rates (expressed as a percentage per annum) specified in the applicable Final Terms for such Series and calculated or determined in accordance with these Conditions and/or the applicable Final Terms;

"**Rating Agency**" means any of the following: (i) Moody's Investors Service Ltd.; (ii) Fitch Ratings Ltd.; or (iii) any other rating agency of equivalent international standing specified from time to time by Tamweel and, in each case, their respective successors or affiliates;

"**Real Estate Ijara Asset**" means a real estate asset in relation to which Tamweel or any person on its behalf has entered into a Real Estate Ijara Contract (and includes any ancillary rights under such Real Estate Ijara Contract;

"**Real Estate Ijara Contract**" means: (i) a lease *ijara* contract entered into by Tamweel or any person on its behalf (the "**Lessor**") and a person (the "**Lessee**") pursuant to which the Lessor leases a real estate asset to the Lessee, and in respect of which payments are due from the Lessee to the Lessor; or (ii) any arrangement similar in economic effect to that described in the Master Restricted Mudaraba Agreement, including, for the avoidance of doubt, a forward lease *ijara* contract where the relevant real estate asset has been delivered to, or to the order of the lessee;

"**Record Date**" has the meaning given to it in Condition 9(a) (*Payment—Payments in respect of Certificates*).

"**Reference Banks**" means the principal London office of each of four major banks engaged in the London inter bank market selected by or on behalf of the Calculation Agent (in consultation with Tamweel), **provided that** once a Reference Bank has first been selected by the Calculation Agent or its duly appointed representative, such Reference Bank shall not be changed unless it ceases to be capable of acting as such;

"**Reference Rate**" has the meaning given in the applicable Final Terms;

"**Register**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title—Form and Denomination*);

"**Relevant Date**" has the meaning given to it in Condition 11 (*Taxation*);

"**Relevant Jurisdiction**" has the meaning given to it in Condition 11 (*Taxation*);

"**Relevant Powers**" has the meaning given to it in Condition 19 (*The Delegate*);

"**Relevant Screen Page**" has the meaning given in the applicable Final Terms;

“**Relevant Time**” has the meaning given in the applicable Final Terms;

“**Required Amount**” means the aggregate of the amounts described in paragraphs (i), (ii) and (iii) of Condition 5(h) (*Trust—Application of Proceeds from Trust Assets*) and, in relation to a Dissolution Date, the aggregate of the amounts described in paragraphs (i), (ii), (iii) and (iv) of Condition 5(h) (*Trust—Application of Proceeds from Trust Assets*);

“**Return Accumulation Period**” means the period from (and including) a Periodic Distribution Date (or, in the case of the first Return Accumulation Period, the Closing Date) to (but excluding) the next (or, in the case of the first Return Accumulation Period, the first) Periodic Distribution Date;

“**Rules**” has the meaning given to it in Condition 21 (*Governing Law and Arbitration*);

“**Sale Agreement**” means any sale agreement entered into in connection with any Purchase Undertaking Deed or Sale Undertaking Deed;

“**Scheduled Dissolution Date**” means, in respect of each Series, the date specified as such in the applicable Final Terms;

“**Security Interest**” has the meaning given to it in the Purchase Undertaking Deed;

“**Services**” has the meaning given to it in Condition 5(a) (*Trust—Summary of the Trust*);

“***Shari’a* Board**” means the *Shari’a* Supervisory Board of Tamweel from time to time;

“***Shari’a*- Compliant Investment**” means a *Shari’a*-compliant principal protected deposit or deposit like investment in relation to which Tamweel is entitled to receive all returns (in the nature of profit or principal) in relation to that investment;

“**Shortfall**” has the meaning given to it in Condition 5(e) (*Trust—Operation of Wakala Reserve Account*);

“**Specified Currency**” has the meaning given to it in the applicable Final Terms;

“**Specified Denomination(s)**” has the meaning given to it in the applicable Final Terms;

“**sub-unit**” has the meaning given to it in Condition 8(e) (*Floating Periodic Distribution Provisions—Determination of Periodic Distribution Amount*);

“**Subsidiary**” means (i) in relation to Tamweel, any entity whose financial statements at any time are required by law or in accordance with provisions of generally accepted accounting principles to be fully consolidated with those of Tamweel; and (ii) in relation to the Guarantor, any entity whose financial statements at any time are required by law or in accordance with provisions of generally accepted accounting principles to be fully consolidated with those of the Guarantor;

“**Substituted Wakala Assets**” means the Wakala Assets specified in a Substitution Notice, the identity of which shall be determined by Tamweel in its discretion, subject only to the provisions of the Sale Undertaking Deed;

“**Substitution Date**” means the date specified as such in a Substitution Notice;

“**Substitution Notice**” means, a substitution notice substantially in the form set out in Schedule 2 (*Form of Substitution Notice*) of the Sale Undertaking Deed;

“**Sukuk Assets**” has the meaning given to it in Condition 5(a) (*Trust—Summary of the Trust*);

“**Tamweel Event**” has the meaning given in the Purchase Undertaking Deed;

“**Tangibility Ratio**” means, at any time,: (a) in relation to a Mudaraba Portfolio, the ratio of (i) the aggregate of the Value of the Real Estate Ijara Assets and Non- Real Estate Ijara Assets comprising that Mudaraba Portfolio to (ii) the aggregate of the Value of that Mudaraba Portfolio and any Mudaraba Portfolio Principal Revenues received and not reinvested in accordance with the terms of the Master Restricted Mudaraba Agreement, expressed as a percentage; and (b) in relation to a Wakala Portfolio, the ratio of (i) the aggregate of the Value of the Non-Real Estate Ijara Assets and Other Tangible *Shari’a*-Compliant Assets comprising that Wakala Portfolio to (ii) the aggregate of the Value of that Wakala Portfolio and any Wakala Portfolio Principal Revenues received in respect of such Mudaraba Portfolio and not re-invested in accordance with the terms of the Management Agreement, expressed as a percentage.

“**TARGET Settlement Day**” means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET or TARGET 2) (the “**TARGET System**”) is open;

“**Tax Event**” has the meaning given to it in Condition 10 (*Capital Distributions of the Trust—Early Dissolution for Tax Reasons*);

“**Taxes**” has the meaning given to it in Condition 11 (*Taxation*);

"**Tax Redemption Date**" means the date specified as such in the Exercise Notice delivered by Tamweel to the Trustee and:

(a) if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, must be a Periodic Distribution Date; and

(b) must be no less than 45 days after the date on which the Exercise Notice is delivered to the Trustee;

"**Transaction Account**" means in respect of each Series of Certificates, the bank account of the Trustee specified as such in the applicable Final Terms;

"**Transaction Contracts**" means any contract (other than a Transaction Document) in connection with the Mudaraba Assets and any related documentation entered into or to be entered into by any Transaction Party, including the grant of security to secure the obligations of any Transaction Party;

"**Transaction Documents**" means, in relation to each Series, the Master Restricted Mudaraba Agreement; the relevant Restricted Mudaraba Contract; the Management Agreement; the Master Wakala Purchase Agreement; the relevant Supplemental Purchase Contract; the Purchase Undertaking Deed; the Sale Undertaking Deed; the Programme Agreement; the Guarantor Agreement; the Master Declaration of Trust; the relevant Supplemental Declaration of Trust; the Master Deed of Guarantee; the relevant Supplemental Deed of Guarantee; the Agency Agreement; the Corporate Services Agreement, the relevant Certificates and any documents specified in the applicable Final Terms;

"**Transaction Party**" means any person (other than Tamweel PJSC) which is or will become a party to any Transaction Contract; and

"**Trust Assets**" has the meaning given to it in Condition 5(b) (*Trust—Trust Assets*);

"**Trustee Administrator**" means Walkers SPV Limited;

"**U.A.E.**" means the United Arab Emirates;

"**Value**" means, at any time, (1) in respect of a Mudaraba Asset or a Wakala Asset, the amount equal to: (i) in the case of an Istisna Asset, the aggregate outstanding fixed rental amounts payable to Tamweel under the relevant forward lease contract; (ii) in the case of a Real Estate Ijara Asset and a Non-Real Estate Ijara Asset the aggregate of all outstanding fixed rental instalment amounts due from the relevant Transaction Party to Tamweel in relation to such Real Estate Ijara Asset or Non-Real Estate Ijara Asset as the case may be; or (iii) in the case of a *Shari'a*-Compliant Investment or Other Tangible *Shari'a*-Compliant Asset, the outstanding face amount or principal value then outstanding of that *Shari'a*-Compliant Investment or Other Tangible *Shari'a*-Compliant Asset; and (2) in respect of the relevant Mudaraba Portfolio or Wakala Portfolio, the aggregate of the amounts determined under (i), (ii) and/or (iii) in respect of the Mudaraba Assets or Wakala Assets, as applicable, comprising the Mudaraba Portfolio or Wakala Portfolio on such date, in each case as determined by Tamweel on the relevant date.

"**Voting Rights**" means the right generally to vote at a general meeting of the shareholders of the Obligor;

"**Voting Stock**" of a corporation means all classes of Capital Stock of such corporation then outstanding and which normally entitles the holder to vote in the election of directors or other members of the relevant governing body;

"**Wakala Asset**" means any asset comprising the Wakala Portfolio, excluding, for the avoidance of doubt, any Wakala Cancellation Assets (as such term is defined in the Sale Undertaking Deed) or Wakala Change of Control Assets (as such term is defined in the Sale Undertaking Deed);

"**Wakala Investment Plan**" has the meaning given in Condition 5(a) (*Trust—Summary of the Trust*);

"**Wakala Percentage**" has the meaning given in Condition 5(a) (*Trust—Summary of the Trust*);

"**Wakala Portfolio**" means, in respect of each Series, the Initial Wakala Portfolio together with any Eligible Wakala Asset which may have been substituted for any Initial Wakala Asset or otherwise acquired from time to time in accordance with the Management Agreement, the related Wakala Investment Plan, excluding, for the avoidance of doubt, any Wakala Cancellation Assets (as such term is defined in the Sale Undertaking Deed) or Wakala Change of Control Assets (as such term is defined in the Purchase Undertaking Deed);

"**Wakala Portfolio Income Distribution Date**" means, in relation to each Series, the date set out in the relevant Wakala Investment Plan;

"**Wakala Portfolio Income Revenues**" means Wakala Portfolio Revenues to the extent they comprise returns of profit on Wakala Assets;

"**Wakala Portfolio Principal Revenues**" means Wakala Portfolio Revenues to the extent that they are not Wakala Portfolio Income Revenues;

"**Wakala Portfolio Revenues**" means, in respect of each Series, all rental, sale proceeds or consideration, damages, insurance proceeds, compensation or other sums received by the Managing Agent in whatever currency in connection with the relevant Wakala Assets; and

"**Wakala Reserve Account**" has the meaning given to it in the Management Agreement.

All references in these Conditions to "**U.S. dollars**", "**U.S.$**" and "**$**" are to the lawful currency of the United States of America and all references to "**AED**" and "**dirham**" are to the lawful currency of the United Arab Emirates.

2. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

The Certificates are issued in registered form in the Specified Denomination(s). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the "**Register**") which the Trustee will cause to be kept by the Registrar outside the Cayman Islands and the United Kingdom in accordance with the provisions of the Agency Agreement.

Upon issue, Certificates will be represented by beneficial interests in one or more Global Certificates, in fully registered form, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Ownership interests in Global Certificates will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants.

References to Euroclear and Clearstream, Luxembourg (as applicable) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

(b) Title

The Trustee will cause each Registrar to maintain the Register in respect of the Certificates in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. Subject to the terms of any relevant Global Certificate and/or the definition of Certificateholders, the registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

The Trustee and the Delegate may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to any Certificateholder by reason only of either having accepted as valid or not having rejected an original certificate or letter of confirmation purporting to be signed on behalf of Euroclear, or Clearstream, Luxembourg or any other relevant clearing system to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular nominal amount of Certificates credited to his or her securities account.

3. TRANSFERS OF CERTIFICATES

(a) Transfers

Subject to Condition 3(d) (*Transfer of Certificates—Closed Periods*), Condition 3(e) (*Transfer of Certificates—Regulations*), the limitations as to transfer set out in Condition 2(b) (*Form, Denomination and Title—Title*) and the provisions of the Agency Agreement, a Certificate may be transferred in whole or in an amount equal to the Specified Denomination(s) or any integral multiple thereof by depositing the Certificate, with the form of transfer on the back, duly completed and signed, at the specified office of the Transfer Agent together with such evidence as the Registrar or (as the case may be) the Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

Transfers of interests in the Certificates represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

(b) **Delivery of New Certificates**

Each new Certificate to be issued upon any transfer of Certificates will, within three business days of receipt by the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in each Global Certificate, owners of interests in a Global Certificate will not be entitled to receive physical delivery of Certificates.

(c) **Formalities Free of Charge**

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agent but upon payment (or the giving of such indemnity as the Trustee, the Registrar or the Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

(d) **Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered (a) during the period of fifteen days ending on (and including) the due date for any payment of the Dissolution Distribution Amount or any Periodic Distribution Amount or any other date on which payment of the face amount or payment of any profit in respect of a Certificate falls due as specified in the applicable Final Terms.

(e) **Regulations**

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Master Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

Unless otherwise requested by him, each Certificateholder shall be entitled to receive, in accordance with Condition 2(b) (*Form, Denomination and Title—Title*), only one Certificate in respect of his or her entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3(b) (*Transfers of Certificates—Delivery of New Certificates*).

4. STATUS, GUARANTEE AND LIMITED RECOURSE

(a) **Status**

Each Certificate will represent an undivided ownership interest in the relevant Trust Assets (pursuant to the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust) and will be a limited recourse obligation of the Trustee. Each Certificate will rank *pari passu*, without preference or priority, with all other Certificates of the relevant Series issued under the Programme.

(b) **Guarantee**

The applicable Final Terms for each Series of Certificates will specify whether the guarantee is "applicable" or "not applicable" to the relevant series. The Guarantor has in the Master Deed of Guarantee unconditionally and irrevocably guaranteed to the Trustee the due and punctual payment by Tamweel of the Guaranteed Amounts in connection with each Guaranteed Series where the Guarantee is specified as "applicable". The maximum amount payable by the Guarantor in relation to each Guaranteed Series, shall not exceed the Guaranteed Amounts of that Guaranteed Series (see "*Applicable Final Terms – Guarantee*"). The Guarantee constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) **Limited Recourse**

The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, Tamweel, the Guarantor, any of the Agents or any of their respective affiliates. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 15 (*Enforcement and Exercise of Rights*), Certificateholders acknowledge that, by subscribing for or acquiring Certificates, they will not have any claim against the Trustee (and/or its directors, officers or shareholders), Tamweel (to the extent that it fulfils all of its obligations under the relevant Transaction Documents to which it is a party), the Guarantor (if applicable) (to the extent that it fulfils all of its obligations under the Guarantee), the Delegate, the Agents or any of their respective affiliates, or against any of their respective assets (other than the relevant Trust Assets) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee (and/or its directors), Tamweel (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Guarantor (if applicable) (to the extent that it fulfils all of its obligations under the Guarantee), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

Tamweel and the Guarantor (as applicable) are obliged to make payments under the relevant Transaction Documents to which they are a party directly to the Trustee, the Delegate and/or the Agents. The Delegate will, as delegate of the Trustee for the Certificateholders, have direct recourse against Tamweel and the Guarantor (as applicable) to recover payments due to the Trustee from Tamweel, or, as the case may be, the Guarantor, pursuant to such Transaction Documents. Neither the Delegate nor the Trustee shall be liable for the late, partial or non-recovery of any such payments from Tamweel or the Guarantor save in the case of its wilful default, fraud or gross negligence.

(d) **Agreement of Certificateholders**

By subscribing for or acquiring Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(i) no payment of any amount whatsoever shall be made by any of the Trustee, (for or on behalf of the Certificateholders), the Delegate or any of their respective directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets for the relevant Series;

(ii) no recourse shall be had for the payment of any amount owing under the Master Declaration of Trust or under any Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Master Declaration of Trust or the other Transaction Documents, against the Trustee (for and on behalf of the Certificateholders), the Delegate or any of their respective directors, officers, employees or agents to the extent the relevant Trust Assets have been exhausted following which all obligations of the Trustee (for and on behalf of the Certificateholders), the Delegate and their respective agents shall be extinguished;

(iii) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee or any Trust Assets, any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;

(iv) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any shareholder, member, officer, agent or director of the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Trustee under the Master Declaration of Trust and any other Transaction Documents to which it is a party are solely corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents or directors of the Trustee save in the case of their wilful default or fraud; and

(v) it shall not be entitled to claim or exercise any right of set-off or counterclaim, in respect of any sums due under the Master Declaration of Trust or any part thereof with respect to any liability owed by it to the Trustee or claim any lien or other rights over any property held by it on behalf of the Trustee.

5. **TRUST**

(a) **Summary of the Trust**

On each Issue Date:

(i) the Trustee will apply a portion of the Proceeds to purchase and receive, by way of assignment and transfer, the rights, title, interests, benefits and entitlements that Tamweel may have in a portfolio of non-real estate ijara assets (each a "**Non-Real Estate Ijara Asset**") that are subject to non-real estate ijara contracts (each a "**Non-Real Estate Ijara Contract**"), *Shari'a*-compliant principal protected deposit or deposit like investments in relation to which Tamweel is entitled to receive all returns (each a "***Shari'a*-Compliant Investment**") and/or other any asset, other than a Non-Real Estate Ijara Asset or an asset having associated with it any registrable interest in real estate, which is an income generating asset that has associated with it underlying tangible assets and is originated, held or owned by Tamweel in accordance with *Shari'a* principles as interpreted by the *Shari'a* Board (each an "**Other Tangible *Shari'a*-Compliant Asset**", and each such asset an "**Initial Wakala Asset**") and the portfolio of such assets, as will be established pursuant to a certificate signed by authorised officers of Tamweel, in accordance with the powers delegated to such authorised officers by the board of directors of Tamweel, being the "**Initial Wakala Portfolio**", and following the Issue Date of a Series, together with any Eligible Non-Real Estate Ijara Assets, as the case may be, which may have been substituted for any Initial Wakala Asset in accordance with the Sale Undertaking Deed, the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract, excluding any Cancellation Wakala Assets and Change of Control Wakala Asset, (the "**Wakala Portfolio**" and each asset comprising the Wakala Portfolio, a "**Wakala Asset**"); and

(ii) the Trustee (as "**Rabb-al-Maal**") shall deposit the remainder of the Proceeds into the Mudaraba Account and such amount will constitute the initial capital investment (the "**Mudaraba Capital**") of the Rabb-al-Maal in the restricted mudaraba arrangement (the "**Restricted Mudaraba**") constituted by a restricted mudaraba contract (each a "**Restricted Mudaraba Contract**") entered into with the Mudarib in accordance with the terms of the Master Restricted Mudaraba Agreement pursuant to which the Mudarib will invest the relevant Mudaraba Capital in accordance with the Master Restricted Mudaraba Agreement and the relevant Restricted Mudaraba Contract (including the Mudaraba Investment Plan) solely in Eligible Mudaraba Assets consisting of (i) real estate assets, (each a "**Real Estate Ijara Asset**"), for which Tamweel (or another person on its behalf) has provided *Shari'a-compliant* financing pursuant to *ijara* contracts (each a "**Real Estate Ijara Contract**"); (ii) eligible Non-Real Estate Ijara Assets that are subject to Non-Real Estate Ijara Contracts (including any ancillary rights under such Non-Real Estate Ijara Contracts); and (iii) any assets which (a) Tamweel has purchased pursuant to an Istisna agreement from a developer and which is to be constructed in accordance with the agreed specifications and delivered on the agreed delivery date (but which has not yet been delivered) in accordance with such Istisna agreement relating to such asset; and (b) are the subject of a forward lease agreement (*ijara mansufah ti zimmah*) pursuant to which Tamweel is entitled to receive all lease payments relating to such assets (including any ancillary rights under such forward lease agreement) ("**Istisna Assets**") acquired by the Mudarib in accordance with the Master Restricted Mudaraba Agreement, the related Restricted Mudaraba Contract and the relevant Mudaraba Investment Plan, (each such asset, being an "**Initial Mudaraba Asset**" and the portfolio of such assets, together with the Istisna Assets, being the "**Initial Mudaraba Portfolio**"). The Initial Mudaraba Portfolio, together with any Eligible Mudaraba Asset which may have been substituted for any such Initial

Mudaraba Asset or otherwise acquired from time to time in accordance with the Master Restricted Mudaraba Agreement, the related Restricted Mudaraba Contract and the relevant Mudaraba Plan, excluding any Cancellation Mudaraba Assets (as defined below) and Change of Control Mudaraba Assets, shall constitute the mudaraba portfolio (the "**Mudaraba Portfolio**"). Any asset constituting the Mudaraba Portfolio from time to time, shall be a Mudaraba asset ("**Mudaraba Asset**").

The Mudarib shall manage the Mudaraba Portfolio and the Mudaraba Assets in accordance with the terms of the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba Contract and the relevant Mudaraba Investment Plan.

The Wakala Assets and the Mudaraba Assets shall together constitute the "**Sukuk Assets**" for each Series. In the event that, on the Issue Date of a Series, no Eligible Real Estate Ijara Assets or Istisna Assets are available for investment in accordance with the Master Restricted Mudaraba Agreement and the relevant Restricted Mudaraba Contract, the Trustee may invest the whole of the Proceeds of such Series in a Wakala Portfolio, as would be indicated in the applicable Final Terms.

On the Issue Date of each Series, at least 70 per cent. of the aggregate Value of (i) the Mudaraba Portfolio; and (ii) the Wakala Portfolio, on such Issue Date shall be derived from Real Estate Ijara Assets, Non-Real Estate Ijara Assets and any Other Tangible *Shari'a* Compliant Assets ("**Tangible Assets**").

At all times, the Tangibility Ratio of each of the Mudaraba Portfolio and the Wakala Portfolio shall be no less than 70 per cent. "**Tangibility Ratio**" means, at any time:

(a) in relation to a Mudaraba Portfolio, the ratio of (i) the aggregate of the Value of the Real Estate Ijara Assets and Non-Real Estate Ijara Assets comprising a Mudaraba Portfolio to (ii) the aggregate of the Value of that Mudaraba Portfolio and any Mudaraba Portfolio Principal Revenues received in respect of such Mudaraba Portfolio and not re-invested in accordance with the terms of the Master Restricted Mudaraba Agreement, expressed as a percentage; and

(b) in relation to a Wakala Portfolio, the ratio of (i) the aggregate of the Value of the Non-Real Estate Ijara Assets and Other Tangible *Shari'a*-Compliant Assets comprising a Wakala Portfolio to (ii) the aggregate of the Value of that Wakala Portfolio and any Wakala Portfolio Principal Revenues received in respect of such Wakala Portfolio and not re-invested in accordance with the terms of the Management Agreement, expressed as a percentage.

For each Series, the percentage of the Proceeds used to invest in a Wakala Portfolio shall be the "**Wakala Percentage**" and the percentage of the Proceeds of a Series paid to the Mudarib as the Mudaraba Capital shall be the "**Mudaraba Percentage**" for such Series. The Trustee will, pursuant to the Master Declaration of Trust (as the same will be supplemented, on the occasion of the issue of each Series of Certificates, by a Supplemental Declaration of Trust), declare a Trust over, *inter alia*, the Proceeds for each Series in favour of the relevant Certificateholders.

The Managing Agent shall manage the Wakala Portfolio for the benefit of the Trustee pursuant to, and in accordance with, the Management Agreement. Under the Management Agreement, the Managing Agent shall be obliged, in accordance with an investment plan (the "**Wakala Investment Plan**"), to manage the Wakala Portfolio through the provision of certain services (the "**Services**") including, but not limited to, using its best endeavours to ensure timely receipt of all Wakala Portfolio Revenues, investigate non-payment of Wakala Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues under the relevant contract or instrument as and when the same shall become due.

In respect of the Wakala Portfolio Principal Revenues, the revenues will not be paid to the Trustee (subject to Clause 6.3 of the Management Agreement) and will be applied by the Managing Agent in acquiring or originating further Eligible Wakala Assets for and on behalf of the Trustee such that the relevant assets become Wakala Assets, all on and subject to the terms of the Transaction Documents provided that:

(a) in the case of acquisition of such further Eligible Wakala Assets that are Non-Real Estate Ijara Assets and Other Tangible *Shari'a*-Compliant Assets, such acquisition shall be effected by way of entry into a sale and purchase agreement;

(b) the Value of such further Eligible Wakala Assets are not less than the consideration given for, the purchase price of or the amounts otherwise applied in the acquisition or origination of such assets; and

(c) such further Eligible Wakala Assets are Eligible Wakala Assets in respect of which the representations and warranties in Clause 5.2 of the Master Wakala Purchase Agreement can be given by Tamweel.

In respect of Mudaraba Portfolio Principal Revenues, these will be applied, to the extent possible, towards acquiring or originating for and on behalf of the Trustee further Eligible Mudaraba Assets, in accordance with the terms of the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba Contract and the related Mudaraba Investment Plan, provided that the Value of such further Eligible Mudaraba Assets are not less than the consideration given for, the purchase price of or the amounts otherwise applied in the acquisition or origination of such assets.

Upon the maturity of a Series or on any Dissolution Date (as applicable):

(a) pursuant to the Purchase Undertaking Deed, the Trustee (or, prior thereto following the occurrence of a Dissolution Event, the Delegate), may exercise its rights under the Purchase Undertaking Deed and require Tamweel to purchase from the Trustee the relevant Wakala Portfolio specified in the Purchase Undertaking Exercise Notice at the Exercise Price.

An amount equal to:

(i) the amounts repayable but unpaid under the Liquidity Facility to be paid by Tamweel as part of any Exercise Price under the Purchase Undertaking Deed and any amounts repayable but unpaid by the Trustee under Clause 5 of the Management Agreement; and

(ii) any other Management Liabilities Amounts to be paid by Tamweel as part of any Exercise Price under the Purchase Undertaking Deed and any Management Liabilities Amounts payable but unpaid by the Trustee under the Management Agreement,

shall be set off against one another. Accordingly, the Exercise Price payable on any Dissolution Date shall exclude the amounts set off as described in Clauses 4.3.1 and 4.3.2 of the Purchase Undertaking Deed.

In relation to each Guaranteed Series, the Guarantor may in its sole and absolute discretion, on behalf of the Trustee and pursuant to the right delegated to it by the Trustee in the Master Declaration of Trust, deliver an Exercise Notice to Tamweel (with a copy to the Trustee and the Delegate) if (and only if):

(i) the event described in sub-paragraph (i) of Condition 14 has occurred and has subsisted for not less than two (2) Business Days;

(ii) no Exercise Notice has been delivered by or on behalf of the Trustee under the Purchase Undertaking Deed; and

(iii) the Trustee has not exercised any of its rights in relation to the relevant Guaranteed Series under the Master Deed of Guarantee.

(b) pursuant to the Management Agreement, the Managing Agent will pay to the Trustee the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the relevant Series that have not as of the Dissolution Date been invested in Eligible Wakala Assets, by crediting such amounts into the Transaction Accounts; and

(c) pursuant to the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba will be liquidated and the Mudarib will return to the Rabb-al-Maal an amount equal to the aggregate of: (i) an amount equal to the Value of the relevant Mudaraba Portfolio upon the relevant Dissolution Date, and (ii) any Mudaraba Portfolio Principal Revenues held by the Mudarib in relation to such Restricted Mudaraba Contract at the relevant time that have not yet been invested in further Eligible Mudaraba Assets (the "**Final Liquidation Proceeds**") in accordance with the Master Restricted Mudaraba Agreement and the Restricted Mudaraba Contract.

Following the occurrence of a Change of Control Event, (a) the Trustee may exercise its rights under the Purchase Undertaking Deed and require Tamweel to purchase from the Trustee the Change of Control Wakala Assets, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Change of Control Wakala Assets, at the Change of Control Exercise Price specified in the relevant Exercise Notice; and (b) upon the issue by the Trustee of a Change of Control Exercise Notice, the Raab-Al-Maal may instruct the Mudarib to, and upon such instruction the Mudarib shall, liquidate such Change of Control Mudaraba Assets as selected by the Mudarib in its sole and absolute discretion, provided that the aggregate Value of such Mudaraba Assets shall be no greater than the Mudaraba Percentage of the face amount of the Change of Control Certificates, and promptly, and in any event by one Business Day before the relevant Change of Control Put Date, pay an amount equal to the Value of the relevant Change of Control Mudaraba Assets into the Transaction Account.

The price (the "**Exercise Price**") payable by Tamweel upon exercise of the relevant Purchase Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the relevant Purchase Undertaking; (ii) an amount equal to any accrued and unpaid Periodic Distribution Amounts less any amounts held by the Trustee in the Transaction Account for the payment of such Periodic Distribution Amounts on the date on which the payment of the Exercise Price is made pursuant to the Purchase Undertaking Deed; (iii) an amount equal to the sum of (a) any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; and (b) and without duplication, any other outstanding Management Liabilities Amounts, and (iv) without duplication or double counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date; and

The change of control exercise price ("**Change of Control Exercise Price**") shall be the price payable by Tamweel to the Trustee in respect of the purchase by Tamweel of the Change of Control Wakala Assets, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Change of Control Wakala Assets, which shall be an amount in U.S. dollars equal to the aggregate of:

(i) the Wakala Percentage of the outstanding face value of the Change of Control Certificates; and

(ii) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Change of Control Certificates.

"**Value**" means, at any time, (1) in respect of a Mudaraba Asset or a Wakala Asset, the amount equal to: (i) in the case of an Istisna Asset, the aggregate outstanding fixed rental amounts payable to Tamweel under the relevant forward lease contract; (ii) in the case of a Real Estate Ijara Asset and a Non-Real Estate Ijara Asset the aggregate of all outstanding fixed rental instalment amounts due from the relevant Transaction Party to Tamweel in relation to such Real Estate Ijara Asset or Non-Real Estate Ijara Asset as the case may be; or (iii) in the case of a *Shari'a*-Compliant Investment or Other Tangible *Shari'a*-Compliant Asset the outstanding face amount or principal value then outstanding of that *Shari'a*-Compliant Investment or Other Tangible *Shari'a*-Compliant Asset; and (2) in respect of the relevant Mudaraba Portfolio or Wakala Portfolio, the aggregate of the amounts determined under (i), (ii) and/or (iii) in respect of the Mudaraba Assets or Wakala Assets, as applicable, comprising the Mudaraba Portfolio or Wakala Portfolio on such date, in each case as determined by Tamweel on the relevant date.

Pursuant to the Sale Undertaking Deed, and prior to any Dissolution Date, Tamweel may:

(a) upon the occurrence of a Tax Event, exercise its rights under the Sale Undertaking Deed to require the Trustee to sell and transfer to Tamweel the relevant Wakala Portfolio, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to or under the relevant Wakala Portfolio, at the Sale Undertaking Exercise Price;

(b) provided that an Optional Dissolution (Call) is stated to be applicable in the applicable Final Terms, to require the Trustee, on an Optional Dissolution Date specified in the applicable Final Terms, to sell and transfer to Tamweel the Wakala Portfolio applicable to the relevant Series, at the Exercise Price specified in the Exercise Notice;

(c) oblige the Trustee to transfer, assign and convey on any Substitution Date the Substituted Wakala Assets, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Substituted Wakala Assets, against the transfer, assignment and conveyance to the Trustee of the New Wakala Assets, together with all of Tamweel's rights, title, interests, benefits and entitlements in, to and under the Sukuk Wakala Assets, which shall be not less than the Value of the Substituted Wakala Assets, **provided that** (i) no Exercise Notice has otherwise been delivered under the Sale Undertaking Deed in respect of the Substituted Wakala Assets; and (ii) no Exercise Notice (as defined in the Purchase Undertaking) has been delivered under the Purchase Undertaking in respect of the Substituted Wakala Assets or generally.

On a Tax Redemption Date or an Optional Dissolution Date, pursuant to the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba will be liquidated and the Mudarib will distribute to the Rabb al Maal an amount equal to the aggregate of the Final Liquidation Proceeds.

Upon receipt by the Trustee of a Cancellation Notice, the Raab-Al-Maal may instruct the Mudarib to, and upon such instruction the Mudarib shall, transfer to Tamweel such Mudaraba Assets as selected by the Mudarib at its sole and absolute discretion (the "**Cancellation Mudaraba Assets**") provided that the aggregate Value of such Cancellation Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Cancellation Certificates.

(b) **Trust Assets**

Unless otherwise specified in the Master Restricted Mudaraba Agreement and the applicable Final Terms, the Trust Assets will comprise:

(i) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the relevant Sukuk Assets;

(ii) the rights, title, interests, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by Tamweel to the Trustee, the Delegate and the Guarantor pursuant to any of the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to clause 17.1 of the Master Declaration of Trust);

(iii) all monies standing to the credit of the Transaction Account; and

(iv) any other assets, rights, cash or investments as may be specified in the applicable Final Terms,

and all proceeds of the foregoing upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder for the relevant Series.

Pursuant to the Master Declaration of Trust, as supplemented by any relevant Supplemental Declaration of Trust, the Trustee holds the Trust Assets for each Series for and on behalf of the holders of the Certificates of such Series.

(c) **Operation of Transaction Account**

For each Series, the Trustee will establish a non-interest bearing transaction account (the "**Transaction Account**") with the Principal Paying Agent into which, among other things: (i) the Mudarib will deposit all amounts of Mudaraba Profit due to the Rabb-al-Maal in respect of the relevant Series; (ii) the Managing Agent will deposit all amounts of Wakala Portfolio Income Revenues due to the Trustee in respect of the relevant Series; and (iii) the Delegate will deposit all the proceeds of any action to enforce or realise the relevant Trust Assets taken in accordance with Condition 15 (*Enforcement and Exercise of Rights*).

(d) **Operation of Collection Account (Wakala Assets)**

Pursuant to the Management Agreement, the Managing Agent shall receive and accumulate all Wakala Portfolio Income Revenues for each Series and shall record the same in the relevant Collection Account. All such Wakala Portfolio Income Revenues standing to the credit of the Collection Account will be applied by the Managing Agent in the following order of priority:

(i) *first*, in payment of all or any due and payable Management Liabilities Amounts (including any amounts due and repayable under the Liquidity Facility);

(ii) *second*, on each Wakala Portfolio Income Distribution Date, the Managing Agent shall pay into the Transaction Account an amount equal to the lesser of the Wakala Percentage of the Required Amount for the corresponding Periodic Distribution Date, and the balance of the Collection Account; and

(iii) *third*, if the balance of the Income Collection Account on such day exceeds the aggregate of: (i) the Wakala Percentage of the Required Amount for such Periodic Distribution Date or Dissolution Date, as the case may be; and (ii) any amounts due and payable pursuant to paragraph (i) above, the Managing Agent shall retain the surplus as a reserve and credit such surplus to a ledger account (the "**Wakala Reserve Account**").

(e) **Operation of Wakala Reserve Account**

Pursuant to the Management Agreement, the Managing Agent shall credit any surplus amounts of Wakala Portfolio Income Revenues (if any) to the Wakala Reserve Account in accordance with Condition 5(d)(iii). Monies standing to the credit of the Wakala Reserve Account (if any) shall be paid in accordance with this Condition 5(e) (*Trust—Operation of Wakala Reserve Account*). The Managing Agent will be entitled to use amounts standing to the credit of the Wakala Reserve Account for its own account, **provided that** such amounts shall be repaid by the Managing Agent if so required to fund a shortfall in respect of the relevant Series.

On each Wakala Portfolio Income Distribution Date, the Managing Agent will apply any amounts standing to the credit of the Wakala Reserve Account by paying the same into the Transaction Account, towards the aggregate amount of any shortfall between: (i) the amounts standing to the credit of the Transaction Account at such time and (after taking into account any payments made or to be made pursuant to the Master Restricted Mudaraba Agreement); and (ii) the Required Amount due on the corresponding Periodic Distribution Date (a "**Shortfall**").

Upon final termination or dissolution of the Trust as provided in Condition 10 (*Capital Distributions of the Trust*), and **provided that** all obligations owed by Tamweel to the Trustee have been met, the Managing Agent shall be entitled to retain the remaining balance (if any) of the Wakala Reserve Account (after any payments into the Transaction Account as provided above) for its own account as an incentive amount.

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following: (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable); and (iii) the deposit in the Transaction Account by the Managing Agent of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets, is less than the Required Amount due on such date, then the Managing Agent may apply any amounts standing to the credit of the Wakala Reserve Account in order to cover such Shortfall.

(f) **Operation of Mudaraba Reserve Account**

Pursuant to the Master Restricted Mudaraba Agreement, the Mudarib shall credit any excess Mudaraba Profit to a ledger account (the "**Mudaraba Reserve Account**"). Monies standing to the credit of the Mudaraba Reserve Account (if any) shall be paid in accordance with this Condition 5(f) (*Trust—Operation of Mudaraba Reserve Account*). The Mudarib will be entitled to use amounts standing to the credit of the Mudaraba Reserve Account for its own account, **provided that** such amounts shall be repaid by the Mudarib if so required to fund a Shortfall in respect of the relevant Series.

On each Mudaraba Income Distribution Date, the Mudarib will, after taking into account any payments made or to be made by the Managing Agent pursuant to the Management Agreement, apply any amounts standing to the credit of the Mudaraba Reserve Account by paying the same into the Transaction Account, towards the aggregate amount of any Shortfall.

Upon final termination or dissolution of the Trust as provided in Condition 10 (*Capital Distributions of the Trust*), after all amounts due under the Certificates of the relevant Series have been satisfied in full, the Mudarib shall be entitled to retain the remaining balance (if any) of the Mudaraba Reserve Account (after any payments into the Transaction Account as provided above) for its own account as an incentive amount.

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable) and (iii) the deposit in the Transaction Account by the Managing Agent of any Mudaraba Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Mudaraba Assets, is less than the Required Amount due on such date, then the Mudarib may utilise any amounts standing to the credit of the Mudaraba Reserve Account in order to cover such Shortfall.

(g) **Operation of Liquidity Facility**

In the event that the amounts standing to the credit of the Mudaraba Reserve Account, when aggregated with the amounts standing to the credit of the Wakala Reserve Account, are insufficient to pay the amounts described in items (i), (ii) and (iii) of Condition 5(h) (*Trust—Application of Proceeds from Trust Assets*) in accordance with Condition 5(h) (*Trust—Application of Proceeds from Trust Assets*) on any Periodic Distribution Date or Dissolution Date (as applicable), the Managing Agent may provide a *Shari'a*-compliant liquidity facility (without recourse to the Sukuk Assets) (the "**Liquidity Facility**") to the Trustee to ensure that in respect of each Series, the Trustee receives no later than the Business Day immediately preceding each Periodic Distribution Date, the full amount payable in accordance with Condition 5(h) (*Trust—Application of Proceeds from Trust Assets*) on such Periodic Distribution Date or Dissolution Date (as applicable).

(h) **Application of Proceeds from Trust Assets**

On each Periodic Distribution Date, any Dissolution Date or on any earlier date specified for the dissolution of the Trust for each Series, the relevant Paying Agent will apply the monies standing to the credit of the Transaction Account in the following order of priority:

(i) *first*, (to the extent not previously paid) to pay the Delegate all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer or any agent appointed in respect of the Trust by the Delegate in accordance with the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust;

(ii) *second*, (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all amounts properly incurred and documented (each in the opinion of the Delegate) owing to it under the Transaction Documents in its capacity as Trustee; (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents in its capacity as Trustee Administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;

(iii) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(iv) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment of the Dissolution Distribution Amount; and

(v) *fifth*, only if such payment is made on a Dissolution Date, payment of any residual amount to the Managing Agent as an incentive amount for its performance.

6. **COVENANTS**

The Trustee covenants that, among other things, for so long as any Certificate is outstanding (as defined in the Master Declaration of Trust), it shall not:

(i) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

(ii) create any Security Interest over any of its present or future indebtedness for borrowed money or upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) (other than under or pursuant to any of the Transaction Documents));

(iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;

(iv) subject to Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;

(v) except as provided in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(vi) have any subsidiaries or employees;

(vii) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;

(viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(ix) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly permitted or required thereunder or engage in any business or activity other than:

(A) as provided for or permitted in the Transaction Documents;

(B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(C) such other matters which are incidental thereto.

7. FIXED PERIODIC DISTRIBUTION PROVISIONS

(a) Application

This Condition 7(a) (*Fixed Periodic Distribution Provisions*) is applicable to the Certificates only if the Fixed Periodic Distribution Provisions (the "**Fixed Periodic Distribution Provisions**") are specified in the applicable Final Terms as being applicable.

(b) Periodic Distribution Amount

A Periodic Distribution Amount representing a defined share of the profit in respect of the relevant Sukuk Assets will be payable in respect of the related Certificates and be distributable by the Trustee to the Certificateholders in accordance with these Conditions.

(c) Determination of Periodic Distribution Amount

Except as provided in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Certificate for any Return Accumulation Period shall be the Fixed Amount and, if the Certificates are in more than one Specified Denomination, shall be the Fixed Amount as specified in the applicable Final Terms in respect of the relevant Specified Denomination. Payments of Periodic Distribution Amounts on any Periodic Distribution Date as specified in the applicable Final Terms may, if so specified in the applicable Final Terms, amount to the Broken Amount as specified in the applicable Final Terms.

If any Periodic Distribution Amount is required to be calculated for a period other than a Return Accumulation Period or if no relevant Fixed Amount or Broken Amount is specified in the applicable Final Terms, such Periodic Distribution Amount shall be calculated by applying the Rate to the Calculation Amount, multiplying the product by the applicable Day Count Fraction, and rounding the resulting figure to the nearest sub unit of the relevant Specified Currency (half of any such sub-unit being rounded upwards) and multiplying such rounded figure by a figure equal to the Specified Denomination of the relevant Certificate divided by the Calculation Amount.

"**Day Count Fraction**" means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition 7(c):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(A) in the case of Certificates where the number of days in the relevant period from (and including) the most recent Periodic Distribution Date (or, if none, the Closing Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Certificates where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Closing Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(d) **Payment in Arrear**

Subject to Condition 7(e) (*Fixed Periodic Distribution Provisions—Cessation of Profit Entitlement*), Condition 10(b) (*Capital Distributions of the Trust—Early Dissolution for Tax Reasons*), Condition 10(c) (*Capital Distributions of the Trust—Dissolution at the Option of Tamweel*), 10(d) (*Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*) and Condition 14 (*Dissolution Events*) below, and unless otherwise specified in the applicable Final Terms, each Periodic Distribution Amount will be paid in respect of the relevant Certificates in arrear on each Periodic Distribution Date.

(e) **Cessation of Profit Entitlement**

No further amounts will be payable on any Certificate from and including its due date for redemption, unless default is made in payment of the Dissolution Distribution Amount, as a result of the failure of Tamweel to pay the relevant Exercise Price and enter into a sale and purchase agreement in accordance with the terms of the Purchase Undertaking Deed or Sale Undertaking Deed (as the case may be) and/or the failure to liquidate the relevant Mudaraba Portfolio in accordance with the terms of the Master Restricted Mudaraba Agreement, in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 7.

8. FLOATING PERIODIC DISTRIBUTION PROVISIONS

(a) **Application**

This Condition 8 (*Floating Periodic Distribution Provisions*) is applicable to the Certificates only if the Floating Periodic Distribution Provisions (the "**Floating Periodic Distribution Provisions**") are specified in the applicable Final Terms as being applicable.

(b) **Periodic Distribution Amount**

A Periodic Distribution Amount representing a defined share of the profit in respect of the relevant Sukuk Assets will be payable in respect of the related Certificates and be distributable by the Trustee to the Certificateholders in accordance with these Conditions. Such Periodic Distribution Amounts will be payable in arrear on either:

(i) the Specified Periodic Distribution Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Periodic Distribution Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Periodic Distribution Date, a "**Periodic Distribution Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Periodic Distribution Date or, in the case of the First Periodic Distribution Date, after the Closing Date.

Such Periodic Distribution Amounts will be payable in respect of each Return Accumulation Period.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which a Periodic Distribution Date should occur, or (y) if any

Periodic Distribution Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(i) in any case where Specified Periods are specified in accordance with Condition 8(b)(ii) (*Floating Periodic Distribution Provisions—Periodic Distribution Amount*) above, the Floating Rate Convention, such Periodic Distribution Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Periodic Distribution Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Periodic Distribution Date occurred; or

(ii) the Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day; or

(iii) the Modified Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; or

(iv) the Preceding Business Day Convention, such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and

(ii) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) or (ii) in relation to any sum payable in euro, a day on which the TARGET System is open.

(c) **Screen Rate Determination**

If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate(s) is/are to be determined, the Rate applicable to the Certificates for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate specified in the applicable Final Terms is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Periodic Distribution Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Periodic Distribution Determination Date;

(iii) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Periodic Distribution Determination Date to prime banks in the London interbank market, as the case may be, in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the principal financial centre of the country of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial centre of the country of the Specified Currency) on the first day of the relevant Return

Accumulation Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate for such Return Accumulation Period shall be the sum of the Margin as specified in the applicable Final Terms and the rate or (as the case may be) the arithmetic mean so determined; **provided**, **however**, **that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Return Accumulation Period, the Rate applicable to the Certificates during such Return Accumulation Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Certificates in respect of a preceding Return Accumulation Period.

(d) **Cessation of Profit Entitlement**

No further amounts will be payable on any Certificate from and including its due date for redemption, unless default is made in payment of the Dissolution Distribution Amount, as a result of the failure of Tamweel to pay the relevant Exercise Price and enter into a sale and purchase agreement in accordance with the terms of the Purchase Undertaking Deed or Sale Undertaking Deed (as the case may be) and/or the failure to liquidate the relevant Mudaraba Portfolio in accordance with the terms of the Master Restricted Mudaraba Agreement, in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 8.

(e) **Calculation of Periodic Distribution Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Return Accumulation Period, calculate the Periodic Distribution Amount payable in respect of each Certificate for such Return Accumulation Period. The Periodic Distribution Amount will be calculated by applying the Rate applicable to the relevant Return Accumulation Period (i) to the face amount (in the case of a Certificate in global form) or (ii) to the Calculation Amount (in the case of a Certificate in individual registered form), multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a figure equal to the Specified Denomination of the relevant Certificate divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

"**Day Count Fraction**" means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition 8(e) (*Floating Periodic Distribution Provisions—Calculation of Periodic Distribution Amount*):

(i) if "**Actual/Actual**", "**Actual/Actual** (**ISDA**)", "'**Act/Act**" or "**Act/Act** (**ISDA**)" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 (or, if any portion of that Return Accumulation Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Return Accumulation Period falling in a non-leap year divided by 365);

(ii) "**Actual/Actual** (**ICMA**)" or "**Act/Act** (**ICMA**)" is specified:

(A) where the Determination Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Determination Period divided by the product of: (1) the actual number of days in such Regular Period; and (2) the number of Regular Periods in any year; and

(B) where the Determination Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Determination Period falling in the Regular Period in which it begins divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year; and

(2) the actual number of days in such Determination Period falling in the next Regular Period divided by the product: of (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year;

(iii) if "**Actual/365**(**Fixed**)", "**Act/365 (Fixed**)", "**A/365 (Fixed**)" or "**A/365F**" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period in respect of which payment is being made divided by 365;

(iv) if "**Actual/360**". "**Act/360**" or "**A/360**" is specified, the actual number of days in the Return Accumulation Period in respect of which payment is being made divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[\,360 \times (Y_2 - Y1)\,] + [\,30 \times (M_2 - M_1)\,] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"$\mathbf{D_1}$" is the first calendar day of the Return Accumulation Period, expressed as a number, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[\,360 \times (Y_2 - Y1)\,] + [\,30 \times (M_2 - M_1)\,] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls:

"$\mathbf{M_1}$" is the calendar month expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls:

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "**30E/360(ISDA)**" specified in the applicable Final Terms, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{M_2}$" is the calendar month expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"$\mathbf{D_1}$" is the first calendar day of the Return Accumulation Period, expressed as a number, unless (i) that day is the last day of February, or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date, or (ii) such number would be 31, in which case D_2 will be 30.

(f) **Calculation of Other Amounts**

If the applicable Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the applicable Final Terms.

(g) **Publication**

The Calculation Agent will cause each Rate and Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate, Periodic Distribution Amount and Periodic Distribution Date) in any event not later than the first day of the relevant Return Accumulation Period. Notice thereof shall also promptly be given to the Certificateholders. The Calculation Agent will be entitled to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Return Accumulation Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Periodic Distribution Amount but instead may publish only the Calculation Amount and the Periodic Distribution Amount in respect of a Certificate having the minimum Specified Denomination.

(h) **Notifications, etc. to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8 (*Floating Periodic Distribution Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Trustee, the Delegate, the Paying Agents and all Certificateholders. In the absence of negligence, wilful default or fraud, no liability to the Trustee, the Delegate, Tamweel, any Paying Agent or the Certificateholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 8 (*Floating Periodic Distribution Provisions*).

9. **PAYMENT**

(a) **Payments in respect of Certificates**

Subject to Condition 7(b)(*Fixed Periodic Distribution Provisions—Periodic Distribution Amount*) and 8(b) (*Floating Periodic Distribution Provisions—Periodic Distribution Amount*), payment of each Periodic Distribution Amount and the Dissolution Distribution Amount will be made by the relevant Paying Agent in the Specified Currency, by wire transfer in same day funds to the registered account of each Certificateholder. Payments of the Dissolution Distribution Amount will only be made against surrender of the relevant Certificate at the specified office of the relevant Paying Agent. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of these Conditions:

(i) a Certificateholder's "**registered account**" means an account denominated in the Specified Currency maintained by or on behalf of it with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date;

(ii) a Certificateholder's "**registered address**" means its address appearing on the Register at that time; and

(iii) "**Record Date**" means:

(A) in the case of the payment of a Periodic Distribution Amount, the close of business on the day prior to the relevant Periodic Distribution Date; and

(B) in the case of the payment of a Dissolution Distribution Amount, the date falling two Payment Business Days before the relevant Dissolution Date or other due date for payment of the relevant Periodic Distribution Amount.

(b) **Payments subject to Applicable Laws**

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of this Condition 9 (*Payment*).

(c) **Payment only on a Payment Business Day**

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated by the relevant Paying Agent, on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of the relevant Paying Agent.

Certificateholders will not be entitled to any additional Periodic Distribution Amount, Dissolution Distribution Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering his Certificate (if required to do so).

If the Dissolution Distribution Amount or any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount actually paid.

(d) **Agents**

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders or any other party to the Transaction Documents.

The names of the initial Agents and their initial specified offices are set out in this Condition. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents **provided that** (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity), (b) there will, so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system; and (c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such change or any change of any Specified Office shall be given to the Trustee, the Delegate and the Certificateholders in accordance with the provisions of the Agency Agreement.

The name and specified office of the Principal Paying Agent, Calculation Agent and Transfer Agent is:

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

With respect to any Certificates, the name and specified office of the Registrar and Replacement Agent is:

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

10. CAPITAL DISTRIBUTIONS OF THE TRUST

(a) Dissolution on the relevant Scheduled Dissolution Date

Unless the Certificates are previously redeemed or purchased and cancelled following: (i) a Dissolution Event; (ii) redemption for taxation reasons pursuant to Condition 10(b); (iii) dissolution at the option of the Trustee pursuant to Condition 10(c); or (iv) redemption following the occurrence of a Change of Control Event pursuant to Condition 10(d), the Trustee will, in respect of each Series pay, or procure the payment of, the Dissolution Distribution Amount and redeem the Certificates at such Dissolution Distribution Amount on the relevant Scheduled Dissolution Date and the Trust shall be dissolved on the day after the last outstanding Certificate has been redeemed.

(b) Early Dissolution for Tax Reasons

At the option of Tamweel, the Certificates may be redeemed by the Trustee in whole, but not in part, on a Tax Redemption Date, on Tamweel giving the Trustee not less than 30 nor more than 60 days' notice (which notice shall be irrevocable), at the Dissolution Distribution Amount if a Tax Event occurs, where "**Tax Event**" means:

(i) (A) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date of the first Tranche in a Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(ii) (A) the Trustee has received notice from the Mudarib that it has or will become obliged to pay additional amounts pursuant to the terms of the Master Restricted Mudaraba Agreement as supplemented by the relevant Restricted Mudaraba Contract as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date of the first Tranche in a Series and (B) such obligation cannot be avoided by taking reasonable measures available to it;

in which case, Tamweel may:

(a) exercise its option granted under Clause 2.1.1 (*Grant of Rights*) of the Sale Undertaking Deed in accordance with Clause 3.1.1 (*Exercise and Undertaking*) thereof; and

(b) in its capacity as Mubarib, liquidate (in whole, but not in part) the Restricted Mudaraba in respect of the relevant Restricted Mudaraba Contract in accordance with the provisions of the Master Restricted Mudaraba Agreement and the applicable Restricted Mudaraba Contract,

and deliver an Exercise Notice to the Trustee specifying the due date for redemption of the Certificates (in whole, but not in part):

(1) at any time (if the Floating Periodic Distribution Provisions are not specified in the applicable Final Terms as being applicable); or

(2) on any Periodic Distribution Date (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable),

such notice to be delivered in the prescribed form set out in the Sale Undertaking Deed and not less than 30 nor more than 60 days prior to the due date for redemption stated therein.

Following receipt by the Trustee of a duly completed Exercise Notice from Tamweel under the Sale Undertaking Deed, the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to dissolve the Certificates on the relevant Dissolution Date), dissolve the Trust and redeem (in whole, but not in part) the Certificates at their Dissolution Distribution Amount, together with Periodic Distribution Amounts accrued (if any) up to the Dissolution Date **provided**, **however**, **that** no such notice of dissolution shall be given to Certificateholders earlier than:

(x) where the Certificates may be dissolved at any time, 90 days prior to the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (ii) above) Tamweel would be obliged to pay such additional amounts if a payment to the Trustee under the Master Restricted Mudaraba Agreement as supplemented by the relevant supplemental Restricted Mudaraba Contract was then due; or

(y) where the Certificates may be dissolved only on a Periodic Distribution Date, 60 days prior to the Periodic Distribution Date occurring immediately before the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (ii) above) Tamweel would be obliged to pay such additional amounts if a payment to the Trustee under the Master Restricted Mudaraba Agreement as supplemented by the relevant supplemental Restricted Mudaraba Contract was then due.

Prior to the publication of any notice of dissolution pursuant to this paragraph, the Trustee shall deliver to the Delegate (a) a certificate signed by two directors of the Trustee, which shall be binding on the Certificateholders, stating that the Trustee is entitled to effect such dissolution and setting forth a statement of facts showing that the conditions precedent in (i) or (ii) have occurred, and (b) an opinion of independent legal advisers of recognised standing to the effect that the Trustee or, as the case may be, Tamweel has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Delegate shall be entitled to accept such certificate and legal opinion on sufficient evidence of the satisfaction of the relevant conditions precedent in which they shall be conclusive and binding on the Certificateholders.

(c) **Dissolution at the option of the Trustee**

If the Optional Dissolution (Call) (as set out in the applicable Final Terms) is specified in such Final Terms as being applicable, Tamweel shall:

(a) exercise its option granted under Clause 2.1.2 (*Grant of Rights*) of the Sale Undertaking Deed in accordance with Clause 3.1.2 (*Exercise and Undertaking*) thereof; and

(b) in its capacity as Mudarib, liquidate (in whole, but not in part) the Restricted Mudaraba in respect of the relevant Restricted Mudaraba Contract in accordance with the provisions of the Master Restricted Mudaraba Agreement and the applicable Restricted Mudaraba Contract,

and deliver an Exercise Notice to the Trustee specifying the due date for redemption of the Certificates (in whole, but not in part) on any Optional Dissolution Date specified in the applicable Final Terms, such notice to be delivered in the prescribed form set out in the Sale Undertaking Deed and not less than 30 nor more than 60 days prior to the due date for redemption stated therein.

Following provision by Tamweel of a duly completed Exercise Notice in the prescribed form pursuant to this Condition 10(c) (*Capital Distributions of the Trust—Dissolution at the Option of the Trustee*), the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to dissolve the Certificates on the relevant Optional Dissolution Date), dissolve the Trust and redeem (in whole, but not in part) the Certificates at the Dissolution Distribution Amount, together with Periodic Distribution Amounts accrued (if any) to the Optional Dissolution Date.

Upon the expiry of any such notice to Certificateholders as is referred to in this Condition 10 (*Capital Distributions of the Trust*), the Trustee shall be bound to dissolve the Certificates in accordance with this Condition 10 (*Capital Distributions of the Trust).* Upon payment in full of such amounts and the dissolution as aforesaid and termination of the relevant Trust, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(d) **Redemption at the Option of the Certificateholders** (**Change of Control Exercise Option**)

If a Change of Control Exercise Option is specified in the applicable Final Terms as being applicable, the Certificates may be cancelled following the occurrence of a Change of Control Event subject to and in accordance with this Condition 10(d) (*Capital Distributions of Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*).

Tamweel has undertaken in the Purchase Undertaking Deed, following the occurrence of a Change of Control Event, to notify the Trustee and the Delegate and to provide certain details in respect thereof.

The Trustee, upon receipt of such a notice from Tamweel or otherwise upon becoming aware of the occurrence of a Change of Control Event, shall promptly give notice (a "**Change of Control Notice**") of the occurrence of a Change of Control Event to the Certificateholders in accordance with Condition 17 (*Notices*).

A Change of Control Notice shall provide a description of the Change of Control Event and shall require Certificateholders to elect within 30 days of the date of the Change of Control Notice if they wish all or any of their Certificates to be redeemed.

To elect to redeem all or any of its Certificates in accordance with this Condition10(d) (*Capital Distributions of Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*), a Certificateholder must deposit its Certificate(s) with the relevant Paying Agent, Registrar or Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Change of Control Exercise Notice**") in the form obtainable from the relevant Paying Agent, Registrar or Transfer Agent (as applicable). If Certificates are represented by a Global Certificate or are in Definitive Certificate form and held through Euroclear or Clearstream, Luxembourg, then in order to exercise the right to require redemption of a Certificate under this Condition 10(d) (*Capital Distributions of Trust—Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*), a Certificateholder must, within the Change of Control Exercise Period, give notice to a Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (as applicable) (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to a Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg (as applicable) from time to time and, if this Certificate is represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to a Paying Agent for notation or entry in the Register accordingly. No Certificate so deposited and option exercised may be withdrawn (except if the condition referred to in the next paragraph is not satisfied and as otherwise provided in the Agency Agreement) without the prior consent of the Trustee.

The relevant Agent to which such Certificate and Change of Control Exercise Notice are delivered will issue to the holder concerned a non-transferable receipt (a "**Change of Control Exercise Notice Receipt**").

The relevant Agent shall serve a notice on the Trustee (the "**Change of Control Confirmation Notice**"). On the last day of the Change of Control Exercise Period, following the receipt of a Change of Control Confirmation Notice, pursuant to the Purchase Undertaking Deed, the Trustee shall serve a change of control purchase notice (the "**Change of Control Purchase Notice**") on Tamweel, requiring Tamweel on the Change of Control Put Date to:

(a) purchase the Change of Control Wakala Assets, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Change of Control Wakala Assets, at the Exercise Price specified in the relevant Notice; and

(b) in its capacity as the Rabb-al-Maal, instruct Tamweel, in its capacity as the Mudarib to, liquidate such Mudaraba Assets as the Mudarib may select in its sole and absolute discretion (the "**Change of Control Mudaraba Assets**"), the aggregate Value of which shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Change of Control Certificates and promptly, and in any event one Business Day before the relevant Change of Control Put Date, pay the proceeds of such sale into the Transaction Account.

The Trustee shall use the proceeds of the sale of the Change of Control Wakala Assets and such Mudaraba Assets as the Mudarib may select to redeem the Change of Control Certificates and shall cancel the Change of Control Certificates.

(e) **Dissolution following a Dissolution Event**

Upon the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date, all as further provided in Condition 14 (*Dissolution Events*).

(f) **No other Dissolution**

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 10 (*Capital Distributions of the Trust*), Condition 13(c) (*Purchase and Cancellation of Certificates—Dissolution of the Trust upon cancellation of all outstanding Certificates in a Series*) and Condition 14 (*Dissolution Events*).

(g) **Cancellations**

All Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold.

(h) **Effect of payment in full of Dissolution Distribution Amount**

Upon payment in full of the Dissolution Distribution Amount and the termination of the Trust, the Certificates shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

11. **TAXATION**

All payments in respect of the Certificates shall be made without withholding or deduction for or on account of any present or future taxes, levies, imports, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction ("**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by the Certificateholders, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

(i) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or

(ii) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day; or

(iii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) presented for payment (where presentation is required) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a different Member State of the European Union.

In these Conditions:

"**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the relevant Paying Agent or the Trustee on or before the due date, it means the date on which the full amount of the money having been so received, notice to that effect shall have been duly given to Certificateholders by the Trustee in accordance with Condition 17 (*Notices*); and

"**Relevant Jurisdiction**" means the Cayman Islands (in the case of any payment made by the Trustee) and the United Arab Emirates (in the case of any payment made by Tamweel) or, in each case, any political subdivision or authority thereof or therein having the power to tax.

The Master Restricted Mudaraba Agreement as supplemented by the relevant Restricted Mudaraba Contract and the Purchase Undertaking Deed provide that payments thereunder by Tamweel shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by Tamweel of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee or the Delegate acting on its behalf.

12. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within a period of ten years (in the case of the Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

13. PURCHASE AND CANCELLATION OF CERTIFICATES

(a) Purchases

Tamweel, and/or any of its Subsidiaries, and/or the Guarantor, and/or any of its Subsidiaries, may at any time purchase Certificates at any price in the open market or otherwise.

(b) Cancellation of Certificates held by Tamweel and/or any of its Subsidiaries and/or the Guarantor and/or any of its Subsidiaries

Following any purchase of Certificates pursuant to Condition 13(a) (the "**Cancellation Certificates**"), and if Tamweel wishes to cancel such Certificates purchased by it and/or any of its Subsidiaries, and/or the Guarantor, and/or any of its Subsidiaries, Tamweel may, in accordance with the terms of the Sale Undertaking Deed, deliver a Cancellation Notice to the Trustee requiring it to cancel any relevant Certificates so held by Tamweel and/or any of its Subsidiaries and/or the Guarantor and/or any of its Subsidiaries and the Trustee shall be obliged to transfer on any Cancellation Date the Wakala Assets specified by Tamweel in its sole and absolute discretion in the relevant Cancellation Notice (the "**Cancellation Wakala Assets**"), the Value of which shall be no greater than the Wakala Percentage of the Cancellation Certificates and provided always that:

(a) no Exercise Notice (as defined in the Purchase Undertaking Deed) has been delivered under the Purchase Undertaking Deed; and

(b) following the exercise of such right, the Tangibility Ratio shall be no less than 70 per cent.

Upon receipt by the Trustee of a Cancellation Notice, the Trustee, as Rabb-al-Maal, acknowledges and agrees that the Mudarib shall, transfer on the relevant Cancellation Date to Tamweel such Mudaraba Assets as selected by the Mudarib in its sole and absolute discretion ("**Cancellation Mudaraba Assets**"), provided that the aggregate Value of such Cancellation Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Cancellation Certificates.

Any transfer, assignment, conveyance and release of the Sukuk Assets to Tamweel pursuant to this Condition 13 may only take place on a Periodic Distribution Date and any Sukuk Assets to be so transferred, assigned, conveyed and released must be transferred, assigned, conveyed and released in full and there may not be any transfer of such Sukuk Assets in part only.

(c) Dissolution of the Trust upon cancellation of all outstanding Certificates in a Series

In the event Tamweel and/or any of its Subsidiaries, and/or the Guarantor, and/or any of its Subsidiaries, purchase all the outstanding Certificates in a Series under Condition 13(a) and all such Certificates are subsequently cancelled by the Trustee, the relevant Trust will be dissolved and the Certificates shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14. DISSOLUTION EVENTS

If, upon the occurrence of any of the following events (each a "**Dissolution Event**"):

(i) default is made in the payment of the Dissolution Distribution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and such default continues unremedied for a period of seven (7) Business Days; or

(ii) the Trustee defaults in the performance or observance of or compliance with any of its obligations (other than the payment obligations referred to in Condition 14(i) above) under the Transaction Documents to which it is a party and such default is not capable of remedy (in the opinion of the Delegate) or (if capable of remedy in the opinion of the Delegate) is not remedied within thirty (30) days after written notice of such default shall have been given to the Trustee by the Delegate; or

(iii) a Tamweel Event occurs under the Purchase Undertaking Deed; or

(iv) in respect of a Guaranteed Series only, a DIB Event occurs under the Master Deed of Guarantee; or

(v) the Trustee repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or

(vi) at any time it is or will become unlawful or impossible for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its obligations under the Transaction Documents to which it is a party or any of the obligations of the Trustee under the Transaction Documents are not, or cease to be, legal, valid, binding and enforceable; or

(vii) either (a) the Trustee becomes insolvent or is unable to pay its debts as they fall due, (b) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made), (c) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (d) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business; or

(viii) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or

(ix) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraph (vii) and (viii) above, **provided however that** in the case of the occurrence of any of the events described in (ii) and (vi), the Delegate shall, have certified to Tamweel that such event is, in its opinion, materially prejudicial to the interests of the Certificateholders, the Delegate shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), subject to it having been notified in writing of the occurrence of such Dissolution Event, give notice in writing of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 17 (*Notices*) with a request to such holders to indicate if they wish the Trust to be dissolved. If so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series outstanding or if so directed by an Extraordinary Resolution of the Certificateholders (a "**Dissolution Request**") it shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Trustee and Tamweel of the Dissolution Request and, upon receipt of such notice, the Trustee shall exercise its rights under the Purchase Undertaking Deed and distribute to the Certificateholders the proceeds of the resultant sale and the Certificates shall be redeemed at the Dissolution Distribution Amount on the date specified in such notice (the "**Dissolution Event Redemption Date**") and the Trust shall be dissolved on the day after the last outstanding Certificate has been redeemed.

For the purposes of paragraph (i) above, amounts shall be considered due in respect of the Certificates (including for the avoidance of doubt any amounts calculated as being payable under Condition 7 (*Fixed Periodic Distribution Provisions*), Condition 8 (*Floating Periodic Distribution Provisions*) and Condition 10 (*Capital Distributions of the Trust*)) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

15. ENFORCEMENT AND EXERCISE OF RIGHTS

(i) Upon the occurrence of a Dissolution Event, to the extent any amount payable in respect of the Certificates has not been paid in full, the Trustee or the Delegate, in their respective capacities and subject to being indemnified and/or secured and/or prefunded to its satisfaction, may (acting in their respective capacities for the benefit of the Certificateholders) take one or more of the following steps:

(A) enforce the provisions of the Purchase Undertaking Deed and/or Sale Undertaking Deed against Tamweel and/or the provisions of the Management Agreement against the Managing Agent; and/or

(B) enforce Tamweel's obligation (in its capacity as Mudarib) to liquidate the relevant Restricted Mudaraba in accordance with the provisions of the Master Restricted Mudaraba Agreement and the applicable Restricted Mudaraba Contract and any other Transaction Document to which Tamweel is a party; and/or

(C) if applicable, enforce the Guarantor's obligation (in its capacity as Guarantor) under the Guarantee; and/or

(D) take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

(ii) Following the enforcement, realisation of the Certificates and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and the right of the Certificateholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate nor the Guarantor shall be liable for any such sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including Tamweel and the Guarantor) to recover any such sum or asset in respect of the relevant Certificates or the Trust Assets. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.

(iii) Subject to paragraph (ii) above, no Certificateholder shall be entitled to proceed directly against, or provide instructions to the Delegate to proceed against, the Trustee, Tamweel or the Guarantor under any Transaction Document to which either of them is a party or otherwise unless (a) the Delegate fails to do so within a reasonable period of becoming bound and such failure is continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee, Tamweel, or the (if applicable) Guarantor, as the case may be) holds at least 20 per. cent of the then outstanding aggregate face amount of the Certificates pertaining to the relevant Series. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets otherwise than in accordance with the Purchase Undertaking Deed and the sole right of the Delegate and the Certificateholders against the Trustee, Tamweel and the (if applicable) Guarantor shall be to enforce their respective obligations under the Transaction Documents.

(iv) Subject to paragraph (ii) above, the Delegate shall not be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action against the Trustee and/or Tamweel and/or the Managing Agent and/or (if applicable) the Guarantor under any Transaction Document to which either of the Trustee or Tamweel is a party or otherwise unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the Certificates of the relevant Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable and **provided that** the Delegate shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders.

16. REPLACEMENT OF CERTIFICATES

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar (and, if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Trustee may reasonably require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

17. NOTICES

Save as provided in this Condition 17 (*Notices*) all notices regarding the Certificates will be in the English language and will deemed to be validly given if published in a leading English language daily newspaper published in the Republic of Ireland (which is expected to be the *Irish Times*) or published on the website of the Irish Stock Exchange (www.ise.ie) or in either case if such publication is not practicable, in a leading

English language newspaper having general circulation in Europe. The Trustee shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Certificates are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any Definitive Certificates are issued, there may, so long as the Global Certificate representing the Certificates is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Certificates. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with the relevant Certificate or Certificates, with the Principal Paying Agent.

18. **MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

(i) The Master Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Master Declaration of Trust. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee and shall be convened by it upon the request in writing of Certificateholders holding not less than one tenth. of the aggregate face amount of the Certificates of a Series. The quorum at any meeting for passing an Extraordinary Resolution will be two or more Certificateholders, proxies or representatives holding or representing in the aggregate more than half of the then outstanding aggregate face amount of the Certificates (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series) or at any adjourned such meeting two or more Certificateholders, proxies or representatives (whatever the outstanding face amount of the Certificates of all the relevant Series held or represented by him/ her or them), **provided however that** at any meeting the business of which includes the modification of certain provisions of the Certificates (including, among others, modifying the relevant Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates, altering the currency of payment of the Certificates or amending any of Tamweel's covenants to make a payment under any Transaction Document), the quorum shall be two or more Certificateholders, proxies or representatives holding or representing in the aggregate not less than three quarters of the then aggregate outstanding face amount of the Series (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series) or at any adjourned such meeting one or more Certificateholders, proxies or representatives holding or representing not less than one quarter of the then aggregate outstanding face amount of the Series (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series). To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than three-quarters of the votes cast on such poll and, if duly passed, will be binding on all Certificateholders, whether or not they are present at the meeting and whether or not voting.

(ii) The Master Declaration of Trust provides that a resolution in writing signed by or on behalf of all the holders of the Certificates outstanding who for the time being are entitled to receive notice of a meeting in accordance with Schedule 4 (*Provisions for Meetings of Certificateholders*) of the Master Declaration of Trust shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held.

Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

(iii) The Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document and the Trustee's memorandum and articles of association may only be amended by the Trustee with the consent of the Delegate and the Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of any of the Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document or the Trustee's memorandum and articles of association if, in the opinion of the Delegate: (i) such modification is of a formal, minor or technical nature; (ii) such modification is made to correct a manifest error; or (iii) such modification is not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter or any provisions of the Master Declaration of Trust referred to in the definition of a Reserved Matter. Any such modification may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding on the Certificateholders and, unless the Delegate otherwise decides, shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

(iv) The Delegate may, without the consent or sanction of the Certificateholders and without prejudice to its rights in respect of any subsequent breach from time to time and at any time: (i) give its consent under these presents or any other Transaction Document and agree to waive or to authorise any breach or proposed breach of any provision of the Master Declaration of Trust or any other Transaction Document; or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, **provided that**: (A) in the opinion of the Delegate, such waiver, authorisation or determination is not materially prejudicial to the interests of the outstanding Certificateholders; and (B) the Delegate will not do so in contravention of an express direction given by Extraordinary Resolution or a request made pursuant to Condition 14 (*Dissolution Events*). No such direction or request will affect a previous waiver, authorisation or determination. Any such waiver, authorisation or determination shall be binding on the Certificateholders and unless the Delegate otherwise requires, shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

(v) In connection with the exercise by it of any of its powers, trusts, authorities and discretions under the Master Declaration of Trust (including, without limitation, any modification), the Delegate shall have regard to the general interests of the Certificateholders as a class (except where the context otherwise requires (as determined by the Delegate in its absolute discretion)) and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from them being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, Tamweel or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Trustee and Tamweel, to the extent already provided for in Condition 11 (*Taxation*)).

19. THE DELEGATE

The Trustee has in the Master Declaration of Trust irrevocably and unconditionally appointed the Delegate to be its attorney and in its name, on its behalf and as its act and deed to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), trusts, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Master Declaration of Trust) and discretions vested in the Trustee by the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, that the Delegate may consider to be necessary or desirable, and subject in each case to it being indemnified and/or secured and/or prefunded to is satisfaction, in order, upon the occurrence of a Dissolution Event or Potential Dissolution Event, to exercise all of the rights of the Trustee under the Purchase Undertaking Deed and the relevant Transaction Documents, **provided that** no obligations, duties, Liabilities or covenants of the Trustee pursuant to the Master Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this delegation, and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, (together the "**Delegation**" of the "**Relevant Powers**"), **provided that** in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the relevant Trust Assets and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, trust, authority or discretion to hold any of the relevant Trust Assets, to dissolve any of the trusts constituted by the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Master Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

The Master Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Master Declaration of Trust, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 15 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Tamweel under the Transaction Documents to which it is party or of the Guarantor under the Guarantee and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by Tamweel or the Guarantor but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust.

The Delegate may rely without liability to Certificateholders on a report, confirmation, certificate or any advice of any accountants, financial advisers, financial institution, auditors, insolvency officials or any other expert (whether or not addressed to the Delegate and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Delegate or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise) in accordance with or for the purposes of the Master Declaration of Trust or the other relevant Transaction Documents. The Delegate may accept and shall be entitled to rely on any such report, confirmation or certificate or advice as sufficient evidence of the facts stated therein and such report, confirmation, certificate or advice shall be binding on the Trustee, the Delegate and the Certificateholders. The Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

Each of the Trustee and the Delegate is exempted from: (a) any liability in respect of any loss or theft of the Trust Assets or any cash; (b) any obligation to insure the Trust Assets (other than, with respect to the Trustee, in accordance with the Transaction Documents) or any cash; and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of gross negligence, wilful default or fraud by the Trustee or the Delegate, as the case may be.

Nothing shall, in any case where the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Master Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Master Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Master Declaration of Trust.

20. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21. GOVERNING LAW AND ARBITRATION

(i) *Governing Law*

The Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust (including these Conditions), the Master Deed of Guarantee as supplemented by the relevant

Supplemental Deed of Guarantee, the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with the same (including the remaining provisions of this Condition 21 (*Governing Law and Arbitration*)) are and shall be governed by, and construed in accordance with, English law.

(ii) *Agreement to arbitrate*

Subject to Condition 21(iii) (*Governing Law and Arbitration—Option to Litigate*), any dispute, claim, difference or controversy arising out, relating to or having any connection with the Master Declaration of Trust and/or the Conditions (including any dispute as to the existence, validity, interpretation, performance, breach or termination or the consequences of any nullity thereof and any dispute relating to any non-contractual obligations arising out of or in connection with the Master Declaration of Trust and/or the Certificates) ("**Dispute**") shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("**LCIA**") Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 21 (*Governing Law and Arbitration*). For these purposes:

(A) the place of arbitration shall be London;

(B) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and

(C) the language of the arbitration shall be English.

(iii) *Option to litigate*

Notwithstanding the agreement that any Dispute will be settled by arbitration as set out in Condition 21(ii) (*Governing Law and Arbitration—Agreement to arbitrate*), the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, may, in the alternative and at its sole discretion, by notice in writing to the Trustee and Tamweel:

(A) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(B) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 21(iii) (*Governing Law and Arbitration— Effect of exercise of Option to litigate*) and subject as provided below, any arbitration commenced under Condition 21(ii) (*Governing Law and Arbitration—Agreement to arbitrate*) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, as the case may be, must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts.

Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be functus officio. The termination is without prejudice to:

(A) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(B) his entitlement to be paid his proper fees and disbursements; and

(C) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

(iv) *Effect of exercise of option to litigate*

In the event that a notice pursuant to Condition 21(iii) (*Governing Law and Arbitration—Option to litigate*) is issued, the following provisions shall apply:

(A) subject to paragraph (C) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Trustee submits to the exclusive jurisdiction of such courts;

(B) the Trustee agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(C) this Condition 21(iv) (*Governing Law and Arbitration—Effect of exercise of option to litigate*) is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding paragraph (A) above, the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Certificateholders may take concurrent Proceedings in any number of jurisdictions.

(v) *Process agent*

The Trustee agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom or, if different, its registered office for the time being or at any address of the Trustee in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Trustee, the Trustee shall appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Delegate shall be entitled to appoint such a person by written notice addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying Agent. Nothing in this Condition shall affect the right of any party to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(vi) *Waiver*

Under the Master Declaration of Trust, Tamweel acknowledges that the transactions contemplated by the Master Declaration of Trust are commercial transactions and, to the extent that Tamweel may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to Tamweel or its assets or revenues, Tamweel agrees not to claim and irrevocably and unconditionally waives such immunity to the full extent permitted by the laws of such jurisdiction in relation to any Proceedings or Disputes.

APPLICABLE FINAL TERMS

The Final Terms in respect of each Series of Certificates will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Certificates and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

[Date]

Tamweel Funding III Ltd.

Issue of [*Aggregate Face Amount of Tranche*] [*Title of Certificates*]
under the
U.S.$. 1,000,000,000
Trust Certificate Issuance Programme

PART A—CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 22 December, 2011 [and the Base Prospectus supplement dated [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Certificates described herein for the purposes of Article 5.3 of the Prospectus Directive. These Final Terms contain the final terms of the Certificates and must be read in conjunction with the Base Prospectus [as supplemented]. Full information on the Trustee, Tamweel and the offer of the Certificates is only available on the basis of a combination of these Final Terms and the Base Prospectus [as supplemented]. The Base Prospectus [and the Base Prospectus supplement[s] [is/are] available for viewing at the market news section of the Irish Stock Exchange website (www.ise.ie) and during normal business hours at the registered offices of Tamweel at Business Avenue Building, Mezzanine Floor, P.O. Box 111555, Dubai, U.A.E. and of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.*]

[*When adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus.*]

1.	(i)	Trustee:	Tamweel Funding III Ltd.
	(ii)	Obligor:	Tamweel PJSC
2.	(i)	Series:	[●]
	(ii)	Tranche:	[●]
3.	(i)	Guarantee:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(ii)	Guarantor:	Dubai Islamic Bank PJSC
	(iii)	Date of approval for Guarantee:	[●]
	(iv)	Principal Limit:	[●]
3.		Specified Currency:	[●]
4.		Aggregate Face Amount of Tranche:	[●]
5.		Issue Price:	100 per cent. of the Aggregate Face Amount
6.	(i)	Specified Denominations:	[●] (*this means the minimum integral amount in which transfers can be made*) *[N.B. If an issue of Certificates is (i) NOT admitted to trading on an European Economic Area exchange and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €100,000 minimum denomination is not required.]*

	(ii) Calculation Amount	[●][3]
7.	(i) Closing Date:	[●]
	(ii) Income Period Commencement Date:	[Closing Date][*specify other*]
8.	Scheduled Dissolution Date:	[●] [*Specify date or (for Floating Periodic Distribution Certificates) the Periodic Distribution Date falling in or nearest to the relevant month and year.*]
9.	Periodic Distribution Amount Basis:	[[●] per cent. per annum Fixed Periodic Distribution Amount] [[*specify reference rate*] +/-[●] per cent. Floating Periodic Distribution Amount] (*further particulars specified below*)
10.	Dissolution Basis:	Dissolution at par
11.	Change of Periodic Distribution Basis:	[*Specify details of any provision for convertibility of Certificates to another Periodic Distribution Amount basis.*] [Not Applicable]
12.	Exercise Options:	[Not Applicable] [Optional Dissolution (Call)] [Change of Control Exercise Option] [*further particulars specified below*]
13.	Date approval for issuance of Certificates obtained:	[●] in the case of the Trustee [●] in the case of Tamweel [(*N.B. only relevant where board (or similar) authorisation is required for the particular Tranche of Certificates*)] UAE Central Bank approval dated [●]
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATION TO PERIODIC DISTRIBUTIONS PAYABLE

15.	Fixed Periodic Distribution Provisions:	[Applicable/Not Applicable] [(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)]
	(i) Rate[(s)]:	[●] per cent. per annum [payable [annually/ semi-annually/ quarterly/ monthly] in arrear]
	(ii) Periodic Distribution Date(s):	[[●] in each year up to and including the Scheduled Dissolution Date] [*specify other*]
	(iii) Fixed Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount[(s)]:	[[●] per Calculation Amount][Not Applicable] [*Insert particulars of any initial or final broken Periodic Distribution Amounts which do not correspond with the Fixed Amount [(s)] specified under paragraph 15(iii)*]
	(v) Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or [*specify other*]]

[3] The applicable Calculation Amount (which is used for the calculation of periodic distribution amounts and dissolution distribution amounts) will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Certificates or (ii) if there are several Specified Denominations (e.g. Specified Denominations of EUR 100,000 and multiples of EUR 1,000), the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).

	(vi) Determination Date(s):	[[●] in each year][Not Applicable] [*Insert regular Periodic Distribution Dates, ignoring Closing Date or Scheduled Dissolution Date in the case of a long or short first or last Return Accumulation Period. N.B. This will need to be amended in the case of regular Periodic Distribution Dates which are not of equal duration.*] [*N.B. Only relevant where Day Count Fraction is Actual/ Actual (ICMA)*]
	(vii) Other terms relating to the method of calculating Fixed Periodic Distribution Amounts:	[Not Applicable/*give details*]
16.	Floating Periodic Distribution Provisions	[Applicable/Not Applicable] [(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)]
	(i) Specified Periodic Distribution Dates:	[●]/[Not Applicable] (*Specified Period and Specified Periodic Distribution Dates are alternatives. If the Business Day Convention is the Floating Rate Convention, insert "Not Applicable"*)
	(ii) Specified Period:	[●]/[Not Applicable] (*Specified Period and Specified Periodic Distribution Dates are alternatives. A Specified Period, rather than Specified Periodic Distribution Dates, will only be relevant if the Business Day Convention is the Floating Rate Convention. Otherwise, insert "Not Applicable"*)
	(iii) First Periodic Distribution Date	[●]
	(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
	(v) Additional Business Centre(s):	[Not Applicable/*give details*]
	(vi) Manner in which the Rate(s) is/are to be determined:	[Screen Rate Determination (Condition 8(c) (*Floating Periodic Distribution Provisions—Screen Rate Determination*) applies/*specify other*]
	(vii) Screen Rate Determination:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	• Reference Rate:	[●] [*For example, LIBOR or EIBOR*]
	• Periodic Distribution Determination Date:	[●] (*Second London business day prior to the start of each Return Accumulation Period if LIBOR (other than Sterling or euro LIBOR), first day of each Return Accumulation Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Return Accumulation Period if EURIBOR or euro LIBOR*)
	• Relevant Screen Page:	*[●]*
	• Relevant Time:	[●] [*For example, 11.00 a.m. London time*]
	(viii) Margin:	[+/-] [●] per cent. per annum
	(ix) Day Count Fraction:	[Actual/Actual], [Actual/Actual (ICMA)], [Actual/365 (Fixed), [Actual/360], [30/360] or [30E/360] (*See Condition 8(e) (Floating Periodic Distribution Provisions—Calculation of Periodic Distribution Amount*)

	(x) Calculation Agent:	[Principal Paying Agent]/[*specify other*]
	(xi) Other terms relating to the method of calculating Floating Periodic Distribution Amounts:	[Not Applicable]/[*give details*]

PROVISIONS RELATING TO REDEMPTION

17.	Optional Dissolution (Call):	[Applicable/Not Applicable] [(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)]
	(a) Dissolution Distribution Amount of each Certificate:	[●] per Calculation Amount
	(b) Optional Dissolution Date:	[Any Periodic Distribution Date]/[*specify other*]
	(c) Exercise Period:	[●]
	(d) Stabilising Manager(s) (if any):	[Not applicable/*give name*]
	(e) Notice period:	[●] (*If other than as set out in Condition* 18 (*Notices*)
18.	Change of Control Exercise Option:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(a) Provisions relating to Change of Control Exercise Option:	[●]
	(b) Change of Control Exercise Period:	[●]
	(c) Change of Control Event:	[●]
	(d) Change of Control Amount:	[●]
19.	Dissolution Distribution Amount of each Certificate:	[●] per Calculation Amount [*specify other*] [*Applies to early redemption on Dissolution Event and redemption on Scheduled Dissolution Date*]
20.	Dissolution Distribution Amount of each Certificate following early dissolution for tax reasons:	[Dissolution Distribution Amount]/[●] per Calculation Amount [*specify other*]

GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

21.	Form of Certificates:	Registered Certificates Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate.
22.	Additional Financial Centre(s) relating to payment:	[Not applicable/*specify*] [(*Note that this item relates to the place of payment and not Return Accumulation Period end dates, to which item 16(vii) relates*)]

PROVISIONS IN RESPECT OF THE TRUST ASSETS

23.	Wakala Portfolio Assets on the Issue Date:	As scheduled to the Supplemental Purchase Contract dated [●], a copy of which is set out in Annex 1 hereto.
24.	Mudaraba Portfolio on Issue Date:	An undivided ownership interest in Istisna Assets, certain Real Estate Ijara Assets subject to Real Estate Ijara Contracts (including any ancillary rights under such Real Estate Ijara Contracts).
25.	Trust Assets:	[Condition 5(a) (*Trust—Summary of the Trust*) applies] [*specify other*]
26.	Transaction Account	
	(a) Details of Transaction Account:	[●] [[●] Transaction Account No: [●] with [●] for Series No.: [1/2/3 etc]]
	(b) Currency:	[●]
27.	Other Transaction Document Information	
	(a) Supplemental Declaration of Trust:	Supplemental Declaration of Trust dated [●] between the Trustee[, Tamweel] and the Delegate
	(b) Restricted Mudaraba Contract:	Restricted Mudaraba Contract dated [●] between the Rabb-al-Maal and [the Mudarib]
	[(c) Supplemental Deed of Guarantee:]	[Supplemental Deed of Guarantee dated [●] between the Guarantor and the Trustee][1]
	[(d) Supplemental Guarantor Agreement:]	[Supplemental Guarantor Agreement dated [●] Guarantor and the Manager][2]
28.	Other final terms:	[Not Applicable/*give details*] [(*When adding any other final terms, consideration should be given as to whether such terms trigger the need for a supplement to the Base Prospectus*]

DISTRIBUTION

29.	(a) If syndicated, names of Managers:	[Not Applicable/give names]
	(b) Date of Subscription Agreement:	[Not Applicable/*give date*]
30.	If non-syndicated, name of relevant Dealer(s):	[Not Applicable/give names]
31.	U.S. Transfer and Selling Restrictions:	[Regulation S. Category 2]
32.	Additional Selling Restrictions:	[Not Applicable/*give details*]

(1) To be inserted only for a Guaranteed Series.
(2) To be inserted only for a Guaranteed Series.

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to the Official List of the Irish Stock Exchange and trading on its Regulated Market of the Certificates described herein pursuant to the U.S.$1,000,000,000 Trust Certificate Issuance Programme of Tamweel Funding III Ltd.

RESPONSIBILITY

Each of the Trustee and the Obligor accepts responsibility for the information contained in these Final Terms. To the best of the knowledge and belief of each of the Trustee and the Obligor (having taken all reasonable care to ensure that such is the case) the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information. [[●] has been extracted from [*specify source*]. Each of the Trustee and Tamweel confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

SIGNED on behalf of
Tamweel Funding III Ltd.

By: ______________________________
Duly authorised

SIGNED on behalf of
Tamweel PJSC

By: ______________________________
Duly authorised

SIGNED on behalf of
Tamweel PJSC

By: ______________________________
Duly authorised

[The Guarantor accepts responsibility for the information contained in paragraph 3 of Part A of these Final Terms. The Guarantor does not take responsibility for any other information contained in these Final Terms.]

[SIGNED on behalf of
Dubai Islamic Bank PJSC

By: ______________________________ ______________________________
Duly authorised][1]

[1] To be signed by the Guarantor only for a Guaranteed Series.

PART B—OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i) Listing:	[Irish Stock Exchange/other (*specify*)/None]
(ii) Admission to trading:	[Application has been made for the Certificates to be admitted to the Official List of the Irish Stock Exchange and trading on its Regulated Market with effect from [●].] [Not Applicable.]
(iii) Estimate of total expenses related to admission to trading:	[●]

2. [RATINGS]

[Ratings:]	[The Certificates have been rated:] [Fitch:] [●] [Moody's: [●]] [(*The above disclosure should reflect the rating allocated to Certificates of the type being issued under the Programme generally or, where the issue has been specially rated, that rating*).] [[*Insert full legal name of credit rating agency*] is established in the European Union and registered under Regulation (EU) No. 1060/2009. (as amended). As such, [*full legal name of credit rating agency*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation. A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save as described in "*Subscription and Sale*", so far as each of the Trustee and Tamweel is aware, no person involved in the issue of the Certificates has an interest material to the offer—*Amend as appropriate if there are other interests*.]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer	[●] *[(See "Consideration for issuance of Certificates" in Base Prospectus—if reasons for the offer are different to such description, those reasons will need to be included here.)]* [Information not provided]
(ii) Estimated net proceeds:	[●] [Not applicable]
(iii) [Estimated total expenses:	[●] (Include breakdown of expenses.)]

5. **PROFIT RETURN** (**YIELD**) (*Fixed Periodic Distribution Certificates only*)

[Indication of yield:	[●] The yield is calculated at the Closing Date on the basis of the Issue Price. It is not an indication of future yield.] [Not Applicable.]

6. **OPERATIONAL INFORMATION**

(i) ISIN Code:	[●] [*Not Applicable*]
(ii) Common Code:	[●] [*Not Applicable*]
(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv) Delivery:	Delivery [against/free of] payment
(v) Names and addresses of initial Paying Agent(s):	[●]
(vi) Names and addresses of additional Paying Agent(s) (if any):	[●]

ANNEX I
ASSETS[4]

WAKALA ASSETS

[●]

[4] Insert Details of Portfolio Assets

FORM OF THE CERTIFICATES

The Certificates of each Series will be in registered form. Certificates will be issued outside the United States in reliance on Regulation S under the Securities Act.

Global Certificates

Each Series of Certificates will initially be represented by a global trust certificate in registered form (a "**Global Certificate**"). Global Certificates will be deposited with a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the Common Depositary. Persons holding beneficial interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Certificates in fully registered form.

Payments to registered Holder

Payments of any amount in respect of the Global Certificates will, in the absence of provision to the contrary, be made to the person shown in the Register (as defined in the Conditions) as the registered Holder of the .Certificates represented by a Global Certificate at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where the "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business. None of the Trustee, the Delegate, Tamweel, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payment of any amounts in respect of Certificates in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 1 (*Interpretation*)) immediately preceding the due date for payment in the manner provided in that Condition.

Exchange for definitives

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 17 (*Notices*) if an Exchange Event occurs. For these purposes, an "**Exchange Event**" will occur: (i) on the expiry of such period of notice as may be specified in the applicable Final Terms; or (ii) at any time, if so specified in the applicable Final Terms; or (iii) if the applicable Final terms specifies "in the limited circumstances described in the Global Certificate", then if: (a) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system is available; or (b) any of the circumstances described in Condition 14 (*Dissolution Events*) occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any other person acting on their behalf, as the case may be, (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

For so long as any Certificate is represented by a Global Certificate held on behalf of Euroclear and/ or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Certificate (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificate standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such face amount of such Certificate for all purposes other than with respect to any payment on such face amount of such Certificate, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Trustee and their respective agents as the holder of such face amount of such Certificate in accordance with and subject to the terms of the relevant Global Certificate and the expressions "**Certificateholder**" and "**holder of Certificates**" and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context permits, be deemed to include a reference to any additional or alternative clearing system specified the applicable Final Terms.

USE OF PROCEEDS

The Proceeds of each Series of Certificates issued under the Programme will be applied by the Trustee as follows:

(i) by applying a portion of the Proceeds towards the purchase from Tamweel, by way of sale and transfer, of the rights, title, interests, benefits and entitlements that Tamweel may have in the Wakala Assets of the relevant Series; and

(ii) by depositing the remaining portion in the Mudaraba Account and such amount will constitute the Mudaraba Capital of the Rabb-al-Maal in the Restricted Mudaraba constituted by a Restricted Mudaraba Contract entered into with the Mudarib.

DESCRIPTION OF THE TRUSTEE

INTRODUCTION

The Trustee, a Cayman Islands exempted company with limited liability, was incorporated on 9 August, 2011 under the Companies Law (as amended) of the Cayman Islands with company registration number WK-260523 under the name Tamweel Funding III Ltd. and its registered office address is c/o Walkers SPV Limited at Walker House, 87 Mary Street, Georgetown, Grand Cayman, KY1-9002, Cayman Islands, and its telephone number is +345 945 37 27.

Business of the Trustee

The primary purpose of the Trustee is to issue the Certificates and enter into the transactions contemplated by the Transaction Documents. The Trustee is a newly formed Cayman Islands entity incorporated on 9 August 2011 and as at the date of the Base Prospectus, has not commenced business and does not have any substantial assets or liabilities. Tamweel Funding III Ltd. receives a fee of $100 for each Series issuance for acting as trustee.

The objects for which the Trustee is established are set out in Article 3 of its Memorandum of Association as registered or adopted on 27 October, 2011.

Share Capital of the Trustee

The Trustee has no subsidiaries. The Trustee has an authorised Share Capital of U.S.$50,000.00 consisting of 50,000 shares of U.S.$1.00 par value each, of which all 250 shares of U.S.$.1.00 nominal or par value have been issued and fully paid up as at the date of this Base Prospectus.

The Trustee's entire issued share capital is held by Walkers SPV Limited under the terms of a charitable purpose trust dated 2 November, 2011 under which Walkers SPV Limited holds the shares of the Trustee in trust until the termination date defined in the charitable purpose trust.

Prior to the termination date of the charitable purpose trust, the trust is an accumulation trust but Walkers SPV Limited (as trustee of the shares in the Trustee) has the power to benefit the Certificateholders or a qualified charity (as defined in the charitable purpose trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the termination date of the charitable purpose trust, Walkers SPV Limited (as trustee of the shares in the Trustee) will wind up the trust and make a final distribution to charity. Walkers SPV Limited (as trustee of the shares in the Trustee) has no beneficial interest in and derives no benefit (other than its fee for acting as trustee of the shares in the Trustee) from its holding of the shares in the Trustee.

Financial Statements

Since its date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Corporate Administration

Walkers SPV Limited will act, or procure that a subsidiary acts, as the corporate service provider of the Trustee (the "**Trustee Administrator**") pursuant to the terms of the Corporate Services Agreement to be entered into between the Trustee and the Trustee Administrator. In consideration of the foregoing, the Trustee Administrator will be entitled to receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that the Trustee may terminate the appointment of the Trustee Administrator by either giving one month's notice to the Trustee Administrator or without notice upon the happening of any certain stated events, including breach by the Trustee Administrator of its obligations under the Corporate Services Agreement. In addition, the Corporate Services Agreement provides that the Trustee Administrator shall be entitled to retire from its appointment by giving at least one month's written notice to the Trustee.

The Trustee Administrator will be subject to the overview of the Trustee's Board of Directors.

Management and Employees

The Trustee has no employees and is not expected to have any employees in the future.

Directors

The directors of the Trustee are all officers of the Trustee Administrator. The directors of the Trustee and their other principal activities at the date hereof are as follows:

Name	Other principal activities
Rachel Rankin	Senior Vice President, Walkers SPV Limited
Otelia Scott	Assistant Vice President, Walkers SPV Limited

The business address of the directors is c/o Walkers SPV Limited, Walker House, 87 Mary Street, Georgetown, Grand Cayman, KY1-9002, Cayman Islands.

DIRECTORS' INTERESTS

No director listed above has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Trustee and no director has any conflict of interest and/or any potential conflict of interest between any of its duties to the Trustee and its private interests and/or other duties

DESCRIPTION OF TAMWEEL PJSC

OVERVIEW

Tamweel PJSC ("**Tamweel**") is a leading provider of Sharia compliant residential property financing in the UAE with a significant share of that market. Tamweel's core business is the provision of Sharia compliant home financing solutions to real estate buyers in the UAE. Historically, Tamweel was also involved in investments in properties and property development, although this activity has reduced substantially during the last two years and is no longer considered to be a core business.

During late 2008, 2009 and into 2010 the real estate finance market in the UAE was adversely affected by the global credit crisis. Following an initiative led by the UAE Government and the Government of Dubai during 2009 and 2010 to assist the real estate finance sector in the UAE (see "*History—Impact of Global Credit Crisis*"), DIB increased its shareholding in Tamweel from 20.77 per cent. to 58.25 per cent. in November 2010 and, accordingly, Tamweel is currently a subsidiary of DIB. A new board of directors of Tamweel was subsequently appointed during Tamweel's 2010 annual general assembly, which comprises four directors appointed by DIB and three other independent directors (see "*—Management*"). The Government of Dubai currently holds 30 per cent. of the share capital in DIB (see "*Description of Dubai Islamic Bank PJSC—Shareholders and Capital Structure*").

As of 30 September 2011, Tamweel had total assets of AED 9.9 billion (U.S.$ 2.7 billion), compared to AED 10.2 billion (U.S.$ 2.8 billion) as of 31 December 2010 and AED 11.6 billion (U.S.$ 3.2 billion) as of 31 December 2009. As of 30 September 2011, Tamweel had total equity of AED 2.3 billion (U.S.$ 0.6 billion), compared to AED 2.2 billion (U.S.$ 0.6 billion) as of 31 December 2010 and AED 2.2 billion (U.S.$ 0.6 billion) as of 31 December 2009.

For the nine month period ended 30 September 2011, Tamweel's net profit was AED 70.6 million (U.S.$ 19.2 million), compared to AED 17.9 million (U.S.$ 4.9 million) during the nine month period ended 30 September 2010. For the year ended 31 December 2010, Tamweel's net profit was AED 26.0 million (U.S.$ 7.1 million), compared to a net loss of AED 54.5 million (U.S.$ 14.8 million) during the year ended 31 December 2009.

As of each of 30 September 2011 and 31 December 2010, Tamweel's Islamic financing and investing assets (net of impairments) were AED 9.3 billion (U.S.$ 2.5 billion) and AED 9.2 billion (U.S.$ 2.5 billion), respectively, compared to AED 10.4 billion (U.S.$ 2.8 billion) as of 31 December 2009. Tamweel's financing obligations stood at AED 7.3 billion (U.S.$ 2.0 billion) as of 30 September 2011, compared to AED 7.6 billion (U.S.$ 2.1 billion) as of 31 December 2010 and AED 8.5 billion (U.S.$ 2.3 billion) as of 31 December 2009.

Tamweel is licensed by the UAE Central Bank (the "**Central Bank**") to operate as an Islamic finance company. Accordingly, Tamweel is subject to UAE Central Bank regulations (including the Central Bank Board of Directors' Resolution No.165/6/2004 issued on 6 December 2004 regarding the regulation of finance companies which operate in accordance with Sharia principles) as well as the laws of Dubai and the applicable federal laws of the UAE.

Tamweel's registered head office is currently located at Business Avenue Building, Mezzanine Floor, P.O. Box 111555, Dubai, UAE and its telephone number is +971 4 294 4400. Tamweel has two branches: one in Dubai and one in Abu Dhabi.

HISTORY

General

Tamweel was originally established in Dubai on 11 November 2000 as a limited liability company under the name of Emirates Finance Company LLC ("**EFC**"). From November 2002, DIB held 99.50 per cent. of the shares in EFC until mid-2003 when DIB and Istithmar, the investment arm of the Dubai World Group, entered into a joint venture arrangement. EFC was renamed Tamweel LLC. Tamweel LLC opened for business in March 2004. Until June 2006, DIB held 50 per cent. of the shares in Tamweel LLC and Istithmar held the remaining 50 per cent.

In February 2006, Tamweel LLC launched its initial public offering. In June 2006, Tamweel LLC was converted into a public joint stock company, Tamweel PJSC, in accordance with UAE Federal Law No (8) of 1984, as amended. In July 2006 its shares started trading on the Dubai Financial Market ("**DFM**").

Impact of Global Credit Crisis

During most of 2008 and into early 2009, global credit markets, particularly in the United States and Europe, experienced difficult conditions. These challenging market conditions resulted in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in global credit markets. In addition, the financial crisis had a significant effect on the real estate sector within the UAE and the wider GCC and, in particular, resulted in a rapid decline in demand for new property in Abu Dhabi and Dubai in particular which, in turn, depressed real estate prices and led to a number of real estate developments being cancelled, delayed or scaled-back in size (see "*Overview of the Property Market in Dubai*").

The financial crisis had a negative impact on Tamweel's business in four principal ways. First, the disruption to the credit markets during this time meant that Tamweel, in common with many other businesses, found it challenging to obtain external funding. In particular, Tamweel had traditionally funded its mortgage lending activities principally through short-term wholesale bank financing and corporate investment deposits ("**CIDs**") (since Tamweel has never been licensed to accept deposits from retail customers, that source of funding has never been available to it). Secondly, the number of property asset sales in the UAE decreased significantly during this time and, since Tamweel's business was concentrated in the home finance sector, its ability to originate new loans tracked this trend in the market. As a result, Tamweel ceased originating new financings from the first quarter of 2009. Thirdly, the number of delinquent accounts increased as customers defaulted on their mortgage obligations to Tamweel (see "*—Business Activities—Islamic financing and investing assets—Business Pillars—Underwriting—Collection Procedures and Delinquent Accounts*"). Fourthly, following the steep correction in real estate prices during this period, a number of Tamweel's customers found themselves in negative equity with their properties worth less than their outstanding financing obligations.

In order to address the issues faced by Tamweel as a result of the global credit crisis, a number of initiatives were instigated both within Tamweel and by its principal stakeholders:

Increased shareholding by DIB

In 2008 and in response to the global credit crisis and tight liquidity issues within the UAE, the UAE Ministry of Finance formed a steering committee (the "**Steering Committee**") comprising experts from various UAE ministries and regulatory bodies to investigate the revival of real estate finance markets in the UAE and, particularly, the business of Tamweel and Amlak Finance PJSC ("**Amlak**") in recognition of the importance of the real estate mortgage business to the UAE's financial system as a whole. The Steering Committee appointed various advisors (including accounting and legal firms and an investment bank) to assist it in making recommendations to the UAE's Minister of Economy. Various options were considered by the Steering Committee and, on 23 November 2008, the UAE Ministry of Finance announced that it had officially started the procedure to merge Tamweel and Amlak. Following the announcement of the pending merger between Tamweel and Amlak, trading in Tamweel's shares on the DFM was suspended.

Ultimately the merger proposal did not proceed and, on 26 September 2010, the Steering Committee and the Government of Dubai (with the personal approval of H.H. Sheikh Mohammed bin Rashid Al Maktoum) determined that the most economical and practical solution for safeguarding Tamweel's long-term business would be to increase DIB's shareholding in Tamweel. Accordingly, in November 2010 DIB increased its shareholding in Tamweel from 20.77 per cent. to 58.25 per cent. by buying shares from certain other Tamweel shareholders (including Istithmar, Dubai Investment Group, Dubai Capital Group and the DFM). Formal approvals for the increase in DIB's shareholding were obtained from the UAE Ministries of Economy and Finance, the Central Bank, the Emirates Securities and Commodities Authority (the "**SCA**") and the DFM. As a result, Tamweel resumed originating new financings during January 2011 and trading in Tamweel's shares resumed on the DFM in May 2011.

Tamweel believes that the increase in DIB's shareholding has resulted in the following significant benefits for its business:

- DIB, as Tamweel's parent company, is expected to provide liquidity and funding support to Tamweel on an arm's length basis (although DIB is not legally obliged to guarantee any of Tamweel's obligations in the absence of a specific contractual obligation to do so). As its parent company, DIB has reviewed Tamweel's funding requirements for the next five years and intends to provide full support in relation to its overall business model;
- creation of significant business synergies between DIB and Tamweel, in particular in relation to product development and cross-selling opportunities (see "*—Strategy*");

- Tamweel will benefit from DIB's extensive branch network within the UAE as well as its other product distribution channels (see "*—Business Activities—Islamic financing and investing assets—Business Pillars—Origination*"); and
- DIB has, since January 2011, began to transfer the administration of its existing residential freehold mortgage portfolio to Tamweel (see "*—Business Activities—Islamic financing and investing assets—Business Pillars—Servicing*") with the long-term intention of building Tamweel as the "Specialised mortgage financing institution" of the DIB Group. In this connection, DIB has already transferred its team of 35 residential mortgage originators to Tamweel.

Roll-over of short-term funds

As well as increasing DIB's shareholding, Tamweel also addressed the short-term nature of its existing funding during the fourth quarter of 2010 which, given the long-term nature of its lending activities, had traditionally been the principal weakness in its funding strategy. In this connection, all banks and corporate depositors rolled-over a total of AED 4.9 billion of short-term funds into five-year term Wakala and Mudarabah financing obligations (with bullet repayments) (see "*—Funding*" below).

Management initiatives

Tamweel's management undertook the following initiatives during 2009 and 2010 in order to preserve its business following the start of the global credit crisis in late 2008:

Management of existing Islamic financing and investment portfolio

Tamweel constituted a portfolio action task force (the "**PATF**") to review the status of Tamweel's existing portfolio of Islamic finance and investment assets with a view to raising any immediate risks to it. The PATF also made recommendations designed to ensure that Tamweel could be proactive in addressing any prospective risks which may occur in relation to the collection of amounts owed to it by customers. Tamweel also committed additional resources to its collections unit (see "*—Business Activities—Islamic financing and investing assets—Business Pillars—Underwriting*" below) in order to allow it to take timely action against delinquent customers in order to preserve the value of its existing portfolio of Islamic finance and investment assets. In addition, Tamweel also introduced formal procedures in 2009 to assist individual customers who were in financial difficulties with restructuring or rescheduling their accounts in order to ensure that they did not default.

Managing Costs

In order to minimise all of Tamweel's variable and avoidable overhead costs, management took the following actions, which resulted in a reduction of Tamweel's overall costs by approximately 35 per cent. during the year ended 31 December 2010 compared to the year ended 31 December 2009:

- staff reductions were made during 2009 and 2010 (see "*—Employees*" below) resulting in a significant reduction in staff payroll costs during those years;
- Tamweel's international operations in Saudi Arabia and Egypt were closed down by the end of 2009 and, accordingly, Tamweel's exposure to those jurisdictions has been reduced to nil;
- Tamweel closed its escrow management business in February 2011; and
- other cost cutting measures were undertaken designed to reduce establishment costs and general overheads.

Preserving cash-flows

In order to preserve Tamweel's cash-flows during the period of tightened liquidity in the wholesale markets, management instigated the following initiatives:

- direct exposure to real estate has been minimised (see "*—Business Activities—Properties held for sale and property development*") and its off balance sheet commitments have been reduced by way of a consolidation of such commitments. In respect of certain properties held for sale, Tamweel has agreed to a consolidation with the property developer whereby the developer has agreed to cancel the sale of certain properties to Tamweel and adjust the amounts paid for such properties against amounts payable by Tamweel to the property developer in respect of the other properties purchased;

- certain of the key developer payments (relating to projects under construction) which were originally entered into on a date-based payment plan were instead linked with construction milestones in order to protect the interests of customers, thereby preserving cash within Tamweel. As a result, payments are now released to a developer when the project has reached acceptable milestones; and
- the mortgage portfolio is monitored carefully, and a robust collection procedure has been adopted, to ensure timely repayments of instalments due in respect of completed properties.

Further improvements to Corporate Governance procedures

Tamweel's management has drawn up a common framework of corporate governance rules and policies which it has implemented following approval by the Board (see "*—Corporate Governance*" below). In particular, Tamweel has formed three board-level committees: credit and risk, human resources and remuneration and audit, with a view to strengthening its corporate governance procedures further (see "*—Management—Committees — Board Committees*" below).

SHAREHOLDERS, CAPITAL STRUCTURE AND SUBSIDIARIES

Shareholders

As of 30 September 2011, the principal shareholder of Tamweel was DIB which held 58.25 per cent. The remainder of Tamweel's shares were held by the public.

Capital Structure

As of 30 September 2011, Tamweel's authorised, issued and paid up share capital was AED 1 billion (U.S.$ 0.3 billion). The issued capital comprises 1 billion shares of AED 1 each, all of which have been issued.

Subsidiaries

Details of Tamweel's subsidiaries are set out in Note 1 to its unaudited consolidated financial statements as at and for the nine month period ended 30 September 2011, a copy of which is set out elsewhere in this Base Prospectus. As at the date of this Base Prospectus, no additional subsidiaries have been incorporated by Tamweel and no subsidiaries existing as at 30 September 2011 have been liquidated by it.

STRATEGY

Tamweel is a leading provider of residential property financing in the UAE. Its overall vision is "to become the most admired leader in the financial industry regionally". Tamweel's mission is to maximise shareholder value and become the home finance solutions provider of choice in the markets in which it operates. It aims to achieve its mission by securing a significant market share in the range of 20 to 30 per cent. of the UAE residential mortgage finance business through an innovative product range and superior service standards, each of which are intended to differentiate it from its competitors. By following this strategy, Tamweel believes that it will be well placed to exploit the new business it expects to see as a result of the recent stabilisation in the UAE real estate market. The elements to Tamweel's strategy are described further below:

Focus on core business of providing Sharia compliant residential property financing

Tamweel intends to focus on its core business of providing Sharia compliant residential property finance to customers in the UAE (as described further below). In this connection, Tamweel intends to minimise its direct exposure to real estate. Historically, Tamweel had also engaged in investments in properties and property development. In line with its strategy of focusing on its core business, it has significantly reduced the value of its direct investments in real estate and intends to exit from this business line completely (see "*—Business Activities —Properties held for sale and property development*").

Focus on originating a high quality portfolio of selected end-user customers and properties

Following the resumption of new lending in the first quarter of 2011, Tamweel aims to grow its business organically and to focus on low-risk business. In particular, Tamweel's new underwriting policies for credit origination are focused on selected customers and on only financing those properties which have been completed by a developer (or which are substantially complete) (see "—*Business Activities—Business Pillars—Origination*"). Financing under-construction property (using, for example, *Istisna'a* and forward *Ijara* contracts) exposes Tamweel to both customer and developer default risk, the latter arising as a result of project delays and cancellations. Customer default risk is high as mortgage repayments on *Istisna'a* and forward *Ijara* contracts only commence on completion and handover of the properties. Given that the market value of the completed property may be significantly lower now than when the under-construction property was purchased, there may be little incentive for some customers to take on those properties and begin repaying their mortgages. This disincentive may be compounded by the requirement imposed on such customers to make a large accrued profit payment (charged during the construction phase) to Tamweel upon handover. In order to focus on lower risk customers, Tamweel's new conservative credit policies (which were implemented during the first quarter of 2011) only permit a maximum finance to value ratio for its standard residential products of 75 to 80 per cent. with a maximum single exposure of AED 7.5 million (U.S.$ 2.0 million) to any one individual customer (save where approval for an exposure in excess of AED 7.5 million has been specifically granted in accordance with Tamweel's credit policies). Tamweel also intends to focus on customers who are the end-users of the property being financed (as opposed to customers who purchase property for investment purposes).

In particular, Tamweel intends to assist with providing financing for the new properties to be created as part of the UAE Government's Emirati housing projects in Dubai and Abu Dhabi.

Innovative products

Tamweel aims to consolidate its leading position in Dubai through product innovation. In order to help it achieve product innovation, Tamweel expects to be able to leverage off DIB's experience and knowledge of launching innovative products (in particular, in relation to structuring products to be Sharia compliant). A recent example of Tamweel's product innovation is the "Non-Residents Programme" (see "*Business Activities—Islamic financing and investing assets—Products*" below) which it launched in response to a change proposed by the UAE Federal Cabinet to increase the length of the residency visas given to overseas purchasers of property located in the UAE (with the intention of encouraging sales to such persons).

Geographical Focus

As of 30 September 2011, approximately 81.7 per cent. of Tamweel's outstanding residential financing relates to properties in Dubai and, in the short-term, Tamweel's strategy is to consolidate its leading position in this market. The remaining 18.3 per cent. currently relates to properties in Abu Dhabi and, to a very small extent, other Emirates of the UAE. Accordingly, Tamweel aims to focus geographically on the residential property markets in Abu Dhabi and Dubai and, in the longer term aims to achieve an equal amount of financing in each of these two Emirates.

Broader product distribution channels

Tamweel intends to expand its business by offering new customers its products through specialist mortgage advisory institutions and a broad network of real estate brokers. Tamweel also expects to start offering its products through DIB's extensive distribution network of branches and other distribution channels (see "*—Business Activities—Business Pillars—Origination*") in the years to come. In addition, Tamweel also expects to benefit from DIB's strategy of bundling Tamweel's products with its own products so, for example, a customer who wishes to apply for a residential mortgage with Tamweel may be offered a bank account with DIB which would allow it to service its regular mortgage repayments by standing order from the DIB account (thus removing the need for that customer to provide Tamweel with a number of post dated cheques). Tamweel believes that these bundles of Tamweel and DIB products will make its own products more attractive to customers.

Superior customer service

Tamweel intends to focus on providing its customers with a superior level of service in order to differentiate itself from its competitors. In particular, Tamweel's focus is on making the process of home ownership as easy and efficient as possible for its customers. Tamweel has over seven years' worth of experience in the UAE real estate finance market and it believes that this experience allows it to provide customers with a superior service. An example of Tamweel's focus on superior customer service is its ability to provide tentative credit approval to its customers within two days of their initial application, with a typical credit approval cycle of five days (compared to the UAE industry average of 12 to 15 days). Tamweel believes that prompt credit approvals are key service differentiators in the UAE residential mortgage market.

Funding

As described above, Tamweel had previously seen a mismatch between the tenor of its financing (which was principally short-term) and the tenor of its assets (which were principally long-term mortgage financings). Going forwards, Tamweel intends to access stable sources of medium- to longer-term financing from the capital markets in order to grow its business. In particular, Tamweel intends to issue *sukuk* and other asset backed Sharia compliant structures with a minimum tenor of five years. See "—*Funding*".

Managing Delinquencies and Retaining Customers

In order to protect the value of its existing portfolio of residential mortgages, Tamweel intends to continue to focus on managing delinquent accounts and retaining existing customers. As described above, the number of customer delinquencies increased during 2009 and 2010 as a result of the global credit crisis. Accordingly, Tamweel has introduced more robust customer collection procedures to manage delinquent accounts in a timely manner in order to minimise customer defaults (see "—*Business Pillars—Underwriting—Collection Procedures and Delinquent Accounts*" for a description of the new procedures put in place by Tamweel). These procedures are intended to address the timely management of high risk accounts. In this connection, the most common solution used by Tamweel to assist those customers who are experiencing difficulties making their payments on time is to extend the tenor of their financings.

BUSINESS ACTIVITIES

Islamic financing and investing assets

Products

As of 30 September 2011, Tamweel's Islamic financing and investing assets (essentially representing the home financing products provided by it) amounted to AED 9.3 billion (U.S.$ 2.5 billion). Tamweel offers a number of financing options to meet the needs of a range of home buyers. Tamweel's principal Sharia compliant home financing products (and the current status of their availability) are:

- "**Home Owner**" (Murabaha): re-sale contracts whereby Tamweel purchases the property under its name and subsequently resells it to the home buyer at an agreed profit rate on an instalment or deferred payment basis. The term of the financing can be up to 15 years and the customer is required to put forward a 20 per cent. down payment. The "Home Owner" product is not currently available for origination of new business;
- "**Home Builder**" (*Istisna'a* and Forward *Ijara*): finance products designed to enable customers to finance a property which is under construction. Either the customer or a property developer may manage the construction of the residence. Tamweel finances the construction of the residence on an instalment basis and repayment of such instalments commences once the construction is complete. The term of the financing can be up to 25 years in the case of a floating profit rate and 15 years in the case of a fixed profit rate and the customer is required to put forward a 20 per cent. down payment. Reflecting Tamweel's current strategy of only financing completed properties, both "*Istisna'a*" and "Forward *Ijara*" are not currently available for origination of new business;
- "**Flexible Rent-to-Own**" (Flexible *Ijara*): leases whereby Tamweel purchases the property and leases it to the customer on a floating rate instalment basis. The customer pays monthly instalments in the form of rental payments to Tamweel. The term of the financing can be up to 25 years. At the end of the lease, Tamweel transfers title of the property to the customer;
- "**Fixed Lease-to-Own**" (Fixed *Ijara*): leases whereby Tamweel purchases the property and leases it to the customer on a fixed rate instalment basis. The customer pays fixed monthly instalments in the form of rental payments to Tamweel. The term of the financing can be up to 15 years and the customer is required to put forward a 20 per cent. down payment. At the end of the lease, Tamweel transfers title of the property to the customer. The "Fixed Lease-to-Own" product is not currently available for origination of new business;
- "**Yusr**": the world's first Sharia compliant and adjustable repayment home financing. The term of the financing can be up to 25 years and offers a fixed profit rate which will be revalued upward at predetermined intervals. The "Yusr" product is not currently available for origination of new business;
- "**Irad**": a buy-to-let product which allows UAE residents to finance up to 75 per cent. of an investment property's value. The repayment terms are up to 10 years (for commercial properties) and 25 years (for residential properties). Reflecting Tamweel's current strategy of only providing financing to end-users of property, the "Irad" product is not currently available for origination of new business;

- "**The Non-Residents Programme**": a product offered to salaried individuals from certain countries outside the UAE in order to finance the purchase of completed residential properties in Abu Dhabi and Dubai. The maximum amount that may be advanced to a non-resident under this programme is AED 5 million with repayment tenure of up to 25 years. Tamweel launched this product in July 2011 and is intended to reflect the announcement on 28 June 2011 by the UAE Federal Cabinet that the duration of visas for non-resident property purchasers is to be increased from six months to three years. As at the date of this Base Prospectus, Tamweel believes that it is the only financial institution within the UAE to offer home finance to non UAE residents; and
- "**Home Refinance Programme**": a product which allows salaried and self-employed owners of fully-paid properties to acquire finance for up to 50 per cent. of the value of their property, subject to a maximum amount of AED 1 million.

Tamweel does not currently offer, for the origination of new business, any of the above products to customers who wish to finance commercial property. As at the date of this Base Prospectus, existing financing in respect of commercial property only amounted to approximately one per cent. of the total Islamic financing and investment portfolio.

The following tables set out a breakdown of Tamweel's consolidated income from Islamic financing and investing assets (by principal product type) for each of the financial years ended 31 December 2009 and 31 December 2010 and the nine month period ended 30 September 2011:

	Year ended 31 December 2009
	(AED millions)
Ijara	425.1
Forward *Ijara*	226.8
Murabaha	33.5
Istisna'a	11.5
Processing fees, other fees and commission income	9.7
	706.6

	Year ended 31 December 2010
	(AED millions)
Ijara and Forward *Ijara* (constructed and handed over properties)	464.0
Istisna'a and Forward *Ijara* (under construction properties)	62.9
Murabaha and *Mudaraba*	9.6
Processing fees, other fees and commission income	16.7
	553.2

	Nine month period ended 30 September 2011
	(AED millions) *(unaudited)*
Ijara and Forward *Ijara* (constructed and handed over properties)	364.4
Istisna'a and Forward *Ijara* (under construction properties)	25.7
Murabaha and *Mudaraba*	1.9
Processing fees, other fees and commission income	25.4
	417.4

Portfolio Concentrations and Ratios

The following tables set out a breakdown of Tamweel's on balance sheet Islamic financing and investment portfolio as at 31 December 2009, 31 December 2010 and 30 September 2011:

	As at 31 December 2009
	(AED millions)
Ijara	4,513.1
Forward *Ijara* (under construction properties)	3,846.6
Forward *Ijara* (constructed and handed over properties)	1,322.5
Net Murabaha and mudaraba receivables	578.6
Istisna'a	390.5
Gross assets	**10,651.5**
Less: Impairment provision	(219.9)
Net assets	**10,431.6**

	As at 31 December 2010
	(AED millions)
Ijara and Forward *Ijara* (constructed and handed over properties)	6,151.7
Istisna'a and Forward *Ijara* (under construction properties)	2,978.4
Net Murabaha and mudaraba receivables	391.8
Gross assets	**9,521.9**
Less: Profit suspended	(33.4)
Less: Impairment provision	(330.7)
Net assets	**9,157.8**

	As at 30 September 2011
	(AED millions) *(unaudited)*
Ijara and Forward *Ijara* (constructed and handed over properties)	6,849.5
Istisna'a and Forward *Ijara* (under construction properties)	2,457.6
Net Murabaha and mudaraba receivables	367.3
Gross assets	**9,674.4**
Less: Profit suspended	(61.4)
Less: Impairment provision	(344.2)
Net assets	**9,268.8**

The majority of Tamweel's customer financing is carried out through an *Ijara* (or lease-based) finance product (including the *Ijara* element of *Istisna'a* contracts) and, as at 30 September 2011, 70.8 per cent. of Tamweel's gross financing and investing assets were contributed through an *Ijara* product. Tamweel has not entered into a significant number of fixed profit rate *Ijara* contracts since early 2008 (and they are not currently available for new origination) and, as illustrated in the table above, has not entered into a significant number of Murabaha contracts either. Accordingly, Tamweel's current emphasis is on the Flexible *Ijara* finance product. Fixed profit rate products make up only a very small proportion of Tamweel's financing products.

Tamweel focuses on *Ijara* financing products because this structure allows it to retain ownership of the property until the end of the financing term. Therefore, if there is a default by the customer, Tamweel would, as owner, be able to repossess the property (see "*—Business Pillars—Underwriting—Foreclosure*" below for a description of the process that is followed to repossess a property). If, upon enforcement, the sale proceeds of the repossessed property do not satisfy the amounts due to Tamweel, the customer remains liable to Tamweel for any amount outstanding. If the sale proceeds exceed the amount due, Tamweel can, at its option, return the excess funds to the customer.

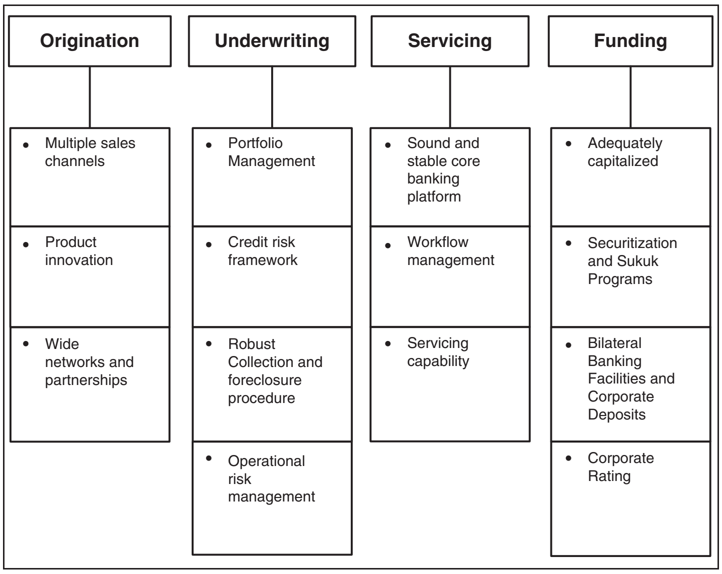
Tamweel believes it has a well diversified profile of customers. As of 30 September 2011:

- approximately 62.0 per cent. of Tamweel's customers were in the 25 to 45 age bracket;
- approximately 70.0 per cent. of Tamweel's customers were salaried employees;
- on a weighted average basis, Tamweel's customers, at the time of origination, had a debt/financing service ratio of less than or equal to 46.0 per cent.; and
- on a weighted average basis, financing provided by Tamweel had a finance to property value, at the time of origination, of 82.0 per cent.

As of 30 September 2011, Tamweel estimates the regional origin of its customers to be as follows: UAE Nationals 24 per cent., Europeans and North Americans 23 per cent., Indians 20 per cent., Non– GCC Arabs 12 per cent., Pakistanis 8 per cent., Iranians 3 per cent., other Asians 3 per cent., other GCC 2 per cent., and others representing the remaining 5 per cent. Accordingly, approximately 76 per cent. of Tamweel's customers as at 30 September 2011 are expatriates.

Business Pillars

Tamweel's Islamic financing and investing asset business is based on the four pillars of origination, underwriting, servicing and funding as illustrated in the diagram below:



Origination

As described above under "*History—Impact of Global Credit Crisis*", Tamweel did not originate any new financings from the first quarter of 2009 until January 2011. Tamweel's current loan origination strategy is based on a five year roll-over sales plan which is approved by the Board. The sales plan is based on Tamweel's estimates of the market size required to meet its target customer profile, the future supply of properties, the demand for mortgages and Tamweel's desired market share (which, as described above under "*—Strategy*", is currently 20 to 30 per cent. of the UAE residential mortgage market).

In accordance with its current sales plan, Tamweel originates new business through direct and indirect product distribution channels. New business is originated directly through: (i) corporate sales; (ii) real estate sales; and (iii) its branch network and customer calls. Tamweel seeks to originate new business indirectly through: (i) referrals from aggregators and brokers; (ii) referrals from DIB; and (iii) referrals from developers. Each of these product distribution channels is described in more detail below:

Direct product distribution channels:

- Corporate sales channels

  Of the total residential property financing originated by Tamweel during the nine month period ended 30 September 2011, approximately 8.97 per cent. was attributable through Tamweel's corporate sales channel, which principally comprises sales made to employees of approved corporate entities. In general, Tamweel, through its direct sales force, approaches appropriate UAE-based companies which are screened into one of four categories based on parameters such as their financial strength, their stability, the number of their employees and the size of anticipated business that can be generated. Typically, the preferred arrangements offered to such employees are limited to certain relaxations in credit parameters and beneficial pricing terms, with all of Tamweel's other standard origination criteria remaining as applicable to its corporate sales as to its other sales types.

- Real estate sales channel

  Of the total residential property financing originated by Tamweel during the nine month period ended 30 September 2011, approximately 9.36 per cent. was sourced through real estate sales channels. Tamweel estimates that its non-exclusive real estate agent referral network numbers over 10 agents. Periodically, Tamweel conducts surveys of real estate brokers to keep track of market price trends. The agents are rewarded based on the number of successful referrals received.

- Branch network and customer calls

  Of the total residential property financing originated by Tamweel during the nine month period ended 30 September 2011, approximately 29.37 per cent. was attributable to its branch network and calls to its customer call centre. Tamweel believes that its participation in various marketing campaigns and exhibitions drives branch walk-ins and call centre origination. Tamweel has two branches, one of which is located in Dubai and one in Abu Dhabi. Tamweel's call centre fields enquiries from potential customers through Tamweel's toll-free phone number. Call centre agents discuss Tamweel's product offering and approval amounts and details of potential customers are forwarded to appropriate advisers for follow-up.

  As described above under "*Strategy*", Tamweel expects to offer its products to customers through DIB's extensive network of branches and other distribution channels (see "*Description of Dubai Islamic Bank—Overview*"). Tamweel currently anticipates that its products will be offered through this distribution channel from 2012 onwards.

Indirect product distribution channels:

- Aggregator sales channel

  Of the total residential property financing originated by Tamweel during the nine month period ended 30 September 2011, approximately 20.93 per cent. was attributable through the aggregator sales channel. This distribution channel includes sales made through non-exclusive tie-ups with mortgage consultants across the UAE. Aggregators and brokers offer their clients advice on all suitable home finance products available in the market and refer the transaction to the finance provider best suited to their customers' requirements.

- DIB referral sales channel

  Of the total residential property financing originated by Tamweel during the nine month period ended, approximately 13.91 per cent. was sourced through the DIB referral sales channel. This distribution channel leverages greatly on DIB's customers and, in particular, its "Wajaha" and "Affluent" customers. Potential customers referred from all of DIB's branches across the UAE (including enquires received through DIB's call centre and its corporate and private banking customers) are managed by this sales channel. Based on recommendations from DIB and the importance of the relationship with the relevant customer, Tamweel may offer customers referred from DIB certain advantageous pricing options and beneficial credit criteria. In this connection, Tamweel has recently launched a tailor made offer to DIB's ultra high net-worth customers through its referral channel from DIB.

- Developer referral channel

  Of the total residential property financing originated by Tamweel during the nine month period ended 30 September 2011, approximately 17.46 per cent. was sourced through the developer referral channel. This sales channel capitalises on Tamweel's relationships with certain property developers in the UAE who refer potential customers to it.

Underwriting

Tamweel has recently tightened its lending criteria in line with its current business strategy (see "*—Strategy*" above) and, in particular, intends to finance only those properties which have been completed by a developer (or which are substantively complete) and to focus geographically on properties situated in Abu Dhabi and Dubai.

Tamweel's underwriting criteria is documented in an internal policy document known as the Product Program Guidelines. These guidelines are updated periodically, reviewed annually, and approved by the Management Credit Risk Committee (see "*—Management—Committees*" below) in order to ensure that Tamweel's overall credit underwriting is well balanced, robust and relevant to its overall business strategy.

The geographical location of properties financed by Tamweel is currently limited to Dubai and Abu Dhabi, with the vast majority of these in Dubai. Tamweel has slightly different financing criteria for salaried and for self-employed customers. In order to qualify for home finance, a customer must be at least 21 years old and must not be older than 65 or, in the case of UAE nationals, 70. Tamweel's policy requires that the customer has lived in the UAE for at least one year (unless a non-resident customer qualifies for financing under the "Non-Resident Programme" product). Tamweel also requires income levels of at least AED 15,000 (U.S.$ 4,084.4) and AED 10,000 (U.S.$ 2,722.9) per month for non-UAE nationals (or its equivalent in any other currency) and UAE nationals, respectively, and AED 25,000 (U.S.$ 6,807.4) per month for self-employed individuals. Salaried employees must have been employed by their current employer for a minimum of 12 months (if an employee's length of service with its current employer is between six months and 364 days, proof of previous employment for at least two years is also required), and self-employed individuals must have maintained a viable business for a minimum of three consecutive years. The maximum debt service ratio permitted is typically 50 to 60 per cent. (in the case of salaried individuals) and 45 to 50 per cent. (in the case of self-employed individuals). Salaried individuals working for approved corporate entities and earning AED 100,000 (U.S.$ 27,229.4) per month or more may be eligible for a maximum debt service ratio of 60 per cent. This ratio is determined taking into account the individual's fixed financial obligations in accordance with Tamweel's policies (which take into account five per cent. of the customer's total spending limits available from credit cards but disregard normal living expenses). Tamweel currently offers finance products in amounts falling within the range of AED 250,000 (U.S.$ 68,073.5) to AED 5,000,000 (U.S.$ 1.4 million), with a maximum exposure of AED 7.5 million (U.S.$ 2.0 million) permitted with respect to any single customer. The credit parameters set out above are used by Tamweel as a guideline and are not hard limits. Based on the merit of the potential transaction, various levels of authority within Tamweel can deviate from the credit limits set out above (whilst remaining within the limits of their authority to do so) in relation to specific credit terms.

Tamweel's maximum permitted finance to value ratio for its standard underwritten products is 75 to 80 per cent., except with respect to UAE nationals who may be offered finance to value ratio of 90 per cent. The maximum permitted finance to value ratio for corporate customers is currently 85 per cent. The finance to value ratio is calculated by Tamweel at the time of origination of the finance. Independent and detailed property valuations are conducted by independent surveyors (such as Cluttons, Colliers International, Asteco, Salwan and Landmark) as part of the underwriting process. In addition, Tamweel periodically conducts a comprehensive analysis of the UAE property market on a quarterly basis in terms of per-square-foot area ("**PSA**") pricing and sets maximum limits on property values. The finance to value ratio and applicable profit rate is a function of, among other things:

- the customer's profile (i.e. salaried versus self-employed);
- the type of property being financed (i.e. villa versus apartment); and
- the number of outstanding mortgage obligations which the customer has (Tamweel currently limits this to a maximum of three mortgaged properties with any financial institution(s), including Tamweel itself).

Tamweel also offers pre-approved finance facilities for customers for certain finance amounts on approved properties. The pre-approval is subject to, among other things, a satisfactory credit review by Tamweel.

Tamweel establishes customer profiles through information provided on applications, supporting documents and reference checks. In the case of individuals, Tamweel collects a copy of an applicant's passport, UAE residency visa (where applicable), a processing fee cheque, credit bureau reference (in the case of non-residents) and income documentation, including six months' bank statements, and salary certificates/slips (in the case of salaried employees). In the case of self-employed individuals, Tamweel collects trade licenses, tax return documentation, relevant corporate documentation such as memoranda and articles of association, three years' audited financial statements, six months' business and six months' personal bank statements, a liability letter from the bank and a banker's reference letter for non-residents. In addition (and following the recent tightening of Tamweel's credit procedures), Tamweel now also requires presentation of certain documents relating to the property being financed, for example title deeds, memoranda of understanding, its PSA and certain payment receipts.

In addition to the above, Tamweel conducts various background checks on its customers. In particular, profile checks on its customers are carried out using the "world-check" website, which highlights information on "politically exposed persons" and on individuals and organisations considered to be of heightened risk. Each customer's exposure and risk rating is also checked through a facility provided by the Central Bank. Recently Tamweel also subscribes to the "Embounce" service offered by Emcredit, which is a reporting tool that provides information about a customer's cheque management history. Tamweel also conducts a "dedupe" check within its own portfolio to identify any duplication of customers.

Tamweel has established various levels of approval authority for its underwriters. Periodic reports and audits are conducted to monitor finance application acceptance and rejection rates. Tamweel continually reviews the way in which it conducts its origination business in order to ensure that it remains up-to-date and cost effective in the market place. Tamweel also monitors the reasons for declining home finance applications. On average, Tamweel currently processes approximately 76 home finance applications per month (including pre-approval and property specific applications, but excluding applications to convert a pre-approval facility which has already been granted) and, as of 30 September 2011, its average historic acceptance level is approximately 12 per cent. Generally, half of all rejections result from a customer's inability to meet Tamweel's debt servicing thresholds. Amongst other reasons, Tamweel declines applications as a result of invalid documentation, inadequate customer profiles and requests for finance in unapproved properties.

Insurance (takaful) requirements

Tamweel requires that all properties for which it provides financing are insured against all normal risks at the appraised value of that property throughout the life of Tamweel's financing of the property and that such insurance is arranged through Tamweel. Tamweel, in turn, obtains property *takaful* from a reputable service provider to cover any structural damage to the relevant property.

Any lessee who receives home financing from Tamweel is also required to obtain life insurance (*takaful*) from an approved Tamweel service provider. Tamweel, in turn, obtains life insurance coverage from a reputable service provider. The lessee will be the beneficiary of the life insurance (*takaful*) policy, however, any proceeds under the policy are assigned to Tamweel.

Collection Procedures and Delinquent Accounts

As described above under "*—History—Impact of Global Credit Crisis*", the difficult market conditions within the UAE real estate sector during 2009 and 2010 led to an increased number of customer delinquencies in that period.

The following table shows the aging analysis of Tamweel's past due, but not individually impaired, Islamic financing and investing assets as at 31 December 2009, 31 December 2010 and 30 September 2011:

As at	**Less than 30 days**	**31 to 60 days**	**60 to 90 days**	**More than 91 days**	**Total**
			(AED millions)		
31 December 2009	122.2	38.7	51.9	35.1	247.9
31 December 2010	232.8	134.6	23.8	72.7	463.9
30 September 2011 (*unaudited*)	253.2	83.1	48.7	5.2	390.2

The following table shows the aging analysis of Tamweel's past due and impaired Islamic financing and investing assets as at 31 December 2009, 31 December 2010 and 30 September 2011:

As at	91 to 180 days	7 to 12 months	13 to 24 months	Above 24 months	Total
			(AED millions)		
31 December 2009	22.7	27.1	39.8	—	89.6
31 December 2010(1)	168.8	86.5	156.6	228.1	640.0
30 September 2011(1) (*unaudited*)	172.2	209.7	135.8	349.4	867.1

Note:

(1) Amounts classified as impaired include an outstanding amount of AED 178 million (compared to an outstanding amount of AED 145 million as at 31 December 2010) relating to certain land and non-retail financings, which are adequately collateralised.

Tamweel believes that the current levels of delinquent accounts are acceptable and, as described under "—*Strategy*" above, is focusing on maintaining these levels as well as improving further its collections procedures. Improvements to Tamweel's collections procedures include extensive follow-up communications with customers by telephone, SMS, email and Dunning Letter (which are formal letters requiring payment of overdue sums), by ensuring visits are made to the customer on time and that any action initiated by Tamweel's collections unit takes place promptly when required. Tamweel believes that consistent and regular follow-ups are essential in addressing delinquent accounts.

Tamweel attempts to reduce the possibility of customer default by initially assessing the customer's profile, conducting black-list checks and verifying the applicant's income (see further "*Internal Controls*" below). At the portfolio level, Tamweel attempts to minimise portfolio default exposure by limiting multiple property financings to three properties and capping single customer exposure, in the ordinary course of business, to AED 7.5 million in accordance with the credit policy described above. Tamweel proactively manages default prevention by being selective in the assets it underwrites and remaining committed to maintaining a robust delinquency management system (as described below) which was strengthened as a result of the recent down-turn in the UAE real estate market.

Tamweel has a stringent collection policy in place with respect to delinquent accounts. Efforts are made covering soft and hard follow up techniques and cases are filed with the police authorities where appropriate (since failure to honour a cheque is a criminal offence in the UAE, there is a strong incentive for customers to repay where they have the financial means to do so). Tamweel's policy is to initiate the foreclosure proceeding if an account reaches 120 days past due unless there is a specific reason not to do so.

Provisions and write-offs

Tamweel suspends profit rate accrual recognition of accounts which are 90 days overdue in accordance with Central Bank guidelines. Tamweel reviews its outstanding residential property financing periodically to determine whether or not any provision should be made in relation to specific non-performing assets and its policy in respect of accounts overdue is to write down the net principal owing in accordance with Central Bank guidelines. Net principal owing is the principal amount owing, less the estimated fair market value of the property. In determining whether or not any specific provisions should be applied to a particular account, Tamweel considers ongoing legal actions and any foreclosure or restructuring actions in place in addition to the number of current delinquent days applying to that account.

In addition, Tamweel may also make a collective provision against particular facilities provided which, although not identified as requiring a specific provision, have a greater risk of default than when originally granted. Portfolio provisioning is assessed quarterly and is carried out using an in-house risk based criteria ("**RBC**"). Tamweel's RBC are based on the Central Bank's guidelines and, *inter alia*, distinguish between those facilities which are "normal grade" and those which are "watch list grade". Financings which are "normal grade" bear normal banking risk and, on the basis of information available to it, Tamweel can be assured of repayment in accordance with the terms of the relevant financing. Where a financing is on "watch list grade", Tamweel is required to give those financings more attention but not a specific provision.

Tamweel complies with all of the rules and guidelines prescribed by the Central Bank in relation to provisions which are applicable to Tamweel.

The following table shows Tamweel's gross on balance sheet Islamic financing and investment portfolio (in respect of residential properties only) outstanding and gross amounts thereof impaired as at 31 December 2009, 31 December 2010 and 30 September 2011:

	As at 31 December		As at 30 September
	2009	2010	2011
			(unaudited)
	(AED millions)		
Amount Outstanding (Gross)	10,651.5	9,521.9	9,674.4
Amount Impaired (Gross)	89.6	640.0	867.1
Amount Impaired (Gross) / Amount Outstanding (Gross) (%)	0.8	6.7	9.0
Collective Impairment Allowance	(204.0)	(245.5)	(173.0)
Individual Impairment Allowance	(15.9)	(118.6)	(233.0)

The following table shows the credit quality of Tamweel's Islamic financing and investing assets, based on Tamweel's credit rating system as at 31 December 2009, 31 December 2010 and 30 September 2011.

	Neither past due nor impaired				
As at	Normal Grade	Watch List Grade	Past due but not individually impaired	Past due and individually impaired	Total
	(AED millions)				
31 December 2009	9,780.7	533.3	247.9	89.6	10,651.5
31 December 2010	7,653.7	764.3	463.9	640.0	9,521.9
30 September 2011 (unaudited)	7,732.4	684.3	390.2	867.1	9,674.0

Restructuring and rescheduling policies

In 2009 and in response to the global credit crisis and the slow-down in the UAE real estate sector, Tamweel established a remedial solutions unit which aims to assist customers who are experiencing difficulties meeting their obligations to Tamweel. Such difficulties may arise for a number of reasons, including loss of income (for example, if the customer lost his job or his business activity was shut down), a reduction in income (for example, if the customer lost his job or business performance declined), a decline in rental income from the property being financed or due to other cash-flow issues. Tamweel offers customers a number of solutions, including: extending the term of the finance (which is the most common solution adopted), partial payments and payment holidays. During the remedial solutions process, Tamweel tries to enhance its security position by requiring additional conditions such as third party guarantees, additional security cheques and/or additional collateral. Tamweel believes that a pro-active and personalised approach to potential delinquencies assists in maintaining good relationships with its customers which may lead to new business in the future.

Foreclosure

The process of foreclosure of the properties of delinquent customers is commenced once all negotiation options with the customer have failed. The process occurs in three stages, beginning first with the preparation of the appropriate file by Tamweel's legal officers (which takes approximately six months). Once the case file is complete, Tamweel appoints external legal counsel who arrange for the case to be heard before the Court of First Instance of Dubai and, if applicable, the Court of Appeal. This stage of the process takes six to 12 months (depending on whether the case goes to the Court of Appeal) and includes a 30 day appeal period following judgment (upon expiry of which the judgment becomes final or, where applicable, the case moves to the Court of Appeal). During this time, Tamweel will formally terminate the lease arrangement with its customers (in the case of *Ijara* financings). The final stage of the process involves registration, public notifications and requests for attachment of the relevant customer's assets, and culminates in a final Court Order from the Execution Judge addressed to the Lands Department of the relevant Emirate (pursuant to which Tamweel obtains a new title deed, free of any reference to the lessee, evidencing its sole ownership of the property). The time frame for the final stage is, on average, approximately five months, but may take up to one year.

As at the date of this Base Prospectus, Tamweel has 128 cases under foreclosure, out of which 35 cases are before the Court of First Instance, two cases are before the Court of Appeal, 34 cases before an Execution Judge with the remainder being processed by Tamweel's internal legal department. To date, Tamweel has successfully foreclosed on six properties. The foreclosure process in the UAE was largely untested until the end of 2008. However, given the number of cases that have progressed through the courts for foreclosure and the judgements awarded by those courts since 2009, Tamweel is confident that the foreclosure process is now well established and also believes that it is likely to become more efficient in the future.

Servicing

Following approval of a home finance application, Tamweel establishes the relevant facility and disburses the funds. The customer makes repayments according to an agreed repayment schedule. At the end of the finance term, Tamweel transfers the title for ownership of the property into the name of the customer.

Tamweel collects rental payments either through post-dated cheques or standing orders. Since Tamweel is not a bank, it is not able to require an assignment of an employee's salary each month, although failure to honour a cheque is a criminal offence in the UAE. Post-dated cheques and standing orders are drawn by the customer in favour of Tamweel at the start of each 24-month periodic payment cycle during the term of the financing. Towards the end of each periodic payment cycle, customers are contacted to supply further cheques or renew their standing orders. In the case of leases, the amount of rental payments includes fixed rentals, variable rentals and, if applicable, life *takaful* (insurance).

If the variable rental amount of a Flexible *Ijara* changes during a 24-month periodic payment cycle, the post-dated cheques and standing orders that have already been collected within the current 24-month cycle are not amended. The difference accrues in a customer current account and is collected or, at the option of Tamweel, reimbursed over the next 24-month period. Tamweel charges a prepayment fee for early settlement of up to a maximum of 5 per cent. of the outstanding adjusted finance amount.

Since January 2011, Tamweel has been servicing DIB's existing freehold home finance portfolio (which was valued, as at 30 September 2011, at approximately AED 3.1 billion (U.S.$ 0.8 billion)) in accordance with a servicing arrangement between them. Tamweel charges DIB a commercially agreed fee for providing this service.

Funding

As at 30 September 2011, Tamweel's on-balance sheet borrowings comprised: certain CIDs; certain bilateral bank facilities; and certain capital markets transactions (comprising two trust certificate (*sukuk*) issuances).

Tamweel's current funding strategy is to secure diversified and stable sources of funding with a medium to long-term tenor. In order to achieve this, Tamweel intends to access the capital markets (by way of both sukuk and securitisation transactions) for medium and long-term funding (with a minimum tenor of five years) when market conditions favour doing so.

Tamweel is rated by both Fitch Ratings and Moody's Investor Service. Fitch Ratings and Moody's Investor Service have assigned Tamweel a BBB- / F3 (Outlook: Stable) and Baa3/P3 (Outlook: Stable) rating, respectively.

As described above, DIB, as Tamweel's parent company, is expected to provide liquidity and funding support to Tamweel on an arm's length basis (although DIB is not legally obliged to guarantee any of Tamweel's obligations in the absence of a specific contractual obligation to do so).

The following table provides a breakdown of Tamweel's funding as of 31 December 2009, 31 December 2010 and 30 September 2011:

	31 December 2009	31 December 2010	30 September 2011
			(unaudited)
		(AED millions)	
Corporate deposits	1,483.7	1,478.7	1,478.7
Bilateral bank facilities	4,150.2	3,739.9	3,598.8
Capital markets transactions	2,844.6	2,400.0.	2,181.1
Subtotal funding	**8,478.5**	**7,618.6**	**7,258.6**
Equity	2,228.5	2,225.3	2,295.9
Total funding	**10,707.0**	**9,843.9**	**9,554.5**

Tamweel's treasury activities are primarily used to source diversified funding as well as to manage liquidity. Tamweel produces standard asset and liability committee reports that are discussed by its Asset and Liability Committee (the "**Tamweel ALCO**") on a monthly basis. The reports cover short- and medium-term funding requirements and overall portfolio profitability and asset-liability tenor mismatches. The reports are regularly reviewed by management and the Tamweel ALCO also discusses current industry affairs, international interest rates and key funding and liquidity initiatives in the context of the reports.

As Tamweel is a finance company, its licence to act as such from the Central Bank does not permit it to accept retail deposits, although it is permitted to accept CIDs. As at 30 September 2011, approximately 20 per cent. of Tamweel's total funding was in the form of CIDs. The majority of these CIDs are from entities related to the Governments of Abu Dhabi and Dubai. Although such CIDs have historically been short-term in contractual nature in line with standard practice in the UAE, recent rollovers in deposits has meant that Tamweel's structural asset liability mismatch has moved from short- to medium-term. In this connection, all banks and corporate depositors agreed to roll-over AED 4.9 billion of short term funds into five-year term Wakala and Mudarabah financing obligations (with bullet repayments) during October 2010 at a profit rate of 4 per cent. per annum.

Following its incorporation, Tamweel was initially primarily funded by equity, with the balance made up of short-term bank facilities. Historically, Tamweel worked on increasing the proportion of CIDs and, since 2007, has sought to diversify its funding base both by securitising assets (and therefore removing them from the balance sheet) and, reflecting changes in international securitisation market conditions, by entering into longer-term borrowings of the type described below.

In July 2007, Tamweel closed its inaugural U.S.$ 210 million residential mortgage backed securitisation (the "**RMBS Securitisation**"). The securitisation was structured according to Islamic principles. The Class A securities were rated Aa2 by Moody's and AA by Fitch upon issuance and accounted for U.S.$ 177.45 million of the pool. The Class B and Class C securities were rated Baa1 (Moody's)/BBB + (Fitch) and Ba3 (Moody's)/BB (Fitch), respectively, upon issuance and accounted for U.S.$ 15.33 million and U.S.$ 9.87 million of the pool, respectively. Although Fitch downgraded the securities during December 2009, its rating has now been restored to that given upon issuance of the RMBS Securitisation. The Class D securities were not rated and accounted for U.S.$ 7.35 million. The Class A, Class B, Class C and Class D securities are all due in 2037 and have allowed Tamweel to match better its funding sources to its long-term assets. Tamweel intends, subject to market conditions, to undertake further periodic securitisation transactions in order to source additional funding and remove risk from its balance sheet.

In January 2008, Tamweel closed its U.S.$ 300 million exchangeable Sukuk (the "**Exchangeable Sukuk**") issue. The Exchangeable Sukuk was issued by Tamweel Funding Limited, an offshore special purpose vehicle. Issue proceeds were used for Tamweel's general funding and expansion plans. The fixed profit rate on the Exchange Sukuk is 4.31 per cent., payable quarterly in arrear. The Exchangeable Sukuk had an exchange price on issue of U.S.$ 2.27 which, at the relevant time, represented a premium in excess of 30 per cent. over the then previous three month volume weighted average market price of Tamweel shares. Following adjustments to the exchange price in accordance with the conditions of the Exchangeable Sukuk, the exchange price is currently U.S.$ 2.2021. The Exchangeable Sukuk is scheduled to mature in January 2013.

In July 2008, Tamweel closed its AED 1.1 billion Sukuk issue (the "**Non-Exchangeable Sukuk"** and, together with the Exchangeable Sukuk, the "**Sukuk"**). The Non-Exchangeable Sukuk was issued by Tamweel Sukuk Limited, an offshore special purpose vehicle. The floating profit rate on the Non-Exchangeable Sukuk is calculated by reference to three-month EIBOR plus a margin of 2.25 per cent. per annum, payable quarterly in arrear. The Non-Exchangeable Sukuk is scheduled to mature in July 2013.

To date, Tamweel has paid in full and on time all periodic distribution amounts due under both Sukuk in accordance with their respective terms. Tamweel has complied, and is currently in compliance with, all of its obligations and covenants contained in the Sukuk and the RMBS Securitisation.

Tamweel has also made term repayments in respect of an Islamic syndicated facility and a secured bilateral bank facility which, in aggregate, amounted to AED 943.7 million (U.S.$ 257.0 million) during the year ended 31 December 2010 and AED 572.2 million (U.S.$ 155.9 million) during the nine month period ended 30 September 2011.

Properties held for sale and property development

Historically, Tamweel invested in completed or partially completed developments or development properties with a view to making a profit by re-selling the purchased properties in the short-term. Tamweel ceased undertaking this activity at the end of 2008 and has focussed on reducing its direct exposure to real estate progressively since then. Tamweel intends to exit from this business line going forward.

The following table provides a position of Properties held for sale and property development as of 31 December 2009, 31 December 2010 and 30 September 2011.

Particulars	31 December 2009	31 December 2010	30 September 2011
			(unaudited)
		(AED millions)	
Gross Properties held for sale	718.4	578.2	587.2
Less: Impairment provision	(188.7)	(168.6)	(195.6)
Net Properties held for sale	529.7	409.6	391.6

As at 30 September, 2011, the aggregate carrying value of properties classified as held for sale by Tamweel was AED 391.6 million (U.S.$ 106.6 million) and comprised:

Property types	Carrying Value
	(unaudited) *(AED millions)*
Commercial Plot	226.2
Under Construction Residential Apartments	122.7
Commercial Shops/ Warehouses	28.0
Residential Apartments	10.0
Parking spaces	4.7
Total	391.6

COMPETITION AND COMPETITIVE ADVANTAGES

Introduction

Tamweel believes that it is the only dedicated provider of Sharia compliant residential property financing in the UAE. Tamweel's competitors in this business include both Islamic and conventional banks and other financial institutions operating in the UAE. According to the Central Bank, there are currently 51 different banks (comprised of 23 locally incorporated banks and 28 foreign banks) licensed to operate inside the UAE (excluding the DIFC, many of which provide residential property finance. Tamweel estimates that it has a significant share of the UAE residential mortgage market. Tamweel believes its major competitors in the provision of home financing currently include Amlak, Standard Chartered Bank (UAE), Barclays Bank (UAE), Dubai Bank PJSC, HSBC Bank Middle East Limited, Mashreqbank psc, Emirates NBD PJSC, RakBank PJSC and Abu Dhabi Commercial Bank PJSC. Tamweel believes that competition has increased since the beginning of 2011 as more financial institutions have begun to offer residential property financing products (see "*Risk Factors—Risk Factors that may affect Tamweel's ability to fulfil its obligations under the Transaction Documents to which it is a party and/or DIB's ability to fulfil its obligations under the Guarantee—Competition*").

Strengths

Tamweel is a dedicated residential property financing company. This is in contrast to its principal bank competitors, for whom real estate financing is just one of many types of financing product offered. In addition, Tamweel's products are Sharia compliant, which allows it to capture both the conventional and Islamic home finance markets. Customers who prefer Sharia compliant products are satisfied whilst customers who are not concerned with Sharia compliance are offered products and rates that are competitive with those offered by non-Islamic institutions.

Tamweel believes that in the provision of financing to its customers its principal competitive strengths include:

- its strong market position;
- its majority ownership by, and strong leadership from, DIB, as well as recent support from the UAE and Dubai Governments (as evidenced during the recent global financial crisis, see "*—History—Effect of the Global Credit Crisis*"). In addition, Tamweel now benefits directly from the experience of DIB's mortgage origination team who have been moved into Tamweel;

- the fact that it is a single product company with a focused strategy. Tamweel's focus on the provision of residential property financing has given it an in depth knowledge of the real estate market in Dubai and the UAE which it believes the majority of its competitors, with their generally wider financing focus, are unable to match and, in particular, with respect to those competitors who have only recently begun to offer residential property finance products. This knowledge enables Tamweel to train its finance advisers to a high standard thereby generally leading to better quality advice and service being provided to its customers than that provided by the majority of its competitors. Tamweel believes that this is particularly important in the UAE where customer awareness is generally lower than in more developed markets. In addition to being able to provide a better level of customer service, Tamweel's long history of providing residential property finance has given it experience of servicing its mortgage products throughout their complete life-cycle (and, in particular, during the recent challenging economic environment), which experience Tamweel does not believe a number of its competitors share;
- the fact that it is a Sharia compliant institution. Unlike those of its competitors which provide only conventional financing, Tamweel's products may be utilised by both Sharia conscious customers and those for whom Sharia compliance is not a relevant consideration. Tamweel believes that its product offering compares favourably both on quality of service and in pricing terms with those offered by its principal competitors. For example, Tamweel recently introduced a pricing promotion on new products which was then replicated by certain of its competitors; and
- commitment to excellence in customer service.

RISK MANAGEMENT

Risk is inherent in Tamweel's activities, but it is managed through a process of ongoing identification, measurement, mitigation and monitoring and by subjecting risk to limits and other controls. This process of risk management is critical to Tamweel's continuing profitability and sustainability. Tamweel is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

The independent risk control process within Tamweel does not include business risks such as changes in the environment, technology and industry. Those risks are monitored through Tamweel's strategic planning process.

The Board has ultimate responsibility for the risk management of Tamweel. The level of risk that Tamweel accepts, together with the basis for managing those risks, is driven by the Board and senior management. Tamweel's Management Credit & Risk Committee (see "*—Management—Committees—Management Committees*") review the risk on Tamweel's entire portfolio on a monthly basis. However, separate independent bodies within Tamweel are entrusted with delegated risk management responsibilities.

The Board is responsible for the overall risk management approach adopted by Tamweel and for designing and deciding its risk strategies, policies, appetite parameters and principles.

The Board of Tamweel has constituted an Audit Committee (the "**BAC**") and a Credit and Risk Committee (the "**BCRC**") to assist it with certain risk management functions (see "*—Management—Committees—Board Committees*" below). The Audit and Credit and Risk Management functions, reporting to the Board, independently ensure that appropriate processes are in place for the identification, assessment, monitoring and mitigation of risks. Within the guidelines provided by the Board, the BAC and the BCRC co-ordinate the development and implementation of Tamweel's risk management framework and the execution of risk policies. Management is, in turn, responsible for executing the risk management strategy and implementing appropriate mitigation strategies to contain all risks to Tamweel's business. Tamweel's Management Credit & Risk Committee (see "*—Management—Committees—Management Committees*") oversees the implementation of Tamweel's credit management strategy and policies.

In addition, Tamweel also has the Tamweel ALCO and a Sharia Supervisory Board, each of which are described further under "*—Management—Committees*" below.

For all levels within Tamweel, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to up-to-date information necessary for their proper management and monitoring of risks inherent to Tamweel's activities.

A detailed analysis of the concentration, credit, profit rate, currency, operational and liquidity risks faced by Tamweel are described in Note 28 to Tamweel's financial statements for the year ended 31 December 2010. In addition, Tamweel's credit policies and procedures are described above under "*—Business Activities—Islamic Financing and Investment Assets—Business Pillars—Underwriting*" and its liquidity management is discussed above under "*—Business Activities—Islamic Financing and Investment Assets—Business Pillars—Funding*".

INTERNAL CONTROLS

Tamweel's internal audit function is currently outsourced to KPMG who perform internal audits for selected areas, as identified by the BAC and Tamweel's management, within Tamweel. Tamweel's internal auditors report functionally to the BAC and administratively to its Chief Executive Officer. Tamweel's internal auditors are permitted unrestricted access to all of Tamweel's records (either manual or electronic), its assets, physical properties and personnel to the extent they are relevant to their engagement.

The services provided by Tamweel's internal auditors are performed in conformity with the Standards for Professional Practice of Internal Auditing (SPPIA) issued by the Institute of Internal Auditors (USA).

Tamweel's internal auditors produce an annual internal audit plan in conjunction with Tamweel's management and the same is presented to the BAC for approval before their engagement commences.

The audit findings, recommendations, agreed action plan and follow up status is presented to the BAC or the Board on a quarterly basis. Typically, a minimum of three internal audit reports are produced to the BAC at each quarterly meeting of that board committee.

In terms of compliance, Tamweel believes that it has a strong corporate governance structure, see "*—Corporate Governance*". Tamweel has established know your customer and anti-money laundering policies although, as it is not permitted to accept retail deposits and does not accept cash repayment of any facility granted by it, to a large extent it relies on the banks through whom such payments are made to carry out these checks. In addition, Tamweel screens all new customers against Central Bank blacklists and OFAC and other relevant check lists.

CAPITAL ADEQUACY

Tamweel manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust its capital structure, Tamweel can adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Central Bank requires a minimum capital to total assets ratio of 15 per cent. in accordance with the Central Bank's Board Resolution No. 58/3/96. Tamweel uses this as a benchmark and seeks to ensure that this requirement is never breached. As at 30 September 2011, Tamweel's equity to asset ratio was 23.1 per cent. The Central Bank has issued a standardised Basel II approach and its implementation guidelines are applicable to banks operating in the UAE. Although this standard approach and guidelines are not applicable to Tamweel, Tamweel has always sought to apply them to its business. Following DIB becoming the majority shareholder of Tamweel, CARs and Basel II Pillar I forms are prepared and reviewed by Tamweel, —and then reported to DIB on a quarterly basis. Tamweel has also set itself an internal benchmark for liquidity and gearing ratios which are monitored regularly and reported to various committees such as the Tamweel ALCO and the BCRC.

Tamweel has not distributed a dividend to its shareholders since the financial year ended 31 December 2008 principally due to its internal liquidity position and the external financial market turbulence during that time.

INFORMATION TECHNOLOGY

In 2007, Tamweel engaged Gartner Consultancy and Microsoft to develop an overall strategy for Tamweel's information technology ("**IT**") architecture. This strategy targeted completion within five years and covered the following items:

- system architecture;
- core banking and workflow application; and
- main data centre and disaster recovery.

Tamweel intends to continue to review its information technology systems and platforms on an annual basis.

System Architecture

Tamweel's current technology infrastructure has improved significantly since the inception of the original strategy plan was developed and Tamweel believes that most historical technology shortcomings no longer exist. The key strategic concept for Tamweel's IT system architecture relies on a core relational database technology coupled with hardware and software standards using carefully selected suppliers such as Oracle, Microsoft, HP, CISCO, and Avaya (Nortel).

Tamweel's IT network has been upgraded to a fully integrated and managed environment using CISCO technology. Network management and problem diagnosis can be handled centrally, with most issues being resolved online. This has reduced the number of network engineers required to support the IT environment and the overall cost of maintaining this system.

Core banking and workflow application

Tamweel employs FLEXCUBE as its primary core banking IT system. The FLEXCUBE product is provided by Oracle Financial Services (OFS). FLEXCUBE has been customised for Islamic mortgage products and provides flexible product architecture to cover a range of fixed or floating profit rates, charges and amortisation structures.

The FLEXCUBE Islamic product allows Tamweel to process transactions and documentation automatically throughout the complete life-cycle of its products, which Tamweel believes has increased efficiencies and customer satisfaction levels. The product allows all back-office processing to be done on a unified basis and, due to its flexibility, will permit further developments and upgrades to be made easily. Tamweel believes that FLEXCUBE provides a cost effective solution for Tamweel and results in a low total cost of ownership for its entire IT infrastructure.

Main data centre and disaster recovery

To support Tamweel's core IT system's storage requirements and to ensure adequate growth capacity in the future, Tamweel has implemented a storage area network (SAN) from HP to provide both flexibility and performance in meeting the storage capacity needs of its applications. A new main data centre was established in 2010 at Tamweel Tower – Jumeirah Lake Towers with an off-line connectivity service to the disaster recovery site located in Deira, Dubai. Tamweel's current IT system provides daily data back-up to an offsite location in Deira.

LITIGATION

Tamweel is engaged in certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions. Tamweel is defending these cases and has been advised by its legal counsel that it is only possible, but not probable, that the action by counter parties would succeed. Accordingly, no provision for any liability has been made in the interim condensed consolidated financial statements as at 30 September 2011.

TAX

Tamweel is not subject to tax in Dubai or the United Arab Emirates, whether corporate or otherwise.

MANAGEMENT

In accordance with applicable UAE law and Tamweel's by-laws, Tamweel's management is currently comprised of a Board, certain board and management committees, and a senior management team, each of which are described further below.

Board of Directors

The management of Tamweel is vested in a Board comprising seven members. The Board is appointed for a three-year renewable term and is required to meet at least six times per year. Tamweel's current Board was appointed in November 2010 following the increase in DIB's shareholding.

The Board is the ultimate decision-making body of Tamweel and is comprised of the Chairman, the Vice Chairman and five other directors. The Board is supported by various standing committees including the BAC, the BCRC, the Tamweel ALCO and the HR & Remuneration Committee, each as further described below.

The current directors of the Board are:

Directors	Title
Mr. Abdulla Al Hamli	*Chairman (representative of DIB)*
Mr. Mohamed Abdulla Al Nahdi	*Vice Chairman (representative of DIB)*
Dr. Adnan Chilwan	*Director (representative of DIB)*
Mr. Mohammed Saeed Al Sharif	*Director (representative of DIB)*
Mr. Hamad Essa Rashid Al Huraiz	*Director (independent director)*
Mr. Saeed Ahmed Belhasa	*Director (independent director)*
Mr. Yasser Abdulrahman Bin Zayed	*Director (independent director)*

Abdulla Al Hamli

Abdulla Al Hamli is Chairman of the Board of Tamweel and has overall responsibility for the management of Tamweel. He was elected to this position in November 2010.

Mr. Al Hamli has held the position of Chief Executive Officer of DIB since 2008, and is also a member of DIB's Board of Directors. Before assuming the role of Chief Executive Officer, he served as DIB's Chief Information Officer where he oversaw the upgrade of its IT infrastructure. Mr. Al Hamli joined DIB in 1999 and undertook a wide variety of responsibilities in relation to IT and business services.

Mr. Al Hamli also serves as Chairman of the property developer, Deyaar Development PJSC ("**Deyaar Development**").

He holds a degree in Economics and Mathematics from Al Ain University, UAE.

Mohamed Abdulla Al Nahdi

Mohamed Al Nahdi has served as Vice Chairman of the Board of Tamweel since November 2010.

Mr. Al Nahdi has over 26 years' worth of leadership experience gained in the banking sector. He currently serves as the Deputy Chief Executive Officer—Chief Operating Officer of DIB where he oversees the critical support functions within that bank. Before joining DIB, Mr. Al Nahdi was Chief Retail Banking Officer at Dubai Bank. He began his career with HSBC, holding various positions within the personal banking, corporate banking, branches, trade finance, operations and remittances departments of that bank.

Mr. Al Nahdi also serves as a board member of DIB Capital, the investment subsidiary of DIB as well as serving as a board member of the property developer, Deyaar Development. He holds a degree in Accountancy and Administration from Baghdad University, Iraq.

Dr. Adnan Chilwan

Dr. Chilwan joined the Board of Tamweel in November 2010. He has over 16 years' worth of banking experience with both conventional and Islamic banks in the Gulf region such as DIB, Dubai Bank (UAE), Commercial Bank of Qatar (Qatar), Mashreqbank (UAE), Abu Dhabi Islamic Bank (UAE) and HSBC (UAE).

Dr. Chilwan represents DIB on the boards of various strategic investments, subsidiaries and associates. He is currently Chairman, Islamic Financial Services (the brokerage arm of DIB); Board Member, DIB Capital (the investment bank of DIB); Board Member, Deyaar Development; Board Member, Liquidity Management Centre (Investment Centre in Bahrain); Board Member, Dar Al Shari'a and a Board Member of Millennium Private Equity. He is also a member of the DIB's Investment Committee, the DIB Assets and Liabilities Committee, Management Credit Committee, Automation Committee and Executive Committee.

Dr. Chilwan has a PhD and a MBA in Marketing. He is a Certified Islamic Banker (CeIB), a Post Graduate in Islamic Banking & Insurance and an Associate Fellow Member in Islamic Finance Professionals Board.

Mohammed Saeed Ahmed Al Sharif

Mohammed Saeed Ahmed Al Sharif joined the Board of Tamweel in November 2010. He is a banking professional with 25 years of experience across Islamic Banking and Central Banking.

Mr Al Sharif is currently the Chief Executive Officer of DIB Capital having previously served as Chief Financial Officer of DIB. He sits on various committees within DIB, including the Management Committee, the Credit Committee, the DIB Assets and Liabilities Committee, the Investment Committee, the Real Estate Committee and the Collection and Recovery Committee. Mr. Al Sharif holds several Board memberships on publicly traded companies and financial services firms on behalf of DIB Group. In addition he hold several sub-committee roles providing leadership and technical advise on matters related to strategy, compliance/policy, and risk monitoring.

Before joining DIB, he worked within the Financial Control Department of the Central Bank where he held many positions in the Financial Control and Banking Supervision departments. Mohammed Saeed Ahmed Al Sharif is also Editor in Chief of Islamic Economic Magazine.

Mr. Al Sharif is a Certified Chartered Accountant from the Accounting Council for the State of Virginia, USA. He holds a Masters degree in Accounting from the Catholic University of America, Washington DC, USA and is the Chief Editor for the Islamic Economy Magazine and registered accounting and banking expert by UAE courts.

Hamad Essa Rashid Al Huraiz

Hamad Al Huraiz joined the Board of Tamweel in November 2010. He currently serves as Chief Commercial Officer at the Dubai Technology and Media Free Zone Authority ("**TECOM**") where he oversees all of its land sales and leasing. In this role, Mr. Al Huraiz also acts as Chairman of the TECOM land committee and sits as a member of TECOM's management committee.

Between 2004 to 2008, Hamad Al Huraiz held the position of Executive Director of the International Media Production Zone ("**IMPZ**"), an entity within TECOM, where he was responsible for overseeing all of its day-to-day activities, including the delivery and sales of IMPZ products and services. Mr. Al Huraiz has also worked as a Director (Facilities management) within TECOM.

Mr. Al Huraiz holds a Bachelor of Science degree, with a Major in Business Administration, from the University of Arizona, USA.

Saeed Ahmed Belhasa

Saeed Ahmed Belhasa joined the Board of Tamweel in November 2010. He is a board member of the Belhasa Group of Companies, which has interests in the investment, services, trading, industry and real estate sectors. Mr. Belhasa is Managing Director of the finance/investment, real estate and auto divisions within the Belhasa group of companies. He also serves as a director of Al Arabia Educational Development.

Mr Belhasa holds a Higher Diploma in Business Management, with a Major in Accounting, from the Higher Colleges of Technology, Dubai, UAE.

Yasser Abdulrahman Bin Zayed

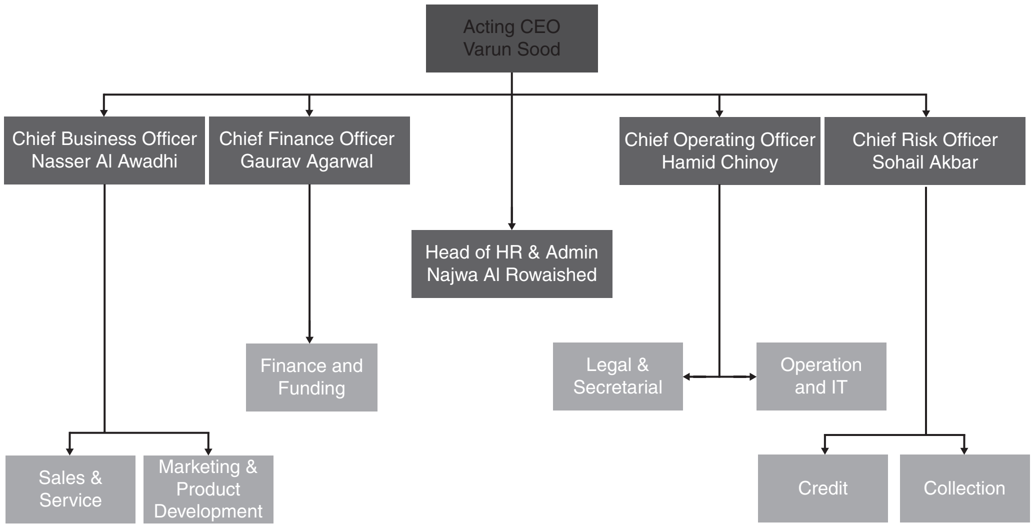
Yasser Abdulrahman Bin Zayed joined the Board of Tamweel in November 2010. He is a Chief Operating Officer at Dubai Office, the government entity charged with managing the private affairs and interests of the Dubai Royal Family abroad. The Dubai Office reports to H.H. Sheikh Mohammed bin Rashid Al Maktoum—Vice President and Prime Minister of the UAE and Ruler of Dubai. He has been with the organisation in the UAE for the past four years, having previously served in the London office.

Mr. Bin Zayed began his career with the Jebel Ali Free Zone Authority, where he was responsible for all leases and licences of free zone companies, before joining DIB as Senior Head of the Bank Card Division.

Mr. Bin Zayed also serves as a Board Member for Dubai First PJSC. He holds a Bachelor of Arts degree in Business Administration from California State University at San Bernardino, USA.

SENIOR MANAGEMENT

The following diagram summarises the current senior management structure within Tamweel:



The senior management team of Tamweel comprises five senior division heads reporting to the Chief Executive Officer. Details of the current senior management team are set out below:

Senior Management	Title
Mr. Varun Sood	Acting Chief Executive Officer
Mr. Nasser Abdullah Al Awadi	Chief Business Officer
Mr. Gaurav Agarwal	Chief Financial Officer
Mr. Hamid Chinoy	Chief Operating Officer
Mr. Sohail Akbar	Chief Risk Officer

Varun Sood

Varun Sood is currently the acting Chief Executive Officer (the "**CEO**") of Tamweel. Mr. Sood has worked with Tamweel since 2008 and, prior to his appointment as acting CEO, served as Chief Executive Officer of its Home Finance Division.

Mr. Sood has over 20 years' worth of experience in the international banking and financial industry specialising in retail and consumer credit. Prior to joining Tamweel he served as Group Head of Retail Credit for DIB from 2005 where he established, led and managed the Retail Credit Function for the DIB Group's domestic and international businesses and subsidiaries. Mr. Sood has also worked as Regional Head of Consumer Credit for ABN AMRO Bank (based at the Head Office in Amsterdam, where he oversaw implementation of Basel II Capital adequacy regulations for ABN AMRO Bank's Consumer Credit function), as Head of Retail Credit for Mashreqbank, and Head of Consumer Credit for Standard Chartered Bank in the Gulf.

Mr. Sood holds a B.A. (Honours) from Delhi University, India, and is both a Chartered Accountant and a Certified Public Accountant.

Gaurav Agarwal

Gaurav Agarwal is responsible for the management and control of Tamweel's finance and funding departments and contributes to various corporate development projects and risk management committees.

Mr. Agarwal joined Tamweel in December 2005, prior to which he worked as a Senior Manager in Corporate Finance and Business Advisory at Ernst and Young (E&Y), Dubai. He initially served as Head of Credit and Asset Valuation at Tamweel before his assignment as Chief Financial Officer began in 2007.

Mr. Agarwal holds an MBA, Cost and Works Accountant (AICWAI) and Chartered Financial Analyst (ICFAI).

Hamid Chinoy

Hamid Chinoy is currently the Chief Operating Officer at Tamweel and has been with the company since May 2008. He directly supervises the legal and corporate secretarial, operations, IT and engineering functions of Tamweel in addition to serving as a member of key Management Committees such as the Management Credit and Risk Committee, IT Steering Committee.

Mr. Chinoy has more than 25 years' worth of experience in banking and financial services in the Middle East and in India. He has held senior positions with HSBC Bank (Middle East) prior to joining Tamweel and has also served with BNP and Citibank in India.

Mr. Chinoy has an A.C.A. qualification from the Institute of Chartered Accountants of India, and has been an Associate Member of this Institute since 1986.

Nasser Abdulla Al Awadhi

Nasser Al Awadhi is currently the Chief Business Development Officer (**CBO**) at Tamweel and has been with the company since March 2011. His role as Tamweel's CBO includes managing key business units such as sales, business development, services, marketing and product development.

Mr. Al Awadhi has more than 20 years' worth of experience in the banking and financial services industry. Prior to joining Tamweel, Mr. Al Awadhi Served as Chief Executive Officer at Al Islami Financial Services. He also worked at key positions in DIB, including as Head of Distribution and Branches.

Mr. Al Awadhi holds a Bachelors Degree in Public Management and Accounting.

Sohail Akbar

Sohail Akbar is currently the Chief Risk Officer (CRO) at Tamweel and has been with the company since 1 September 2007.

Mr Akbar has 25 years' worth of experience in the areas of general and business management and people development within the Banking and Service industry. He has extensive experience in consumer banking, marketing and communications & FMCG products.

In various roles Mr Akbar has successfully managed Wealth Management (Liability), Asset Management (Mortgages, Personal and Auto Loans) and Credit Cards businesses regionally and locally. His understanding of Risk Management encompasses Credit, Market, Regulatory and Reputation risks which has helped him to manage diverse customer base in the dynamic and active market successfully.

Mr Akbar specialises in managing the start-up initiatives and achieving sustained business growth most recent being, setting up new business plans, risk management, restructuring, collections and recovery units at Tamweel.

Mr Akbar established the Sales, Service and Marketing arm of Standard Chartered bank in his role as CEO of Standard Chartered Holdings (BV) managing its retail business.

Sohail has acquired his MBA degree from Punjab University, Pakistan.

There are no conflicts of interest between the duties of the members of the Board and senior management team named above and their private interests or other duties. The business address of each of the members of the Board and senior management team named above is Business Avenue Building, Mezzanine Floor, P.O. Box 111555, Dubai, UAE.

COMMITTEES

Board Committees

Introduction

Tamweel's Board currently has three committees: the BAC, the BCRC and the HR & Remuneration Committee. All of the Board committees function on behalf of the Board and the Board is responsible for constituting, assigning, co-opting and fixing terms of service for committee members (which powers have been delegated to the nominations committee). The Chairman of the Board, in consultation with each committee Chairman, determines the frequency and duration of the committee meetings. Committee recommendations are submitted to the full Board for approval.

Each Board committee has a written charter, approved by the Board, which describes the committee's general authority and responsibilities (as described further below). The committee chair reports on the items discussed and action taken at their meetings to the Board following each committee meeting. Committee materials are provided to the committee members in advance of the meetings as to allow members time to prepare for a discussion of the items at the meeting. Each committee undertakes an annual review of its charter and works with the Board to make appropriate revisions. The Board may, from time to time, establish and maintain additional committees. Members of the Board's committees are expected to attend all meetings.

Audit Committee

The BAC assists the Board in discharging its oversight responsibilities with respect to the integrity of Tamweel's financial statements, its financial reporting processes and its system of internal accounting and financial controls (see further "—Internal Controls" above). The BAC also assists the Board with respect to appointing and supervising Tamweel's external independent auditors and in ensuring that appropriate controls are in place for monitoring compliance with laws, regulations and supervisory requirements. The activities of the BAC are governed by the Audit Committee Charter.

In discharging its responsibilities, the BAC is not itself responsible for the planning or conduct of audits or for any determination that Tamweel's financial statements and related disclosures are complete and accurate or are in accordance with generally accepted accounting principles and applicable rules and regulations. This is the responsibility of Tamweel's management and its independent auditor.

The BAC meets at least once a quarter or more frequently if necessary. All members of the BAC are appointed by the Board. The BAC comprises a chairperson and at least two more the BAC members. The current members of the BAC are Mr. Saeed Ahmed Belhasa (Chairman), Mr. Yasser Abdulrahman Bin Zayed and Mr. Mohamed Abdulla Al Nahdi.

Credit & Risk Committee

The BCRC reviews Tamweel's risk profile to ensure that it is in accordance with the risk policies and appetite parameters established by the Board. The BCRC defines Tamweel's risk appetite and sets its overall risk appetite and risk management policy guidelines. Such guidelines are prepared on a holistic basis and cover all risk-based aspects of Tamweel's business, including: credit risk, operational risk, liquidity risk, profit rate risk and reputational risk.

The BCRC is authorised to approve credit transactions up to credit authority limits delegated to it by the Board.

The BCRC meets as often as it determines is necessary, but must meet at least once every quarter. All members of are appointed by the Board. The BCRC comprises a chairperson and at least two more the Board members. The current members of the BCRC are Mr. Mohammed Saeed Al Sharif (Chairman), Dr. Adnan Chilwan and Mr. Hamad Essa Rashid Al Huraiz.

HR & Remuneration Committee

The function of the Board HR & Remuneration Committee is to assist the Board in fulfilling its corporate governance responsibilities regarding assuring the ongoing independence of independent Board members, remuneration policies for Board members, remuneration for certain senior management, policies for executive variable pay, the remuneration structures in Tamweel's Human Resources policies and other matters referred to the Committee by the Board.

The HR & Remuneration Committee may, from time to time, investigate, discuss or review matters outside its terms of reference if required to do so by Board.

All members of the HR & Remuneration Committee are appointed by the Board. The HR & Remuneration Committee comprises a Chairperson (designated by the Board) and at least two more members. At least one member of the Committee must be an independent director. The CEO and members of the management team are, from time to time, invited to attend meetings, and may be designated as permanent invitees at the Committee's discretion. The current members of the HR & Remuneration Committee are Mr. Hamad Essa Rashid Al Huraiz (Chairman), Mr. Yasser Abdulrahman Bin Zayed and Dr. Adnan Chilwan.

The committee meets as requested by the Chairperson.

MANAGEMENT COMMITTEES

Management Credit & Risk Committee

The Management Credit & Risk Committee (the "**MCRC**") oversees Tamweel's credit management strategy and policies ensuring that the credit risk taken, assets portfolio and allocation are in line with Tamweel's overall risk appetite as defined by the BCRC. The MCRC also ensures that appropriate credit and collections policies are implemented across the entire life cycle of its financing products, including origination, account management, restructuring, collections and recoveries. In particular, the MCRC approves the annual review of the Product Programme Guidelines which set out Tamweel's principal underwriting criteria.

The MCRC has created a risk management framework and related policies which cover (amongst other risks):

- credit risk (including the establishment of appropriate credit limits (see "*—Business Activities—Islamic financing and investing assets—Business Pillars—Underwriting*" above));
- operational risk;
- liquidity risk;
- profit rate risk; and
- reputational risk.

Such framework and policies are intended to ensure the proper identification, measurement, mitigation and accountability for the management of risks within Tamweel. The MCRC is also responsible for ensuring that all such policies comply with the risk management guidelines established by the BCRC.

All members of the senior management team described under "—Senior Management" above are members of the MCRC.

The MCRC meets as often as necessary to fulfil its responsibilities and, in any event, not less than once per calendar month.

Asset and Liability Committee

The Tamweel ALCO monitors the asset performance and financial position of Tamweel. The Tamweel ALCO is principally responsible for establishing risk management standards and methodologies, monitoring liquidity and alternative funding sources, reviewing market rate risk and regulatory capital levels and determining pricing parameters and Tamweel's base profit rate (determined by reference to EIBOR). The committee also considers new initiatives and reviews funding plans. Members of the Tamweel ALCO include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Business Development Officer and Chief Risk Officer. The Chief Executive Officer chairs the committee. The committee meets at least once per month and reports to the Board through the BCRC.

Sharia Supervisory Board

In compliance with Tamweel's memorandum and articles of association, Tamweel has a Sharia Supervisory Board which oversees all areas of operation in order to ensure that Tamweel's activities are in accordance with Sharia principles. Dar Al Sharia Legal & Financial Consultancy LLC ("**Dar Al Sharia**"), the independent Sharia consultancy firm established by DIB, is responsible for reviewing and approving new products (including their structure, process and documentation) for Sharia compliance in the first instance and will, where appropriate, seek guidance from Tamweel's Sharia Supervisory Board. Dar Al Sharia is comprised of a number of bankers, lawyers and Sharia Scholars with expertise in Sharia finance and was incorporated by DIB in 2008. Regular Sharia audits are performed on all of Tamweel's activities by the Sharia Supervisory Board, which consists of the following members:

Name	Position
Professor Dr. Hussain Hamid Hassan	Chairman
Dr. Mohamed Abdulahakim Zuair	Member
Mohammed Abdul Razzaq Mohammed Al Sedeeq	Member

Dr. Hussein Hamed Hassan

Dr. Hussain completed his PhD in the Faculty of Sharia from Al Azhar University, Egypt, Masters in Comparative Jurisprudence from University of New York, USA and graduated in Law and Economics from University of Cairo, Egypt.

Dr. Hussain is a prominent scholar and teacher, having established Islamic universities and Islamic faculties in various parts of the world including Makkah, Islamabad, Kazakhstan and Libya.

He has been advisor to the Presidents of various Islamic Republics. Dr. Hussain has recently prepared the Islamic banking law for Kazakhstan, acted as an advisor to Presidents of the Islamic Republic of Pakistan, Prime Minister of the Republic of Kyrgyzstan, President of the Islamic Conference of the Muslim World and acted as General Secretary of the Muslim World League, Saudi Arabia. He is also the President of the United States Muslim Jurists Association.

Besides Tamweel, Dr. Hussain is the Chairman, Sharia Supervisory Board of several Islamic financial Institutions including DIB, Emirates Islamic Bank, Sharjah Islamic Bank, Ajman Bank, Amlak Finance, National Bonds Corporation, Liquidity Management Centre, AMAN Takaful Company, Jordan Dubai Islamic Bank and others besides being core member of the Sharia Board of Islamic Development Bank and the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Dr. Hussain frequently presides over Islamic academic and financial conferences, seminars and workshops in different parts of the world.

Dr. Mohamed Abdulahakim Zuair

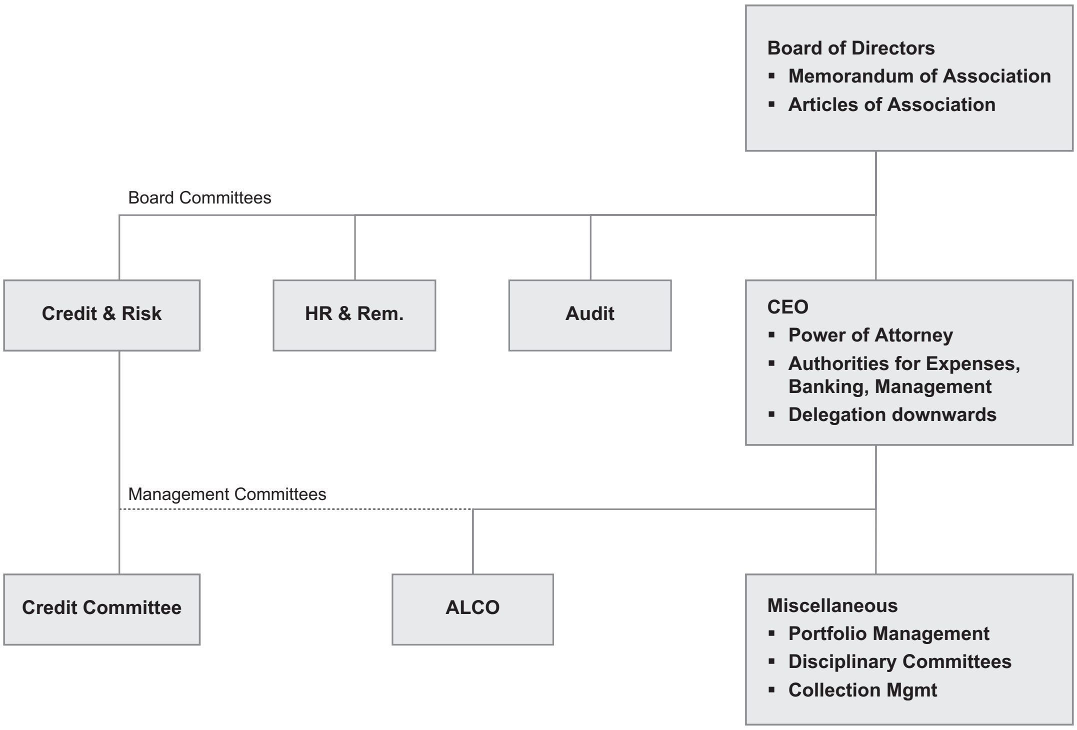
Dr. Zuair has a Doctorate and a Master Degree of Islamic Sharia from Al-Azhar University, Egypt. He also holds a Bachelor's Degree in Management Science. Dr. Zuair has over 25 years of Islamic banking experience and is considered as one of the pioneers of modern Islamic finance. Apart from being the member of Fatwa and supervision Board of Tamweel, Dr. Zuair sits on Sharia Boards of numerous prestigious financial institutions such as DIB and Amlak. He is the editor of Al Iqtisad Al Islami Magazine and has published research papers on various topics relating to Islamic Banking. Dr Zuair is also a well known teacher and trainer in the field of Islamic Banking.

Mohammed Abdul Razzaq Mohammed Al Sedeeq

Sheikh Abdul Razzaq is currently pursuing his PhD in comparative Fiqh at Al-Azhar University, Egypt. He has a Master degree in Fiqh and comparative Fiqh from Islamic University, Saudi Arabia and a Bachelor of Sharia from UAE University. He is a preacher and Head of Sharia & Law Society of UAE University. Apart from his professional career as an Assistant Professor, he is a Representative of the Cultural Committee of UAE University. He is also a recognised Fatwa Authority of the Ministry of Islamic Affairs UAE.

Corporate Governance

Tamweel is committed to high standards of corporate governance and has established a Corporate Governance Framework which is intended to ensure strong governance and control standards in its business practices and activities. The following chart summarises those aspects of Tamweel's Corporate Governance Framework which apply to it internally:



The key points in this framework to note are:

- The Board of Directors, as the ultimate authority of Tamweel, acts under its Memorandum and Articles of Association.
- Board Committees act under the charters approved by the Board.
- The CEO acts under the limits of authority (the "**Limits of Authority**") and a power of attorney delegated to him by the Chairman on behalf of the Board to operate the day-to-day business of Tamweel.
- The operation of Tamweel's bank accounts, its authority to pay expenses and to disburse funds to third parties are all governed by a specific Board Resolution relating to bank mandate authorities.
- Certain Management Committees operate under formal charters and others operate informally as required.
- Other general management authorities are vested with the CEO as detailed in the Limits of Authority, and delegated downwards as authorised.

In addition, Tamweel's Corporate Governance Framework also takes into account the overall regulatory environment which applies to it externally. These regulations principally derive from: the Central Bank, the SCA / DFM (as a result of Tamweel's shares being listed on that market), NASDAQ Dubai (as a result of the Sukuk being listed on that market) and the Dubai Real Estate Regulatory Authority.

Tamweel's overall aim in formulating its Corporate Governance Framework is to ensure that there is a clear framework setting out authorities at all levels within the company in order to ensure effective corporate controls are in place as well as facilitating efficient processing of transactions.

Employees

As of 30 September 2011, Tamweel employed approximately 191 full-time employees, compared to 166 employees as of 31 December 2010 and 234 employees as of 31 December 2009. Tamweel had a staff turnover of around 21 per cent. for the period between 31 December 2009 and 31 December 2010. The decrease in staff during 2009 and 2010 reflects measures taken by Tamweel to control its costs during the global credit crisis and down-turn in the UAE real estate sector.

Employees of Tamweel regularly undergo internally organised skill development programmes aimed at ensuring they have all appropriate qualifications and improving their management and other personality-based skills. In addition, employees may attend a range of externally arranged courses to assist in their skills development. Tamweel is committed to the development of UAE citizens.

As a result of its Emiratisation programme, the percentage of UAE citizens working at Tamweel is in excess of the regulatory requirement of 10 per cent. required within the UAE banking industry. As at 30 September 2011, the percentage of UAE citizens working at Tamweel was approximately 9.0 per cent., compared to 10.2 per cent. as of 31 December 2010 and 10.7 per cent. as of 31 December 2009.

OVERVIEW OF THE PROPERTY MARKET IN DUBAI

Property Ownership

Until 2006, legal title in real property in Dubai could be owned only by UAE nationals and, under certain conditions, by other GCC nationals. Law No (7) of 2006 concerning Real Property Registration in Dubai (the "**Property Law**") was passed in March 2006 and published in the official gazette in April 2006 and provides that the right to own real property in Dubai shall be restricted to UAE and GCC nationals and companies owned in full by them, as well as to public joint stock companies. However, non-UAE nationals may be granted the right to freehold ownership or usufruct/leasehold rights over real property for a period not exceeding 99 years, in designated areas of Dubai. These areas have been defined pursuant to Regulation No (3) of 2006 (the "**Designated Areas**").

Historically, outright ownership of real property in Dubai has either been classified as "freehold" ownership or "gifted/granted" land obtained pursuant to a gift or grant from the Ruler of Dubai.

Land Registration

Under the Property Law, purchased properties in Dubai are required to be registered in the name of the purchaser and in accordance with the Regulation No. 3 of 2006. In the case of properties purchased from developers, applications for registration may be submitted by the initial purchaser at the office of the developer of the development in which the relevant property is situated, and completed by the developer at the Dubai Land Department.

As this registration requirement applies retroactively to prior sales of properties, property developers have been faced with significant backlogs, as has the Dubai Land Department as it processes registrations of prior sales.

Property Market

The real estate market in Dubai has been adversely affected by the global economic crisis. Following significant price declines since the fourth quarter of 2008 (in part reflecting the withdrawal of speculative buyers from the market), prices have since stabilised in completed developments. The current market situation has led to the re-evaluation of a number of real estate projects and delays in many projects. Since the price corrections, demand has principally originated from end-users. Dubai's Real Estate Regulatory Authority (the "**RERA**") is working with and helping various stakeholders including developers, contractors and investors to resolve outstanding disputes related to properties in Dubai.

Since the middle of 2008, a number of real estate projects in Dubai have been cancelled or delayed, principally reflecting liquidity shortages for developers, decreasing headline real estate prices and rental rates, increasing market uncertainty and negative sentiment and these factors adversely affected real GDP growth rates in the real estate and construction sectors in 2008 to 2010. In order to address issues surrounding cancelled or delayed projects, Law No (9) of 2009 Amending Certain Provisions of Law No (13) of 2008 ("**Law No (9) of 2009**") came into effect as of 30 April 2009 and provides a mechanism for terminating contracts for the sale of a real estate unit and a sliding scale of amounts to be forfeited by defaulting purchasers, based on the levels of construction achieved by the developer. Where a purchaser is in default of any terms of the contract for sale, Law No (9) of 2009 requires the developer to notify the RERA who will serve the defaulting purchaser with a notice requiring the defaulting purchaser to fulfil their contractual obligations within 30 days. Following the notice period, if the purchaser has not complied with their contractual obligations, Law No (9) of 2009 provides that the developer is able to retain a proportion of the purchase price (ranging from 25 per cent. to 80 per cent.) according to the completion stage of the construction and auction the property in order to collect the remaining amounts due.

According to RERA, of the total number of registered projects at 31 May 2011, 129 projects have been completed since the beginning of 2009. In the last two years, RERA has additionally completed a review of more than 450 projects and, of these reviewed projects, 237 are expected to be completed in due course. 217 registered projects have been cancelled by RERA as at 31 May 2011.

According to RERA, there were 455 registered developers in Dubai and 893 registered brokers in Dubai as at 31 May 2011. The principal developers in Dubai are all owned (wholly or partially) by the Government of Dubai and/or the ruling family of Dubai.

The table below shows the number of real estate sale transactions in Dubai and the total value of such transactions in each of the years ended 31 December 2008, 31 December 2009 and 31 December 2010:

	2008	**2009**	**2010**
Number of real estate sale transactions	21,978	30,962	26,335
Value of real estate sale transactions (AED millions)	260,733	152,927	119,477

Source: Dubai Statistics Centre

For the year ended 31 December 2010, Dubai's Department of Land and Properties reported 26,335 sale transactions, compared to 30,962 sale transactions in 2009, a decrease of approximately 14.9 per cent. The Department of Land and Properties also reported a slight decrease in the number of mortgage related transactions, with 9,548 mortgage-related transactions taking place in the year ended 31 December 2010 compared to 9,859 such transactions in 2009.

DESCRIPTION OF DUBAI ISLAMIC BANK PJSC

Overview

Dubai Islamic Bank PJSC ("**DIB**") is the world's first full service Islamic bank and now ranks as the third largest Islamic bank in the world, in terms of assets. DIB was established in the Emirate of Dubai on 10 March 1975, with the objective of providing banking and other financial services tailored to adhere to the principles of Islamic Sharia. As of 30 September 2011, DIB ranked as the largest Islamic bank in the UAE in terms of assets, capital and branches, and also ranks amongst the top five banks in the UAE in terms of balance sheet size and customer deposits.

The core business areas of DIB and its consolidated subsidiaries and associates (together, the "**DIB Group**") are Retail & Business Banking, Corporate Banking & Financial Institutions, Real Estate & Contracting Finance, Investment Banking and Treasury. The DIB Group offers a wide range of Sharia-compliant products and services to retail, corporate and institutional clients through a network of 70 branches across the UAE. In addition to its main office and branches in Dubai, DIB operates across all the other Emirates of the UAE, namely Abu Dhabi, Ajman, Fujairah, Ras Al Khaimah, Sharjah and Umm Al Quwain.

As of 30 September 2011, DIB had total assets of AED 93.5 billion (U.S.$ 25.5 billion), compared to AED 90.1 billion (U.S.$ 24.5 billion) as of 31 December 2010 and AED 84.3 billion (U.S.$ 23.0 billion) as of 31 December 2009.

As of 30 September 2011, DIB had total liabilities of AED 83.1 billion (U.S.$ 22.6 billion), compared to AED 79.6 billion (U.S.$ 21.7 billion) as of 31 December 2010 and AED 75.3 billion (U.S.$ 20.5 billion) as of 31 December 2009. As of 30 September 2011, DIB had shareholders equity of AED 9.4 billion (U.S.$ 2.6 billion), compared to AED 9.6 billion (U.S.$ 2.6 billion) as of 31 December 2010 and AED 9.0 billion (U.S.$ 2.4 billion) as of 31 December 2009.

For the nine month period ended 30 September 2011, DIB's net profit before tax was AED 888.4 million (U.S.$ 241.9 million), compared to AED 775.7 million (U.S.$ 211.2 million) during the nine month period ended 30 September 2010, and for the year ended 31 December 2010, DIB's net profit before tax was AED 816.1 million (U.S.$ 222.2 million) compared to AED 1.2 billion (U.S.$ 326.7 million) during the year ended 31 December 2009.

For the nine month period ended 30 September 2011, DIB's net profit was AED 882.2 million (U.S.$ 240.2 million), compared to AED 772.8 million (U.S.$ 210.4 million) during the nine month period ended 30 September 2010, and for the year ended 31 December 2010, DIB's net profit was AED 812.6 million (U.S.$ 221.2 million) compared to AED 1.2 billion (U.S.$ 326.7 million) during the year ended 31 December 2009.

For the nine month period ended 30 September 2011, DIB's net profit attributable to its equity holders was AED 850.1 million (U.S.$ 231.4 million), compared to AED 770.9 million (U.S.$ 209.9 million) during the nine month period ended 30 September 2010, and for the year ended 31 December 2010, DIB's net profit attributable to its equity holders was AED 806.5 million (U.S.$ 219.6 million) compared to AED 1.2 billion (U.S.$ 326.7 million) during the year ended 31 December 2009.

For the nine month period ended 30 September 2011, DIB's total income was AED 3.8 billion (U.S.$ 1.0 billion) compared to AED 3.4 billion (U.S.$ 0.9 billion) during the nine month period ended 30 September 2010 and for the year ended 31 December 2010, DIB's total income was AED 4.7 billion (U.S.$ 1.3 billion), compared to AED 5.1 billion (U.S.$ 1.4 billion) during the year ended 31 December 2009.

For the nine month period ended 30 September 2011, DIB's income from financing and investing assets was AED 2.6 billion (U.S.$ 0.7 billion) compared to AED 2.4 billion (U.S.$ 0.7 billion) during the nine month period ended 30 September 2010 and for the year ended 31 December 2010, DIB's income from financing and investing assets was AED 3.2 billion (U.S.$ 0.9 billion), compared to AED 3.3 billion (U.S.$ 0.9 billion) during the year ended 31 December 2009.

For the nine month period ended 30 September 2011, DIB's net impairment loss on financial assets was AED 689.3 million (U.S.$ 187.7 million) compared to AED 432.6 million (U.S.$ 117.8 million) during the nine month period ended 30 September 2010 and for the year ended 31 December 2010, DIB's net impairment loss on financial assets was AED 801.0 million (U.S.$ 218.1 million), compared to AED 809.3 million (U.S.$ 220.3 million) during the year ended 31 December 2009.

For the nine month period ended 30 September 2011, DIB's net impairment loss on non-financial assets was AED 29.0 million (U.S.$ 7.9 million) compared to AED 11.3 million (U.S.$ 3.1 million) during the nine month period ended 30 September 2010 and for the year ended 31 December 2010, DIB's net impairment loss on non-financial assets was AED 62.8 million (U.S.$ 17.1 million), compared to AED 8.6 million (U.S.$ 2.3 million) during the year ended 31 December 2009.

For the nine month period ended 30 September 2011, DIB's depositors' share of profit was AED 1.09 billion (U.S.$ 0.3 billion) compared to AED 1.1 billion (U.S.$ 0.3 billion) during the nine month period ended 30 September 2010 and for the year ended 31 December 2010, DIB's depositors' share of profit was AED 1.4 billion (U.S.$ 0.4 billion), compared to AED 1.7 billion (U.S.$ 0.5 billion) during the year ended 31 December 2009.

As of 30 September 2011, gross Islamic financing and investing assets were AED 56.3 billion (U.S.$ 15.3 billion), compared to AED 60.1 billion (U.S.$ 16.4 billion) as of 31 December 2010 and AED 51.9 billion (U.S.$ 14.1 billion) as of 31 December 2009. As of 30 September 2011, Islamic financing and investing assets (net of impairments) were AED 52.7 billion (U.S.$ 14.3 billion), compared to AED 57.2 billion (U.S.$ 15.6 billion) as of 31 December 2010 and AED 49.9 billion (U.S.$ 13.6 billion) as of 31 December 2009.

Customer deposits stood at AED 68.6 billion (U.S.$ 18.7 billion) as of 30 September 2011, compared to AED 63.4 billion (U.S.$ 17.3 billion) as of 31 December 2010 and AED 64.2 billion (U.S.$ 17.5 billion) as of 31 December 2009.

The head office of DIB is located on Al Maktoum Street, Deira, P.O. Box 1080, Dubai, UAE and its telephone number is +9714 2953000. DIB is regulated by the Central Bank.

History

DIB was incorporated in 1975, in Dubai, by a decree issued by the then Ruler of Dubai, H.H. Sheikh Rashid bin Saeed Al Maktoum. After incorporation, DIB was subsequently registered under the Commercial Companies Law No. 8 of 1984 (as amended) as a public joint stock company.

In 1998, following the discovery of a significant fraud, the Government of Dubai injected AED 917 million (U.S.$ 250 million) into DIB, to become its largest shareholder (increasing its stake from 6 per cent. to 30 per cent.). DIB subsequently recruited a number of professional managers from international and large local financial institutions to improve its management and processes.

As part of its then current strategy to expand in select niche Islamic markets in the Middle East, Africa and Asia, DIB acquired a 60 per cent. stake in the Bank of Khartoum (**BoK**) in 2005, the largest bank in Sudan, which stake was subsequently reduced to 52 per cent. in 2008 (as at 30 September 2011, this stake has decreased further to 28.4 per cent.). In 2006, DIB established DIB Pakistan Ltd (**DIB Pakistan**), a 100 per cent. owned subsidiary, to offer Islamic banking services in Pakistan. DIB also acquired a 20.8 per cent. stake in Jordan Dubai Islamic Bank (**Jordan DIB**) in 2009. In addition to the above, DIB has incorporated several subsidiaries in real estate development (including, Deyaar Development in 2002, presently an associate) and other related financial services companies (including DIB Capital Limited (**DIB Capital**) in 2006). In November 2010, DIB increased its stake in Tamweel to 58.3 per cent. (see "*Description of Tamweel PJSC*").

During 2008, DIB received AED 3.75 billion of *wakala* deposits from the UAE Ministry of Finance. During 2009, DIB elected to re-categorise the Wakala Deposits as Tier 2 qualifying finance, which was approved by DIB's shareholders at an extraordinary general meeting held in April 2009.

Shareholders and Capital Structure

Shareholders

The Government of Dubai holds 30 per cent. of the share capital of DIB and the UAE Federal Pension Fund has a 4.29 per cent. shareholding. DIB is not aware of any other significant holdings in its shares and, in accordance with DIB's articles of association, no other single shareholder is entitled to own more than 10 per cent. of the share capital of DIB.

Capital Structure

As of each of 30 September 2011 and 31 December 2010, DIB's authorised share capital was AED 3.8 billion (U.S.$ 1.0 billion) and its issued and paid up share capital was AED 3.8 billion (U.S.$ 1.0 billion), compared to AED 3.6 billion (U.S.$ 1.0 billion) as of 31 December 2009. DIB's issued share capital comprised 3.8 billion shares of AED 1.0 each as of each of 30 September 2011 and 31 December 2010.

DIB's shares have been listed on the DFM since March 2000.

Pursuant to DIB's articles of association, non-UAE nationals can, in aggregate, own up to a maximum of 15 per cent. of the total share capital of DIB.

See "—*Capital Adequacy*" below for a description of DIB's capital adequacy ratios as at 30 September 2011 and 31 December in each of 2010, 2009 and 2008.

Strategy

2011-2014 Strategic Summary

DIB's primary objective is to maintain its position as the leading Islamic financial institution in the region as well as in other selected strategic markets. DIB defines its strategic objectives within a three year rolling period. This allows it to refine its long-term strategy and develop short term specific strategic and business goals.

Prior to the on-set of the global credit crisis during 2008 and 2009 (see "*Description of Tamweel PJSC—History*"), DIB pursued a strategy of growth within all of its business units. When the global credit crisis began, DIB altered its strategy in order to protect the bank from the effects of that crisis. In particular, DIB determined to focus growth within the retail sector only and began to run-off its corporate real estate finance portfolio in order to attempt to protect itself from the down-turn in the UAE real estate sector. In anticipation of customer defaults arising from the credit crisis (in particular, in relation to the UAE real estate sector), DIB also significantly increased its impairment provisions during 2009 and 2010 in order to protect its Islamic financing and investing assets. In this connection, DIB's provisions for impaired financing assets increased from AED 1.2 billion (U.S.$ 0.3 billion) as at 31 December 2008 (equating to 2.4 per cent. of DIB's portfolio of net Islamic financing and investing assets as at that date) to AED 1.9 billion (U.S.$ 0.5 billion) as at 31 December 2009 (equating to 3.9 per cent. of DIB's portfolio of net Islamic financing and investing assets as at that date) and to AED 3.0 billion (U.S.$ 0.8 billion) as at 31 December 2010 (equating to 5.2 per cent. of DIB's portfolio of net Islamic financing and investing assets as at that date).

The most recent three-year plan is a continuation of the broader strategic direction set by DIB and will conclude by the end of 2014. The plan aims to maintain DIB's position as the largest Islamic bank in the UAE and to establish DIB as one of the top five banks in the UAE, in terms of balance sheet size, and as a leading bank in all other markets where it has a presence. DIB's plan includes the following initiatives and goals:

- DIB's principal strategy for growing its business since the global liquidity crisis began has been, and continues to be, to expand its core Islamic finance business by enhancing retail banking products and services. DIB intends to enhance its retail banking business by expanding its branch network and by placing increased focus on developing new products and services and enhancing existing products and services such as investment sales and credit cards and brokering. In addition, DIB also intends to maximise opportunities for cross-selling more of its products to each of its existing customers and, in particular, has set itself a target of enhancing its cross-sell ratio by a minimum of 10 per cent. for each of the next three years. In accordance with its principal strategy of growing its core retail banking business, DIB also plans to build Tamweel as the "specialist mortgage financing institution" for the DIB Group.
- To continue its strategy of reducing its direct exposure to corporate real estate assets and, accordingly, it is running-off its existing commercial real estate finance portfolio and is not currently entering into new financing arrangements with respect to corporate real estate assets.
- To position itself so that it is able to make selective growth within the corporate business line once that market re-opens. In order to achieve this, DIB intends to enhance its investment banking capabilities further in order to benefit from the increasing opportunities emerging in the Gulf region, particularly for Sharia-compliant corporate finance deals in the UAE and the wider region, by partnering with regional and international banks, conducting business through its subsidiaries and marketing activity in the region.
- To achieve diversification in income streams by increasing fee income through a greater focus on retail financing and enhanced cash management offerings to the Bank's corporate clientele.
- To consider carefully any opportunity that may arise to attain geographical diversification by pursuing growth in GCC and select Islamic markets through acquisitions or establishing subsidiaries and branches.

- To become the best-in-class service provider in the banking sector by developing a culture of excellence that surpasses competition in local and international markets.
- To continue to enhance risk management across all of its core businesses.

DIB's strategy is continually monitored and reviewed by its management through the Balance Scorecard (**BSC**) approach. The BSC provides a framework for the development of an integrated strategy for improving organisational performance and helps DIB manage and monitor its performance.

The BSC enables DIB to identify goals, manage and measure performance, and report on achievements with respect to the priorities of each key stakeholder group. DIB implements quantitative measures wherever feasible, but tracks both qualitative and quantitative indicators of performance in terms of both financial and non-financial outcomes.

The BSC approach is used in order to monitor the progress made on the three-year strategic plan. The approach identifies key performance attributes that DIB must achieve to reach its goals, while monitoring ongoing performance through a range of key measures, designed to recognise achievements and identify weaknesses. It communicates performance results across the whole organisation to support ongoing planning. The BSC framework forms an integral part of DIB's performance management system.

DIB's Strategy, Investor Relations and Project Management Office reports the performance to the Board of Directors and Executive Management Committee on a periodic basis.

Business activities

The principal activities of the DIB Group are focused around five core business areas: (i) Retail & Business Banking; (ii) Corporate Banking & Financial Institutions; (iii) Real Estate & Contracting Finance; (iv) Investment Banking; and (v) Treasury.

For accounting purposes, DIB divides its business into the following primary reporting segments: (a) retail and business banking (which broadly reflects the Retail & Business Banking business line); (b) wholesale banking (which broadly reflects the Corporate Banking and Investment Banking and Contracting Finance business lines); (c) real estate (which reflects the Real Estate business line); (d) treasury (which reflects the Treasury business line); and (e) others.

The following table sets out a breakdown of certain income and profit information for each of DIB's primary reporting segments for the nine month periods ended 30 September 2011 and 30 September 2010.

	Retail and business banking		Wholesale banking		Real estate		Treasury		Others		Total	
	30 September (unaudited)		30 September (unaudited)		30 September (unaudited)		30 September (unaudited)		30 September (unaudited)		30 September (unaudited)	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
	(AED millions)											
Net operating revenue	1,459.0	1,183.3	940.1	777.3	(214.4)	(245.1)	339.8	288.1	162.9	322.0	2,687.4	2,325.6
Share of profit/(loss) of associates	—	—	22.8	(31.6)	(9.2)	(70.8)	—	—	—	—	13.6	(102.4)
Operating expenses	(790.9)	(619.7)	(183.3)	(270.6)	(26.3)	(25.3)	(15.8)	(16.6)	(78.0)	(71.4)	(1,094.4)	(1,003.6)
Provision for impairment	(223.9)	(111.1)	(487.8)	(325.5)	—	—	—	—	(6.6)	(7.4)	(718.3)	(443.9)
Profit for the period before tax	444.3	452.5	291.7	149.7	(249.9)	(341.2)	324.0	271.5	78.3	243.2	888.4	775.7
Income tax											(6.2)	(2.9)
Profit for the period											882.2	772.8

The following table sets out a breakdown of DIB's segment assets for each of its primary reporting segments as at 30 September 2011 and 31 December 2010.

Retail and business banking		Wholesale Banking		Real estate		Treasury		Others		Total	
30 September 2011 (unaudited)	31 December 2010 (audited)	30 September 2011 (unaudited)	31 December 2010 (audited)	30 September 2011 (unaudited)	31 December 2010 (audited)	30 September 2011 (unaudited)	31 December 2010 (audited)	30 September 2011 (unaudited)	31 December 2010 (audited)	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
(AED millions)											
23,825.9	23,718.2	33,020.6	37,999.8	4,792.9	4,748.0	12,008.7	9,598.2	19,820.6	14,073.6	93,468.8	90,137.8

Set out below is an overview of the key business activities of the DIB Group.

Retail & Business Banking

DIB's Retail & Business Banking Group is the largest business activity group within the DIB Group. DIB offers its retail and business banking services through a network of 70 branches (including 30 in Dubai, 22 in Sharjah and 15 in Abu Dhabi), 477 automated teller machines (**ATMs**), 120 cash deposit machines (**CDMs**) and three electronic branches ("e-branches") across the UAE each as at the date of this Base Prospectus. DIB offers customers a broad range of retail products and services under its "*Al Islami*" brand, including:

Auto finance: DIB's auto finance product finances vehicle purchasing for individuals and businesses in a Sharia compliant manner. DIB has established itself as one of the leading providers of auto financing in the UAE.

Sharia compliant cards: DIB has a standard Visa debit card linked to current and savings accounts as well as the *Al Islami* credit card with a fixed monthly subscription fee. The *Al Islami* credit card offers customers the ability to utilise credit (Qard ul Hassan) up to the limit assigned and requires repayment of a minimum of 10 per cent. of the utilised amount each month. DIB is one of the leading providers of Islamic credit cards in the UAE.

Personal finance: DIB's personal finance product was launched in December 2005 to cater to the personal financing needs of individuals, and was originally provided in the form of murabahas and ijaras to cater to all non-cash personal financing needs of customers. In 2010, DIB launched *Al Islami Salam*, which provides customers with an upfront cash payment. The *Al Islami Salam* product is based on a fixed price sale contract whereby the customer gets the full price as a cash payment upfront and delivers the relevant goods on a deferred basis.

Retail real estate finance: Retail real estate finance is now offered exclusively through Tamweel (see "*Description of Tamweel PJSC*"). DIB no longer directly originates any retail real estate finance products. In this connection, Tamweel has, since January 2011, been servicing DIB's portfolio of freehold residential mortgages in accordance with a service agreement between them. DIB, through Tamweel, is one of the leading providers of retail real estate finance in the UAE.

Small business finance: DIB Retail & Business Banking also offers Sharia compliant financing solutions to small businesses. The products are generally tailored to the needs of each client.

Investment funds: DIB offers a range of Sharia compliant investment products to suit its clients investing needs across various asset classes, including cash, commodities, fixed income securities and equities. DIB has also partnered with leading investment houses to provide a range of investment choices with varied currencies and maturities, exposures to different markets and capital protection options.

IPO / capital markets subscription services: DIB offers subscription services on selected IPOs. DIB provides this service to companies approved for investment in accordance with Sharia law.

Wajaha: Wealth management services are provided through four exclusive Wajaha centres in Abu Dhabi, Al Ain, Dubai and Sharjah. These branches offer personal relationship managers, financial planning services and tailor-made products as well as offering a number of other benefits which are exclusive to DIB's Wajaha clients, such as international concierge services, diamond studded credit cards, travel insurance, ticket exchange and travel desk and cash services.

Private banking: Private banking targets high net worth customers, catering to their specific investment and financial needs.

Johara (Ladies) Banking: Johara is the brand name that represents DIB's exclusive ladies branches/sections for female customers. All staff at these locations are female. The Johara branches offer the full range of DIB's products to its clients.

Other Delivery Channels: In addition to its 70 branches in the UAE, DIB has expanded into self-service electronic delivery channels by offering services such as internet banking, telephone banking and e-branches:

- Internet and Phone banking: DIB offers online and mobile telephone banking facilities, giving customers greater flexibility to deal with their accounts by offering a range of account enquiry and payment services.
- E-branches: In DIB's virtual branches, customers can utilise banking services such as ATMs, CDMs and instant cheque machines, an "internet kiosk" for secure online banking and phone banking which connects them to customer service agents. In addition, customers can make requests for manager cheques, demand drafts, swift transfers, the issue of new cheque books, the re-issue of ATM cards, e-statement registrations, SMS banking registrations and applications for pre-designated fund transfers. DIB's E-branches also offer instant approvals for auto finance, personal finance and credit cards.

Corporate Banking & Financial Institutions

DIB offers a range of Sharia compliant solutions to its corporate clients in the UAE, GCC and in other niche markets. The Corporate Banking & Financial Institutions Group (the "**CB&FI**") comprises the following teams (which are organised on both a geographical and product-specific basis):

- private sector (Dubai region), which supports DIB's corporate clients based in and around Dubai;
- public sector (Dubai region), which supports DIB's public sector clients based in and around Dubai;
- GCC, Structured Finance ("**SF**") & Financial Institutions ("**FIs**"), which comprises:
  - GCC and SF

    DIB's SF unit principally deals with all of the bank's cross-border activities relating to project finance, syndicated lending, structured trade finance, inventory financing and receivables financings. This unit provides vanilla financing, including bilateral facilities to GCC sovereigns, quasi sovereigns and private sector companies located outside the UAE. The GCC and SF unit also provides a range of debt capital market products to GCC customers (excluding the UAE), including syndications, straight and convertible *Sukuk* products.
  - Financial Institutions

    DIB's FI unit primarily focuses on building and maintaining relationships with the FI sector across the globe in order to assist with smooth trade inflows and outflows. Relations range from authenticated communication links by way of SWIFT RMA to trade, treasury and account maintenance in different currencies. DIB's network of correspondent banks comprises leading financial institutions which provide trade services, which are intended to add value and service to DIB's branches and business units. DIB's correspondent banks offer one or more of the following services: remittance and payments, advisory and confirmations.
- Jebel Ali and Northern Emirates Region, which supports DIB's corporate and financial institutional and public sector clients based in the Jebel Ali and Northern Emirates regions; and
- transaction banking, which provides specialist product advice (through the Ahlan Banking Service) to cater for clients' daily banking needs and handles customer queries, auto faxing and electronic reporting. Internet banking solutions for cash management and trade finance are also available.

DIB believes that the strengths of the CB&FI Group are:

- its in-depth specialisation within the UAE and GCC sectors;
- its deep understanding of its customers' businesses;
- the comprehensive and innovative range of services and strategic, solution-driven capabilities offered to its corporate clients (see below); and
- innovative financial solutions covering corporate finance, investment banking, project finance, trade and commodity finance, capital and debt market products, treasury and corporate banking, international banking services and securities.

DIB has designed and implemented a range of modern, Islamic-compliant financing instruments which are intended to meet the needs of its corporate and financial institution clients. The products offered by the CB&FI

teams include goods financing and specific Islamic financing products such as Ijara financing, Mudaraba financing, and Wakala/Wakala Murabaha financing to cater to its clients' trade, working capital and medium to long term financing requirements. The categories of products and services offered by the CB&FI Group are:

- Financial Products and Solutions, which include Murabaha, Mudaraba and Musharaka products tailored to the needs of the bank's wholesale banking customers;
- Trade Finance Services, which provide an extensive range of trade-related services covering sectors such as manufacturing, services, construction, retail and transportation;
- Transaction Banking Solutions, covering:
  - liabilities and deposits management;
  - cash management products and services (including services in relation to payments, collections, escrow collections, account management and liquidity and receivables management); and
  - an internet based platform for corporate clients (which allows them to perform on-line account management, make electronic payments and receive Trade reports).

DIB has received the following awards in recognition of its leading position in the Islamic capital markets business:

- Awarded "Mudaraba Deal of the Year—ENOC AED 1.1 billion" Islamic Finance 2011
- Awarded "Best Islamic Finance Bank in the UAE" Global Finance—2010
- Awarded "Best Sukuk Bank" Global Finance—2009
- Awarded "Best Islamic Finance Bank in the UAE" Global Finance—2008
- Awarded "Best Islamic Bank" Banker Middle East—2008

The CBG manages around 500 relationships and is instrumental in leveraging its client relationships to cross sell other products offered by DIB, including investment banking and treasury services.

Real Estate & Contracting Finance

Real Estate Finance

Historically, DIB has been one of the leading providers of real estate finance services in the UAE. DIB played a significant role in supporting corporate real estate developments, including the construction of commercial property and residential estates. The Real Estate Finance Group is managed by a specialist team with extensive experience in this field.

Standard Islamic financing products offered include Istisna financing, Murabaha acquisition finance, diminishing Musharaka and Ijara lease financing. DIB has also introduced products designed to restructure overdue facilities which financed real estate.

Contracting Finance

The Contracting Finance Group provides financing to contractors executing building, electrical and mechanical infrastructure works across a range of sectors (including the oil, gas, power and water sectors). The Contracting Finance Group's customer base includes well known local, regional and international construction groups, and has supported its customers in executing many prestigious projects within the UAE and regionally in many Arab countries. To date, the Contracting Finance Group has successfully completed over 300 projects with a total value of approximately AED 100 billon.

The product range offered by the Constructing Finance Group includes Islamic financing products such as Mudaraba, Murabaha, Ijara, letters of guarantee and letters of credit. DIB believes that its large underwriting capability and its close association with other regional and international banks allows it to support the majority of its clients' projects.

Investment Banking

DIB believes that it is one of the leading players in Islamic financing markets for Sukuk originated in the GCC and has considerable experience of assisting corporate, institutional as well as sovereign and quasi sovereign clients with their financing requirements. DIB's investment banking business unit comprises a team of dedicated professionals who assist the bank's clients with innovative Sharia-compliant capital raising and financing solutions which are in-line with evolving client requirements and market conditions.

DIB's Investment Banking business group assists the bank's clients in raising debt and equity in the primary and secondary markets. DIB's investment banking unit focuses in particular on structuring and executing *Sukuk* transactions as well as syndicated facilities, project finance transactions and club finance facilities. DIB has been a significant player in the debt capital and bank syndication markets and frequently works closely with local and international banks as a joint lead arranger or originator.

DIB's investment banking business is undertaken in part through its subsidiary, DIB Capital (see "*—Subsidiaries and Associates*" below). DIB capital has particular expertise in structuring innovative products for DIB's corporate clients.

Treasury

The Treasury Group forms an essential part of DIB's commitment to the Islamic compliant investment banking industry. The Treasury Group offers a comprehensive range of products and risk advisory services backed by DIB's expert understanding of local and international markets. The Treasury Group works closely with the CB&FI and the Retail & Business Banking Group (in particular the private banking department teams) and also engages in Islamic derivatives business. Its principal customers are DIB's corporate customers, high net worth individuals and financial institutions. The products offered to such customers include: plain vanilla currency contracts, flexible delivery currency contracts, profit-enhanced products, multi-currency hedging instruments and other bespoke Islamic-compliant financial solutions.

The Treasury Group is responsible for managing DIB's liquidity requirements and acts under the supervision of the Asset and Liability Management Committee (the "**DIB ALCO**"). Asset and liability management is conducted by the Treasury Group in accordance with Central Bank liquidity ratios. The Treasury Group is also responsible for the implementation of risk management initiatives as directed by the DIB ALCO as explained further under "*—Risk Management*".

Internal Audit

Risk management processes throughout DIB are audited periodically by its internal audit function which examines both the adequacy of its risk management procedures and DIB's compliance with them. Internal Audit discusses the results of its assessments with DIB's management, and reports its findings and recommendations to the Audit Committee.

Subsidiaries and Associates

As of 30 September 2011, DIB had 51 consolidated subsidiaries, 15 associates and five joint ventures, details of which are set out in Notes 11, 18 and 19 to DIB's financial statements for the year ended 31 December 2010. Of these, DIB considers the following to be key subsidiaries in terms of revenue and future growth potential:

DIB Capital (DIFC): DIB Capital was incorporated as a subsidiary of DIB in 2006. As of 30 September 2011, DIB Capital is 95.5 per cent. owned by DIB and the remainder is held beneficially by DIB through a nominee. DIB Capital's business is focused on corporate finance, structured finance advice, capital markets, syndications and similar activities supporting corporate banking business. For the nine months ended 30 September 2011, DIB Capital's net income was AED 3.4 million (U.S.$ 0.9 million) compared to a net loss of AED 0.3 million (U.S.$ 0.07 million) as for the nine months ended 30 September 2010. For the year ended 31 December 2010, DIB Capital's net income was AED 7.5 million (U.S.$ 2.0 million) compared to AED 20.5 million (U.S.$ 5.6 million) as for the year ended 31 December 2009.

Tamweel PJSC (UAE): Tamweel became a subsidiary of DIB on 4 November 2010, subsequent to which DIB acquired further shares of Tamweel from minority shareholders thereby acquiring a controlling interest of 58.3 per cent. as of 30 September 2011. For a detailed description of the business activities of Tamweel, see "*Description of Tamweel PJSC—Business Activities*".

DIB Pakistan (Pakistan): DIB Pakistan was incorporated as a wholly-owned subsidiary of DIB in 2006. It currently has over fifty branches in sixteen cities. DIB Pakistan's team comprises experienced professionals with previous experience at leading banks such as Citibank, Standard Chartered Bank and The Royal Bank of

Scotland. DIB Pakistan offers a full range of Sharia compliant banking products in consumer banking, corporate and investment banking and wealth management. DIB Pakistan has an authorised share capital of U.S.$ 139.6 million and a paid up capital of U.S.$ 77.5 million as of 30 September 2011. As of 30 September 2011, DIB Pakistan's assets were U.S.$ 514.2 million compared to U.S.$ 463.9 million as of 31 December 2010. For the nine months ended 30 September 2011, DIB Pakistan's net income was U.S.$ 1.7 million compared to its net loss of U.S.$ 0.3 million as for the nine months ended 30 September 2010. For the year ended 31 December 2010, DIB Pakistan's net income was U.S.$ 93.9 thousand compared to U.S.$ 2.6 million as for the year ended 31 December 2009.

Deyaar Development (UAE): Deyaar Development (**Deyaar**) was incorporated as a wholly-owned subsidiary of DIB in 2002 and engages in real estate development and property management business in the UAE. Deyaar is currently an associate of DIB. As of 30 September 2011, Deyaar's assets were AED 7.6 billion (U.S.$ 2.1 billion) compared to AED 8.1 billion (U.S.$ 2.2 billion) as of 31 December 2010. For the nine months ended 30 September 2011, Deyaar's net income was AED 45.1 million (U.S.$ 12.3 million) compared to a net loss of AED 525.7 million (U.S.$ 143.1 million) as for the nine months ended 30 September 2010. For the year ended 31 December 2010, Deyaar's net loss was AED 2,339.8 million (U.S.$ 637.0 million) compared to its net income of AED 24.9 million (U.S.$ 6.8 million) as for the year ended 31 December 2009. Deyaar's authorised and paid up capital is U.S.$ 1.6 billion as of 30 September 2011.

Competition and Competitive advantages

As indicated above, aside from being the largest Islamic bank in the UAE, as of 30 September 2011, DIB ranked fifth by total assets, seventh by net profits and fifth by customer deposits among all the banks in the UAE. DIB faces competition from both Islamic and conventional banks operating in the UAE. Within its investment banking and capital market activities, DIB also competes with major international investment banks for transaction mandates.

DIB believes that it enjoys a number of key competitive advantages, including the following:

Strong and trusted brand

DIB believes that it has a very strong and trusted brand. Management believes that DIB's market position and strong brand recognition reflect DIB's focus on high-quality customer service (see below), its established track record in both consumer and wholesale banking, its targeted marketing to consumers and its involvement in a number of the UAE's most prominent infrastructure and other development projects.

Established track record and knowhow

As the first Islamic bank in the UAE, DIB has a proven track record in developing and offering Islamic finance products to meet the increasingly sophisticated needs of its customers.

Innovative and extensive range products

DIB provides its customers with a wide range of innovative products under its *Al Islami* brand, which allows it to meet their diversified and sophisticated needs. DIB believes that it is able to offer its retail customers all of the banking products that they may require and, accordingly, there is no need for its customers to go to another bank or financial institution.

Sharia compliance credibility

DIB maintains a highly reputed Fatwa & Sharia Supervisory Board (the "**Sharia Board**"). DIB aims for high levels of Sharia compliance by offering all its products and services in strict conformity with the parameters approved by the Sharia Board. This helps to ensure that DIB's reputation as a premier Islamic bank is maintained at all times.

Stable funding base

DIB has a diversified deposit base that includes retail and corporate customers, government bodies and public sector agencies which, taken together, are regarded by DIB as a relatively stable and a low cost source of funding.

Quality of service and speed of response time

DIB believes that the very high quality of customer service which it provides distinguishes it from its principal competitors. Employees are trained regularly in managing clients, new products and market developments so as to provide a better service to clients and to enable new products and services to be introduced to the market.

Experienced and committed management

The majority of DIB's senior management team have been with DIB for several years and, prior to joining DIB have had many years of regional and global experience with other leading international banks. The team has considerable experience in the Islamic finance industry and knowledge of the requirements relating to the operation of Islamic finance institutions, see "*Management and Employees*" below.

Strength in staff training

DIB provides regular and comprehensive training to staff at all levels to enable them to improve their skills. This is done through a dedicated training division within DIB. DIB regularly sends its staff on courses, conferences and workshops on conventional and Islamic banking products to ensure that they are well informed of international and regional developments.

Systematic approach to developing strategy

DIB adopts a systematic approach in developing its strategy by implementing the BSC method. This provides an important framework for developing an integrated strategy and measuring performance. Implementation of the BSC method across the whole organisation allows DIB to ensure that it meets its short and long term strategic objectives.

Links with the Government of Dubai

DIB has a good relationship with the Government of Dubai which enables it to be at the forefront of the ongoing financing of the development of Dubai, see "*Shareholders and Capital Structure*" above.

Links with the community

DIB has always maintained strong links with the local community and intends to continue to promote the development of society in the UAE. It sees this as an important feature in enhancing its position as a premier Islamic bank. For example, it has been active in promoting "Emiratisation", the process of employing and nurturing UAE nationals with a view to encouraging them to participate in and improve the economy of the UAE.

Investment Portfolio

Details of DIB's investments in certain *sukuk* and other securities as at 31 December 2010 are set out in notes 9 and 10 to its consolidated financial statements as at 31 December 2010, which are set out elsewhere in this Base Prospectus.

Risk Management

Overview

Risk is inherent in DIB's activities but it is managed through a process of on-going identification, measurement and monitoring, subjecting risk to limits and the implementation of other risk controls, as described below. This process of risk management is critical to DIB's continuing profitability and each individual within DIB is accountable for the risk exposures relating to his particular responsibilities.

DIB is exposed to a number of risk including credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. DIB is also subject to operating risks.

DIB's independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are monitored through DIB's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks within DIB; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for DIB's overall risk management approach and for approving its risk strategies and principles.

Risk Management Committee

DIB's Risk Management Committee has overall responsibility for the development of its risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management Department

The Risk Management Department is responsible for implementing and maintaining risk related procedures within DIB in order to ensure that an independent control process is in place. The Risk Management Department is responsible for credit approval, credit administration, portfolio management, credit risk, market risk, operational risk and overall risk control.

Asset and Liability Management Committee

The DIB ALCO is responsible for managing DIB's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of DIB.

*Collection & Remedial Management Committee (the "**CRMC**")*

The Collection & Remedial Committee is a management level of authority. The primary purpose of the CRMC is to take remedial decisions and monitor recovery activities within the discretionary authority delegated to it by the Executive Committee and the Board of Directors. In performing its role, the CRMC periodically reviews and provides constructive recommendations to the Executive Committee and/or the Board of Directors on the policies, guidelines and processes for remedial activities in DIB.

Management Credit Committee

The Management Credit Committee is a management level of authority responsible for taking credit decisions and monitoring credit activities within the discretionary authority delegated to it by the Board of Directors. In performing its role, the Management Credit Committee periodically reviews and provides constructive recommendations to the Board of Directors on DIB's credit policies, guidelines, processes and the future direction of credit/investment activities within DIB.

Risk measurement and reporting systems

DIB measures risks using conventional qualitative methods for credit, market and operational risks. Further, DIB also uses quantitative analysis and methods to support revisions in business and risk strategies when required. These analysis and methods reflect both the expected loss likely to arise in the normal course of business and unexpected losses resulting from unforeseen events, which are based on simple statistical techniques and probabilities derived from historical experience. DIB also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by DIB. These limits reflect the business strategy and market environment of DIB as well as the level of risk that it is willing to accept, with additional emphasis on the industries of selected borrowers. Information compiled from all of DIB's business units is examined and processed in order to analyse, control and identify risks at an early stage. This information is presented and explained to the Board of Directors, the Risk Management Committee, and the head of each business division. The report includes aggregate credit exposure, limit exceptions, liquidity and other risk profile changes. Detailed reporting of industry, customer and geographic risks takes place on a monthly basis. DIB's senior management assesses the appropriateness of its provisions for impairment losses on a quarterly basis.

Risk mitigation

As part of its overall risk management process, DIB uses various methods to manage exposures resulting from changes in credit risks, profit rate risk, foreign currencies, equity risks, and operational risks.

DIB seeks to manage its credit risk exposures through diversification of financing and investment activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. DIB actively uses collateral to reduce its credit risks. See "*—Credit Risk*" below for further details.

DIB's market risk is managed on the basis of predetermined asset allocation across various asset categories and a continuous appraisal of movements in market conditions. DIB also continuously monitors expected changes in foreign currencies rate, bench mark profit rates and equity houses in order to mitigate market risk. See "*—Market Risk*" below for further details.

In order to mitigate against liquidity risk, DIB's management has access to diversified funding sources. DIB's assets are managed with its overall liquidity in mind as well as with a view to maintaining an appropriate balance of cash and cash equivalents in order to be able to meet its contractual liabilities at short notice. See "*—Liquidity Risk*" below for further details.

To manage all other risks, DIB has developed a detailed risk management framework intended to identify and apply resources effectively in order to mitigate against those risks occurring.

Risk concentration

Concentrations of risk arise within DIB when a number of its 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 DIB to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of DIB's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, DIB's policies and procedures include specific guidelines which require it to focus on maintaining a diversified portfolio of Islamic financing and investment assets. Where concentrations of credit risks are identified, DIB aims to control and manage these accordingly (as described further below).

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. DIB attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of its counterparties. In addition to monitoring credit limits, DIB manages credit exposure relating to its trading activities by entering into collateral arrangements with counterparties in appropriate circumstances and limiting the duration of its exposure to those counterparties. In certain cases, DIB may also close out transactions or assign them to other counterparties to mitigate credit risk.

As described above under "Risk Concentration", concentrations of credit risk arise when a number of DIB's 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 DIB's performance to developments affecting a particular industry or geographic location.

Management of credit risk

DIB's credit risk management framework includes:

- establishment of an authorisation structure and limits for the approval and renewal of credit facilities;
- reviewing and assessing credit exposures in accordance with its authorisation structure and limits, prior to facilities being approved to customers. Renewals and reviews of facilities are subject to the same review process as occurs in respect of an application for a new facility;

- limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with the risk management strategy and market trends.

DIB has established a credit quality review process to provide early identification of possible changes in the creditworthiness of its counterparties. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. DIB's risk ratings are subject to regular revision. The credit quality review process allows DIB to assess the potential loss as a result of the risks to which it is exposed.

Credit risk measurement

As described above, DIB assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. Whilst some of the models for assessment of real estate projects have been developed internally, those relating to DIB's corporate, contracting and SME businesses have been acquired from Moody's and are housed within the Moody's Risk Analyst rating tool (which was implemented by DIB during 2009).

DIB's rating tools are kept under review and upgraded as necessary. DIB regularly validates the performance of the rating and their predictive power with regard to default events.

Collateral

DIB employs a range of policies and practices to mitigate credit risk. The most traditional and commonly used policy is to take collateral against the amount advanced. DIB has implemented guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral obtained in respect of DIB's Islamic financing and investing assets are:

- mortgages over residential and commercial properties;
- corporate and financial guarantees;
- charges over business assets such as premises, machinery, inventory and accounts receivable; and
- charges over financial instruments such as financing securities and equities.

The amount and type of collateral required by DIB depends on its assessment of the particular counterparty's credit risk. DIB implements guidelines regarding the acceptability of particular types of collateral and the parameters put in place for valuing it.

Islamic derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in DIB's consolidated statement of financial position.

Credit-related commitments risks

DIB makes available to its customers guarantees and letters of credit which require it to make payments in the event that its customer fails to fulfil certain obligations it owes to other parties. This exposes DIB to a similar credit risk to that faced by it in respect of its financing and investing assets, and these risks are mitigated by the same control processes and policies as described above.

Portfolio Concentrations

As described above, concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, in 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 DIB's performance to developments affecting a particular industry or geographic location. DIB's credit policies are structured to ensure that DIB is not over-exposed to a given client, industry or geographic area through diversification of financing and investment activities.

The following table shows the concentration of DIB's gross Islamic financing and investing assets by industry sector as at 31 December 2009 and 31 December 2010:

Portfolio Concentration	31 December 2009	31 December 2010
	(AED Millions)	
Gross Islamic Financing and Investing Assets—By Industry Sector:		
Financial institutions	4,643.1	3,428.6
Real estate	17,945.9	17,479.3
Trade	3,558.9	2,821.0
Government	4,182.3	4,860.7
Manufacturing and services	10,243.7	9,384.1
Consumer home finance	3,022.7	12,578.4
Consumer financing	8,276.6	9,576.0
Total	**51,873.2**	**60,128.1**

The following table shows the concentration of DIB's gross Islamic financing and investing assets by geographical area as at 31 December 2009 and 31 December 2010:

Portfolio Concentration	31 December 2009	31 December 2010
	(AED millions)	
Gross Islamic Financing and Investing Assets—By geographical areas		
Within UAE	49,523.2	58,003.7
Outside UAE	2,350.0	2,124.4
Total	**51,873.2**	**60,128.1**

	Portfolio outstanding net of Future Profits	Non Performing Assets	Provisions Held	Non Performing / Portfolio outstanding net of Future Profits	Provisions / Non Performing
	(AED millions)			(%)	
31 December 2009	51,873	3,107	1,948	6.0	62.7
31 December 2010	60,128	5,012	2,957	8.3	59.0

Impairment assessment

The main considerations for DIB's impairment assessment include whether any payments of principal or profit are overdue by more than 90 days or if there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract between DIB and the customer. DIB addresses impairment assessment in two principal areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

DIB determines the allowances appropriate for each individually significant Islamic financing or investing asset on an individual basis. Matters considered by DIB when determining impairment allowance amounts include:

- the sustainability of the counterparty's business plan;
- its ability to improve performance once a financial difficulty has arisen;
- projected receipts and the expected dividend payout should the counterparty become bankruptcy;
- the availability of other financial support and the realisable value of collateral; and
- the timing of the expected cash flows under that Islamic financing or investing asset.

DIB's impairment losses are evaluated at each financial reporting date, unless unforeseen circumstances require more careful attention prior to the next financial reporting date.

Collectively assessed allowances

Allowances are assessed collectively for losses on DIB's Islamic financing and investing assets that are not individually significant (including Islamic credit cards, auto murabahat and unsecured retail financing assets) where there is no objective evidence of individual impairment. Collective allowances are evaluated on each financial reporting date with each portfolio of assets receiving a separate review.

DIB's collective assessment takes account of impairment that is likely to be present in each portfolio even though there is no objective evidence of the impairment on the basis of an individual assessment. Impairment losses are estimated by taking into consideration each of the following factors: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is reviewed by risk management committee to ensure alignment with DIB's overall policy.

Provisions in relation to acceptances, letters of credit and guarantees are assessed and made by DIB in a similar manner as for its Islamic financing and investing assets.

Liquidity risk and funding management

DIB maintains a portfolio of highly marketable and diverse assets that it believes can be liquidated easily in the event of an unforeseen interruption of its cash flows. DIB also has committed lines of credit that it can access to meet liquidity needs should the need arise. In addition, DIB maintains statutory deposits with certain central banks. DIB's liquidity position is assessed and managed under a variety of scenarios, which give due consideration to stress factors relating to both the market in general and those specific to DIB.

DIB believes that the high quality of its asset portfolio ensures its liquidity, which, coupled with its own funds and "evergreen" customer deposits, help form a stable funding source. DIB is confident that, even under adverse conditions, it will have access to the funds necessary to cover customer needs and meet its funding requirements.

DIB's primary tool for monitoring its liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines have been established by DIB for the cumulative negative cash flow over successive time periods.

Liquidity risk management process

DIB's liquidity risk management process, as carried out within DIB and monitored by a separate team in DIB's Treasury department, includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes the replenishment of funds as they mature or are financed by customers;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to DIB's cash flows;
- monitoring DIB's consolidated statement of financial position liquidity ratios against internal and regulatory requirements; and
- managing the concentration and profile of the maturity dates of its investing and financing exposures.

The following table sets forth a number of liquidity ratios for DIB as at 31 December 2009, 31 December 2010 and 30 September 2011:

	31 December 2009	**31 December 2010**	**30 September 2011** ***(unaudited)***
		(%)	
Liquidity ratios:			
Liquid assets[(1)]/total assets	19	17	22
Customer deposits/total deposits[(2)]	98	94	96
Net Financing and Investment assets/customer deposits	78	90	77
Net Financing and Investment assets/total assets	59	63	56

Note

(1) Liquid assets include cash and balances with Central Banks, due from banks and financial institutions and other investments.

(2) Total deposits include customers' deposits and due to banks and financial institutions.

The following table provides a breakdown of DIB's customer deposits as at 31 December 2009, 31 December 2010 and 30 September 2011:

	31 December 2009	31 December 2010	30 September 2011 *(unaudited)*
		(AED millions)	
Customers' deposits:			
Current accounts	14,015.0	15,087.6	16,593.3
Saving accounts	9,881.7	10,047.0	13,281.2
Investment deposits	40,023.1	38,124.0	38,518.6
Margins (LC and guarantee margins)	233.8	188.1	174.9
Profit equalisation reserve	41.9	0.4	56.4
Total	**64,195.5**	**63,447.1**	**68,624.4**

The following table provides a breakdown of DIB's contingencies and commitments as at 31 December 2009, 31 December 2010 and 30 September 2011:

	31 December 2009	31 December 2010	30 September 2011 *(unaudited)*
		(AED millions)	
Contingent liabilities:			
Letters of guarantees	10,485	8,774	7,964
Letters of credit	3,520	2,536	2,023
Total	**14,005**	**11,310**	**9,987**
Commitments:			
Capital expenditure commitments	416	389	367
Irrevocable undrawn facilities and commitments	11,217	12,567	11,191
Total	**11,633**	**12,956**	**11,558**
Total	**25,638**	**24,266**	**21,545**

In addition to customer deposits, DIB's other sources of funding over the last few years have been:

- *Sukuk issuance*

  On 22 March 2007, DIB issued its U.S.$750,000,000 Trust Certificates due 2012 (the **Sukuk**) through DIB Sukuk Company Limited (a special purpose finance vehicle incorporated for this purpose). The Sukuk pay a quarterly periodic distribution amount calculated on the basis of three-month LIBOR plus a margin of 0.33 per cent. per annum. During 2010, DIB purchased an aggregate face amount of AED 58.0 million (U.S.$ 15.8 million) of the Sukuk at a discount, which included purchases made as part of a public cash tender offer. During 2009, DIB purchased an aggregate face amount of AED 340 million (U.S.$ 92.5 million) of the Sukuk at a discount.

- *Medium term wakala finance*

  During 2008, DIB received AED 3.75 billion of *wakala* deposits (the "**Wakala Deposits**") from the UAE Ministry of Finance. During 2009, DIB elected to re-categorise the Wakala Deposits as Tier 2 qualifying finance, which was approved by DIB's shareholders at an extraordinary general meeting held in April 2009. The Wakala Deposits are used for investments with a tenor of seven years and will mature in December 2016. Profit on the Wakala Deposits is paid every three months.

In the event of a liquidity crisis, DIB has a large portfolio of rated Sukuk that could be leased for repo and has access to the Central Bank's measures intended to ensure that banks within the UAE have sufficient liquidity including, in particular, through access to the Central Bank's Islamic-compliant CD repo-facility (see "*The United Arab Emirates Banking Sector and Regulations—Recent Trends in Banking—Liquidity*").

Sources of liquidity are regularly reviewed by management to maintain a wide diversification by currency, geography, provider, product and term.

General Risk associated with the UAE Banking sector

Please see "*The United Arab Emirates Banking Sector and Regulations*" for an analysis of the general risks associated with the UAE Banking Sector.

Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on DIB's open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. DIB is exposed to diverse financial instruments including securities, foreign currencies, equities and commodities.

DIB pays considerable attention to market risk. It uses appropriate models, in accordance with standard market practice, to value its positions and receives regular market information in order to regulate market risk.

DIB's trading market risk framework comprises the following elements:

- limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management; and
- independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on a timely basis.

The policies and procedures and the trading limits are set to ensure the implementation of DIB's market risk policy in day-to-day operations. These are reviewed periodically to ensure they remain in line with DIB's general market risk policy. DIB's Chief Risk Officer ensures that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, DIB is required to comply with the guidelines and regulations of the Central Bank.

Profit margin risk

DIB is not significantly exposed to risk in terms of the repricing of its customer deposits since, in accordance with Islamic Sharia, DIB does not provide contractual rates of return to its depositors or investment account holders. The return payable to depositors and investment account holders is based on the principle of the Mudaraba by which the depositors and investment account holders agree to share the profit or loss made by DIB's Mudaraba asset pool over a given period.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. DIB is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. DIB manages this risk through risk management strategies.

The effective profit rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

Foreign exchange risk

DIB has significant income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into Dirham.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the level of equity indices and the value of individual stocks. Non-trading equity price risk exposure arise from DIB's investment portfolio.

Operational Risk

Operational risk is the potential exposure to financial or other damage arising from inadequate or failed internal processes, people or systems.

DIB has developed a detailed operational risk framework which clearly defines roles and responsibilities of individuals/units across different functions that are involved in performing various operational risk management tasks. DIB's operational risk management framework is intended to ensure that its operational risks are properly identified, monitored, managed and reported. Key elements of this framework include process mapping, setting up a loss data base, establishing key risk indicators ("**KRIs**"), risk analysis and risk management reporting.

DIB currently utilises ORMIS, an operational risk tracking system used to track operational risk events across its businesses. The system houses three years of operational loss data. The subject system is currently enhanced to automate key risk indicators and risk control self-assessment.

Each new product introduced by DIB is subject to a risk review and sign-off process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product.

Variations of existing products are also subject to a similar process. DIB's business and support units are responsible for managing operations risk in their respective functional areas. They operate within DIB's operational risk management framework and ensure that risk is managed within their respective business units. The day-to-day management of operational risk is carried-out through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedure to monitor transaction positions and documentation, as well as maintenance of key back-up procedures and business contingency planning.

Legal Risk

Overview

DIB has a full-time legal advisor who deals with both routine and more complex legal cases. Situations of a particular complexity and sensitivity are referred to external firms of lawyers, either in the UAE or overseas, as appropriate. DIB also seeks to mitigate legal risk through the use of properly reviewed standard documentation and appropriate legal advice in relation to its non-standard documentation.

Legal proceedings

In 2003 DIB was named as a defendant in nine civil lawsuits filed in various federal district courts in the United States that relate to the terrorist attacks on 11 September 2001. The plaintiffs in these lawsuits are victims of the terrorist attacks, the families or estates of deceased victims, the leaseholders of the World Trade Center properties, and certain insurance companies that have paid claims to victims of the attacks. In total, the lawsuits named over 520 defendants. The defendants include among other entities numerous organisations, Islamic charities, and other major financial institutions in the Middle East (including National Commercial Bank, Al Rajhi Bank, Arab Bank plc and Samba), and individuals, including members of the royal family of Saudi Arabia. The complaints filed in these lawsuits made substantially identical allegations against DIB, including that DIB provided material support and assistance to Al Qaeda and that all defendants knew or should have known they were providing material support, aiding and abetting, and enabling the terrorists that perpetrated the attacks. It is not possible to quantify the liability of DIB in respect of the amounts claimed under such lawsuits due to the number of defendants involved and due to the difficulty in determining the monetary amount of damages suffered by the plaintiffs.

In December 2003, the United States Judicial Panel on Multi-District Litigation consolidated the actions against DIB and the other defendants and transferred those actions to the Federal District Court in the Southern District of New York (the "**New York Federal Court**"). In May 2005, DIB filed a motion to dismiss all nine actions with the New York Federal Court. In June 2010, the New York Federal Court denied DIB's motion to dismiss, however the court accepted the motion to dismiss of 37 other defendants (being all of the other defendants whose motion to dismiss was being considered at the time). The New York Federal Court denied DIB's motion to dismiss due to the allegations by the plaintiffs that DIB was intentionally providing support to Al Qaeda and therefore, the court held that it had reasonable grounds to continue the actions by ordering the commencement of documentation discovery (whereas the other defendants whose motions to dismiss were accepted, were considered to have acted without knowledge).

In August 2010, DIB sought permission from the New York Federal Court to appeal the order denying DIB's motion to dismiss. DIB asserted that the New York Federal Court erred in finding that it had jurisdiction over DIB and that DIB could have caused the plaintiffs' injuries. The motion is fully briefed, and the New York Federal Court may decide it at any time. If it is granted, DIB will appeal the order to the U.S. Court of Appeals for the Second Circuit.

Notwithstanding that the claims against certain defendants have been dismissed, DIB currently remains a joint defendant with over 100 other defendants (being the remaining defendants of the initial 520 defendants who have not been dismissed from the claims). Two cases against DIB were recently dismissed (one in August 2010 and the other in March 2011) as the plaintiffs did not wish to carry on with this litigation, such that seven cases are pending as at the date of this Base Prospectus.

DIB is currently at the discovery phase of this litigation. The discovery phase requires the plaintiffs and the defendants to put forward evidence by means of documents and witnesses to approve their case while dismissing the other party's case. Completion of the documentary discovery phase is currently scheduled for 30 January 2012 wherein DIB will have to produce all the documents that it wishes to use in the defence of this case plus documents requested by the plaintiffs in the same proceedings. The depositions phase is expected to take place around July 2012 whereby DIB and the plaintiffs will call each other's witnesses to give evidence in this case. At the end of this stage, if DIB can prove that the plaintiffs have no basis in their claim, its lawyers can move the court for summary judgement with the intention of having the cases against DIB dismissed.

DIB believes that it has meritorious defences to these claims, and has defended itself, and intends to continue to defend itself, vigorously. No provision has been made as at 30 September 2011 in respect of any outstanding 11 September legal proceedings against DIB as professional advice indicates that it is unlikely that any significant or material costs or loss, other than legal costs in connection with the defence, is expected to be incurred, although U.S. litigation is by its nature uncertain and it is therefore not always possible to accurately predict any outcome in terms of withdrawals, dismissal or ultimate liability. See also "*Risk Factors relating to the Business of DIB—9/11 Litigation*".

Capital adequacy

DIB calculates its capital adequacy ratio in accordance with the capital adequacy guidelines issued by the Central Bank. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance-sheet exposure. In accordance with these guidelines, DIB must maintain a minimum capital adequacy ratio of 12 per cent.

DIB's Tier I capital adequacy ratio was 13.5 per cent. as of 30 September 2011, compared to 12.7 per cent. as of 31 December 2010 and 12.1 per cent. as of 31 December 2009. DIB's total capital adequacy ratio was 17.9 per cent. as of 30 September 2011, compared to 17.8 per cent. as of 31 December 2010 and 17.5 per cent. as of 31 December 2009.

In accordance with Central Bank timelines, DIB has implemented the Basel II standardised approach in relation to credit risk, market risk and operational risk and steps are underway to move towards more advanced approaches towards risk based capital management.

Information Technology

DIB recognises the importance of information technology in assisting it to reach its objectives of growth, expansion and competitive market positioning. There is strong alignment between DIB's business plans and its information technology plans.

DIB's traditional technology set-up is based upon the IFLEX core banking solution system which is integrated with a number of specific customised banking systems. IFLEX is used with a view to assuring availability and reliability of business services to customers as well as internally to staff, and also to allowing DIB to utilise an enhanced Islamic financing system.

DIB is also committed to the introduction of specific technology management systems, including Treasury, Asset and Liability, and HR management systems which will help it meet growing competition and market pressures. DIB most recently completed a significant upgrade of its infrastructure, after a detailed evaluation process, in 2007.

DIB is currently planning to make further developments to its IT infrastructure so that it is more streamlined with Tamweel's. DIB expects that this will reduce costs by eliminating unnecessary duplication between the two companies' IT systems.

AML and CFT Policy and KYC

DIB has an active Anti-Money Laundering ("**AML**") and Counter-Financing of Terrorism ("**CFT**") compliance policy. DIB's AML and CFT policies are designed to:

- prevent money laundering and terrorist financing;
- meet the requirements of all applicable laws and regulations on AML/CFT; and
- comply with UN and other applicable sanctions regimes.

DIB has a compliance function in place, which is headed by a dedicated compliance officer who is responsible for co-ordinating and overseeing the effective implementation of DIB's compliance programme (including its AML and CFT policies). All AML and CFT policies and practices are applied across all of DIB's branches and certain of its subsidiaries within the UAE as well as outside the UAE (to the extent permitted by local laws and regulations). DIB's internal auditors review and assess its AML and CFT policies in accordance with their audit plan and practices in order to ensure that they are effective and adequate.

The AML function is managed by a certified AML specialist who is supported by a team of six dedicated staff at Head Office. Each of DIB's subsidiaries have dedicated compliance officers. DIB has separate AML and Know Your Client ("**KYC**") policies and procedures for all new customers and transaction monitoring based on amount thresholds, pre-determined scenarios and a blacklist database through the Norkom System (which incorporates the safe watch utility as well as DIB's own internal blacklists). DIB implemented full AML software in 2007.

DIB's policy for the acceptance of the new customers takes into consideration their activity, related accounts, and any other relevant indicators. The policy includes adequate investigation of customers in accordance with their associated risk. The investigation is carried out according to the following general rules.

- verification of the customer's and actual beneficiary's identity, whether the customer is a natural or judicial person (for example, the customer's / actual beneficiary's full name, nationality, physical location, contact details (telephone), occupation, date of birth and passport or National ID number are all obtained);
- DIB only opens accounts with customers who engage in legitimate business activities;
- DIB obtains information concerning, and assesses the AML/CFT policies and practices of the financial institutions it does business with;
- DIB assesses the normal and expected transaction behaviour of its customers based on its risk assessments of such customers; and
- DIB does not enter into a business relationship or execute any transactions before applying due diligence procedures stipulated in these instructions. DIB requires enhanced due diligence on relationships with sensitive sectors such as politically exposed persons, consistent with industry practice. In addition, where, based on its due diligence, DIB has any suspicion in respect of the accuracy or adequacy of the information obtained in relation to the customer's identity, it makes further enquiries and takes appropriate measures as necessary.

DIB only deals with customers who have an account with DIB and does not allow any payments from non-customers over the counter in cash. DIB monitors all transactions and reports suspicious transactions to the Central Bank. DIB has implemented the automated World-Check system to filter swift transactions against an international black list. World-Check was also implemented in DIB Pakistan in 2007. DIB screens all customer names and payment details against applicable sanctions and blacklists, including those derived from, or published by, the Central Bank, United Nations, the United States' Office of Foreign Assets Control (**OFAC**) and the EU.

DIB's client acceptance/on boarding for correspondent banking services with other financial institutions' complies with the Wolfsberg Principles for Correspondent Banks in relation to anti-money laundering and corruption.

DIB provides ongoing training to employees in relation to a broad range of compliance issues. In particular, DIB has a compliance training programme whereby training is conducted on all applicable laws and regulations as well as changes to its AML and/ or CFT policies. This training includes identification and reporting of suspicious transactions. DIB has both classroom-based training as well as e-learning programmes that cover its KYC policy and AML and CFT methods. DIB retains records of its training sessions including attendance records and relevant training materials used.

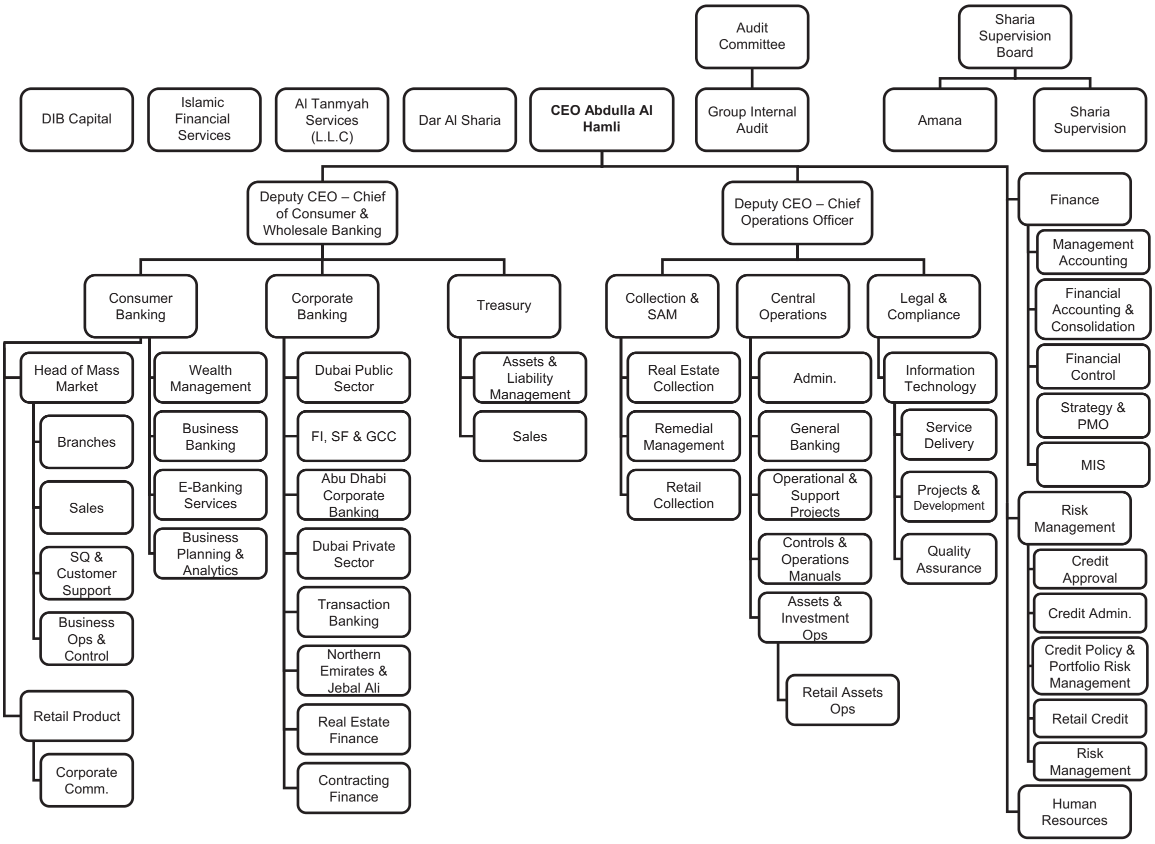
Tax

DIB is not subject to tax in Dubai or the United Arab Emirates, whether corporate or otherwise.

DIB may be subject to tax in other jurisdictions where it operates.

Management and Employees

The organisational chart of DIB is as follows:



Board of Directors

The members of the Board of Directors are elected by shareholders at a general meeting. DIB requires the majority of its members to be UAE nationals. Each member is appointed for a three-year term at the end of which the Board is re-instituted. The Board of Directors has the necessary power to manage DIB and act on its behalf.

The following table sets out the names of the current members of DIB's Board of Directors:

Name	Position
H.E. Mohammed Ibrahim Al Shaibani	Chairman
Dr. Tarik Humaid Al Tayer	Deputy Chairman
Mr. Khalid Ahmed Khalifa Al Suwaidi	Director
Mr. Abdulla Ali Al Hamli	Director
Mr. Ahmed Mohammed Said Bin Humaidan	Director
Mr. Yahya Saeed Ahmad Lootah	Director
Mr. Hamad Bin Abdulla Al Shamsi	Director
Mr. Abdullah Al Sayed Mohammed Al Hashimi	Director
Mr. Abdul Aziz Ahmed Al Muhairi	Director

The address of each member of the Board of Directors is P.O. Box 1080, Dubai, UAE. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to DIB. Each member of DIB's board of Directors is an independent and non-executive director of DIB.

Detailed below is brief biographical information on the members of DIB's Board of Directors.

H.E. Mohammed Ibrahim Al Shaibani

H.E. Al Shaibani is the Chairman of DIB, and is also a member of DIB's Board of Directors.

H.E. Al Shaibani also serves as Director General of H.H. The Ruler's Court, Government of Dubai and the Chief Executive Officer and Executive Director of the Investment Corporation of Dubai. He is also Chairman of the National Bonds Corporation and a Board Member of Emaar Properties, Shuaa Capital, Dubai Aerospace Enterprise Limited, The Knowledge Fund and International Humanitarian City. Since 1998, H.E. Al Shaibani has also held the position of President at the Dubai Office, a private management office for the Royal Family of Dubai.

H.E. Al Shaibani holds a degree in Computer Science.

Dr. Tarik Humaid Al Tayer

Dr. Al Tayer serves as Deputy Chairman of DIB, and is also a member of DIB's Board of Directors.

Dr. Al Tayer also serves as Director of the Al Tayer group of companies, Vice Chairman of the Sheikh Zayed Housing Programme, Director of ART Consultants and Chairman of the UAE Professional Football League.

Dr. Al Tayer holds a degree in Civil and Environmental Engineering from the University of Colorado, Denver, a Masters degree in Civil Engineering/Construction Engineering Management from the University of Colorado, Boulder, USA and a PhD in Civil Engineering from the University of Arizona, Tucson, USA.

Mr. Khalid Ahmed Khalifa Al Suwaidi

Mr. Al Suwaidi serves as a member of DIB's Board of Directors.

Mr. Al Suwaidi also serves as Chairman and Chief Executive Officer of Amjad Holding Group, and has previously served as a member of the Board of Directors of Abu Dhabi Islamic Bank and Abu Dhabi National Islamic Insurance Company.

Mr. Al Suwaidi holds a degree in Political Science from Al Ain University, UAE.

Mr. Abdulla Ali Al Hamli

Mr. Al Hamli has served as Chief Executive Officer of DIB since 2008, and is also a member of DIB's Board of Directors. Mr Al Hamli joined DIB in 1999. Before assuming the role of Chief Executive Officer, he served as DIB's Chief Information Officer where he oversaw the upgrade of its IT infrastructure. Mr Al Hamli is currently Chairman of Tamweel following his appointment to this position in November 2010

Mr. Al Hamli also serves as Chairman of the property developer, Deyaar Development.

He holds a degree in Economics and Mathematics from Al Ain University, UAE.

Mr. Ahmed Mohammed Said Bin Humaidan

Mr. Bin Humaidan serves as a member of DIB's Board of Directors.

Mr. Bin Humaidan has over 22 years' experience in strategic thinking, strategic planning, projects management, leading improvements programmes and change management and also serves as Deputy Director General of H.H. The Ruler's Court, Government of Dubai. He has also previously served as the Director of Projects for The Executive Office of His Highness Sheikh Mohammad Bin Rashid Al Maktoum, Vice-President and Prime Minister of UAE and Ruler of Dubai.

Mr. Bin Humaidan holds a degree in Electrical Engineering from UAE University as well as a Business Administration diploma from Sheffield Hallam University, United Kingdom.

Mr. Yahya Saeed Ahmad Lootah

Mr. Lootah serves as a member of DIB's Board of Directors. In addition, Mr. Lootah serves as Executive Director of the S.S. Lootah Group and is a member of the board of directors of the Dubai Chamber of Commerce and Industry, as well as a member of the Board of Trustees of Dubai Medical College and the Advisory Board of the Faculty of Engineering at the American University in Dubai.

Mr. Lootah holds a degree in Civil Architectural Engineering as well as a Masters degree in Science in Engineering from the University of Bridgeport, USA.

Mr. Hamad Bin Abdulla Al Shamsi

Mr. Al Shamsi serves as a member of DIB's Board of Directors.

Mr. Al Shamsi also currently serves as the Chief Executive Officer of International Capital Trading Company, Chairman of the Board of Directors of Essdar Capital, and a member of the Board of Directors of the Abu Dhabi Stock Exchange, Finance House, Etihad Airways and Royal Jet.

Mr. Al Shamsi holds a degree in Business Administration from Al Ain University, UAE and has a Masters in Finance and Banking.

Mr. Abdullah Al Sayed Mohammed Al Hashimi

Mr. Al Hashimi serves as a member of DIB's Board of Directors. Mr. Al Hashimi also serves as a member of the Board of Directors of the UAE Society of Engineers, the Dubai Chamber of Commerce Committee of Arbitration, AWQAF Minor Affairs Foundation and the GCC Commercial Arbitration Centre, as well as serving as the Head of the Planning Department of the Dubai Municipality. He is also Director and owner of Al Hashimi.

Mr. Al Hashimi holds a degree in Architecture from the Fine Arts University, Egypt.

Mr. Abdul Aziz Ahmed Al Muhairi

Mr. Al Muhairi serves as a member of DIB's Board of Directors. Mr. Al Muhairi also serves as a member of the Board of Directors of Bourse Dubai, Vice Chairman of the Support Fund and Chairman of the Supervisory Board of Bosna Bank International. He has previously served as the Managing Director of the Investment Corporation of Dubai and as a member of the Board of Directors and Chief Executive Officer for Dubai Bank.

Mr. Al Muhairi holds a Science degree, specialising in Accounting and Finance, from the American College of Switzerland.

Key Senior Management

The following table sets out the names of the current senior management of DIB:

Name	Position
Mr. Abdulla Ali Al Hamli	Chief Executive Officer
Mr. Ahmed Fathy Al-Gebali	Chief Financial Officer
Dr. Adnan Chilwan	Deputy CEO—Chief of Consumer & Wholesale Banking
Mr. Mohamed Abdulla Al Nahdi	Deputy CEO—Chief Operation Officer
Mr. Naveed Ali	Chief of Corporate Banking
Mr. Mohammed Saleem	Chief of Treasury

The address of each member of the senior management of DIB is P.O. Box 1080, Dubai, UAE. There are no conflicts of interest between the private interests or other duties of the senior management of DIB listed above and their duties to DIB.

Detailed below is brief biographical information on the senior management of DIB.

Mr. Abdulla Ali Al Hamli

Please see biographical information provided above for Mr. Al Hamli.

Mr. Ahmed Fathy Al-Gebali

Mr. Al-Gebali is the Chief Financial Officer of DIB and also the Executive Vice President of DIB's Financial Group. He was appointed to these positions in December 2010. Before assuming the role of Chief Financial Officer, Mr. Al-Gebali served as Group Chief Financial Officer of Boubyan Bank (Kuwait), Vice Chairman of Boubyan Takaful and Board Member of Boubyan Capital. He also previously held positions at Global Investment House (Kuwait), Gulf Investment House (Kuwait) and Kuwait Financial Centre (Kuwait).

Mr. Al-Gebali also serves as technical member for the corporate governance standard working group and Islamic Money Market working group of the Islamic Financial Service Board in Malaysia.

He holds a degree in finance from Ain Shams University, Egypt, a diploma in Computer Science from American University, Cairo and an MBA from the American University of London as well as a CPA from the University of Illinois CPA board USA.

Dr. Adnan Chilwan

Dr. Chilwan has served as Deputy CEO—Chief of Consumer & Wholesale Banking of DIB since 2008. He has over 16 years' worth of banking experience with both conventional and Islamic banks in the Gulf region such as DIB, Dubai Bank (UAE), Commercial Bank of Qatar (Qatar), Mashreqbank (UAE), Abu Dhabi Islamic Bank (UAE) and HSBC (UAE)

Dr Chilwan represents DIB on the boards of various strategic investments, subsidiaries and associates. He is currently Chairman, Islamic Financial Services (the brokerage arm of DIB); Board Member, DIB Capital (investment bank of DIB); Board Member, Deyaar Development; Board Member, Liquidity Management Centre (Investment Centre in Bahrain); Board Member, Dar Al Shari'a and a Board Member of Millennium Private Equity. He is also a member of the DIB's Investment Committee, the DIB ALCO, Management Credit Committee, Automation Committee and Executive Committee.

Dr. Chilwan has a PhD and a MBA in Marketing. He is a Certified Islamic Banker (CeIB), a Post Graduate in Islamic Banking & Insurance and an Associate Fellow Member in Islamic Finance Professionals Board.

Mr. Mohamed Abdulla Al Nahdi

Mr. Al Nahdi has served as Deputy CEO—Chief Operation Officer of DIB since July 2008, overseeing the critical support functions of the bank.

Mr. Al Nahdi has over 26 years' worth of leadership experience gained in the banking sector. Before joining DIB, Mr. Al Nahdi was Chief Retail Banking Officer at Dubai Bank. He began his career with HSBC, holding various positions within the personal banking, corporate banking, branches, trade finance, operations and remittances departments of that bank.

Mr. Al Nahdi also serves as a board member of each of DIB Capital, Tamweel and Deyaar Development. He holds a degree in Accountancy and Administration from Baghdad University, Iraq.

Mr. Naveed Ali

Mr. Ali has served as Chief of Corporate Banking at DIB since June 2003.

Mr. Ali has over 24 years' worth of banking experience with both conventional and Islamic banks. Before joining DIB, Mr. Ali was Vice President of the Commercial Banking Group at MashreqBank (UAE). He began his career with Habib Credit & Exchange Bank (Pakistan).

Mr. Ali holds a degree in Science from the University of Karachi, Pakistan.

Mr. Mohammed Saleem

Mr. Saleem has served as Chief of Treasury at DIB since July 2006.

Mr. Saleem has over 28 years' worth of banking experience with both conventional and Islamic banks, including Standard Chartered Bank (Pakistan and UAE), Societe Generale (Bangladesh and Pakistan) and Union National Bank (UAE). Before joining DIB, Mr. Saleem was Treasurer at Standard Chartered Bank (Pakistan).

Mr. Saleem holds a degree in Commerce.

Fatwa & Sharia Supervisory Board

The Sharia Board comprises scholars of high repute with extensive experience in law, economics and banking systems. The Sharia Board is appointed by DIB's shareholders at a general meeting and its responsibilities include supervising the development and creation of innovative Sharia compliant products, issuing fatwas on any matter proposed to it by business units of DIB, ensuring (via Sharia auditors) that transactions are carried out in compliance with Islamic principles and analysing contracts and agreements concerning DIB's transactions. DIB's full Sharia Board is supported by the Sharia Executive Committee (comprised of the Chairman of the Sharia Board and two other members of the Sharia Board) which has been mandated to provide Sharia approval for a number of DIB's products and investments on behalf of the full Sharia Board. DIB's Sharia Executive Committee meets on a weekly basis in order to be able to provide timely advice and approvals. As with Tamweel, Dar Al Sharia is responsible for reviewing and commenting on DIB's new products in the first instance and providing recommendations to the Sharia Board (for further details of Dar Al Sharia, see "*Description of Tamweel PJSC—Management—Committees—Sharia Supervisory Board*").

The Sharia Board submits an annual report to the Board summarising all the issues which have been referred to it, as well as its opinion on DIB's transactional procedures.

The following table sets out the names of the current Sharia Board:

Name	Position
Professor Dr. Hussain Hamid Hassan	Chairman
Professor Dr. Ali Mohi Eldin Alqura Daghi	Vice Chairman
Professor Dr. Ajeel Jasim al Nashmi	Member
Sheikh Mohammed Abdul Razak Al Sedeiq	Member
Sheikh Dr. Mohammed Abdul Hakeim Zuair	General Secretary

Detailed below is brief biographical information on the members of the F&SB.

Professor Dr. Hussain Hamid Hassan

Please refer to "*Description of Tamweel PJSC—Management—Committees—Sharia Supervisory Board*" for a description of Dr. Hussain.

Professor Dr. Ali Mohi Eldin Alqura Daghi

Professor Dr. Ali Mohi Eldin Alqura Daghi has been a member of the Sharia Board since 1999. He holds a PhD in Sharia and Law, a Master in Comparative Fiqh, a Bachelor of Islamic Sharia and a Bachelor of Islamic Science. He is the author of 14 books and 27 research documents.

Professor Dr. Ajeel Jasim al Nashmy

Professor Dr. Ajeel is currently a Professor at Kuwait University where he works in the Faculty of Shari'a and Islamic Studies. Having completed his academic career at Al Azahr University and Kuwait University he achieved a PhD in Islamic Fiqh from Al Azahr. He has published in excess of 7 books and 15 papers on contemporary matters relating to Islamic Sharia issues.

Sheikh Mohammed Abdul Razak Al Sedeiq

Sheikh Mohammed Abdul Razak Al Sedeiq has been a member of the Sharia Board since 1999. He holds a Master in Comparative Fiqh, a Diploma in Fiqh principles, a Master in Fiqh, a Master Diploma from the Faculty of Sharia and Law and is registered to commence a PhD in comparative Fiqh.

Sheikh Dr. Mohammed Abdul Hakeim Zuair

Please refer to "*Description of Tamweel PJSC—Management—Committees—Sharia Supervisory Board*" for a description of Sheikh Dr. Mohammed Abdul Hakeim Zuair.

Management committee (Mancom)

The members of the Management Committee include: the Chief Executive Officer, the Senior Executive Vice President of Business Services, the Chief Financial Officer, the Head of Retail & Business Banking, the Head of Real Estate, the Head of Credit Risk Management, the Head of Distribution, the Head of Corporate Banking, the Head of Operations, the Group Head of Finance, the Group Head of Internal Audit, the Group Head of Information Technology and the Head of Human Resources.

Mancom meets on a monthly basis and its key responsibilities include setting the strategic direction of DIB and reviewing DIB's performance in line with defined strategic objectives.

Employee ownership

DIB established an Employee Stock Ownership Plan in 2004 under which DIB shares may be granted to eligible employees. The employee benefit plan is designed to recognise and retain key employees.

For eligible employees, DIB shares are granted on condition that the employee continues in the employ of DIB for an agreed minimum period ranging between two to four years from the grant date. Should the employee leave before the completion of the full vesting period, a proportion of the shares granted would revert back to DIB. The senior management and functional heads are eligible to receive shares of DIB, and there is a provision in the Employee Stock Ownership Plan to award shares of DIB to potentially high performers at any level. Employees

As of 30 September 2011, DIB had 1,856 employees, compared to 1,619 employees as of 31 December 2010 and 1,621 employees as of 31 December 2009. As of 30 September 2011, DIB had an Emiratisation level of 46 per cent. compared to 45.89 per cent. as of 31 December 2010 and 41.09 per cent. as of 31 December 2009. DIB had a staff turnover of around 18.34 per cent. for the period between 31 December 2009 and 31 December 2010.

OVERVIEW OF THE UNITED ARAB EMIRATES

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, the Emirates were a British protectorate until they achieved independence in December 1971 and merged to form the federation of the United Arab Emirates. Each Emirate—being Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al-Qaiwain, Fujairah and Ras Al Khaimah—has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers of the seven Emirates (the "**Supreme Council**"). The Supreme Council elects from its own membership the President and the Vice President (for renewable five year terms). HH Sheikh Zayed Bin Sultan Al-Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. Following his death, his son HH Sheikh Khalifa Bin Zayed Al-Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

The UAE is the second largest economy in the GCC region after the Kingdom of Saudi Arabia and has been steadily growing over the last decade, faltering only twice, in 1998 and 2001, due to lower oil prices and the Organisation of the Petroleum Exporting Countries ("**OPEC**")-mandated production cuts. Although it has a more diversified economy than most of the other countries in the GCC region, its wealth is still largely based on oil and gas. According to data gathered by OPEC, at 31 December 2009, the UAE had approximately 7.3 per cent. of proven global oil reserves (giving it the sixth largest oil reserves in the world). According to the "**BP Statistical Review of World Energy**" published in June 2011, the UAE had, at 31 December 2010, approximately 7.1 per cent. of proven global oil reserves (continuing to give it the sixth largest oil reserves in the world as at that date). Fluctuations in energy prices do have a bearing on economic growth, but the UAE is viewed as being in a less vulnerable position than some of its GCC neighbours, due to the robust growth in its non-oil sector and the sizeable wealth of the Government of Abu Dhabi. The governments of Abu Dhabi and Dubai, which contribute around 80 per cent. of the UAE's GDP, are spending substantial amounts on expanding infrastructure.

The UAE National Bureau of Statistics has estimated on a preliminary basis that real GDP in the UAE for 2010 was AED 977.3 billion, representing a real GDP growth rate of 1.4 per cent., reflecting the general economic recovery in the wake of the global economic crisis and the increase in oil prices during 2010. In 2009, the UAE National Bureau of Statistics estimated that real GDP in the UAE was AED 963.5 billion, representing a real GDP growth rate of minus 1.6 per cent.

On 23 April 2010, Moody's reaffirmed the UAE's long-term rating of Aa2 with a stable outlook. In its report, Moody's cited the fact that the Federal Government of the UAE is fully supported by the Government of Abu Dhabi.

The UAE population was estimated to have reached almost 8.3 million people in mid-2010 according to data released on 31 March 2011 by the UAE National Statistics Bureau.

The UAE enjoys good relations with the other states in the GCC and its regional neighbours. The UAE does have, however, a long-standing territorial dispute with Iran over three islands in the Gulf and, as such, is not immune to the political risks and volatility that have over-shadowed the region, particularly in the last couple of years. The economy remains heavily protected and nearly all utilities and most major industries are controlled by the state. However, tight restrictions placed on foreign investment are gradually being relaxed. For example, foreigners are not permitted to have a controlling interest in UAE businesses and corporates. Reflecting this rule, many of the Emirates have established trade and industry free zones as a means of attracting overseas investment and diversifying the economy. Despite the UAE's membership in the WTO, progress towards economic liberalisation has been slow, though trade agreements with Europe and the United States are being negotiated.

THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

Summary

The global financial crisis has had an effect on the UAE banking sector and the key concerns facing the sector include a liquidity shortage and a fall in real estate and equities prices. Although the UAE could be viewed as an over-banked market, even by regional standards, there has traditionally been little impetus for consolidation. The UAE's membership in the WTO will require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

As a banking regulator, the Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the Central Bank.

Historically, the Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirs of each Emirate.

Characteristics of the Banking System

Lack of Consolidation

The UAE may be seen as being over-banked with 51 different banks (comprised of 23 locally incorporated banks and 28 foreign banks) licensed to operate inside the UAE (excluding the DIFC) (source: the Central Bank), serving a population estimated to be in the region of approximately 5 million people. Traditionally there has been little impetus for consolidation. However, mergers in the past have tended to come as a result of banks facing financial difficulties and some commentators suggest that the recent financial crisis has created more favourable conditions for consolidation. The federal structure of the country has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation. However, in October 2007, the UAE's second and fourth largest banks, Emirates Bank International PJSC and National Bank of Dubai PJSC merged.

The relatively small size of most UAE banks has sometimes hindered them from competing for large financing deals in the region. It also means that they have comparatively small franchises with which to absorb capital costs, such as information technology system development. The advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, possibly even creating banks with pan-Gulf franchises.

Domestic Focus

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross border business.

With a large number of players chasing a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a consequence, IT costs have been a prominent feature of many banks' expenses.

Limited Foreign Ownership

In 1987, the Federal Government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the Central Bank following an agreement to allow market access to banks of GCC state origin in line with continuing efforts in regional integration. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

Exposure to the Oil Sector

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements.

Islamic Banking

Shari'a (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: DIB, Abu Dhabi Islamic Bank, Emirates Islamic Bank, Dubai Bank, Noor Islamic Bank, Sharjah Islamic Bank, Osool Finance and Amlak Finance. The number of Islamic banks continues to rise, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer *Shari'a*-compliant products.

Legal Environment

There are three primary sources of law in the UAE: federal laws and decrees, local laws and *Shari'a* (Islamic) law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government will apply his or its own rules, regulations and practices.

Supervision of Banks

The main piece of legislation covering the banking system is Union Law No. 10 of 1980 (the "**Union Law**") which established the Central Bank. The Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the UAE, although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds—such as long-term liquidity or equity support—have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the Government of Abu Dhabi would ultimately stand as de facto defender of the currency and the "lender of last resort".

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the Central Bank to issue government debt. However, the Central Bank does issue certificates of deposit ("**CDs**") to the banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the Central Bank at any time. In 2007, the Central Bank introduced an auction system and allowed U.S. dollars drawings against UAE dirhams CD holdings.

The UAE dirham is linked to the International Monetary Fund's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in reality, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices.

The Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering. It has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

The UAE further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the "**NATC**"). The NATC serves as a UAE inter-agency liaison.

Although the Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. The Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

Lack of Developed Capital Markets

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the Abu Dhabi Securities Exchange (both of which were established in 2000), have grown rapidly over recent years, such growth has been affected by the recent global financial crisis.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009 the Dubai Financial Market announced its intention to acquire the NASDAQ Dubai, with completion of the acquisition having occurred in July 2010.

Government Involvement

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to happen in practice. The state is also the banking sector's largest customer, in terms of both deposits and project financing.

Expatriate Workforce

An unusual feature of the UAE economy is its reliance on overseas labour, with expatriates making up approximately 80 per cent. of the workforce. The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the country has been an increasing concern for the UAE Federal Government and as part of a policy of "**Emiratisation**", banks were instructed, in 1999, to increase UAE nationals on their payroll to 40 per cent. by 2009. Generally, banks have been moving closer to, or have met, this target, providing better training and compensation for UAE nationals.

Accounting Standards

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with International Financial Reporting Standards (formerly International Accounting Standards (IAS)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector. Basel II was introduced effective as from 1 January 2008.

Structure of the Banking System

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as "**National**" banks, of which there are currently 23, are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by UAE nationals. Licensed foreign banks, of which there are currently 28, need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the UAE. The Union Law also licenses "**financial institutions**" (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

RECENT TRENDS IN BANKING

Profitability

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the global financial crisis, may represent a risk to the UAE banking system. Equity prices declined generally in the UAE in 2008 but, more recently, have rebounded with the Abu Dhabi Securities Exchange's Abu Dhabi index rising from 2,390.0 at 31 December 2008, to 2,743.6 at 31 December 2009, 2,719.9 at 31 December 2010 and 2,619.7 at 31 July 2011, and the Dubai Financial Market index rising from 1,636.3 at 31 December 2008, to 1,803.6 at 31 December 2009 to 1,630.5 at 31 December 2010 and 1,517.6 at 31 July 2011.

Liquidity

The Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan deposit ratio of 100 per cent. set by the Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. Together, these deposits constituted approximately 63.6 per cent. of total deposits of the UAE banking sector as at 31 May 2011. The UAE Federal Government and the public sector contributed approximately 23.9 per cent. as at 31 May 2011. Non-resident and other sources contributed approximately 12.5 per cent. as at the same date.

In response to the global financial crisis, the Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE In September 2008, the Central Bank established an AED 50.0 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The Central Bank also established a CD repo facility (which also includes an Islamic-compliant version) under which banks can use CDs as collateral for dirham or U.S. dollar funding from the Central Bank.

In addition to these measures, the UAE Federal Government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the UAE (including DIB) have converted the UAE Federal Government deposits made with them into Tier 2 capital.

During 2008, Abu Dhabi government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance) subscribed, in aggregate, a sum of AED 16.0 billion in subordinated Tier I Capital Notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi, Abu Dhabi Commercial Bank, First Gulf Bank, Union National Bank and Abu Dhabi Islamic Bank.

A press statement issued by the Department of Finance of the Government of Dubai on 25 February 2009 announced that it had established a U.S.$20.0 billion funding programme and that the first tranche, valued at U.S.$10.0 billion with a five year tenure and paying a coupon rate of four per cent. per annum, had been issued in its entirety to the Central Bank. In November 2009, the Department of Finance of the Government of Dubai announced that a second U.S.$5.0 billion tranche was fully subscribed equally by National Bank of Abu Dhabi and Al Hilal Bank.

The UAE Central Bank is expected to tighten regulations on how banks in the UAE manage liquidity through the introduction of new qualitative, quantitative and reporting requirements on liquidity risk management (expected to take effect by early 2012) with the objective of ensuring that liquidity risk is well managed in the UAE in line with international best practices.

The proposed set of qualitative requirements include, *inter alia*, clear articulation of liquidity risk tolerance for the relevant bank; at least one board member with a detailed understanding of liquidity risk management; incorporation of liquidity costs, benefits and risks into the product pricing and approval process; establishment of a forward-looking funding strategy to ensure effective diversification in the sources and tenor of funding; maintenance of high quality liquid assets; and development of transfer pricing framework to reflect the actual cost of funding.

The proposed set of quantitative requirements include the following:

- Liquidity Coverage Ratio ("**LCR**"): The LCR represents a 30 days stress scenario with combined assumptions covering both bank-specific and market-wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario; and
- Uses to Stable Resources Ratio ("**USSR**"): The USSR represents the ratio of key uses of funds against funding sources used by banks post-assignment of stability factors to these sources. This is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets.

Position of Depositors

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE Federal Government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

Prudential Regulations

The Central Bank has supervisory responsibility for banking institutions in the UAE Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the Central Bank with more up to date information on credit, market and operational risks within the banking sector.

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 1 January 2008. Since 1993, the Central Bank has imposed a 10 per cent. minimum total capital ratio. In a circular dated 30 August 2009, the Central Bank announced amendments to their capital adequacy requirements stating that UAE banks were required to have total capital adequacy ratios of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009 and at least 12 per cent., with a Tier 1 ratio of not less than 8 per cent., by 30 June 2010. The circular stated that the new requirements, which were effective on 31 August 2009, apply to national and foreign banks and will be reviewed at the start of 2011. As at the date of this Base Prospectus, no further developments have been announced. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital. GCC sovereign debt is risk-weighted at nil per cent.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent.

Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the Central Bank.

Reserve Requirements

Reserve requirements are used by the Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

Credit Controls

Banks are required to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

The Central Bank defines large exposures as any funded on-or-off balance sheet exposure to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) are as follows:

- to a single borrower or group of borrowers—7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital—7 per cent.;
- overseas interbank exposures—30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);
- to the bank's parent company, subsidiaries or affiliates—20 per cent. (60 per cent. for all such exposures in aggregate); and
- to Board members—5 per cent. (25 per cent. for all such exposures in aggregate).

Exposures above these limits are subject to Central Bank approval. Exposures to the government and sovereign risk are exempt from the regulations.

In addition, the Central Bank lending limits also require that:

- no commercial bank can hold shares or bonds issued by commercial companies in excess of 25 per cent. of the bank's own funds; and
- no bank is permitted to grant loans or advances for the purpose of funding commercial or residential real estate construction in an amount exceeding 20 per cent. of its total deposits, unless it has prior authorisation from the Central Bank as an institution specialising in this type of business.

Provisions for Loan Losses

The Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent., respectively. Any loans with either interest or principal in arrears by more than 180 days must be placed on a non-accrual basis and classified as non-performing. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans carried on the balance sheets of UAE banks when compared to banks operating in other economies.

GENERAL DESCRIPTION OF THE SUKUK ASSETS

The Sukuk Assets which are the subject of the Trust constituted for each Series of Certificates will comprise (a) the Mudaraba Portfolio, of Tamweel's rights, title, interests, benefits and entitlements in and to: (i) real estate assets, including without limitation, (each a "**Real Estate Ijara Asset**"), for which Tamweel (or another person on Tamweel's behalf) has provided *Shari'a*-compliant financing pursuant to *ijara* contracts (each a "**Real Estate Ijara Contract**"); (ii) eligible Non-Real Estate Ijara Assets that are subject to Non-Real Estate Ijara Contracts (including any ancillary rights under such Non-Real Estate Ijara Contracts); and (iii) any assets which (a) Tamweel has purchased pursuant to an Istisna agreement from a developer and which is to be constructed in accordance with the agreed specifications and delivered on the agreed delivery date (but which has not yet been delivered) in accordance with such Istisna agreement relating to such asset; and (b) which are the subject of forward lease agreements (*ijara mansufah ti zimmah*) pursuant to which Tamweel is entitled to receive all lease payments relating to such assets (and includes any ancillary rights under such forward lease agreements) ("**Istisna Assets**") acquired by the Mudarib in accordance with the Master Restricted Mudaraba Agreement, the related Restricted Mudaraba Contract and the relevant Mudaraba Investment Plan, each asset comprising an "**Initial Mudaraba Asset**" and the portfolio of such assets being the "**Initial Mudaraba Portfolio**"). The Initial Mudaraba Portfolio, together with any Eligible Mudaraba Asset which may have been substituted for any such Initial Mudaraba Asset or otherwise acquired from time to time in accordance with the Master Restricted Mudaraba Agreement, the related Restricted Mudaraba Contract and the relevant Mudaraba Plan, excluding any Cancellation Mudaraba Assets and Change of Control Mudaraba Assets, shall constitute the mudaraba portfolio (the "**Mudaraba Portfolio**").

The Trustee shall use a portion of the proceeds of a Series of Certificates to purchase and receive from Tamweel, non-real estate ijara assets (each a "**Non-Real Estate Ijara Asset**") that are subject to ijara contracts (each a "**Non-Real Estate Ijara Contract**"), *Shari'a*-compliant principal protected deposit or deposit like investments in relation to which Tamweel is entitled to receive all returns (each a "***Shari'a*-Compliant Investment**") and/or any assets other than a Non-Real Estate Ijara Asset or an asset having associated with it any registrable interest in real estate, which is an income generating asset that has associated with it underlying tangible assets and is originated, held or owned by Tamweel in accordance with *Shari'a* principles as interpreted by the *Shari'a* Board, (each an "**Other Tangible *Shari'a*-Compliant Asset**" and each such asset an "**Initial Wakala Asset**") and the portfolio of such assets, as will be established pursuant to a certificate signed by authorised officers of Tamweel, in accordance with the powers delegated to such authorised officers by the board of directors of Tamweel, being the "**Initial Wakala Portfolio**", and following the Issue Date of a Series, together with any Eligible Wakala Assets as the case may be, which may have been substituted for any Initial Wakala Asset in accordance with the Sale Undertaking Deed, the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract, excluding any Cancellation Wakala Assets and Change of Control Wakala Assets, (the "**Wakala Portfolio**" and each asset comprising the Wakala Portfolio, a "**Wakala Asset**").

On the Issue Date of each series, at least 70 per cent. of the aggregate Value of (i) the Mudaraba Portfolio and (ii) the Wakala Portfolio on such Issue Date, shall be derived from Real Estate Ijara Assets, Non-Real Estate Ijara Assets and/or any Other Tangible *Shari'a*-Compliant Assets. At all times, the Tangibility Ratio of each of the Mudaraba Portfolio and the Wakala Portfolio shall be no less than 70 per cent.

"**Tangibility Ratio**" means, at any time,:

(a) in relation to a Mudaraba Portfolio, the ratio of (i) the aggregate of the Value of the Real Estate Ijara Assets and Non-Real Estate Ijara Assets comprising a Mudaraba Portfolio to (ii) the aggregate of the Value of that Mudaraba Portfolio and any Mudaraba Portfolio Principal Revenues received in respect of such Mudaraba Portfolio and not re-invested in accordance with the terms of the Master Restricted Mudaraba Agreement, expressed as a percentage; and

(b) in relation to a Wakala Portfolio, the ratio of (i) the aggregate of the Value of the Non-Real Estate Ijara Assets and Other Tangible *Shari'a*-Compliant Assets comprising a Wakala Portfolio to (ii) the aggregate of the Value of that Wakala Portfolio and any Wakala Portfolio Principal Revenues received in respect of such Wakala Portfolio and not re-invested in accordance with the terms of the Management Agreement, expressed as a percentage.

Pursuant to each Restricted Mudaraba Contract and the Mudaraba Investment Plan contained therein, the Mudarib shall re-invest all Mudaraba Portfolio Principal Revenues (as defined below) in Eligible Mudaraba Assets. An "**Eligible Mudaraba Asset**" means: (a) a Real Estate Ijara Asset or Non-Real Estate Ijara Asset: (i) in respect of which Tamweel is entitled to receive payments due to it in respect of the Real Estate Ijara Contract or

Non-Real Estate Ijara Contract related to such Real Estate Ijara Asset or Non-Real Estate Ijara Asset; (ii) in respect of which no party under the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract is in breach of its payment obligations under that Real Estate Ijara Contract or Non-Real Estate Ijara Contract or any documents associated with that Real Estate Ijara Contract or Non-Real Estate Ijara Contract; (iii) that has been originated or is held or owned by Tamweel in a manner consistent with its usual credit and origination policies; (iv) that constitutes legal, valid, binding and enforceable obligations of the obligor under the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located; (v) in respect of which there has not occurred any acceleration or analogous event; (vi) in respect of which the Value of such Real Estate Ijara Asset or Non-Real Estate Ijara Asset is equal to or greater than the value of the consideration given for such Real Estate Ijara Asset or Non-Real Estate Ijara Asset as at the date upon which the relevant Real Estate Ijara Asset or Non- Real Estate Ijara Asset becomes part of the Mudaraba Portfolio; or (b) an Istisna Asset.

The composition of the Mudaraba Portfolio may change over the life of each Series of Certificates as the Mudarib is required, under the relevant Restricted Mudaraba Contract, to use all revenues received in the nature of principal ("**Mudaraba Portfolio Principal Revenues**") from the Mudaraba Portfolio to invest in additional Eligible Mudaraba Assets in accordance with the Mudaraba Investment Plan.

The Wakala Assets in respect of each Series of Certificates will be originated by Tamweel and represent obligations of lessees and obligors in the United Arab Emirates. Tamweel will represent in the Master Wakala Purchase Agreement that the Wakala Assets transferred to the Trustee in respect of each Series of Certificates do or will comply in all material respects with *Shari'a* principles laid down by the Shari'a Board.

All Wakala Assets acquired by the Trustee will be Eligible Wakala Assets. The composition of the Wakala Assets may change over the life of each Series of Certificates as the Managing Agent is required, under the Management Agreement, to use all Wakala Portfolio Revenues which do not comprise Wakala Portfolio Income Revenues (the "**Wakala Portfolio Principal Revenues**") in acquiring further Eligible Wakala Assets from Tamweel.

No investigation or enquiry will or has been made and no due diligence will or has been conducted by or on behalf of any Dealer, the Trustee in respect of any Sukuk Assets. Reference should be made to the paragraphs under "Risk Factors—Risk factors relating to the Sukuk Assets".

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of Tamweel, the Trustee and the Paying Agents (as defined in the Conditions).

Master Wakala Purchase Agreement, as supplemented by each Supplemental Purchase Agreement

The Master Wakala Purchase Agreement will be entered into on the Closing Date between the Trustee (in its capacity as Purchaser) and Tamweel (in its capacity as Seller). The Seller and the Purchaser will subsequently enter into a Supplemental Purchase Agreement in relation to the issuance of each Series of Certificates. The Master Wakala Purchase Agreement and any Supplemental Purchase Agreement will be governed by English law.

Sale of Wakala Portfolio

On the Issue Date of the relevant Series, Tamweel may, in connection with the issue of a Series of Certificates, from time to time and pursuant to the terms of the Master Wakala Purchase Agreement, enter into a Supplemental Purchase Agreement to which Tamweel agrees to sell and transfer to the Trustee, and the Trustee agrees to purchase and receive from Tamweel by way of sale and transfer on the relevant Issue Date, Tamweel's undivided rights, title, interests, benefits and entitlements in certain assets constituting the Initial Wakala Portfolio as specified in a schedule to the relevant Supplemental Purchase Contract.

Purchase Price

The purchase price payable for the Wakala Portfolio of any relevant Series of Certificates (the "**Purchase Price**") will be set out in the relevant Supplemental Purchase Contract.

Records

All records in respect of the Wakala Assets will be retained by Tamweel.

Representations and Warranties

The Seller will provide limited representations and warranties, on the Closing Date and on each Issue Date of each Series of Certificates, including, *inter alia*, as to due incorporation, power and authority, and the validity of its obligations under the Master Wakala Purchase Agreement.

Undertakings of Tamweel

The Seller provides only very limited undertakings in the Master Wakala Purchase Agreement.

Master Restricted Mudaraba Agreement, as supplemented by each Restricted Mudaraba Contract

The Master Restricted Mudaraba Agreement will be entered into on the Closing Date between the Trustee (in its capacity as Rabb-al-Maal) and Tamweel (in its capacity as Mudarib). The Rabb-al-Maal and the Mudarib may subsequently enter into a Restricted Mudaraba Contract in relation to each Series of Certificates. The Master Restricted Mudaraba Agreement and any Restricted Mudaraba Contract will be governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the United Arab Emirates.

In relation to the issue of each Series of Certificates the Trustee (in its capacity as Rabb-al-Maal) has agreed to deposit the relevant Mudaraba Capital with the Mudarib and enter into a restricted mudaraba (each a "**Restricted Mudaraba**") with Tamweel as the Mudarib in accordance with the terms of the Master Restricted Mudaraba Agreement and a Restricted Mudaraba Contract. Pursuant to the Restricted Mudaraba, the Mudarib undertakes that, on the Issue Date, it will invest the Mudaraba Capital of each Restricted Mudaraba Contract solely in the Initial Mudaraba Portfolio by entry into a sale and purchase agreement in a form duly approved by the *Shari'a* Board.

Pursuant to the terms of the Master Restricted Mudaraba Agreement, the Mudarib shall be obliged to maintain separate ledgers to record: (1) any amount of Mudaraba Portfolio Principal Revenues received in respect of the relevant Restricted Mudaraba; (2) the amount of Mudaraba Profit received in respect of the relevant Mudaraba Portfolio which is payable to the Rabb-al-Maal; and (3) any amounts of Mudaraba Profit remaining after deducting amounts payable to the Rabb-al-Maal. The Mudarib will, to the extent possible, reinvest Mudaraba Portfolio Principal Revenues received in respect of the Mudaraba Portfolio of each Series of Certificates in acquiring for and on behalf of Tamweel further Eligible Mudaraba Assets in accordance with the terms of the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba Contract and the Mudaraba Investment Plan. Such additional Eligible Mudaraba Assets will form part of the Mudaraba Portfolio of that relevant Series. Pursuant to the Master Restricted Mudaraba Agreement, at all times the Tangibility Ratio shall be at least 70 per cent. In the event that, at any time, Tangibility Ratio should fall below 70 per cent., the Mudarib shall use reasonable endeavours to (a) acquire sufficient additional Eligible Ijara Assets; or (b) substitute any Mudaraba Assets that do not have associated with them tangible assets for Eligible Ijara Assets in order to raise the Tangibility Ratio to a level that is equal to or greater than 70 per cent. For these purposes, "**Eligible Ijara Asset**" means a Real Estate Ijara Asset or a Non-Real Estate Ijara Asset which is an Eligible Mudaraba Asset.

"**Tangibility Ratio**" means, at any time, the ratio of (i) the aggregate of the Value of the Real Estate Ijara Assets and Non-Real Estate Ijara Assets comprising a Mudaraba Portfolio to (ii) the aggregate of the Value of that Mudaraba Portfolio and any Mudaraba Portfolio Principal Revenues received in respect of such Mudaraba Portfolio and not re-invested in accordance with the terms of this agreement, expressed as a percentage.

Under the terms of the Master Restricted Mudaraba Agreement, in relation to each Restricted Mudaraba, the Mudarib shall be obliged, among other things, to ensure that the Mudaraba Capital is invested in accordance with the terms of the Master Restricted Mudaraba Agreement, the Restricted Mudaraba Contract and the related Mudaraba Investment Plan, ensure that lessees in respect of the Real Estate Ijara Assets and Non-Real Estate Ijara Assets maintain industry standard insurances and fulfil all structural repair and major maintenance obligations in respect of the relevant Real Estate Ijara Assets and Non-Real Estate Ijara Assets (each in accordance with the terms of any underlying Real Estate Ijara Contract or Non-Real Estate Ijara Contract, as applicable) and shall use its reasonable endeavours to manage the Mudaraba Portfolio such that the Value of the relevant Mudaraba Portfolio is, throughout the Mudaraba Term equal to or greater than the relevant Mudaraba Capital.

Under the terms of the Master Restricted Mudaraba Agreement, in relation to the Istisna Assets, the Mudarib shall be obliged to: a) procure that Tamweel delivers the Istisna Assets in accordance with the relevant Transaction Contracts relating to the Istisna Assets; and b) ensure that the design and construction of the Istisna Assets is carried out in accordance with all applicable laws and good industry practice.

Following the distribution of profit between the Mudarib and Tamweel in respect of their respective undivided ownership interests in Tamweel's portfolio of assets, the Mudarib shall make distributions of Mudaraba Profit (as defined below) in relation to a Restricted Mudaraba Contract on a Mudaraba Income Distribution Date (as such term is defined in the Conditions), in respect of each Mudaraba Income Distribution Period, of the relevant Restricted Mudaraba by the Mudarib. The profits (if any) generated by the Mudaraba Capital, being an amount equal to all revenues received in respect of the Mudaraba Assets minus the aggregate of: (a) the Mudaraba Portfolio Principal Revenues received during that Mudaraba Income Distribution Period; (b) any costs (consisting of direct costs and allocated costs) and/or provisions associated with the Mudaraba Assets during the Mudaraba Term; and (c) any taxes incurred in connection with the Master Restricted Mudaraba Agreement or applicable Restricted Mudaraba Contract (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the Mudaraba Term) but excluding the Mudarib's obligations (if any) to pay any taxes or additional amounts under, or in connection with, Condition 11 (*Taxation*) (the "**Mudaraba Profit**") in relation to the applicable Restricted Mudaraba Contract, by the Mudarib, and will be allocated to the Rabb-al-Maal and the Mudarib in accordance with the profit sharing ratio set out in the Master Restricted Mudaraba Agreement.

In the event that, the portion of the Mudaraba Profit in relation to a Restricted Mudaraba Contract payable to the Rabb-al-Maal on a Mudaraba Income Distribution Date, is greater than the Mudaraba Percentage of the then applicable Required Amount under the relevant Series of Certificates to which that Restricted Mudaraba Contract relates, the amount of any excess shall be credited to a ledger account in the name of the Mudarib (the "**Mudaraba Reserve Account**"). The portion of Mudaraba Profit payable to the Transaction Account on such Mudaraba Income Distribution Date in relation to such Series shall be reduced accordingly. The Mudarib will be entitled to deduct amounts standing to the credit of the Mudaraba Reserve Account and use such amounts for its own account, **provided that** such amounts shall be repaid by the Mudarib if so required to fund a Shortfall in respect of the relevant Series.

On each Mudaraba Income Distribution Date, the Mudarib will, after taking into account any payments made or to be made pursuant to the Management Agreement, apply any amounts standing to the credit of the Mudaraba Reserve Account, by paying the same into the Transaction Account, towards the aggregate amount of any shortfall between: (i) the amounts standing to the credit of the Transaction Account at such time; and (ii) the Required Amount due on the corresponding Periodic Distribution Date (a "**Shortfall**").

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following: (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable); and (iii) the deposit in the Transaction Account by the Managing Agent of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets, is less than the Required Amount due on such date, then the Mudarib may (after taking into account payments made or to be made by the Managing Agent pursuant to the Management Agreement) apply any amounts standing to the credit of the Mudaraba Reserve Account in order to cover any Shortfall.

Upon receipt by the Trustee of a Cancellation Notice, the Raab-Al-Maal may instruct the Mudarib to, and upon such instruction the Mudarib shall, transfer to Tamweel on the relevant Cancellation Date such Mudaraba Assets as selected by the Mudarib in its sole and absolute discretion (the "**Cancellation Mudaraba Assets**") provided that the aggregate Value of such Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Cancellation Certificates.

Upon the issue by the Trustee of a Change of Control Exercise Notice, the Raab-Al-Maal may instruct the Mudarib to, and upon such instruction the Mudarib shall, liquidate such Mudaraba Assets as selected by the Mudarib in its sole and absolute discretion ("**Change of Control Mudaraba Assets**"), provided that the aggregate Value of such Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Change of Control Certificates (as such term is defined in the Purchase Undertaking Deed), and promptly and, in any event the Business Day before the relevant Change of Control Put Date (as such term is defined in the Purchase Undertaking Deed), pay an amount equal to the Value of the Change of Control Mudaraba Assets into the Transaction Account.

Upon final termination or dissolution of the Trust as provided in Condition 10 (*Capital Distributions of the Trust*), after all amounts due under the Certificates of the relevant Series have been satisfied in full, the Mudarib shall be entitled to retain the remaining balance (if any) of the Mudaraba Reserve Account for its own account as an incentive amount.

The Mudarib shall, in relation to a Restricted Mudaraba Contract, liquidate the relevant Restricted Mudaraba on the applicable Mudaraba End Date and shall distribute an amount (the "**Final Liquidation Proceeds**") equal to the aggregate of:

(a) an amount equal to the Value of the relevant Mudaraba Portfolio upon the relevant Mudaraba End Date; plus

(b) any Mudaraba Portfolio Principal Revenues held by the Mudarib in relation to such Restricted Mudaraba Contract at the relevant time that have not yet been invested in further Eligible Mudaraba Assets.

Subject to Clause 7.2 of the Master Restricted Mudaraba Agreement, the Mudarib shall, in relation to a Restricted Mudaraba Contract, liquidate the related Restricted Mudaraba on the applicable Mudaraba End Date and, in doing so, shall return to the Rabb-al-Maal an amount equal to the Final Liquidation Proceeds due and payable to the Rabb-al-Maal in relation to that Restricted Mudaraba Contract in accordance with the terms and conditions of the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba Contract and the Mudaraba Investment Plan. Without prejudice to the previous paragraph immediately above, the Rabb-al-Maal acknowledges and agrees that, as part of the liquidation process relating to the Restricted Mudaraba, the Mudarib shall be entitled to dispose by entry into a sale and purchase agreement duly approved by the *Shari'a* Board of all or some of the Mudaraba Assets to any third party or, at its discretion, Tamweel (acting in its own capacity and not as Mudarib).

"**Value**" means, at any time, (1) in respect of a Mudaraba Asset or a Wakala Asset, the amount equal to: (i) in the case of an Istisna Asset, the aggregate outstanding fixed rental amounts payable to Tamweel under the relevant forward lease contract; (ii) in the case of a Real Estate Ijara Asset and a Non-Real Estate Ijara Asset the aggregate of all outstanding fixed rental instalment amounts due from the relevant Transaction Party to Tamweel in relation to such Real Estate Ijara Asset or Non-Real Estate Ijara Asset as the case may be; or (iii) in the case of a *Shari'a*-Compliant Investment or Other Tangible *Shari'a*-Compliant Asset the outstanding face amount or principal value then outstanding of that *Shari'a*-Compliant Investment or Other Tangible *Shari'a*-Compliant Asset and (2) in respect of the relevant Mudaraba Portfolio or Wakala Portfolio, the aggregate of the amounts determined under (i), (ii) and/or (iii) in respect of the Mudaraba Assets or Wakala Assets, as applicable, comprising the Mudaraba Portfolio or Wakala Portfolio on such date, in each case as determined by Tamweel on the relevant date.

The parties to the Master Restricted Mudaraba Agreement agree that, on the applicable Mudaraba End Date, any amounts standing to the credit of the Mudaraba Reserve Account after all amounts due under the Certificates of the relevant Series have been satisfied in full shall be paid to the Mudarib as an incentive amount for its performance. The Rabb-al-Maal acknowledges that it shall have no entitlement in respect of any surplus amounts that are paid to the Mudarib as an incentive amount.

Upon the maturity of a Series, the occurrence of a Dissolution Event, the redemption of all of the Certificates in a Series following an Optional Dissolution (Call) or a Change of Control Event or the exercise of the Sale Undertaking, the relevant Restricted Mudaraba will be liquidated and the Mudarib will distribute the Final Liquidation Proceeds in accordance with the Master Restricted Mudaraba Agreement and the Restricted Mudaraba Contract. Subject to the redemption of the relevant Series of Certificates in full, notwithstanding the Final Liquidation Proceeds payable pursuant to the Master Restricted Mudaraba Agreement, the Mudarib will not be required to pay any amount to the Rabb-al-Maal in excess of the applicable Dissolution Distribution Amount in connection with a liquidation of the relevant Restricted Mudaraba and the payment of such Dissolution Distribution Amount shall discharge the Mudarib's obligations under this Agreement in full and any such excess shall be paid to the Mudarib for its own account as an incentive payment.

The Rabb-al-Maal undertakes, acknowledges and agrees in the Master Restricted Mudaraba Agreement that the sole right of the Rabb-al-Maal shall be to enforce compliance by the Mudarib with the terms of the Restricted Mudaraba Agreement and in respect of which the obligations of Tamweel as Mudarib shall be direct, unconditional, unsecured and general obligations of Tamweel only which rank at least *pari passu* with all other unsecured, unsubordinated and general obligations of Tamweel, and to the extent the Rabb-al-Maal may have any other interest, rights, claim or priority on the bankruptcy or insolvency of the Mudarib or otherwise, the Rabb-al-Maal expressly waives all such interest, rights, claim and priority.

The acts of the Mudarib under the Master Restricted Mudaraba Agreement and each Restricted Mudaraba Contract will be monitored and audited from time to time by the *Shari'a* Board in accordance with the standard practices of the *Shari'a* Board and the Mudarib.

Undertakings of the Rabb-al-Maal

The Rabb-al-Maal provides only very limited undertakings in the Master Restricted Mudaraba Agreement.

The Master Declaration of Trust, as supplemented by each Supplemental Declaration of Trust

The Master Declaration of Trust will be entered into on the Closing Date between the Trustee, Tamweel and the Delegate and is governed by English law. A Supplemental Declaration of Trust between the same parties shall be entered into on the Closing Date of each Series of Certificates and shall also be governed by English law.

Upon issue of the Global Certificate initially representing the Certificates of any Series, the Master Declaration of Trust and the relevant Supplemental Declaration of Trust shall together constitute the Trust declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series Certificates comprise (unless otherwise specified in the relevant Supplemental Declaration of Trust):

(a) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the relevant sukuk assets (the "**Sukuk Assets**");

(b) the rights, title, interests, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding (i) any representations given by Tamweel to the Trustee, the Delegate and the Guarantor pursuant to any of the Transaction Documents, and (ii) the covenant given to the Trustee by Tamweel in Clause 17.1 of the Master Declaration of Trust);

(c) all monies standing to the credit of the relevant Transaction Account;

(d) any other assets, rights, cash or investments as may be specified in the applicable Final Terms; and

(e) all proceeds of the foregoing.

Pursuant to the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the Trustee will, in relation to each Series of Certificates, *inter alia*:

(a) hold the relevant Trust Assets on trust absolutely for the Certificateholders pertaining to the applicable Series *pro rata* according to the face amount of Certificates of that Series held by each Certificateholder, in accordance with the provisions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust;

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust;

(c) subject to being indemnified and/or secured and/or pre-funded to its satisfaction enforce the relevant Trust Assets including, insofar as it is able, taking all reasonably necessary steps to enforce each of the Master Declaration of Trust, the Master Wakala Purchase Agreement, the Management Agreement, the Purchase Undertaking Deed and any other relevant Transaction Document if Tamweel or the Guarantor shall have at any time failed to perform its obligations under it;

(d) collect the proceeds of the relevant Trust Assets in accordance with the terms of the Master Declaration of Trust and, if applicable, the terms of the relevant Supplemental Declaration of Trust;

(e) distribute the proceeds of any enforcement of the Trust Assets, in accordance with the terms of the Master Declaration of Trust, the Master Wakala Purchase Agreement, the Purchase Undertaking Deed, the Master Restricted Mudaraba Agreement and any other relevant Transaction Document (see the section entitled "*Summary of the Principal Transaction Documents—Master Restricted Mudaraba Agreement*"); and

(f) take such other steps as are reasonably necessary to ensure that the Certificateholders of each Series receive the distributions to be made to them in accordance with the Transaction Documents.

In the Master Declaration of Trust, the Trustee also undertakes that, *inter alia*:

(a) it may or shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) upon being directed to do so by the Certificateholders enforce the obligations of Tamweel under the Master Declaration of Trust, the Purchase Undertaking Deed, the Master Wakala Purchase Agreement, the Management Agreement, or the Guarantor under the Master Deed of Guarantee and any other Transaction Document to which Tamweel and the Guarantor is a party;

(b) it shall maintain proper books of account in respect of the Trust Assets which it shall cause to be prepared and certified by its auditors in respect of each financial accounting period accounts in such form as will comply with all relevant legal and accounting requirements and all requirements for the time being of any stock exchange on which the Certificates are listed; and

(c) following the occurrence of a Dissolution Event in respect of any Series of Certificates and, subject to Condition 14 (*Dissolution Events*), it shall (i) promptly notify the Certificateholders of the occurrence of such Dissolution Event, and (ii) take all such steps as are necessary to enforce the obligations of Tamweel under the Purchase Undertaking Deed, the Master Wakala Purchase Agreement, the Management Agreement and the relevant Restricted Mudaraba Contract in accordance with the provisions of the Management Agreement, the Master Restricted Mudaraba Agreement or the Guarantor under the Master Deed of Guarantee and any other Transaction Document to which Tamweel or the Guarantor is a party.

The Trustee irrevocably and unconditionally appoints the Delegate to be its attorney and in its name, on its behalf and as its act and deed to execute deliver and perfect all documents and to exercise all of the present and future duties, powers, (including the power to sub-delegate) trusts, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Master Declaration of Trust, that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, exercise (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), to all of the rights of the Trustee under the Purchase Undertaking Deed and any of the other Transaction Documents (**provided that** no obligations, duties, Liabilities or covenants of the Trustee pursuant to the Master Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the delegation) and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Master Declaration of Trust (the foregoing being the "**Delegation**" of the "**Relevant Powers**"). The appointment of such delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

In addition to the Delegation of the Relevant Powers, certain powers under the Master Declaration of Trust have been vested solely in the Delegate, including, *inter alia*, the power to determine the occurrence of a Dissolution Event, the power to waive or authorise a breach of a provision of the Master Declaration of Trust or determine that a Dissolution Event or Potential Dissolution Event shall not be treated as such, and the power to consent to certain types of amendments to any Transaction Document or the memorandum and articles of association of the Trustee.

A Collection Account, a Transaction Account, a Wakala Reserve Account and a Mudaraba Reserve Account will be established in respect of each Series of Certificates. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise: (i) all amounts of Mudaraba Profit due to the Rabb-al-Maal in respect of the relevant Series; (ii) all amounts of Wakala Portfolio Income Revenues due to the Trustee in respect of the relevant Series; and (iii) all the proceeds of any action to enforce or realise the relevant Trust Assets taken in accordance with Condition 16 (*Enforcement and Exercise of Rights*). The Master Declaration of Trust provides that all monies credited to the Transaction Account in respect of each Series will be applied by the Trustee in the following order of priority in accordance with Condition 5(h) (*Trust—Application of Proceeds from Trust Assets*):

(a) *first*, (to the extent not previously paid) to pay the Delegate all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer or any agent appointed in respect of the Trust by the Delegate in accordance with the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust;

(b) *second*, (to the extent not previously paid) to pay *pro rata* and *pari passu*; (i) the Trustee in respect of all amounts properly incurred and documented (each in the opinion of the Delegate) owing to it under the Transaction Documents in its capacity as Trustee; (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents in its capacity as Trustee Administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;

(c) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(d) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment of the Dissolution Distribution Amount; and

(e) *fifth*, only if such payment is made on a Dissolution Date, payment of any residual amount to the Managing Agent as an incentive amount for its performance.

In addition, under the Master Declaration of Trust Tamweel undertakes to the Trustee that, if any amount payable by Tamweel to the Trustee pursuant to any Transaction Document is not recoverable from Tamweel for any reason whatsoever and the Trustee suffers any costs, charges, expenses and Liabilities as a result of the Trustee's holding of the Trust Assets (which costs, charges, expenses and Liabilities are not recoverable under the relevant Transaction Documents), then Tamweel will indemnify the Trustee against all losses, claims, costs, charges and expenses, but excluding the costs of funding the same, to which it may be subject or which it may incur under or in respect of the Transaction Documents.

The Master Declaration of Trust specifies that, on the date on which the Certificates are repaid in full and subject to all prior ranking claims having been paid in full in accordance with the priority described in Condition 5(h) (*Trust—Application of Proceeds from Trust Assets*), all remaining Trust Assets in respect of the relevant Series shall be distributed in accordance with the priority described in Condition 5(h) (*Trust—Application of Proceeds from Trust Assets*) and the trust constituted by the Master Declaration of Trust in respect of the relevant Series shall terminate.

Upon the occurrence of a Dissolution Event, to the extent any amount payable in respect of the Certificates has not been paid in full, the Trustee or the Delegate in their respective capacities and subject to being indemnified and/or secured and/or prefunded to its satisfaction, may (acting in their respective capacities for the benefit of the Certificateholders) take one or more steps in accordance with the Master Declaration of Trust.

Following the enforcement, realisation of the Certificates and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Certificates to the Certificateholders in accordance with the Conditions and the Master Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and, the right of the Certificateholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate shall be liable for any such sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including Tamweel or the Guarantor) to recover any such sum or asset in respect of the relevant Certificates or the Trust Assets. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.

Subject to Clause 18.2 of the Master Declaration of Trust, no Certificateholder shall be entitled to proceed directly against or provide instructions to the Delegate to proceed against, the Trustee, Tamweel or the Guarantor under any Transaction Document to which either of them is a party or otherwise unless (a) the Delegate fails to do so within a reasonable period of becoming so bound and such failure its continuing and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee, Tamweel or the Guarantor as the case may be) holds at least 20 per cent. of the then outstanding aggregate face amount of the Certificates pertaining to the relevant Series.

Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets otherwise than in accordance with the Purchase Undertaking Deed, and the sole right of the Delegate and the Certificateholders against the Trustee, Tamweel and the Guarantor shall be to enforce their respective obligations under the Transaction Documents.

Certificateholders, by subscribing for or acquiring Certificates, acknowledge that no recourse may be had for the payment of any amount owing in respect of any Certificates against the Trustee or the Delegate, in any circumstances whatsoever, or the relevant Trust to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee or the Delegate and the relevant Trust shall be extinguished.

Certificateholders should note that through, *inter alia*, the Purchase Undertaking Deed, the Trustee and the Delegate will have recourse to Tamweel and the ability of the Trustee to pay the amounts due in respect of the Certificates will ultimately be dependent on Tamweel.

Purchase Undertaking Deed

The Purchase Undertaking Deed will be entered into on the Closing Date by Tamweel (in its capacity as Obligor) in favour of the Issuer (in its capacity as Trustee for the Certificateholders) and the Delegate and which will be governed by English law.

Under the terms of the Purchase Undertaking Deed, the Obligor will irrevocably undertake in favour of the Trustee to purchase from the Trustee the Wakala Portfolio or Change of Control Wakala Assets (as the case may be) together with all of the Trustee's rights, title, interests, benefits and entitlements in, to, and under the Wakala Portfolio or Change of Control Wakala Assets (as the case may be) applicable to a Series of Certificates (each Undertaking in respect of a Series, a "**Purchase Undertaking**") on:

(a) the relevant Dissolution Date; or

(b) a Change of Control Put Date,

at the Exercise Price or the Change of Control Exercise Price (as the case may be) specified in the relevant Exercise Notice.

In order to exercise these rights, the Trustee (or the Delegate on its behalf) will be required to deliver an Exercise Notice or Change of Control Exercise Notice to the Obligor in accordance with the terms of the Purchase Undertaking Deed.

In relation to each Guaranteed Series, the Guarantor may in its sole and absolute discretion, on behalf of the Trustee and pursuant to the right delegated to it by the Trustee in the Master Declaration of Trust, deliver an Exercise Notice to Tamweel (with a copy to the Trustee and the Delegate) if (and only if):

(a) the event described in sub-paragraph (i) of Condition 14 has occurred and has subsisted for not less than two (2) Business Days;

(b) no Exercise Notice has been delivered by or on behalf of the Trustee under the Purchase Undertaking Deed; and

(c) the Trustee has not exercised any of its rights in relation to the relevant Guaranteed Series under the Master Deed of Guarantee.

The Exercise Price payable by Tamweel, in respect of each Series of Certificates, upon exercise of the Purchase Undertaking, shall be an amount equal to the aggregate of:

(a) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the relevant Purchase Undertaking;

(b) an amount equal to any accrued and unpaid Periodic Distribution Amounts less any amounts held by the Trustee in the Transaction Account for the payment of such Periodic Distribution Amounts on the date on which the payment of the Exercise Price is made pursuant to the Purchase Undertaking Deed;

(c) an amount equal to the sum of:

  (i) any amounts repayable but unpaid by the Trustee to the Managing Agent under a Liquidity Facility; and

  (ii) without duplication, any other outstanding Management Liabilities Amounts; and

(d) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date.

On a Dissolution Date:

(a) an amount equal to the amounts repayable but unpaid under the Liquidity Facility to be paid by Tamweel as part of any Exercise Price under the Purchase Undertaking Deed and any amounts repayable but unpaid by the Trustee under clause 5 (*Liquidity.Facility*) of the Management Agreement shall be set off against one another; and

(b) an amount equal to any other Management Liabilities Amounts to be paid by Tamweel as part of any Exercise Price under the Purchase Undertaking Deed and any Management Liabilities Amounts payable but unpaid by the Trustee under the Management Agreement shall be set off against one another,

Accordingly, the Exercise Price payable on any Dissolution Date shall exclude amounts set off as described in paragraphs (a) and (b) above.

"**Value**" means, at any time, (1) in respect of a Mudaraba Asset or a Wakala Asset, the amount equal to: (i) in the case of an Istisna Asset, the aggregate outstanding fixed rental amounts payable to Tamweel under the relevant forward lease contract; (ii) in the case of a Real Estate Ijara Asset and a Non-Real Estate Ijara Asset the aggregate of all outstanding fixed rental instalment amounts due from the relevant Transaction Party to Tamweel in relation to such Real Estate Ijara Asset or Non-Real Estate Ijara Asset as the case may be; or (iii) in the case of a *Shari'a*-Compliant Investment or Other Tangible *Shari'a*-Compliant Asset the outstanding face amount or principal value then outstanding of that *Shari'a*-Compliant Investment or Other Tangible *Shari'a*-Compliant Asset; and (2) in respect of the relevant Mudaraba Portfolio or Wakala Portfolio, the aggregate of the amounts determined under (i), (ii) and/or (iii) in respect of the Mudaraba Assets or Wakala Assets, as applicable, comprising the Mudaraba Portfolio or Wakala Portfolio on such date, in each case as determined by Tamweel on the relevant date.

The exercise price on a change of control ("**Change of Control Exercise Price**") shall be the price payable by Tamweel to the Trustee in respect of the purchase by Tamweel of the Change of Control Wakala Assets, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Change of Control Wakala Assets, which shall be an amount in U.S. dollars equal to the aggregate of:

(i) the Wakala Percentage of the outstanding face value of the Change of Control Certificates; and

(ii) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Change of Control Certificates;

Tamweel agrees in the Purchase Undertaking Deed that all payments by it under the Purchase Undertaking Deed will be made without any such deduction or withholding for or on account of Tax unless required by law and, without set off or counterclaim of any kind and in the event that there is such deduction or withholding, required by law, Tamweel shall pay all additional amounts as will result in the receipt by the Trustee, the Delegate and each Other Compensated Persons (as defined in the Purchase Undertaking Deed) of such net amounts as would have been received by it if no withholding or deduction had been made.

Subject to payment of the Exercise Price in accordance with the Purchase Undertaking Deed, the parties will enter into a sale agreement to effect the sale by the Trustee to Tamweel of the Wakala Portfolio or Change of Control Wakala Assets, as the case may be, together with the Trustee's rights, title, interests, benefits and entitlements in, to or under the Wakala Portfolio or the Change of Control Wakala Assets.

"**Change of Control Wakala Assets"** means the Wakala Assets identified as such by Tamweel, in the relevant Exercise Notice, the identity of which shall be determined by Tamweel in its sole and absolute discretion, subject only as provided in the Purchase Undertaking Deed.

Negative Pledge

The Obligor undertakes that so long as any Certificates remain outstanding, it shall not, and shall procure that none of its Material Subsidiaries will, create, or permit to subsist, any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness of the Obligor, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto creating and according to the Certificates the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Master Declaration of Trust) of the Certificateholders.

Tamweel Events

The Obligor agrees that each of the following events shall constitute a Tamweel Event:

(a) *Non-Payment*: the Obligor fails to pay: (i) the Wakala Portfolio Income Revenue (as defined in the Management Agreement) payable to the Trustee; (ii) the Exercise Price or the Change of Control Exercise Price; (iii) any Wakala Portfolio Principal Revenues payable to the Trustee in accordance with Clause 6.4 of the Management Agreement; (iv) any Mudaraba Profit payable to the Trustee; and (vi) the Final Liquidation Proceeds, and, in each case, such failure continues unremedied for a period of seven Business Days;

(b) *Breach of Other Obligations*: the Obligor, acting in any capacity, does not perform or comply with any one or more of its other obligations in the Master Declaration of Trust which default is incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not in the opinion of the Delegate remedied within 30 days after notice of such default shall have been given to the Obligor by the Delegate;

(c) *Cross-Default*:

  (i) any other present or future indebtedness of the Obligor or any of its Subsidiaries for or in respect of moneys or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described);

  (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; and

  (iii) the Obligor or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$10,000,000 (or its equivalent in any other currency or currencies);

(d) *Enforcement Proceedings*: any expropriation, attachment, sequestration, distress or execution made pursuant to a court order or judgment or arising by virtue of any law or regulation affects any asset or assets of the Obligor or any of its Material Subsidiaries having an aggregate value of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies) and is not discharged within 30 days;

(e) *Security Enforced*: any security over any assets of the Obligor or any of its Material Subsidiaries having an aggregate value of U.S.$10,000,000 (or its equivalent in any other currency or currencies) is enforced;

(f) *Insolvency*: the Obligor or any of its Material Subsidiaries is (or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Obligor or any of its Material Subsidiaries;

(g) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of the Obligor or any of its Material Subsidiaries, or the Obligor or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation: (i) on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Obligor or another of its Material Subsidiaries;

(h) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Obligor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Transaction Documents to which it is a party; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Transaction Documents admissible in evidence in the courts of any relevant jurisdiction, is not taken, fulfilled or done;

(i) *Illegality*: it is or will become unlawful for the Obligor to perform or comply with any one or more of its obligations under any of the Transaction Documents to which it is a party; or

(j) *Analogous Event*: any event occurs which under the laws of the United Arab Emirates has an analogous effect to any of the events referred to in paragraphs (f) and (g) above,

provided that, except in the case of paragraph (a) and, in respect of the Obligor only paragraphs (c), (f) and (g), such events shall only be a Tamweel Event if the Delegate has certified that, in its opinion, such event is materially prejudicial to the interests of the Certificateholders.

For the purposes of the Negative Pledge and the Tamweel Events:

"**Material Subsidiary**" means at any time any Subsidiary of the Obligor:

(a) whose: (i) operating income (consolidated in the case of a Subsidiary which itself has Subsidiaries) or (ii) total net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Obligor represent not less than five per cent. of the consolidated operating income or, as the case may be, the consolidated total net assets of the Obligor and its Subsidiaries taken as a whole, all as calculated by reference to the latest financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated financial statements of the Obligor and its consolidated Subsidiaries, **provided that** in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Obligor relate for the purpose of applying each of the foregoing tests, the reference to the Obligor's latest audited consolidated financial statement shall be deemed to be a reference to such financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted in such manner as may be appropriate to consolidate the latest audited financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary in such financial statements; or

(b) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Material Subsidiary.

A certificate of two directors of the Obligor that, in their opinion, a Subsidiary is or is not, or was or was not, at any particular time or during any particular period, a Material Subsidiary may be relied upon by the Delegate without further enquiry or evidence and, if relied upon by the Delegate, shall (in the absence of manifest error) be conclusive and binding;

"**Relevant Indebtedness**" means any indebtedness other than Securitisation Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, sukuk certificates or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Securitisation**" means any securitisation of existing or future asset and/or revenues, **provided that**: (i) any Security Interest given by the Obligor or any of its Subsidiaries in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each party participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised; and (iii) there is no other recourse to the Obligor or any of its Subsidiaries in respect of any default by any person under the securitisation;

"**Securitisation Indebtedness**" means any indebtedness incurred in connection with a Securitisation;

"**Security Interest**" means any mortgage, charge, lien or other security securing any obligation of any party; and

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Obligor.

Sale Undertaking Deed

A Sale Undertaking Deed will be entered into on the Closing Date by the Trustee in favour of Tamweel which will be governed by English law.

Under the Sale Undertaking Deed, the Trustee will irrevocably undertake to Tamweel to sell and transfer the relevant Wakala Portfolio applicable to a Series of Certificates (each undertaking in respect of a Series, a "**Sale Undertaking**") to Tamweel in the event of certain tax gross-ups being required or in the event that the Trustee exercises a call option in relation to a Series of Certificates.

Under the terms of the Sale Undertaking Deed, and subject to the Trustee being entitled to redeem the Certificates upon the occurrence of a Tax Event (as defined in Condition 10(b) (*Capital Distributions of the Trust—Early Dissolution for Tax Reasons*)) or, if specified as applicable in the applicable Final Terms of a Series, the exercise of an Optional Dissolution (Call), Tamweel may (by exercising its right under the Sale Undertaking Deed and delivering an exercise notice to the Trustee (with a copy to the Delegate) specifying the Tax Redemption Date or Optional Dissolution Date, which must not be less than 30 nor more than 60 days after the date on which the exercise notice is given and (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable to the particular Series) must also be a Periodic Distribution Date) oblige the Trustee to sell and transfer the Wakala Portfolio applicable to the relevant Series together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under such Wakala Portfolio, at the Exercise Price specified in the Exercise Notice. The exercise of Tamweel's right under the Sale Undertaking Deed is subject to the Trustee (or the Delegate on its behalf) not having previously delivered an Exercise Notice under, and as defined in, the Purchase Undertaking Deed.

The Exercise Price payable by Tamweel upon exercise of the Sale Undertaking shall be an amount equal to the aggregate of:

(a) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the relevant Sale Undertaking;

(b) an amount equal to any accrued and unpaid Periodic Distribution Amounts less any amounts held by the Trustee in the Transaction Account for the payment of such Periodic Distribution Amounts on the date on which the payment of the Exercise Price is made pursuant to the Sale Undertaking Deed;

(c) an amount equal to the sum of:

(i) any amounts repayable but unpaid by the Trustee to the Managing Agent under a Liquidity Facility; and

(ii) without duplication, any other outstanding Management Liability Amounts; and

(d) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date.

On a Dissolution Date, an amount equal to the amounts repayable but unpaid under the Liquidity Facility to be paid by Tamweel as part of any Exercise Price under the Sale Undertaking Deed and any amounts repayable but unpaid by the Trustee under Clause 5 (*Liquidity*) the Management Agreement shall be set off against one another. In addition, an amount equal to any other Management Liabilities Amounts to be paid by Tamweel as part of any Exercise Price under the Management Agreement and any such Management Liabilities Amounts repayable but unpaid by the Trustee under the Management Agreement shall be set off against one another. Accordingly, the Exercise Price payable on any Dissolution Date for the purposes of the Sale Undertaking Deed shall exclude such amounts set off as described.

Pursuant to the Sale Undertaking, Tamweel may exercise its rights under the Sale Undertaking Deed to oblige, the Trustee to transfer, assign and convey on any Substitution Date, the Substituted Wakala Assets, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Substituted Wakala Assets, against the transfer, assignment and conveyance to the Trustee of the New Wakala Assets, together with all of Tamweel's rights, title, interests, benefits and entitlements in, to and under the New Wakala Assets, which shall be not less than the Value of the Substituted Wakala Assets, **provided that** (i) no Exercise Notice has otherwise been delivered under the Purchase Undertaking Deed in respect of the Substituted Wakala Assets; and (ii) no Exercise Notice (as defined in the Purchase Undertaking) has been delivered under the Purchase Undertaking Deed in respect of the Substituted Wakala Assets or generally.

Pursuant to the Sale Undertaking, Tamweel may exercise its rights under the Sale Undertaking Deed to oblige the Trustee, following the delivery of the Cancellation Certificates or to the order of the Trustee to cancel the Cancellation Certificates in accordance with the Conditions and to transfer on any Cancellation Date, the Wakala Assets specified by Tamweel in its sole and absolute discretion in the relevant Cancellation Notice together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under such Wakala Assets (the "**Cancellation Wakala Assets**") the Value of which shall be no greater than the Wakala Percentage of the aggregate outstanding face amount of the Cancellation Certificates and provided always that: no Purchase Undertaking Exercise Notice (as defined in the Purchase Undertaking Deed) having been delivered under the Purchase Undertaking and, that following the exercise of such right, the Tangibility Ratio shall be no less than 70 per cent.

Subject to payment of the Exercise Price in accordance with the Sale Undertaking Deed, the parties will enter into a Sale Agreement to effect the sale and transfer by the Trustee to Tamweel of the relevant Wakala Portfolio on the Dissolution Date of the relevant Series of Certificates. The specific terms applicable to each such sale will be confirmed in the Sale Agreement and the form of each such Sale Agreement is scheduled to the Sale Undertaking Deed.

Management Agreement

The Management Agreement will be entered into on the Closing Date between the Trustee and Tamweel, in its capacity as managing agent of the Wakala Portfolio (the "**Managing Agent**") and is governed by English law.

Under the Management Agreement, the Managing Agent shall be obliged, in accordance with an investment plan (the "**Wakala Investment Plan**") to manage the Wakala Portfolio through the provision of certain services (the "**Services**") including, but not limited to, ensuring timely receipt of all revenues from the Wakala Portfolio (the "**Wakala Portfolio Revenues**"), collecting or enforcing the collection of such Wakala Portfolio Revenues and investing all Wakala Portfolio Revenues which do not comprise Wakala Portfolio Income Revenues (including fixed rentals (in the case of *ijara* assets) (the "**Wakala Portfolio Principal Revenues**") in acquiring further Eligible Wakala Assets from Tamweel.

Appointment of Tamweel as Managing Agent

The Trustee will appoint the Managing Agent, and the Managing Agent will accept such appointment, to service the Wakala Portfolio applicable to each Series of Certificates. In particular, the Managing Agent:

(a) will manage the Wakala Portfolio in accordance with the Wakala Investment Plan, the terms of which will be completed in respect of each Series;

(b) shall use its reasonable endeavours to do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) to ensure the assumption and compliance by the counterparties to each Non-Real Estate Ijara Contract and/or Other Tangible *Shari'a*-Compliant Assets constituting the Wakala Assets of its covenants, undertakings or other obligations thereunder;

(c) it shall ensure that, at all times, the Tangibility Ratio shall be no less than 70 per cent. and in the event that, at any time, the Tangibility Ratio should fall below 70 per cent. the Managing Agent shall use reasonable endeavours to:

    (a) acquire sufficient Eligible Wakala Assets that have associated with them underlying tangible assets; or

    (b) substitute any Wakala Assets that do not have associated with them underlying tangible assets for Eligible Wakala Assets of a tangible nature or that have associated with them underlying tangible assets,

    in order to raise the Tangibility Ratio to a level that is equal to or greater than 70 per cent;

(d) it shall, in conjunction with acting as Mudarib under the Master Restricted Mudaraba Agreement, ensure that, on the Issue Date of a Series, at least 70 per cent. of the aggregate Value of (i) the Mudaraba Portfolio; and (ii) the Wakala Portfolio, on such Issue Date shall be derived from Real Estate Ijara Assets, Non-Real Estate Ijara Assets and any Other Tangible *Shari'a*-Compliant Assets;

(e) it shall use its reasonable endeavours to discharge all its obligations in its capacity as party to each Non-Real Estate Ijara Contract and/or other *Shari'a*-compliant agreement constituting the relevant Wakala Portfolio;

(f) it shall use its best endeavours to ensure the timely receipt of all Wakala Portfolio Revenues, investigate non payment of Wakala Asset Revenues and generally make all reasonable efforts to collect or enforce the collection of such Wakala Asset Revenues under the relevant contract or instrument as and when the same shall become due;

(g) it shall use its best endeavours to ensure that the Wakala Portfolio Income Revenues are at least equal to the Expected Wakala Portfolio Income Revenues;

(h) it shall maintain the Collection Accounts and the Wakala Reserve Account in accordance with the terms of the Management Agreement;

(j) it shall obtain all necessary authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Management Agreement;

(k) ensure that lessees in respect of the Non-Real Estate Ijara Assets maintain industry standard insurances in respect of such Non-Real Estate Ijara Assets and fulfil all major maintenance obligations in respect of the Non-Real Estate Ijara Assets (each in accordance with the terms of any underlying Non-Real Estate Ijara Contract);

(l) in the event that, on a Dissolution Date: (i) Tamweel fails to pay an Exercise Price (as defined in the Purchase Undertaking Deed and Sale Undertaking Deed respectively) in accordance with clause 3.2 of the Sale Undertaking Deed or clause 3.2 of the Purchase Undertaking Deed; or (ii) the Managing Agent fails to pay to the Transaction Account the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets:

    (i) the Trustee shall maintain its ownership interest in the applicable Wakala Portfolio;

    (ii) the Managing Agent shall continue to perform the Services in respect of such Wakala Portfolio; and

    (iii) unless otherwise instructed by the Delegate (in circumstances where the delegation has become effective), the Managing Agent shall, for the period for which the relevant Exercise Price (as defined in the Purchase Undertaking Deed and Sale Undertaking Deed respectively) remains outstanding, continue to credit all Wakala Portfolio Revenues in accordance with Clause 4 (Collection and Wakala Reserve Accounts) of the Management Agreement; and

(m) it shall carry out any incidental matters relating to any of the above.

Standard of Care

The Managing Agent shall perform its duties under the Management Agreement in accordance with all applicable laws and regulations, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that is not repugnant to the *Shari'a*.

Fees

Tamweel has received a fee for acting as Managing Agent which comprises a fixed basic fee of U.S.$100 and may also receive an incentive amount calculated as the remaining balance (if any) of the Wakala Reserve Account, as more particularly described in "*Operation of the Collection Accounts and Reserve Accounts*" below.

Operation of Collection Accounts and Wakala Reserve Accounts (Wakala Assets)

In respect of each Series, the Managing Agent will maintain three ledger accounts in its books, such accounts being referred to in the Management Agreement as the "**Principal Collection Account**", the "**Income Collection Account**" and the "**Wakala Reserve Account**", each of which shall be denominated in the Specified Currency (as set out in the applicable Final Terms).

All monies received by the Managing Agent in respect of the Wakala Assets of each Series will be recorded:

(i) to the extent that any such amounts comprise Wakala Portfolio Principal Revenues, in the Principal Collection Account;

(ii) to the extent that any such amounts comprise Wakala Portfolio Income Revenues, in the Income Collection Account; and

(iii) to the extent that any such amounts remain after all amounts of Wakala Portfolio Income Revenues have been paid to the Trustee in accordance with sub-Clause 4.3.2 of the Management Agreement, in the Wakala Reserve Account.

Wakala Portfolio Income Revenues credited to the Income Collection Account will be applied by the Managing Agent in the following order of priority:

(i) *first*, in payment of all or any due and payable Management Liabilities Amounts (including any amounts due and repayable under a Liquidity Facility);

(ii) *second*, on each Wakala Portfolio Income Distribution Date, the Managing Agent shall pay into the relevant Transaction Account an amount equal to the lesser of the Wakala Percentage of the Required Amount for the corresponding Periodic Distribution Date, and the balance of the Income Collection Account; and

(iii) if the balance of the Income Collection Account on such day exceeds the aggregate of (i) the Wakala Percentage of the Required Amount for such Periodic Distribution Date; and (ii) any amounts due and payable pursuant to sub-Clause 1.1.4 of the Management Agreement, the Managing Agent shall retain the surplus as a reserve and credit such surplus to the Wakala Reserve Account.

The Managing Agent shall retain such reserve, and monies standing to the credit of the Wakala Reserve Account (if any) shall be applied in the following order of priority:

(i) on each Wakala Portfolio Income Distribution Date, the Managing Agent will apply any amounts standing to the credit of the Wakala Reserve Account by paying the same into the Transaction Account, towards the aggregate amount of any shortfall between: (i) the amounts standing to the credit of the Transaction Account at such time after the application of funds pursuant to Clause 1.1.5 of the Management Agreement; and (ii) the Required Amount due on the corresponding Periodic Distribution Date (each, a "**Shortfall**");

(ii) the Managing Agent will be entitled to use amounts standing to the credit of the Wakala Reserve Account for its own account, provided that such amounts shall be repaid by it if so required to fund a Shortfall; and

(iii) in the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following: (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable) and (iii) the deposit in the Transaction Account by the Managing Agent of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not as of the Dissolution Date been invested in Eligible Wakala Assets, is less than the Required Amount due on such date, then the Managing Agent may utilise any amounts standing to the credit of the Wakala Reserve Account to the extent of such shortfall; and

(iv) upon final termination or dissolution of the Trust as provided in Condition 10 (*Capital Distributions of the Trust*) of the Conditions and **provided that** all obligations owed by Tamweel to the Trustee have been met, the Managing Agent shall be entitled to retain the remaining balance (if any) of the Wakala Reserve Account (after any payments into the Transaction Account as provided in 4.4.1 of the Management Agreement) for its own account as an Incentive Payment.

For these purposes, "**Required Amount**" means the aggregate of the amounts described in paragraphs (i), (ii) and (iii) of Condition 5(h) (*Trust—Application of Proceeds from Trust Assets*) and, in relation to a Dissolution Date, the aggregate of the amounts described in paragraphs (i), (ii), (iii) and (iv) of Condition 5(h) (*Trust—Application of Proceeds from Trust Assets*).

The Managing Agent is required, under the Management Agreement, to use Wakala Portfolio Principal Revenues to invest in additional Eligible Wakala Assets, which will form part of the Wakala Portfolio of that relevant Series.

On each Wakala Portfolio Income Distribution Date, the Managing Agent will apply any amounts standing to the credit of the Wakala Reserve Account by paying the same into the Transaction Account, towards the aggregate amount of any shortfall between: (i) the amounts standing to the credit of the Transaction Account at such time (after taking into account any payments made or to be made pursuant to the Master Restricted Mudaraba Agreement); and (ii) the Required Amount due on the corresponding Periodic Distribution Date (a "**Shortfall**"). The Managing Agent will be entitled to use amounts standing to the credit of the Wakala Reserve Account for its own account, **provided that** such amounts shall be repaid by it if so required to fund a Shortfall in respect of the relevant Series.

In respect of each Series, notwithstanding anything to the contrary herein and without prejudice to any other obligations of Tamweel in this Agreement or in any other Transaction Documents to which Tamweel is a party, the Managing Agent may provide a liquidity facility ("**Liquidity Facility**") to the Trustee upon written or oral notice to the Managing Agent by the Trustee or Tamweel on behalf of the Trustee (acting on behalf of the Certificateholders), such notice specifying the amount, date and time by which the Liquidity Facility is required:

(i) on or prior to any Periodic Distribution Date, for amounts necessary to cover any shortfall between: (i) amounts standing to the credit of the Transaction Account; and (ii) the aggregate of the amounts set out in items (i), (ii) and (iii) of Condition 5(h)(*Trust—Application of Proceeds from Trust Assets*) of the Conditions and any additional amounts payable pursuant to Condition 11 (*Taxation*) on any such Periodic Distribution Date **provided that** there are no amounts standing to the credit of either the Wakala Reserve Account or the Mudaraba Reserve Account and **further provided that** the aggregate of the amounts paid under Clause 5 of the Management Agreement and not repaid shall not exceed the sum of:

  (a) the sum total of all payable but unpaid Periodic Distribution Amounts in respect of the relevant Series (including any additional amounts payable pursuant to Condition 11 (*Taxation*));

  (b) the sum total of all Management Liabilities Amounts which may be paid by the Managing Agent on behalf of the Trustee from time to time pursuant to this Agreement.

Any obligation of the Trustee to repay any amounts advanced pursuant to the Liquidity Facility shall be set-off against payment by Tamweel of that portion of the Exercise Price under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable) comprising (i) any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; and (ii) any other Management Liabilities Amounts repayable but unpaid by the Trustee to the Managing Agent in accordance with the terms of the Management Agreement.

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following: (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable); and (iii) the deposit in the Transaction Account by the Managing Agent of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets, is less than the Required Amount, due on such date then the Managing Agent may utilise any amounts standing to the credit of the Wakala Reserve Account to the extent of such Shortfall.

Upon final termination or dissolution of the Trust as provided in Condition 10 (*Capital Distributions of the Trust*), and **provided that** all obligations owed by Tamweel to the Trustee have been met, the Managing Agent shall be entitled to retain the remaining balance (if any) of the Wakala Reserve Account for its own account as an incentive amount.

All payments to the Trustee under the Management Agreement must be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim and, in the event that there is any deduction or withholding, the Managing Agent shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no withholding or deduction had been made.

The payment obligations of the Managing Agent under the Management Agreement are and will be direct, unconditional, unsecured and general obligations of the Managing Agent and shall rank at least *pari passu* with all other unsecured, unsubordinated and general obligations of the Managing Agent.

Representations and Warranties

The Managing Agent will provide limited representations and warranties, on the Closing Date and on each Issue Date of each Series of Certificates, including *inter alia*, as to due incorporation, power and authority, and the validity of its obligations under the Management Agreement.

The Deed of Guarantee

Pursuant to the terms of the Master Deed of Guarantee to be entered into on the Closing Date by Dubai Islamic Bank PJSC (as the "**Guarantor**") in favour of the Trustee, and each Supplemental Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee to the Trustee the due and punctual payment by Tamweel of the Guaranteed Amounts in connection with each Guaranteed Series as and when they become due and payable and will pay the Guaranteed Amounts in connection with each Guaranteed Series which are at any time liable to be paid by Tamweel and in respect of which there has been a failure to pay. The maximum amount payable by the Guarantor under the Master Deed of Guarantee shall not exceed the Guaranteed Amounts of a Guaranteed Series.

"**Guaranteed Amounts**" means, in respect of each Guaranteed Series:

(i) the amount described in paragraph (a) of the definition of Exercise Price (as defined in the Purchase Undertaking Deed) (including any amount payable by Tamweel to the Trustee (for the benefit of the Certificateholders) under clause 11 of the Management Agreement);

(ii) the Final Liquidation Proceeds (including any amount payable by Tamweel to the Trustee (for the benefit of the Certificateholders) under clause 17.1 of the Master Restricted Mudaraba Agreement);

(iii) the Wakala Portfolio Principal Revenue payable by Tamweel to the Trustee under clause 6.4 of the Management Agreement;

(iv) the amount described in paragraph (b) of the definition of Exercise Price (as defined in the Purchase Undertaking Deed);

provided that the aggregate of the amounts specified in paragraphs (i), (ii) and (iii) above shall not exceed, and are subject to, the Principal Limit; and

"**Guaranteed Series**" means the Series of Certificates specified as such in a Supplemental Deed of Guarantee executed by the Guarantor; and

"**Principal Limit**" means, in respect of each Guaranteed Series, the amount as specified in the Supplemental Deed of Guarantee. As at the date of the Master Deed of Guarantee, the Guarantor has obtained board approval in respect of the first Guaranteed Series to be issued under the Programme for, *inter alia*, a Principal Limit of an amount equal to U.S.$300,000,000; and

"**Supplemental Deed of Guarantee**" means the deed substantially in the form scheduled to the Master Deed of Guarantee entered into in connection with any Series of Certificates.

The Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations under the Master Deed of Guarantee. The Trustee shall be entitled to assign all or any of its rights and benefits under the Master Deed of Guarantee.

The obligations of the Guarantor under the Master Deed of Guarantee shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of Tamweel's obligations under or in respect of any Certificate and shall continue in full force and effect until the Guarantor has paid an amount or amounts, in aggregate, not less than the Guaranteed Amounts.

The Guarantor undertakes that so long as the Guarantor is liable to pay the Guaranteed Amounts of a Guaranteed Series, it shall not, and shall ensure that none of its Principal Subsidiaries will, create, or have outstanding, any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto creating and according to the Certificates of the relevant Guaranteed Series the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution of the Certificateholders.

The Guarantor agrees in the Master Deed of Guarantee that the following events shall, in respect of a Guaranteed Series only, constitute a "**DIB Event**":

a. *Non-payment:* the Guarantor fails to pay any amount payable pursuant to the Master Deed of Guarantee and such default continues for a period of seven days of the due date for payment; or

b. *Breach of other obligations:* the Guarantor defaults in the performance or observance of any of its other material obligations under or in respect of the Guarantee, unless, in the opinion of the Delegate, the default is capable of remedy and is remedied within 30 days after written notice thereof, addressed to the Guarantor by the Delegate, has been delivered to the Guarantor; or

c. *Illegality*: at any time (following the expiry of any grace period permitted by applicable law) it becomes unlawful for the Guarantor to perform or comply with any or all of its material obligations under the Guarantee; or

d. *Moratorium:* if the Guarantor for any reason declares a moratorium on the payment of any Indebtedness or in respect of any guarantee of any Indebtedness given by it; or

e. *Cross acceleration:* any Indebtedness of the Guarantor or any of its Principal Subsidiaries following valid demand or claim becomes due and payable prior to the stated maturity thereof (other than at the option of the debtor) or the Guarantor or any of its Principal Subsidiaries fail to make any payment under any guarantee of any Indebtedness which is due and payable at the expiration of any grace period applicable thereto, provided that each such event shall not constitute a DIB Event unless the aggregate amount of all such Indebtedness, either alone or when aggregated with all other Indebtedness in respect of which such an event shall have occurred and be continuing, shall be more than US$10,000,000 (or its equivalent in any other currency or currencies); or

f. *Failure to take action etc:* any action, condition or thing at any time required to be taken, fulfilled or done in order (A) to enable the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Guarantee or (B) to ensure that those obligations are binding is not taken, fulfilled or done within 28 days of the Delegate giving notice in writing to the Guarantor; or

g. *Insolvency etc:* (A) the Guarantor becomes insolvent or is unable to pay its debts as they fall due, (B) an administrator, receiver or liquidator of the Guarantor or the whole or any part of the undertaking, assets and revenues of the Guarantor is appointed, unless set aside within 28 days of such appointment, (C) the Guarantor takes any action or commences any negotiations or proceedings with a view to (i) any adjustment of a material proportion of the whole or a specified class or category of Indebtedness, or (ii) making a general assignment or an arrangement or composition with or for the benefit of its creditors, or (D) the Guarantor ceases or threatens to cease to carry on all or any substantial part of its business provided always that this sub paragraph (viii)(C) or (D) shall not apply to any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or

h. *Winding up etc:* an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Guarantor, provided always that this paragraph (h) shall not apply to any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or

i. *Analogous event:* any event occurs which has an analogous effect to any of the events referred to in paragraphs (g) and (h) (inclusive) above,

provided that, in the case of paragraphs (b) and, in respect of a Principal Subsidiary only, paragraph (e), such events shall only be a DIB Event if the Delegate has certified that, in its opinion, such event is materially prejudicial to the interests of the Certificateholders.

For the purposes of the negative pledge given by the Guarantor and the DIB Events:

"Indebtedness" means any present or future indebtedness of any person for or in respect of any money borrowed or raised including (without limitation) any liability arising under sukuk or other securities or any moneys raised under any transaction having the commercial effect of borrowing or raising money;

"Limited Indebtedness" means any Indebtedness, the aggregate outstanding principal amount of which does not, at any time, exceed ten percent (10%) of the aggregate share capital and reserves of the Guarantor as shown in its most recent audited consolidated financial statements prepared in accordance with International Financial Reporting Standards;

"Non-recourse Project Financing Indebtedness" means any Indebtedness incurred in connection with any financing of all or part of the costs of the acquisition, construction or development of any project, provided that (a) any Security Interest given by the Guarantor or the relevant Principal Subsidiary, as the case may be, is limited solely to assets of the project, (b) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the principal source of repayment for the monies advanced, and (c) there is no other recourse to the Guarantor or the relevant Principal Subsidiary, as the case may be, in respect of any default by any person under the financing;

"Permitted Indebtedness" means the Non-recourse Project Financing Indebtedness, the Securitisation Indebtedness and the Limited Indebtedness;

"Principal Subsidiary" means:

(a) a Subsidiary of the Guarantor whose revenues or assets represent not less than ten per cent. (10%) of the consolidated revenues or consolidated assets of the Guarantor, as calculated by reference to the Accounts; or

(b) to which is transferred all or substantially all of the undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall immediately become a Principal Subsidiary, but shall cease to be a Principal Subsidiary under this paragraph (b) (but without prejudice to paragraph (a) above) upon publication of the Guarantor's next Accounts.

A report by the Head of Finance (or any person who at any time carries out the equivalent function of such person (regardless of such person's title)) of the Guarantor that in his opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Accounts" means (in the case of the Guarantor) its then latest audited consolidated financial statements and (in the case of the relevant Subsidiary) its then latest audited consolidated (if available) or non-consolidated financial statements, provided that if audited financial statements for any Subsidiary have not been prepared in respect of any relevant period, Accounts shall, in relation to that Subsidiary, mean its management accounts for the relevant period;

"Relevant Indebtedness" means any Indebtedness other than Permitted Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, sukuk certificates or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"Securitisation Indebtedness" means any Indebtedness incurred in connection with any securitisation of existing or future asset and/or revenues, provided that: (i) any Security Interest given by the Guarantor or any of its Subsidiaries in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each party participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised; and (iii) there is no other recourse to the Guarantor or any of its Subsidiaries in respect of any default by any person under the securitisation;

"Security Interest" means any mortgage, charge, lien or other security securing any obligation of any party; and

"Subsidiary" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Guarantor.

The obligations of the Guarantor under the Master Deed of Guarantee will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Master Deed Guarantee and each Supplemental Deed of Guarantee will be governed by English law.

General

The Master Wakala Purchase Agreement, the Master Declaration of Trust, the Purchase Undertaking Deed, the Sale Undertaking Deed, the Management Agreement and the Master Deed of Guarantee are governed by English law. The Emirate of Dubai's courts are unlikely to enforce an English judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the Emirate of Dubai law and public policy. Moreover, judicial precedent in the U.A.E. has no binding effect on subsequent decisions and there is no formal system of reporting court decisions in the U.A.E. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions.

TAXATION

The following summary of certain tax consequences of ownership of Certificates is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Certificates. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Certificates. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the acquisition, ownership and disposition of Certificates, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Base Prospectus, and of any actual changes in applicable tax laws after such date.

United Arab Emirates

The following summary of the anticipated tax treatment in the U.A.E. in relation to the payments on the Certificates is based on the taxation law and practice in force at the date of this Base Prospectus, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Certificates and the receipt of any payments in respect of such Certificates and distributions (whether or not on a winding up) with respect to such Certificates under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the U.A.E. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of U.A.E. or Dubai taxation in respect of payments on debt securities (including Periodic Distribution Amounts or the Dissolution Distribution Amounts in relation to the Certificates). In the event of such imposition of any such withholding, the Trustee has undertaken to gross up any payments subject to certain limited exceptions.

The Constitution of the U.A.E. specifically reserves to the Federal Government of the U.A.E. the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The U.A.E. has entered into Double Taxation Arrangements with certain other countries, but these are not extensive in number.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of certain payments paid by a person within its jurisdiction to, or collected by such a person for, an individual resident, in that Member State or to certain limited types of entity, established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

The European Commission has proposed certain amendments to the Directive, which may, if implemented amend or broaden the scope of the requirements described above.

Cayman Islands

The following is a discussion of certain Cayman Islands tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

There are no income, corporation, capital gains tax or estate duty, inheritance tax or gift tax in effect in the Cayman Islands on the basis of present legislation. The Trustee has obtained an undertaking from the Governor-in-Cabinet of the Cayman Islands dated 23 August, 2011, pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, that for a period of 20 years from the date of issue no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment (as defined in the Tax Concessions Law (1999 Revision)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. An instrument of transfer in respect of a Certificate may be stampable if executed in or brought to the Cayman Islands. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.$ 730. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

BOOK ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg (the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Trustee, the Delegate nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Certificates held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book Entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions and include underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

SUBSCRIPTION AND SALE

Certificates may be sold from time to time by the Trustee to any one or more of Citigroup Global Markets Limited, Dubai Islamic Bank PJSC and Standard Chartered Bank (the **"Dealers"**). The arrangements under which Certificates may from time to time be agreed to be sold by the Trustee to, and purchased by, the Dealers are set out in a Programme Agreement dated 22 December, 2011 (the "**Programme Agreement**") and made between, amongst others, the Trustee, Tamweel and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Certificates, the price at which such Certificates will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Trustee in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series of Certificates.

General

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Certificates or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Trustee, Tamweel and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Certificates or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense. The Programme Agreement and the Guarantor Agreement each provide that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in this paragraph.

Selling restrictions may be supplemented or modified with the agreement of the Trustee and Tamweel. Any such supplement or modification may be set out in the applicable Final Terms (in the case of a supplement or modification relevant only to a particular Series of Certificates) or in a supplement to this Base Prospectus.

United States of America

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by each of the Programme Agreement and the Guarantor Agreement, it will not offer, sell or deliver Certificates: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Certificates comprising the relevant Series, as certified to the Principal Paying Agent or the Trustee by such Dealer (or, in the case of a sale of a Series of Certificates to or through more than one Dealer, by each of such Dealers as to the Certificates of such Series purchased by or through it, in which case the Principal Paying Agent, the Trustee or Tamweel shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Certificates during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Certificates comprising any Series, any offer or sale of Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Certificates to the public in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

The Republic of Ireland

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will not underwrite, offer, place or do anything with respect to the Certificates in or involving the Republic of Ireland:

(a) otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007, as amended (the "**MiFID Regulations**"), including, without limitation, Part 6, 7 and 12 thereafter and the provisions of the Investor Compensation Act 1998, and, if acting under and within the terms of an authorisation to do so for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments ("**MiFID**") it has complied with any applicable requirements of the MiFID Regulations or as imposed, or deemed to have been imposed, by the Central Bank pursuant to the MiFID Regulations and, if acting within the terms of an authorisation granted to it for the purposes of Directive 2006/48/EC of the European Parliament and the Council for the 14 June 2006 relating to the taking up and the pursuit of the business of credit institutions as amended, replaced or consolidated from time to time, it has complied with the provisions of the Central Bank Acts 1942-2004 (as amended) and any codes of conduct or practice made under Section 117(1) of the Central Bank Act 1989 of Ireland (as amended) and any applicable requirements of the MiFID Regulations or as imposed pursuant to the MiFID Regulations;

(b) otherwise than in conformity with the provision of the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Central Bank; and

(c) otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Central Bank, and that no Certificates will be sold with a maturity of less than 12 months except in full compliance with Notice BSD C 01/02 issued by the Central Bank.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or Tamweel; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

United Arab Emirates

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "**Exempt Offer**" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 10 and/or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"). Each Dealer has represented, warranted and agreed, and each further Dealer will be required to represent, warrant and agree that the offer of the Certificates will not be directed at more than 60 Saudi Investors (excluding "**Sophisticated Investors**" (as defined in Article 10 of the KSA Regulations)) and the minimum amount payable per Saudi Investor (excluding Sophisticated Investors) will be not less than Saudi Riyal (SR) 1 million or an equivalent amount.

The offer of Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Certificates are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer any Certificates to the Public (as defined in Articles 142 146 of the Commercial Companies Law (decree Law No. 21/2001) of Bahrain) in Bahrain.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold Certificates, and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Malaysia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia; and

(b) accordingly, the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates have been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in

Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the Capital Markets and Services Act 2007 of Malaysia, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (a) to "**professional investors**" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or ready by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

Singapore

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and that it will not offer or sell any Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Certificates, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the SFA, (b) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

State of Qatar

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not offer, sell, or deliver, directly or indirectly, any Certificates in Qatar, except (a) in compliance with all applicable laws and regulations of Qatar and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar. This Base Prospectus has not been reviewed or approved by or registered with the Qatari Financial Markets Authority. This Base Prospectus is strictly private and confidential and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

Kuwait

The Certificates have not been licensed for offering in Kuwait by the Ministry of Commerce and Industry or the Central Bank of Kuwait or any other relevant Kuwaiti government agency. The offering of the Certificates in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990, as amended, and Ministerial Order No. 113 of 1992, as amended. No private or public offering of the Certificates is being made in Kuwait, and no agreement relating to the sale of the Certificates will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in Kuwait.

Sultanate of Oman

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates, this Base Prospectus and any other materials relating to the Certificates have not and will not be distributed to any person in the Sultanate of Oman without the prior consent of the Capital Market Authority and then only in accordance with any terms and conditions of such consent.

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall not make any invitation to members of the public in the Cayman Islands to subscribe for the Certificates.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Trustee passed on 30 November 2011. The entry into the Transaction Documents to which it is a party was authorised by a resolution of the Board of Directors of Tamweel passed on 20 November 2011. The entry into the Transaction Documents to which it is a party was authorised by a resolution of the Board of Directors of the Guarantor passed on 29 November 2011. The Trustee has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates.

Legal and Arbitration Proceedings

The Trustee has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) during the 12 months preceding the date of the Base Prospectus that may have, or have had in the recent past, significant effects on the financial position or profitability of the Trustee.

None of Tamweel or its Subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which Tamweel is aware) during the 12 months preceding the date of the Base Prospectus that may have, or have had in the recent past, significant effects on the financial position or profitability of Tamweel and/or its Subsidiaries, respectively.

Save as disclosed on pages 27 and 139-140 of this Base Prospectus in "*Risk Factors—Risk Factors relating to DIB's Business—9/11 Litigation*" and "*Description of Dubai Islamic Bank PJC—Risk Management—Legal Risk—Legal Proceedings*", none of the Guarantor or its Subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Guarantor is aware) during the 12 months preceding the date of the Base Prospectus that may have, or have had in the recent past, significant effects on the financial position or profitability of the Guarantor and/or its Subsidiaries, respectively.

Significant/Material Change

Since 31 December 2010 there has been no material adverse change in the prospects of Tamweel, or Tamweel and its Subsidiaries and, since 30 September 2011, there has not been any significant change in the financial or trading position of Tamweel, or Tamweel and its Subsidiaries.

Since 31 December 2010 there has been no material adverse change in the prospects of the Guarantor, or the Guarantor and its Subsidiaries and, since 30 September 2011, there has not been any significant change in the financial or trading position of the Guarantor, or the Guarantor and its Subsidiaries.

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

Auditors

The consolidated financial statements of Tamweel have been audited in accordance with International Standards on Auditing for each of the two years ended 31 December 2009 and 31 December 2010 by Ernst & Young Middle East (Dubai branch) of P.O. Box 9267, Al Attar Business Tower, 28th Floor, Sheikh Zayed Road, Dubai, United Arab Emirates as stated in their reports appearing herein. Ernst & Young Middle East (Dubai branch) are public accountants registered to practise as auditors with the Ministry of Economy in Dubai. The unaudited interim condensed consolidated financial statements of Tamweel as at and for the nine month period ending 30 September 2011 have been reviewed by Ernst & Young Middle East (Dubai branch), as stated in their review report appearing herein.

The audit report of Ernst & Young Middle East (Dubai branch) in respect of Tamweel's consolidated financial statements for the year ended 31 December 2009 contained the following emphasis of matter:

"Without qualifying our opinion, we draw attention to Notes 1 and 29 to the consolidated financial statements. Trading in the Company's shares on the Dubai Financial Market has been suspended following the announcement that the Company is in discussion with Amlak Finance PJSC and another entity that may lead to the establishment of a merged entity. The Board of Directors, along with the Steering Committee set up by the Ministry of Finance in connection with the proposed merger are evaluating various options to secure sustainable funding for the Group in order to enable it to continue to meet its commitments."

The consolidated financial statements of the Guarantor have been audited without qualification in accordance with International Standards on Auditing for each of the two years ended 31 December 2009 and 31 December 2010 by Deloitte Touche Tohmatsu of Dubai International Financial Centre, Currency House, Building 1, Level 5, Dubai, United Arab Emirates as stated in their reports presented herein. Deloitte (Dubai branch) are public accountants registered to practise as auditors with the Ministry of Economy in Dubai. The unaudited interim condensed consolidated financial statements of the Guarantor as at 30 September 2011 have been reviewed by Deloitte (Dubai branch), as stated in their review report are presented herein.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Documents on Display

Physical copies of the following documents may be inspected during normal business hours at the principal office of the Trustee and Tamweel and the specified offices of the Paying Agents:

(a) the Memorandum and Articles of Association of each of the Trustee and Tamweel;

(b) the audited consolidated financial statements of Tamweel for the years ended 31 December 2009 and 31 December 2010 and the auditor's reports thereon;

(c) the unaudited consolidated financial statements of Tamweel for the nine month period ended 30 September 2011;

(d) the audited consolidated financial statements of the Guarantor for the years ended 31 December 2009 and 31 December 2010 and the auditor's reports thereon;

(e) the unaudited consolidated financial statements of the Guarantor for the nine month period ended 30 September 2011;

(f) the Transaction Documents (excluding the Programme Agreement and the Guarantor Agreement);

(g) a copy of this Base Prospectus (free of charge);

(h) any future supplements to the Base Prospectus including Final Terms (save that a Final Terms relating to a Certificate which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of Certificates) and any other documents incorporated therein by reference (free of charge); and

(i) the pronouncement dated 1 December, 2011 issued on behalf of the *Shari'a* Board.

Dubai Islamic Bank

DIB is a public joint stock company incorporated on 10 March 1975 with registration number 50078. The head office address of DIB is Al Maktoum Street, Deira, P.O. Box 1080, Dubai, United Arab Emirates and its telephone number is: +971 4295 3000.

Tamweel

Tamweel is a public joint stock company incorporated on 11 November 2000 with registration number 57776. The head office address of Tamweel is P.O. Box 111555, Dubai, United Arab Emirates and its telephone number is: +971 4294 4400.

Clearing of the Certificates

The Certificates have been accepted for clearance through Euroclear, Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Certificates of each Series, will be specified in the applicable Final Terms. The applicable Final Terms shall specify any other clearing system as shall have accepted the relevant Certificates for clearance together with any further appropriate information.

Listing of Certificates

The admission of Certificates to the Official List will be expressed as a percentage of their nominal amount (excluding any due but unpaid Periodic Distribution Amounts). It is expected that each Series of Certificates which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Certificate initially representing the Certificates of such Series.

This Base Prospectus has been approved by the Central Bank as competent authority under the Prospectus Directive. Such approval relates only to the Certificates which are to be admitted to trading on the Regulated Market or any other MiFID Regulated Markets or which are to be offered to the public in any Member State. The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to listing on the Official List and admitted to trading on the Regulated Market. However, Certificates may be issued pursuant to the Programme which will not be listed on the Irish Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Trustee and the relevant Dealer(s) may agree.

Pronouncement

The *Shari'a* Board issued a pronouncement dated 1 December, 2011 confirming that, in its view, the Programme and the related structure and mechanisms described in the Transaction Documents are in compliance with *Shari'a* principles.

Prospective Certificateholders should not rely on the pronouncement referred to above in deciding whether to make an investment in any Certificates and should consult their own *Shari'a* advisers as to whether the Programme is in compliance with *Shari'a* principles.

TAMWEEL PJSC

Report and consolidated financial statements for the year ended 31 December 2009

TAMWEEL

Ref: CRS/IR/HC/10-03-2010/2

10th March 2010

M/s. Dubai Financial Market
Attn: Ms. Fahima Al Bastaki
Senior Vice President
Market Development Department
P.O. Box 9700
Dubai-UAE

Subject: Tamweel PJSC - Disclosure of Audited Annual Financial Results for the Fiscal Year 2009

Dear Ms. Fahima,

Please find attached the captioned Financial Statements, accompanied by the Independent Auditors and Board of Directors Reports that have been released by the Company for disclosure to the financial markets.

Sincerely Yours,

Wasim Saifi
Group CEO

C.C. -Maryam Butti Al Suwaidi
Securities & Commodities Authority
-Saeed Abdulla Al Hamiz
Central Bank of the UAE

السادة/ سوق دبي المالي المحترمين
عناية/ الأستاذة فهيمة البستكي المحترمة
نائب رئيس أول دائرة تطوير السوق

ص.ب. ٩٧٠٠
دبي– دولة الإمارات العربية المتحدة

الموضوع: الإفصاح عن نتائج السنة المالية للعام ٢٠٠٩

تحية وبعد،،

نرفق لسعادتكم طيه تقارير مجلس الإدارة والبيانات المالية للشركة عن السنة المالية ٢٠٠٩ المدققة والمعتمدة من مدقق حساب الشركة الخارجي للإفصاح عنها في الأسواق المالية.

وتفضلوا بقبول فائق الاحترام،،،

وسيم سيفي
الرئيس التنفيذي للمجموعة

نسخة إلى: -السيدة مريم بطي السويدي
هيئة الأوراق المالية والسلع
- سعيد عبدالله الحامز
مصرف المركز لدولة الإمارات العربية المتحدة

TAMWEEL PJSC
HOME FINANCE
28
P.O. Box 111555, Dubai, U.A.E.

Tamweel PJSC P.O. Box 111555, Dubai, United Arab Emirates, Tel: (+9714) 294 4400, Fax: (+9714) 294 9699, Toll Free: 800-TAMWEEL
تمويل ش.م.ع ص.ب: ١١١٥٥٥، دبي، الإمارات العربية المتحدة، هاتف: ٢٩٤ ٤٤٠٠ (+٩٧١٤)، فاكس: ٢٩٤ ٩٦٩٩ (+٩٧١٤)، الرقم المجاني: ٨٠٠٤٢٥٤

DIRECTORS' REPORT

The Board of Directors of Tamweel PJSC (the "Company") and subsidiaries (the "Group") has pleasure in submitting the consolidated balance sheet of the Group as of 31 December 2009, and the related consolidated statement of income, cash flows and changes in equity for the year ended 31 December 2009.

Principal activities

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia'a compliant financing and investment activities such as Ijara, Murabaha, Istisna'a etc. The activities of the Company and its Subsidiaries (together the "Group") are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. The Group is also engaged in the business of property development and trading.

The Group has also obtained a license from the Real Estate Regulatory Authority, Dubai, United Arab Emirates to offer Escrow Management Services.

Financial results

The Group has recorded a net loss of AED 54,458 thousand in 2009 (2008: net profit of AED 460,665 thousand). Income from Islamic financing and investing assets in 2009 reduced to AED 706,596 thousand, a decrease of 5 per cent compared to AED 743,112 thousand in 2008.

Islamic financing and investing assets in 2009 reduced to AED 10,431,566 thousand compared to AED 10,486,813 thousand in 2008.

In view of the current financial and economic uncertainty, the Board of Directors have not recommended any dividend to the shareholders for the year 2009, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

Total equity as at 31 December 2009 amounts to AED 2,228,545 thousand (2008: AED 2,317,966 thousand).

Directors

Sheikh Khaled Bin Zayed Bin Saqr Al Nehayan .... (Chairman)
Khaled Al Kamda .... (Vice Chairman)
Ahmed Butti Al Muhairi .... (Director)
Ahmed Sultan Bin Sulayem .... (Director)
Fahad Bin Fahad Al Muhairi .... (Director)
Wasim Saifi .... (Director)

Auditors

Ernst & Young were appointed as external auditors of the Group for the year ended 31 December 2009. Ernst & Young are eligible for reappointment for 2010.

On behalf of the Board

Sheikh Khaled Bin Zayed Bin Saqr Al Nehayan
Chairman
18 February 2010

Ernst & Young
P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
www.ey.com/me

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAMWEEL PJSC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tamweel PJSC ("the Company") and its subsidiaries, (collectively "the Group") which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of income, comprehensive income, cash flow and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Tamweel PJSC and the UAE Commercial Companies Law of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Notes 1 and 29 to the consolidated financial statements. Trading in the Company's shares on the Dubai Financial Market has been suspended following the announcement that the Company is in discussion with Amlak Finance PJSC and another entity that may lead to the establishment of a merged entity. The Board of Directors, along with the Steering Committee set up by the Ministry of Finance in connection with the proposed merger are evaluating various options to secure sustainable funding for the Group in order to enable it to continue to meet its commitments.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which 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 Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Naushad Anwar
Partner
Registration No. 489

18 February 2010

Dubai, United Arab Emirates

Tamweel PJSC and its Subsidiaries

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2009

	Notes	2009 AED'000	2008 AED'000
Income from Islamic financing and investing assets	6	**706,596**	743,112
Commission and other income	7	**38,202**	67,132
Income from sale of properties held for sale	15	**20,440**	428,968
Income from sale of development property	8	**—**	1,687
OPERATING INCOME		**765,238**	1,240,899
General and administrative expenses	9	**(141,216)**	(292,276)
Provisions and other charges, net	10	**(243,788)**	(72,935)
PROFIT BEFORE DEPOSITORS' SHARE OF PROFIT		**380,234**	875,688
Depositors' share of profit	11	**(434,692)**	(415,023)
(LOSS) PROFIT FOR THE YEAR		**(54,458)**	**460,665**
Earnings per share:			
Basic earnings per share (AED)	12	**(0.06)**	**0.46**
Diluted earnings per share (AED)	12	**N.A.**	**0.46**

Tamweel PJSC and its Subsidiaries

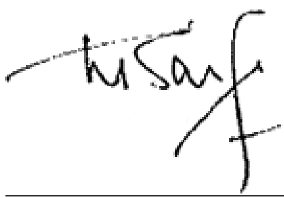
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	2009	2008
	AED'000	*AED'000*
(LOSS) PROFIT FOR THE YEAR	**(54,458)**	460,665
Other comprehensive income		
Net unrealized (losses) gains on available for sale investments	**(627)**	262
Exchange difference on translation of foreign operations	**692**	(692)
Other comprehensive income (loss) for the year	**65**	(430)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(54,393)**	460,235

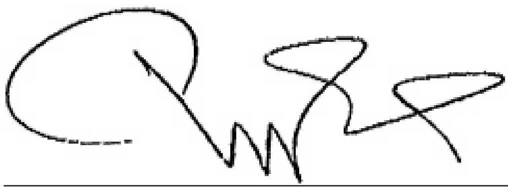
Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Notes	2009 AED'000	2008 AED'000
ASSETS			
Bank balances and cash	13	**507,886**	352,304
Advances, prepayments and other receivables	14	**98,749**	202,908
Properties held for sale	15	**529,702**	672,702
Investment properties	16	**—**	39,610
Other investments	17	**47,666**	53,976
Islamic financing and investing assets	18	**10,431,566**	10,486,813
Property and equipment	19	**14,960**	65,068
TOTAL ASSETS		**11,630,529**	11,873,381
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable		**65,616**	60,599
Accounts payable, accruals and other liabilities	20	**857,856**	931,452
Financing obligations	21	**8,478,512**	8,563,364
Total liabilities		**9,401,984**	9,555,415
Equity			
Share capital	22	**1,000,000**	1,000,000
Employees' benefit plan	23	**(9,222)**	(7,680)
Statutory reserve	24	**182,547**	182,547
General reserve	25	**526,191**	526,191
Special reserve	26	**102,951**	102,951
Cumulative changes in fair value		**—**	627
Retained earnings		**383,465**	444,488
Convertible sukuk equity component		**42,613**	69,534
Translation reserve		**—**	(692)
Total equity		**2,228,545**	2,317,966
TOTAL LIABILITIES AND EQUITY		**11,630,529**	11,873,381



Chief Executive Officer



Chairman

Tamweel PJSC and its Subsidiaries

CONSOLIDATED CASHFLOW STATEMENT
Year ended 31 December 2009

	Notes	2009 AED'000	2008 AED'000
OPERATING ACTIVITIES			
(Loss) profit for the year		**(54,458)**	460,665
Adjustments for:			
Depreciation	19	**5,255**	3,611
Loss on disposal/write offs of property and equipment		**2,183**	27
Amortisation of deferred cost	9	**11,508**	9,937
Provision for employees' end of service benefits		**2,459**	2,728
Provision for impairment on Islamic financing and investing assets		**243,788**	72,935
Change in fair value of investment properties	16	**—**	5,691
Provision for impairment on advances and receivables		**—**	50,247
Provision for impairment on available-for-sale investments		**—**	920
Depositors' share of profit	11	**434,692**	415,023
Income on deposits and wakala placements	7	**(24,194)**	(49,116)
		621,233	972,668
Working capital changes:			
Islamic financing and investing assets		**173,770**	(5,236,201)
Properties held for sale		**70,390**	1,635,992
Trading investments		**4,233**	18,870
Advances, prepayments and other receivables		**129,992**	280,308
Financing obligations		**(83,638)**	820,255
Accounts payable, accruals and other liabilities		**(254,008)**	77,363
Cash from (used in) operations		**661,972**	(1,430,745)
Depositors' share of profit paid		**(488,824)**	(380,781)
Employees' end of service benefits paid		**(2,138)**	(830)
Dividend settled		**—**	(218,000)
Zakat paid		**(26,824)**	(7,757)
Net cash from (used in) operating activities		**144,186**	(2,038,113)
INVESTING ACTIVITIES			
Additions to property and equipment	19	**(14,248)**	(32,809)
Held to maturity investments		**1,450**	(3,166)
Proceeds from sale of property and equipment		**—**	143
Income received from deposits and wakala placements		**24,194**	49,116
Net cash from investing activities		**11,396**	13,284
FINANCING ACTIVITIES			
Proceeds from issuance of Sukuks		**—**	2,190,314
Directors' fees		**—**	(2,250)
Net cash from financing activities		**—**	2,188,064
INCREASE IN CASH AND CASH EQUIVALENTS		**155,582**	163,235
Translation reserve		**—**	(692)
Cash and cash equivalents at 1 January		**352,304**	189,761
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**507,886**	352,304

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	Share capital	Employees' benefit plan	Statutory reserve	General reserve	Special reserve	Cumulative changes in fair value	Retained earnings	Convertible sukuk equity component	Translation reserve	Proposed dividends	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at 1 January 2008	1,000,000	(9,577)	136,452	480,124	52,290	365	168,314	—	—	218,000	2,045,968
Total comprehensive income for the year	—	—	—	—	—	262	460,665	—	(692)	—	460,235
Dividend settlement for 2008	—	—	—	—	—	—	—	—	—	(218,000)	(218,000)
Shares granted under employees' benefit plan	—	1,897	28	—	—	—	—	—	—	—	1,925
Cost of vested shares under employees' benefit plan	—	—	—	—	—	—	1,428	—	—	—	1,428
Zakat, net of reversals	—	—	—	—	—	—	(40,674)	—	—	—	(40,674)
Directors' fees	—	—	—	—	—	—	(2,450)	—	—	—	(2,450)
Equity component of convertible sukuk	—	—	—	—	—	—	—	69,534	—	—	69,534
Transfer to statutory reserve (Note 24)	—	—	46,067	—	—	—	(46,067)	—	—	—	—
Transfer to general reserve (Note 25)	—	—	—	46,067	—	—	(46,067)	—	—	—	—
Transfer to special reserve (Note 26)	—	—	—	—	50,661	—	(50,661)	—	—	—	—
Balance at 31 December 2008	1,000,000	(7,680)	182,547	526,191	102,951	627	444,488	69,534	(692)	—	2,317,966

	Share capital	Employees' benefit plan	Statutory reserve	General reserve	Special reserve	Cumulative changes in fair value	Retained earnings	Convertible sukuk equity component	Translation reserve	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at 1 January 2009	1,000,000	(7,680)	182,547	526,191	102,951	627	444,488	69,534	(692)	2,317,966
Total comprehensive loss for the year	—	—	—	—	—	(627)	(54,458)	—	692	(54,393)
Shares forfeited under employees' benefit plan	—	(1,542)	—	—	—	—	(23)	—	—	(1,565)
Cost of vested shares under employees' benefit plan	—	—	—	—	—	—	1,428	—	—	1,428
Directors' fees	—	—	—	—	—	—	(3,050)	—	—	(3,050)
Equity component of convertible sukuk	—	—	—	—	—	—	26,921	(26,921)	—	—
Zakat	—	—	—	—	—	—	(31,841)	—	—	(31,841)
Balance at 31 December 2009	**1,000,000**	**(9,222)**	**182,547**	**526,191**	**102,951**	**—**	**383,465**	**42,613**	**—**	**2,228,545**

1. THE COMPANY AND ITS OPERATIONS

Tamweel PJSC (the "**Company**") was registered on 3 June 2006 as a Public Joint Stock Company in accordance with UAE Federal Law No (8) of 1984, as amended. The share capital of the Company comprises 1,000,000,000 shares of AED 1 each. Previously, the Company was operating as Tamweel LLC with a paid up share capital of AED 450 million (450,000 shares of AED 1,000 each).

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia'a compliant financing and investment activities such as Ijara, Murabaha, Istisna'a etc. The activities of the Company and its Subsidiaries (together the "**Group**") are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. The Group is also engaged in the business of property development and trading.

The Group has also obtained a license from the Real Estate Regulatory Authority, Dubai, United Arab Emirates to offer Escrow Management Services.

The head office of the Group is located at Business Avenue Building, Emirate of Dubai, UAE. The Group has one branch each in the Emirates of Dubai and Abu Dhabi.

The Group consists of Tamweel PJSC (the "**Parent Company**") and its subsidiaries registered up to 31 December 2009, as listed below:

Subsidiaries	**Beneficial ownership**		**Principal activity**	**Country of incorporation**
	31 December 2009	**31 December 2008**		
Tamweel Properties & Investments LLC	**100%**	100%	Real estate development including construction, purchase, sale, rent, brokerage, agency and management services	UAE
Tamweel Emirates for Real Estate Finance S.A.E.	—	100%	Sharia'a compliant financing and investing activities	Egypt
Tamleek Egypt Limited	—	100%	General trading	JAFZA, Dubai, UAE
Tahfeez Egypt Limited	—	100%	General trading	JAFZA, Dubai, UAE
Tahfeez Saudi Arabia Limited	**100%**	100%	General trading	JAFZA, Dubai, UAE
Tahfeez Middle East Limited	**100%**	100%	General trading	JAFZA, Dubai, UAE
Tamleek Saudi Arabia Limited	**100%**	100%	General trading	JAFZA, Dubai, UAE
Esham Saudi Arabia Limited	**100%**	100%	General trading	JAFZA, Dubai, UAE
Enjaz Saudi Arabia Limited	**100%**	100%	General trading	JAFZA, Dubai, UAE
PF Holding Limited	—	100%	Sale and purchase of properties	JAFZA, Dubai, UAE
Tamweel Funding Limited	**100%**	100%	SPE for issuance of convertible sukuk	Jersey
Tamweel Sukuk Limited	**100%**	100%	SPE for issuance of sukuk	Cayman Islands
Tamweel ESOT Limited	**100%**	100%	SPE for employees' benefit plan	British Virgin Islands

Except for the last three, the above subsidiaries have yet to commence commercial operations.

On 21 May 2009, the Group sold its share holding in Tamleek Egypt Limited and Tahfeez Egypt Limited which together owned 100 per cent. of the capital of Tamweel Emirates for Real Estate Finance S.A.E, Egypt. These subsidiaries of the Group had not commenced commercial operations.

On 5 October 2008, the Group announced that Tamweel PJSC and Amlak Finance PJSC are at an early stage of discussions that could lead to the establishment of a merged entity subject to shareholders' approval and regulatory approvals. The discussions are still at the expression of interest stage, without any binding legal commitment.

In November 2008, The Ministry of Finance formed a Steering Committee to review, assess, liaise and provide advice to the Group and make recommendations to the State Minister for Financial Affairs in respect of the committee's findings with the objective to provide long term stability to the Company. The Committee has appointed various advisors (including accounting and legal firms and an investment bank) to assist the Committee in making recommendations which are expected to address the Company's ongoing liquidity in addition to its organisational structure. The mismatch between the maturity of assets and liabilities is set out in Note 29.

Trading in the Company's shares on the Dubai Financial Market has been suspended until the Steering Committee finalises its recommendations.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Sharia'a rules and principles as determined by the Sharia'a Supervisory Board (the "**Sharia'a Board**") of the Group and applicable requirements of United Arab Emirates laws.

Basis of consolidation

Subsidiary undertakings are those companies over which the Group exercises control.

The consolidated financial statements comprise the financial statements of Tamweel PJSC (the Company) and its subsidiaries listed in note 1 (collectively "**the Group**"). The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adopted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IAS 39 Financial Instruments: Recognition and Measurement—Eligible Hedged Items effective 1 July 2009 (early adopted)
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009

- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk and fair value measurement disclosures are not significantly impacted by the amendments and are presented in Notes 29 and 33 respectively.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 *Segment Reporting* upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 30, including the related revised comparative information.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

- *IFRS 8 Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

  As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 30.

- *IAS 16 Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- *IAS* 18 *Revenue:* The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

Other new and amended IFRS and IFRIC interpretations, effective as of 1 January 2009 did not have any impact on the accounting policies, financial position or performance of the Group.

IASB Standards and Interpretations issued but not yet effective

The Group has not adopted the other new accounting standards or interpretations that have been issued but are not yet effective. These standards and interpretations are not likely to have any significant impact on the financial statements of the Group in the period of their initial application.

Basis of measurement

The accompanying consolidated financial statements have been prepared under the 'historical cost convention' as modified by the measurement at fair value of investment properties, trading investments and available for sale investments.

The reporting currency of the Group is UAE Dirhams (AED) and these financial statements have been presented in thousands of AED.

3. SIGINIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which may have an effect on amounts recognised in the financial statements.

Transfer of equitable interest in properties

The Group has entered into a number of contracts with buyers for the sale of property units. Management has determined that equitable interest in such assets, and therefore risks and rewards of ownership, are transferred to the buyer once he has executed the purchase agreement, pursuant to which he is committed to make the payment of the purchase price. The commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progressive payments. The risk of the buyer being able to rescind the contract for the reasons stated in the contract is considered by management to be remote.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, carried at fair value through profit or loss, finances and receivables or available-for-sale.

For those investments deemed held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Group has the intention and ability to hold these to maturity.

The Group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

All other investments are classified as available-for-sale.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts as described below:

Impairment losses on Islamic financing and investing assets

The Group reviews its Islamic financing and investing assets on a regular basis to assess whether a provision for impairment should be recorded in the income statement in relation to any non-performing assets. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

Collective impairment provisions on Islamic financing and investing assets

In addition to specific provisions against individually significant Islamic financing and investing assets, the Group also makes collective impairment provisions against facilities which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for facilities within each grade and is adjusted to reflect current economic changes.

Valuation of investment properties

The Group hires the service of third party valuers for obtaining estimates of the valuation of investment properties.

4. DEFINITIONS OF SIGNIFICANT TERMS

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

Sharia'a

Sharia'a is the body of Islamic law and is essentially derived from The Quran and The Sunna'h. The Group, being an Islamic Financial Institution, incorporates the principles of Sharia'a in its activities, as interpreted by its Sharia'a Supervisory Board.

Ijara

Ijara is an agreement whereby the Group buys an asset according to the customer's request and then leases it, in its capacity as a lessor, to the customer as lessee for a specified rental over a specific period. The duration of the lease term, as well as the basis for rental, are set and agreed in advance. The Group retains legal ownership of the asset throughout the arrangement. The arrangement could end by transferring the ownership of the asset to the lessee.

Istisna'a

Istisna'a is a sale contract whereby the Group undertakes to construct for the customer, a specific asset or property according to certain agreed upon specifications at a pre-determined price and for a fixed date of delivery. The work undertaken is not restricted to be accomplished by the Group alone and the whole or part of the construction can be undertaken by third parties under the Group's control and responsibility.

Murabaha

Murabaha is an agreement whereby the Group makes a sale to a customer of an asset that is acquired principally based on a promise received from the customer to buy the relevant asset according to the relevant specific terms and conditions. While making the sale, the Group expressly mentions the costs incurred on the asset that are sold and the profit thereon, to the customer.

Forward Ijara

Forward Ijara is an arrangement whereby the Group agrees to provide, on a specified future date, certain described property on lease to the customer upon its completion and delivery by the developer, from whom the Group has purchased the property. The lease rental under Forward Ijara commences only upon the customer having received possession of the property from the Group. The arrangement could end by transferring the ownership of the asset to the lessee.

Mudaraba

Mudaraba is an agreement in which the customer contributes capital and the Group applies its effort. The proportionate share of profit is determined by mutual agreement. The loss, if any, unless caused by negligence or violation of the terms of the agreement, is borne only by the owner of the capital in which case the Group gets nothing for its efforts. The fund provider is known as 'rab-al-mal' and the Group as 'mudareb'.

Wakala

An agreement whereby the Group 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 percentage of the amount invested). The agent may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. The agent is obliged to return the invested amount in case of default, negligence or violation of the terms and conditions of the Wakala.

Sukuk

These comprise asset based, Sharia'a compliant trust certificates.

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements are as follows:

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably revenue is recognised in the income statement as follows:

Ijara income

Ijara income is recognised on a time-apportioned basis over the lease term based on the fixed rental amount outstanding.

Murabaha income

Murabaha income is recognised on a time-apportioned basis over the period of the contract based on the net Murabaha amount outstanding.

Istisna'a income

Istisna'a associated profit margin (difference between the cash price of al-masnoo to the customer and the Group's total Istisna'a cost) is accounted for on a time-apportioned basis over the construction period.

Forward Ijara income

Forward Ijara income during the construction period of the properties is accounted for on a time-apportioned basis over the construction period on account of rentals. Upon completion of the properties income is recognised on a time-apportioned basis over the period of the contract based on the fixed rental amount outstanding.

Sale of properties held for sale

Sale of properties held for sale is recognised on full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements is adequate to demonstrate a commitment to pay for the property;

- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed, if any, is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

Processing fees

Processing fees are recognised when applications for facilities are processed.

Other income

Income earned on deposits and wakala placements is recognised on a time proportion basis. All other income is recognised when the right to receive the income is established.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Cost of sale of development property

Cost of sale of development property includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sale in respect of individual properties is based on the estimated proportion of the development cost incurred to date to the estimated total development cost for the project.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Islamic financing and investing assets

Islamic financing and investing assets include outstanding Ijara fixed rentals, Murabaha sales receivables net of deferred profits, Istisna'a costs incurred to date measured at cash equivalent value and forward Ijara at costs incurred to date. These assets are stated at cost net of provisions for impairment, if any.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal or when, with the intention to sell it is transferred to properties held for sale. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Properties held for sale

Properties held for sale are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Cost comprises all costs of purchase and other directly attributable costs incurred in bringing each property to its location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to be incurred on disposal.

Investments

Trading investments

These are initially recognised at cost and subsequently measured at fair value. All related realised and unrealised gains or losses are taken to the income statement. Profit earned or dividends received are included in other income.

Held to maturity

Securities which have fixed or determinable payments and are intended to be held to maturity, are carried at amortised cost using the effective profit method, less provision for impairment in value, if any.

Available-for-sale

Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the income statement for the year.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment in value, if any. Capital work-in progress is stated at cost and is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Leasehold improvements	5 to 10 years
Office equipment	5 years
Furniture and fixtures	4 to 5 years
Software licenses and computer equipment	3 to 8 years
Networks and servers	3 to 4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Financial instruments

The Group recognises financial assets or financial liabilities only when the Group becomes a party to the contractual provisions of a financial instrument. On initial recognition, the financial assets and financial liabilities are measured at fair value plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial measurement, the financial assets are measured at fair value except for finances and receivables and held to maturity investments which are measured at amortised cost. Financial liabilities, after initial recognition, are measured at amortised cost.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

(a) the right to receive cash flows from the asset have expired; or

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

(c) either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Securitisation

The Group enters into securitisation transactions to finance specific finances and advances to customers. Both the securities in issue and the finances and advances to customers remain on the Group's statement of financial position within the appropriate headings in the statement of financial position unless:

i) a fully proportionate share of all or of specifically identified cash flows have been transferred to the holders of the securities, in which case that proportion of the assets are derecognised;

ii) substantially all the risks and rewards associated with the assets have been transferred, in which case the assets are fully derecognised; or

iii) if a significant proportion of the risks and rewards have been transferred, the assets are recognised only to the extent of the Group's continuing involvement.

Zakat

Zakat is computed as per the Group's Articles and Memorandum of Association and is approved by the Group's Sharia'a Supervisory Board on the following basis:

- Zakat on shareholders' equity is computed at 2.577 per cent. of the aggregate of general and legal reserves, retained earnings, other reserves and provision for staff gratuity.
- 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.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has a present 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

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

The Group 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 term of employment.

Employees' benefit plan shares

Employees' benefit plan shares consist of the Group's own shares that have been designated under Employee Stock Ownership Plan and not yet reissued or cancelled. These shares are accounted for using the cost method. Under the cost method, the average cost of the shares is shown as a deduction from total shareholders' equity.

Convertible Sukuk

Convertible Sukuk that can be settled at the option of the issuer are recorded as compound financial instruments. The equity component of the convertible sukuk is calculated as the excess of the issue proceeds over the present value of the future profit and principal payments, discounted at the market rate of profit applicable to similar liabilities that do not have a conversion option.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the awards are granted. The cost of equity-settled transactions with employees is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("**vesting date**"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Foreign currencies

Transactions in foreign currencies are recorded at rates of exchange prevailing at the dates of the transactions.

As at the reporting date, the assets and liabilities of the foreign subsidiaries are translated into Arab Emirates Dirhams at the rate of exchange ruling at the statement of financial position date and, their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the consolidated income statement.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the statement of financial position date. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted securities fair value is determined by reference to brokers' quotes, recent transaction(s), the market value of similar securities, or based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

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

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis.

6. INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	2009	2008
	AED'000	*AED'000*
Ijara	**425,059**	302,205
Forward Ijara	**226,827**	209,449
Murabaha	**33,544**	35,661
Istisna'a	**11,484**	32,222
Processing fees, other fees and commission income	**9,682**	163,575
	706,596	743,112

7. COMMISSION AND OTHER INCOME

	2009	2008
	AED'000	*AED'000*
Income on deposits and wakala placements	**24,194**	49,116
Commission income on sale of properties	**—**	15,435
Changes in fair value of investment properties (Note 16)	**—**	(5,691)
Changes in fair value of investments held for trading	**3,798**	(18,870)
Gain on sale of investments held for trading	**570**	—
Others	**9,640**	27,142
	38,202	67,132

8. INCOME FROM SALE OF DEVELOPMENT PROPERTY

	2009	2008
	AED'000	*AED'000*
Revenue from sale of development property	**—**	21,708
Cost of sale of development property	**—**	(20,021)
	—	1,687

9. GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
	AED'000	*AED'000*
Staff costs	**75,159**	115,919
Advertisement and sales promotion	**600**	25,859
Office rent	**16,517**	19,129
Legal and professional charges	**5,842**	8,068
Amortization of deferred cost	**11,508**	9,937
Depreciation (Note 19)	**5,255**	3,611
Cost of vested shares under employees' benefit plan (Note 23)	**1,428**	1,428
Provision for impairment on advances and receivables	**—**	50,247
Costs for closure of international operations and other non recurring costs	**7,920**	41,994
Other expenses	**16,987**	16,084
	141,216	292,276

10. PROVISIONS AND OTHER CHARGES, NET

	2009	2008
	AED'000	*AED'000*
Provision for impairment- Islamic financing and investing assets	**140,469**	72,935
—Properties held for sale	188,700	—
Reversal of other provisions and accruals no longer required	**(85,381)**	—
	243,788	72,935

11. **DEPOSITORS' SHARE OF PROFIT**

	2009	2008
	AED'000	*AED'000*
Financing obligations	**431,867**	408,094
Others	**2,825**	6,929
	434,692	415,023

12. **EARNINGS PER SHARE—BASIC AND DILUTED**

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares. The diluted earnings per share arising from the issue of employees' share options do not result in any change from the reported basic earnings per share.

Basic earnings per share

	2009	2008
	AED'000	*AED'000*
(Loss) profit for the year	**(54,458)**	460,665
Less: Directors' remuneration	**(3,050)**	(2,450)
(Loss) profit for the year net of directors' remuneration	**(57,508)**	458,215
	Number of shares '000	
Weighted average number of shares outstanding during the year	**1,000,000**	1,000,000
Basic earnings per share (AED)	**(0.06)**	0.46

Diluted earnings per share

	2009	2008
	AED'000	*AED'000*
(Loss) profit for the year net of directors' remuneration	**(57,508)**	458,215
Add: Profit on convertible Sukuk	**60,258**	58,931
	2,750	517,146
	Number of shares '000	
Weighted average number of shares outstanding during the year	**1,136,338**	1,128,142
Diluted earnings per share (AED)	**N.A.**	0.46

Diluted earnings per share for the year ended 31 December 2009 have not been calculated since the conversion of sukuk into ordinary shares would have an antidilutive effect.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements for issuance. The Group holds 9,222,377 shares under the employees' benefit plan; the impact of which on the earning per share is not material.

13. **BANK BALANCES AND CASH**

	2009	2008
	AED'000	*AED'000*
Bank balances	**507,856**	352,246
Cash in hand	**30**	58
	507,886	352,304

Almost all the bank balances are held with banks within the UAE, profit generating and earn profit at an average profit rate of 3.3 per cent. (2008: 5.0 per cent.).

14. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2009	2008
	AED'000	*AED'000*
Receivables on sale of properties	**10,699**	27,849
Receivable on sale of development property	**—**	69,513
Advance for purchase of properties	**—**	56,518
Advance paid against properties financed	**—**	11,559
Commission receivable	**8,642**	14,173
Deferred cost	**12,379**	22,349
Prepaid expenses	**9,168**	15,873
Receivable under employees' benefit plan	**3,989**	5,573
Receivable on Notes (Note 17 (c))	**28,942**	8,583
Receivable from developers	**21,095**	9,821
Others	**12,479**	11,344
	107,393	253,155
Less: Provision for impairment on advances and receivables	**(8,644)**	(50,247)
	98,749	202,908

15. PROPERTIES HELD FOR SALE

	2009	2008
	AED'000	*AED'000*
Balance as at 1 January	**672,702**	2,308,694
Properties acquired	**26,665**	518,782
Transferred from capital work in progress (Note 19)	**56,918**	—
Transferred from investment properties (Note 16)	**39,610**	—
Cost of properties sold	**(77,493)**	(2,154,774)
	718,402	672,702
Impairment provision	**(188,700)**	—
	529,702	672,702

Properties held for sale are located within the UAE.

The income from sale of properties held for sale was as follows:

	2009	2008
	AED'000	*AED'000*
Revenue on properties sold	**97,933**	2,583,742
Cost of properties sold	**(77,493)**	(2,154,774)
	20,440	428,968

16. INVESTMENT PROPERTIES

	2009	2008
	AED'000	*AED'000*
Balance as at 1 January	**39,610**	45,301
Changes in fair value	**—**	(5,691)
Transferred to properties held for sale (Note 15)	**(39,610)**	—
Balance at 31 December	**—**	39,610

Investment properties at 31 December 2008 were stated at fair value, which had been determined based on valuations performed by accredited independent valuers. During the year, the Group transferred investment properties to properties held for sale with the intention to sell these properties in due course.

17. OTHER INVESTMENTS

	2009 AED'000	2008 AED'000
Trading: (within the UAE)		
Quoted—equity	**—**	4,233
Available-for-sale: (within the UAE)		
Quoted—mutual fund units[(a)]	**1,030**	1,657
Others[(b)]	**920**	920
	1,950	2,577
Held to maturity: (outside the UAE)		
Investments in Notes[(c)]	**34,646**	38,846
Profit on Notes	**11,990**	9,240
	46,636	48,086
	48,586	54,896
Less: Provision for impairment	**(920)**	(920)
	47,666	53,976

(a) The fair value of investments in mutual fund units is based on the last bid price as published by the fund manager.

(b) This represents advances against equity shares to be allotted and has been fully provided for.

(c) This represents the investment made in the notes issued by Tamweel Residential ABS CI (1) Ltd in Cayman Islands. The applicable expected profit rate ranges from 3.95 per cent. to 10 per cent. above LIBOR. The maturity of these Notes is the earlier of the year 2037 or the expiry of the securitised receivables.

18. ISLAMIC FINANCING AND INVESTING ASSETS

	2009 AED'000	2008 AED'000
Ijara	**4,513,149**	4,368,351
Forward Ijara (under construction properties)	**3,846,632**	4,400,367
Forward Ijara (constructed and handed over properties)	**1,322,447**	563,714
Gross Murabaha and Mudaraba receivables	**583,685**	764,166
Less: Deferred profit	**(5,036)**	(31,407)
Net Murabaha and Mudaraba receivables	**578,649**	732,759
Istisna'a	**390,593**	507,057
	10,651,470	10,572,248
Less: Provision for impairment	**(219,904)**	(85,435)
	10,431,566	10,486,813

All the assets financed by the Group are within the UAE. Included in the Islamic financing and investing assets are Ijara and Forward Ijara profit accruals in addition to Istisna'a and Murabaha amortized profits amounting to AED 401,100 thousand (2008: 277,169 thousand).

Provisions for impairment

Movements in the provision for impairment were as follows:

	2009 AED'000	2008 AED'000
At 1 January	**85,435**	12,500
Provision made during the year	**140,469**	72,935
Amounts written off	**(6,000)**	—
At 31 December	**219,904**	85,435

Collateral

The Group enters into collateral arrangements with counter parties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the legal ownership of the finance property is maintained with the Group until the customer (lessee) has fulfilled all his obligations under the relevant Ijara.

19. PROPERTY AND EQUIPMENT

	Leasehold improvements	Office equipment	Furniture and fixtures	Software licenses and computer equipment	Network and servers	Capital work-in-progress	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Cost:							
At 1 January 2009	7,148	1,502	3,272	10,257	3,648	50,785	76,612
Additions	1,309	7	803	501	490	11,138	14,248
Transfers	1,028	—	1,055	383	507	(2,973)	—
Transferred to properties held for sale (Note 15)	—	—	—	—	—	(56,918)	(56,918)
Disposals/write offs	(63)	(108)	(423)	(234)	(19)	(1,399)	(2,246)
At 31 December 2009	**9,422**	**1,401**	**4,707**	**10,907**	**4,626**	**633**	**31,696**
Depreciation:							
At 1 January 2009	1,367	765	2,291	5,769	1,352	—	11,544
Charge for the year	1,504	247	610	1,970	924	—	5,255
Relating to disposals	(25)	(3)	(1)	(32)	(2)	—	(63)
At 31 December 2009	**2,846**	**1,009**	**2,900**	**7,707**	**2,274**	**—**	**16,736**
Net book value:							
At 31 December 2009	**6,576**	**392**	**1,807**	**3,200**	**2,352**	**633**	**14,960**

	Leasehold improvements	Office equipment	Furniture and fixtures	Software licenses and computer equipment	Network and servers	Motor vehicles	Capital work-in-progress	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Cost:								
At 1 January 2008	2,635	1,077	3,090	7,409	1,551	—	28,230	43,992
Additions	4,513	425	182	2,848	2,097	189	22,555	32,809
Disposals	—	—	—	—	—	(189)	—	(189)
At 31 December 2008	7,148	1,502	3,272	10,257	3,648	—	50,785	76,612
Depreciation:								
At 1 January 2008	808	522	1,714	4,138	770	—	—	7,952
Charge for the year	559	243	577	1,631	582	19	—	3,611
Relating to disposals	—	—	—	—	—	(19)	—	(19)
At 31 December 2008	1,367	765	2,291	5,769	1,352	—	—	11,544
Net book value:								
At 31 December 2008	5,781	737	981	4,488	2,296	—	50,785	65,068

20. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2009	2008
	AED'000	*AED'000*
Property purchase payables	**235,899**	274,913
Developers' payables	**295,186**	107,201
Payable under Escrow accounts	**71,657**	188,380
Profit payable on financing obligations	**70,782**	124,914
Commission payable on sale of properties	**31,235**	38,246
Accounts payable	**81,353**	134,397
Dividends payable	**19,059**	19,756
Takaful payable in respect of properties financed (Note 32)	**16,315**	2,460
Advisory and management fee payable	**11,000**	11,000
Employees' end of service benefits	**5,286**	4,965
Other liabilities	**20,084**	25,220
	857,856	931,452

21. FINANCING OBLIGATIONS

	2009	2008
	AED'000	*AED'000*
Wakalas	**4,405,185**	4,518,143
Mudarabas	**1,921,379**	1,910,289
Sukuk	**1,100,000**	1,100,000
Convertible Sukuk	**1,051,948**	1,034,932
	8,478,512	8,563,364

Wakalas

Wakalas represent investment amounts received by the Group (Wakeel) from customers (Muwakkils) for investment purposes to generate profits for the Muwakkils based on EIBOR. Any profit exceeding the expected profit after deduction of wakala fee is allowed to be kept by the Group as a performance incentive. The effective average profit rate on these Wakalas is 4.9 per cent. (2008: 4.9 per cent.)

Mudarabas

Mudarabas represent funds for investment in the Group's (Mudareb's) on-going real estate investment activities (the Project) on a mudaraba basis. The actual profit generated by investing the Mudaraba capital is shared between the Rab Al Mal and the Mudareb based on a pre agreed profit distribution ratio. Further, the Rab Al Mals agree to reward the Mudareb for profits earned by it in excess of a minimum return based on EIBOR determined at inception as a performance incentive/bonus for profitable, efficient and safe deployment of the Rab Al Mal's capital. The effective average profit rate on these Mudarabas is 4.3 per cent. (2008: 4.9 per cent.). All these Mudarabas are short term to medium term.

Sukuk

In July 2008, the Group issued Trust Certificates (Investment Sukuk), for the total value of AED 1,100 million through Tamweel Sukuk Limited, which are listed on NASDAQ Dubai. The Investment Sukuk is structured to conform to principles of Islamic Sharia'a, matures in 2013 and has an expected profit rate of 3M EIBOR + 225 basis points per annum, to be paid quarterly in arrears.

Convertible Sukuk

In January 2008, the Group issued convertible sukuk in the form of Trust Certificates / Shirkat -ul-Milk (the "**Sukuk**"), for a total value of U.S.$ 300 million, which are listed on NASDAQ Dubai. The Sukuk is structured to conform to the principles of Islamic Sharia'a, matures in 2013 and has a fixed profit rate of 4.31 per cent. per annum, to be paid on a quarterly basis in arrears. The reference share price (the relevant exchange price) for conversion, to which an exchange premium of 20.5 per cent. will apply, was taken as the closing price of the Parent Company's share as of 13 December 2008. This exchange premium was subsequently reduced to 16.8 per cent. due to the payment of dividend for the financial year 2008. This adjustment to the exchange price was made in accordance with the terms and conditions of the transaction documents.

In accordance with the terms of the subscription, each Trust Certificate may be redeemed at the option of the Certificate holder or the issuer as follows:

(a) At the option of the Certificate holder through "**Voluntary Early Redemption**" at any time one year after the issue date subject to satisfying certain conditions. At the option of the issuer, either the shares will be issued at the relevant exchange price or cash will be paid. The cash amount to be paid will be based on the arithmetic average of the volume weighted average price of the shares on each trading day during the last 10 consecutive trading days, multiplied by the number of shares that would have been issued under the equity settlement.

(b) At the option of the issuer at any time 3 years after the issue date through "**Optional Partial Redemption**" subject to satisfying certain conditions. In case of Optional Partial Redemption, either shares will be issued at the relevant exchange price or cash will be paid. The cash amount to be paid will be arrived similarly as in the case of Voluntary Early redemption.

At the time of final maturity, any remaining Trust Certificate will be redeemed in full by the issuer in cash at face value plus any unpaid profit amount.

The Convertible Sukuk has been included under financing obligations in the statement of financial position as follows:

	2009	**2008**
	AED'000	***AED'000***
Proceeds from issue of convertible sukuk	**1,101,840**	1,101,840
Less: Unamortised issuance costs	**(7,279)**	(11,526)
Net proceeds from convertible sukuk	**1,094,561**	1,090,314
Less: Equity component on initial recognition	**(69,534)**	(69,534)
Liability component	**1,025,027**	1,020,780
Add: Additional profit at effective rate	**26,921**	14,152
	1,051,948	1,034,932

22. SHARE CAPITAL

	2009	**2008**
	AED'000	***AED'000***
Authorised, issued and paid up 1,000,000,000 ordinary shares of AED 1 each (31 December 2008: 1,000,000,000 ordinary shares of AED 1 each)	**1,000,000**	1,000,000

23. EMPLOYEES' BENEFIT PLAN

On 26 February 2006, the Group established an Employee benefit plan to recognise and retain good performing key employees. The Plan gives the employee the right to purchase the Company's shares at an exercise price.

In accordance with an agreement between the shareholders of Tamweel LLC and the Group, the shareholders of Tamweel LLC agreed to transfer 18,000 shares of AED 1,000 each (equivalent to 18,000,000 shares of AED 1 each after the share split on conversion of the LLC into a PJSC) of the Company owned by them for the benefit of the Group's employees under this plan. These shares are held by two trustee companies. The cost of acquisition of these shares was AED 18 million at the rate of AED 1,000 per share of a nominal value of AED 1,000 each.

Out of these 18 million shares, the Group granted 10,319,573 shares at AED 1.015 per share up to 31 December 2008. These shares vest over a period of three years.

During 2009, there have been no new grants to the employees (2008: 1,896,650 shares) and there has been no vesting of the shares previously granted as trading in company shares have been suspended (Note 1). However, the Group forfeited 1,541,950 (2008: Nil) shares on account of employees leaving the Group.

The remaining 9,222,377 shares (2008: 7,680,427 shares) of AED 1 each held under this scheme are held as plan shares by the trustees and will be granted in the future as and when the employees meet the pre-determined criteria. When granted to employees, the difference between the fair value of these shares on the grant date and amounts recovered from employees, if any, will be charged to the income statement. The fair value of these shares at 31 December 2009 is estimated at AED 9.2 million at the rate of AED 1 per share.

24. STATUTORY RESERVE

As required by the Commercial Companies Law and the Company's Articles of Association, 10 per cent. of the profit for the year is transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50 per cent. of paid up share capital.

25. GENERAL RESERVE

As required by the Company's Articles of Association, 10 per cent. of the profit for the year is transferred to general reserve. As per the Articles of Association, deductions for the general reserve shall stop by resolution of an Ordinary General Assembly upon the recommendation of the Board of Directors or when this reserve reaches 50 per cent. of the paid up capital of the Company. This reserve shall be utilised for the purpose determined by the General Assembly at an ordinary meeting upon the recommendation of the Board of Directors.

26. SPECIAL RESERVE

The special reserve, which has been created in accordance with the recommendations of the UAE Central Bank, is not available for distribution.

27. COMMITMENTS

	2009	**2008**
	AED'000	***AED'000***
Irrevocable commitments to extend credit	**2,329,672**	3,034,117

This represents contractual commitments to provide Islamic financing. Commitments generally have fixed expiry dates, or other termination clauses, and normally require the payment of a fee. Since these may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

28. CONTINGENCIES

(a) The Group's bankers have provided a guarantee of AED 50 million (31 December 2008: AED 50 million) favouring the UAE Central Bank against the share capital.

(b) The Group's bankers have also provided a guarantee of AED 5 million (31 December 2008: AED 5 million) to Economic Affairs Division of the Government of Dubai for establishing a subsidiary company.

29. RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement, mitigation and monitoring subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and sustainability. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in its attempt to build stakeholder's value are outlined below.

Risk Management Structure

Ultimate responsibility and accountability for the Group's risk management rests with the Board of Directors. The level of risk that the Group accepts, together with the basis for managing those risks, is driven from the top down by those charged with overall responsibility for running the business. However, separate independent bodies are entrusted with delegated risk management responsibilities.

The Board of Directors is responsible for the overall risk management approach and for designing and deciding the risk strategies, policies, appetite parameters, and principles.

The Audit and Risk Management (ARM) Committee is responsible to the full Board for ensuring that the Group establishes and maintains an effective internal control system, reviewing the effectiveness of the internal audit function, and ensuring that appropriate controls are in place for monitoring compliance with laws, regulations, and supervisory requirements. ARM Committee supports the monitoring of the overall risk situation and the management's approaches to comprehensive risk identification and control. The Committee reviews the Group's risk profile to ensure that it is within the Board established risk policies and appetite parameters.

The Audit and Risk Management function, reporting to the Board, independently ensures that appropriate processes are in place for the identification, assessment, monitoring and mitigation of risks. Within the guidelines of the Board of Directors, it coordinates the development and implementation of the risk management framework and the execution of risk policies.

Management is responsible for executing the risk management strategy including the identification and evaluation on a continuous basis of all risks to the business and the implementation of appropriate mitigation strategies to contain them.

The Sharia'a Supervisory Board is responsible to review the operational, financing and investing activities of the Group ensuring their alignment and compliance with The Quran and The Sunna'h, the principles of Sharia'a. Being a supervisory board they are also required to audit the business activities undertaken and present an independent report to the shareholders with regard to the implementation of the principles of Sharia'a in the Group's overall activities.

The Credit Committee is entrusted with evaluating the Group's credit portfolio, approving financial commitments exceeding a defined limit on behalf of the Group, reviewing the delinquency provision policy in light of the credit risk embedded in the overall portfolio, assessing the Group's significant credit-based exposures and the steps management has taken to mitigate them, handling impaired assets, formulating credit policies and procedures, reporting exposures, and analyzing country and counterparty risks.

The Group has introduced a Risk Adjusted Pricing Model for financing following accredited Credit and Risk evaluation standards. The Credit Committee actively pursues the quality of the portfolio on a monthly basis using internationally acknowledged credit scoring system.

The Asset and Liability Committee (ALCO) is chiefly responsible for defining long-term strategic plans and short-term tactical initiatives for directing asset and liability allocations prudently for the achievement of the Group's strategic goals. ALCO monitors the Group's liquidity and market risks and the Group's risk profile in the context of economic developments and market fluctuations.

The Investment Committee oversees market risk embedded in all investment-related deals through its responsibility in setting an overall investment strategy and policy, reviewing and approving the investment proposals raised by the Investment Department, monitoring defined limits, and reviewing the performance of the Group's investments within the risk-return guidelines set by the Board.

The Product Committee is responsible to ensure compliance with directives issued by the Sharia'a Board including changes in financing contracts, product parameters, etc.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive and up-to-date information necessary for their proper management and monitoring of risks inherent in the activities.

Types of Risk the Group is subject to:

Concentration Risk

Concentration arises 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.

Concentration indicates the relative sensitivity of the Group's performance to developments affecting a particular nationality, industry or geographical location.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to maintain a diversified portfolio. This is further enforced by the Credit Committee's oversight. Identified concentration of credit risks are controlled and managed accordingly.

Credit Risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk stems mainly from day to day Islamic financing activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated financing authorities, credit standards and procedures.

The Group attempts to control credit risk by monitoring credit exposures, maintaining credit limits, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Group has built and maintains a sound credit portfolio within the guidelines of the Board approved credit policy. The Group has an established risk management process encompassing of credit approvals, control of exposures, credit policy direction to business units, well-designed credit appraisals, review of exposures both on an individual and a portfolio basis, and incorporation of robust problem credit management procedures. Special attention is directed towards the management of past-due financing assets through a dedicated Collection Team.

The Group enters in collateral arrangements with counterparties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the ownership of the financed property is maintained with the Group until the customer (lessee) has fulfilled all his obligations under the relevant Ijara.

QUANTITATIVE INFORMATION

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross.

	Gross maximum exposure 2009	Gross maximum exposure 2008
	AED'000	*AED'000*
Bank balances (Note 13)	507,856	352,246
Advances, deposit and other receivables	85,846	214,933
Other investments (Note 17)	48,586	54,896
Islamic financing and investing assets (Note 18)	10,651,470	10,572,248
Total	11,293,758	11,194,323
Irrevocable commitments to extend credit (Note 27)	2,329,672	3,034,117

For more details on the maximum exposure to credit risk for each class of financial instrument, references should be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

The Group's financial assets, before taking into account any collateral held or other credit enhancements are analysed by business segment in note 30.

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset, based on the Group's credit rating system.

	At 31 December 2009				
	Neither past due nor impaired				
	High grade	Standard grade	Sub-standard grade	Past due but not individually impaired	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Bank balances	**507,856**	**—**	**—**	**—**	**507,856**
Advances, deposits and other Receivables	**35,241**	**41,961**	**8,644**	**—**	**85,846**
Other investments	**47,666**	**—**	**920**	**—**	**48,586**
Islamic financing and investing assets	**1,271,698**	**9,042,282**	**—**	**337,490**	**10,651,470**
Total	**1,862,461**	**9,084,243**	**9,564**	**337,490**	**11,293,758**

	At 31 December 2008				
	Neither past due nor impaired				
	High grade	Standard grade	Sub-standard grade	Past due but not individually impaired	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Bank balances	352,246	—	—	—	352,246
Advances, deposits and other Receivables	94,060	70,626	50,247	—	214,933
Other investments	53,976	—	920	—	54,896
Islamic financing and investing assets	1,581,157	8,912,665	—	78,426	10,572,248
Total	2,081,439	8,983,291	51,167	78,426	11,194,323

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

Aging analysis of past due but not impaired financial assets

	31 December 2009				
	Less than 30 days	31 to 60 days	60 to 90 days	More than 91 Days	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Islamic financing and investing assets	**122,242**	**38,745**	**51,886**	**124,617**	**337,490**

	31 December 2008				
	Less than 30 days	31 to 60 days	60 to 90 days	More than 91 Days	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Islamic financing and investing assets	57,487	14,222	4,872	1,845	78,426

Collateral and other credit enhancements

The finance provided by the Group is asset backed in accordance with the principles of Sharia'a. Properties are funded based on "**Group's Appraised Value**". In the case of new properties, the appraised value is similar to the developers' per square footage rate further assessed by independent valuation and internal assessment. However, in some cases the Group might have lower rates than the developers based on the

Group's view of the property. In case of older properties the appraised value is determined by the Credit Department. These valuations are based on the valuation report from valuers, whenever required, and the property prices witnessed in Tamweel's past funding transactions.

Property insurance is mandatory and the property is insured against all normal risks for the value stated in the sale agreement, or the valuation amount given by the surveyor, as the case maybe. The insured value is maintained at the original property value through the life of the finance.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. In the Group's financial statements, mainly two line items can lead to such exposure i.e. Islamic financing assets and financing obligations, as shown on the assets and liability sides respectively. The profit rate risk for the Group is minimal in the short term period.

The profit rate for financing assets is a composition of EIBOR and internal spread which cannot be expected to fluctuate frequently based on EIBOR movement. The Group reviews the profit rate on a monthly basis during its ALCO meeting and, if required, recommends rate change based on market conditions and competition.

The financing obligations, being short term, are contractually variable rate contracts as determined on contract initiation.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's income statement.

The sensitivity of the income statement is the effect of the assumed changes in profit rates on the net profit earned for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2009 and 31 December 2008.

	31 December 2009	
	Increase/ (decrease) in basis points	**Sensitivity of net returns Increase/ (decrease)**
		AED 000's
AED	**50bps**	**(4,594)**
AED	**(50bps)**	**4,594**

	31 December 2008	
	Increase/ (decrease) in basis points	**Sensitivity of net returns Increase/ (decrease)**
		AED 000's
AED	50bps	(9,211)
AED	(50bps)	9,211

Currency risk

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

All assets and liabilities as on 31 December 2009 are denominated in the UAE Dirham and therefore the Group is not exposed to any significant currency risk except for the balances relating to foreign subsidiaries, which are not significant.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The Group is not subject to any equity price risk as it has sold all its investments in equity shares during the year.

Early settlement risk

Early settlement risk is the risk that the Group will incur a financial loss because its counterparties settle earlier or later than expected.

The Group does not have any significant early settlement risk as the amount recovered in case of early settlement is more than the fair value of the asset on settlement date, by adding a margin, and to recover amount on time and to avoid any delays. The collection team, supervised by the Credit committee monitors the customer receivable position on a daily basis.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Liquidity Risk

Liquidity risk is the risk that the Group may be unable to meet its funding requirements. This can be caused by political uncertainty, market disruptions or deterioration in the Group's credit ratings.

Tamweel monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis.

The Company reviews the maturity gap analysis in its monthly ALCO meetings to identify potential liquidity risks in advance. The gap measures liquidity in nine time buckets for each type of asset and liability for each period, as well as cumulatively.

During 2008, the Company successfully completed three capital market transactions i.e. U.S.$ 300 million convertible sukuk in the form of Trust Certificates, Sukuk al Mudarabah, AED 1,100 million Trust Certificates/Sukuk al Musharaka and AED 865 million Islamic Syndication Mudaraba Facility included in Mudaraba in note 21 to diversify the funding sources and manage the maturity mismatch.

To meet the challenging market conditions and the possibility that financing obligations may not readily be rolled over on maturity, the Board of Directors along with the Steering Committee, set up by the Ministry of Finance, is evaluating various options to secure sustainable funding for the Group.

Maturity analysis of assets and liabilities

The maturity analysis of assets, liabilities and items off the statement of financial position analysed according to when they are expected to be recovered, settled or sold.

At 31 December 2009

	Within 1 month	1 to 3 months	3 to 12 months	Subtotal less than 12 months	1-5 years	Over 5 years	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
ASSETS							
Bank balances and cash	507,886	—	—	507,886	—	—	507,886
Advances, prepayments and other receivables	1,857	6,704	41,407	49,968	48,781	—	98,749
Properties held for sale	—	—	6,487	6,487	523,215	—	529,702
Other investments	—	—	—	—	47,666	—	47,666
Islamic financing and investing assets	278,947	354,916	744,057	1,377,920	2,204,124	6,849,522	10,431,566
Property and equipment	—	—	633	633	14,327	—	14,960
Total assets	788,690	361,620	792,584	1,942,894	2,838,113	6,849,522	11,630,529
LIABILITIES							
Zakat payable	—	—	32,808	32,808	32,808	—	65,616
Accounts payable, accruals and other liabilities	69,679	86,979	206,810	363,468	489,102	5,286	857,856
Financing obligations	1,184,000	2,721,185	2,190,480	6,095,665	2,382,847	—	8,478,512
Total liabilities	1,253,679	2,808,164	2,430,098	6,491,941	2,904,757	5,286	9,401,984
Assets less liabilities	(464,989)	(2,446,544)	(1,637,514)	(4,549,047)	(66,644)	6,844,236	2,228,545
COMMITMENTS							
Irrevocable commitments to extend credit	38,134	108,023	470,871	617,028	1,712,644	—	2,329,672

At 31 December 2008

	Within 1 month	1 to 3 months	3 to 12 months	Subtotal less than 12 months	1-5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
ASSETS							
Bank balances and cash	352,304	—	—	352,304	—	—	352,304
Advances, prepayments and other receivables	13,546	7,363	148,782	169,691	13,821	19,396	202,908
Properties held for sale	—	—	507,459	507,459	165,243	—	672,702
Investment properties	—	—	—	—	39,610	—	39,610
Other investments	—	1,657	4,233	5,890	—	48,086	53,976
Islamic financing and investing assets	299,856	246,575	695,306	1,241,737	2,385,391	6,859,685	10,486,813
Property and equipment	—	4,908	45,877	50,785	8,502	5,781	65,068
Total assets	665,706	260,503	1,401,657	2,327,866	2,612,567	6,932,948	11,873,381
LIABILITIES							
Zakat payable	—	—	60,599	60,599	—	—	60,599
Accounts payable, accruals and other liabilities	343,933	271,914	163,403	779,250	147,237	4,965	931,452
Financing obligations	1,513,894	3,162,930	1,070,000	5,746,824	2,816,540	—	8,563,364
Total liabilities	1,857,827	3,434,844	1,294,002	6,586,673	2,963,777	4,965	9,555,415
Assets less liabilities	(1,192,121)	(3,174,341)	107,655	(4,258,807)	(351,210)	6,927,983	2,317,966
COMMITMENTS							
Irrevocable commitments to extend credit	454,716	517,126	1,235,205	2,207,047	827,070	—	3,034,117

Contractual undiscounted repayment obligations

The maturity profile of the Group's financial liabilities based on contractual undiscounted payment obligations is as follows:

	Within 1 month 2009	1 to 3 months 2009	3 to 12 months 2009	Subtotal less than 12 months 2009	Over 1 year 2009	Total 2009
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
At 31 December 2009						
Zakat payable	**—**	**—**	**32,808**	**32,808**	**32,808**	**65,616**
Accounts payable, accruals and other liabilities	**69,679**	**86,979**	**206,810**	**363,468**	**494,388**	**857,856**
Financing obligations	**1,193,682**	**2,746,181**	**2,318,519**	**6,258,382**	**2,688,006**	**8,946,388**
	1,263,361	**2,833,160**	**2,558,137**	**6,654,658**	**3,215,202**	**9,869,860**

	Within 1 month 2009	1 to 3 months 2009	3 to 12 months 2009	Subtotal less than 12 months 2009	Over 1 year 2009	Total 2009
	AED '000	*AED '000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
At 31 December 2008						
Zakat payable	—	—	60,599	60,599	—	60,599
Accounts payable, accruals and other liabilities	343,933	271,914	163,403	779,250	152,202	931,452
Financing obligations	1,526,114	3,204,767	1,236,230	5,967,111	3,352,888	9,319,999
	1,870,047	3,476,681	1,460,232	6,806,960	3,505,090	10,312,050

30. SEGMENTAL INFORMATION

For management purposes the Group is organised into two major business segments:

Islamic financing and investing activities	Principally handling Islamic financing and investing activities.
Property development and investment activities	Principally involved in the development, purchase and sale of properties and related activities including commissions.

These segments are the basis on which the Group reports its segments information. Segmental information for the years ended 31 December 2009 and 2008 was as follows:

	31 December 2009				31 December 2008			
	Islamic financing and investing activities	Property development and investment activities	Others	Total	Islamic financing and investing activities	Property development and investment activities	Others	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Gross income	**730,036**	**22,443**	**12,759**	**765,238**	747,378	479,760	13,761	1,240,899
Allocable expenses	**(529,376)**	**(33,581)**	**(12,951)**	**(575,908)**	(564,821)	(99,653)	(42,825)	(707,299)
Segment result	**200,660**	**(11,138)**	**(192)**	**189,330**	182,557	380,107	(29,064)	533,600
Provisions and other charges, net	**(116,088)**	**(127,700)**	**—**	**(243,788)**	(72,935)	—	—	(72,935)
Segment result after provision	**84,572**	**(138,838)**	**(192)**	**(54,458)**	109,622	380,107	(29,064)	460,665
Profit for the year				**(54,458)**				460,665
Segment assets	**10,536,024**	**541,293**	**553,212**	**11,630,529**	10,572,332	888,697	412,352	11,873,381
Segment liabilities	**8,356,535**	**488,674**	**556,775**	**9,401,984**	8,258,671	768,629	528,115	9,555,415
Depreciation	**—**	**—**	**5,255**	**5,255**	—	19	3,592	3,611
Capital expenditure	**—**	**—**	**14,248**	**14,248**	—	13,171	19,638	32,809

No secondary segment information has been provided as currently the operations of the Group are concentrated primarily in the United Arab Emirates.

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008. Capital comprises share capital, statutory reserve, general reserve, special reserve, cumulative changes in fair value, translation reserve, convertible sukuk equity component, shares held under employees' benefit plan and retained earnings and is measured at AED 2,228,545 thousands as at 31 December 2009 (31 December 2008: AED 2,317,966 thousands).

32. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated income statement are as follows:

	31 December 2009		31 December 2008	
	Key management personnel	Major shareholders	Key management personnel	Major shareholders
	AED'000	*AED'000*	*AED'000*	*AED'000*
Income from Islamic financing and investing activities	**493**	**—**	852	—
Depositors' share of profit	**—**	**70,008**	—	67,000
	493	**70,008**	852	67,000

Balances with related parties included in the consolidated statement of financial position are as follows:

	31 December 2009			31 December 2008		
	Key management personnel	Major shareholders	Others	Key management personnel	Major shareholders	Others
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic financing and investing assets	**6,556**	**—**	**—**	16,387	—	—
Financing obligations	**—**	**1,428,680**	**—**	—	1,428,680	—
Depositors' share of profit payable	**—**	**13,647**	**—**	—	44,013	—
Takaful payable in respect of properties financed	**—**	**—**	**16,315**	—	—	2,460
Accounts payable, accruals and other liabilities	**—**	**9,000**	**—**	—	9,000	

Compensation of key management personnel is as follows:

	2009	2008
	AED'000	*AED'000*
Short term employee benefits	**6,099**	8,815
Termination and other benefits	**1,637**	1,049
	7,736	9,864

33. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets include bank balances and cash, receivables, Islamic financing and investing assets and other investments. Financial liabilities include zakat payable, accounts payable, accruals and other liabilities and financing obligations.

The fair values of financial instruments are not materially different from their carrying values.

At 31 December 2009

	Designated as trading or fair value through profit and loss	Available for sale	Receivables	Amortised cost	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial assets					
Other investments	—	1,030	—	46,636	47,666
Islamic financing and investing assets	—	—	10,431,566	—	10,431,566
Advances, deposits and other receivables	—	—	77,202	—	77,202
Bank balances and cash	—	—	—	507,886	507,886
Total	**—**	**1,030**	**10,508,768**	**554,522**	**11,064,320**
Financial liabilities					
Zakat payable	—	—	—	65,616	65,616
Accounts payable, accruals and other liabilities	—	—	—	857,856	857,856
Financing obligations	—	—	—	8,478,512	8,478,512
Total	**—**	**—**	**—**	**9,401,984**	**9,401,984**

At 31 December 2008

	Designated as trading or fair value through profit and loss	Available for sale	Receivables	Amortised cost	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial assets					
Other investments	4,233	1,657	—	48,086	53,976
Islamic financing and investing assets	—	—	10,486,813	—	10,486,813
Advances, deposits and other receivables	—	—	164,686	—	164,686
Bank balances and cash	—	—	—	352,304	352,304
Total	**4,233**	**1,657**	**10,651,499**	**400,390**	**11,057,779**
Financial liabilities					
Zakat payable	—	—	—	60,599	60,599
Accounts payable, accruals and other liabilities	—	—	—	931,452	931,452
Financing obligations	—	—	—	8,563,364	8,563,364
Total	**—**	**—**	**—**	**9,555,415**	**9,555,415**

34. DATE OF AUTHORISATION

These financial statements were approved for issue by the Board of Directors on 18 February 2010.

DIRECTORS' REPORT

The Board of Directors of Tamweel PJSC (the "Company") and subsidiaries (the "Group") has pleasure in submitting the consolidated statement of financial position of the Group as of 31 December 2010, and the related consolidated statements of income, cash flows and changes in equity for the year ended 31 December 2010.

Principal activities

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia'a compliant financing and investment activities such as Ijara, Murabaha, Istisna'a etc. The activities of the Company and its Subsidiaries (together the "Group") are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. The Group is also engaged in the business of property development and trading.

The Group has a license from the Real Estate Regulatory Authority, Dubai, United Arab Emirates to offer Escrow Management Services.

Significant events during the year

In November 2010, Dubai Islamic Bank PJSC ("DIB") acquired an additional 37.48% shares from certain other shareholders to increase its share holding in Tamweel PJSC to 58.25%.

In the Annual General Assembly meeting held on 10th November 2010, a new Board of Directors was elected that consisted of:

Directors

Abdulla Ali AlHamli . . . . (Chairman)
Mohamed Abdulla Al Nahdi . . . . (Vice Chairman)
Dr. Adnan Chilwan . . . . (Director)
Mohammed Saeed AlSharif . . . . (Director)
Hamad Essa Rashed Al Huraiz . . . . (Director)
Saeed Ahmed Belhasa . . . . (Director)
Yasser Abdulrahman Ahmad Zayed . . . . (Director)

Organizational changes

Mr. Wasim Saifi resigned as the CEO of the Company in December 2010 and Mr. Varun Sood is now the Acting CEO of the company. The new Board of Directors has formed the following Board level committees to effectively monitor and control the business and the operations of the company:

- Board Audit Committee
- Board Credit & Risk Committee
- Board HR & Remuneration Committee

The Company drew the initial framework of the Corporate Governance whereby the Company set the guidelines of the framework as follows:

- Set the Authority Matrices
- Formed the Board Committees and the rules for functioning of Committees
- Established the role and responsibilities of the Board of Directors and the Chairman
- Laid out the role and key responsibilities of the Chief Executive Officer
- Defined the Chief Executive Officer's Authorities
- Determined the Chief Executive Performance Evaluation & Management Succession

- Established the role of the Management
- Proposed rules on Outside Board Memberships & Direct/Indirect Ownership in Subsidiaries or Suppliers

Outlook 2011

2010 was a positive year for Tamweel as the Company managed to record a net profit amid continued adverse market conditions, without the origination of new business, proving a successful business model in very challenging times. The additional stake from Dubai Islamic Bank which effectively makes Tamweel its subsidiary was welcoming news not just for the Company and its Shareholders, but to the industry as a whole.

It is worth noting that the support of the concerned authorities has contributed directly, efficiently and positively in improving the real estate market and had a positive impact on this sector.

The economic situation in the world has improved and we are witnessing signs of recovery in the UAE. Our business of home finance has a fundamental role to help fuel recovery of the UAE property market and Tamweel is pleased that with the backing of Dubai Islamic Bank it will support this recovery.

The reasonable property prices and competitive home finance rates will improve and increase demand and sentiment. We enter 2011 full of optimism with the key objectives of originating new quality business, managing our existing portfolio and continuing to improve our customer service standards. To conclude, we expect better growth than that of recent years and see a brighter outlook for the year ahead.

Financial results

The Group has recorded a net profit of AED 26,024 thousand in 2010 (2009: net loss of AED 54,458 thousand). Income from Islamic financing and investing assets in 2010 reduced to AED 553,208 thousand, a decrease of 22 per cent compared to AED 706,596 thousand in 2009.

Islamic financing and investing assets in 2010 reduced to AED 9,157,806 thousand compared to AED 10,431,566 thousand in 2009.

In accordance with the Articles of Association of the Company and UAE Commercial Companies Law of 1984, an appropriation of AED 2,602 thousand is made to general reserve and AED 2,602 thousand to statutory reserve.

In view of the current financial and economic uncertainly, the Board of Directors have not recommended any dividend to the shareholders for the year 2010, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

Total equity as at 31 December 2010 amounts to AED 2,225,256 thousand (2009: AED 2,228,545 thousand).

Auditors

Ernst & Young were appointed as external auditors of the Group for the year ended 31 December 2010. Ernst & Young are eligible for reappointment for 2011.

On behalf of the Board

Abdulla Ali AlHamli
Chairman
13 February 2011

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAMWEEL PJSC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tamweel PJSC ("the Company") and its subsidiaries, (collectively "the Group") which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Tamweel PJSC and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which 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 Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Naushad Anwar
Partner
Registration No. 489

13 February 2011

Dubai, United Arab Emirates

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF INCOME
Year ended 31 December 2010

	Notes	2010 AED'000	2009 AED'000
Income from Islamic financing and investing assets	6	**553,208**	706,596
Commission and other income	7	**91,442**	38,202
Income from sale of properties held for sale	8	**1,467**	20,440
OPERATING INCOME		**646,117**	765,238
General and administrative expenses	9	**(99,419)**	(129,708)
Impairment provisions, net	10	**(159,886)**	(243,788)
PROFIT BEFORE DEPOSITORS'/INVESTORS SHARE OF PROFIT AND RELATED COST		**386,812**	391,742
Depositors'/investors' share of profit and related cost	11	**(360,788)**	(446,200)
PROFIT (LOSS) FOR THE YEAR		**26,024**	(54,458)
Earnings per share:			
Basic earnings per share (AED)	12	**0.03**	(0.06)
Diluted earnings per share (AED)	12	**N.A.**	N.A.

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	2010	2009
	AED'000	*AED'000*
PROFIT (LOSS) FOR THE YEAR	**26,024**	(54,458)
Other comprehensive income		
Net unrealised losses on available for sale investments	—	(627)
Exchange difference on translation of foreign operations	—	692
Other comprehensive income for the year	—	65
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**26,024**	(54,393)

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	**2010** *AED'000*	**2009** *AED'000*
ASSETS			
Bank balances and cash	13	**482,263**	507,886
Advances, prepayments and other receivables	14	**64,224**	98,749
Properties held for sale	15	**409,591**	529,702
Other investments	16	**46,927**	47,666
Islamic financing and investing assets	17	**9,157,806**	10,431,566
Property and equipment	18	**32,366**	14,960
TOTAL ASSETS		**10,193,177**	11,630,529
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable		**85,803**	65,616
Accounts payable, accruals and other liabilities	19	**263,576**	857,856
Financing obligations	20	**7,618,542**	8,478,512
Total liabilities		**7,967,921**	9,401,984
Equity			
Share capital	21	**1,000,000**	1,000,000
Employees' benefit plan	22	**(10,646)**	(9,222)
Statutory reserve	23	**185,149**	182,547
General reserve	24	**528,793**	526,191
Special reserve	25	**102,951**	102,951
Retained earnings		**390,303**	383,465
Convertible sukuk equity component		**28,706**	42,613
Total equity		**2,225,256**	2,228,545
TOTAL LIABILITIES AND EQUITY		**10,193,177**	11,630,529

Acting Chief Executive Officer
13 February 2011

Chairman
13 February 2011

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2010

	Notes	2010 *AED'000*	2009 *AED'000*
OPERATING ACTIVITIES			
Profit (loss) for the year		**26,024**	(54,458)
Adjustments for:			
Depreciation	18	**5,869**	5,255
Property and equipment written off		**5,012**	2,183
Amortisation of deferred cost	11	**11,339**	11,508
Provision for employees' end of service benefits		**2,099**	2,459
Impairment provisions, net		**157,396**	243,788
Provision for impairment of advances and receivables		**2,490**	—
Depositors' share of profit		**349,449**	434,692
Income on mudaraba deposits and wakala investments	7	**(20,983)**	(24,194)
		538,695	621,233
Working capital changes:			
Islamic financing and investing assets		**1,035,616**	173,770
Properties held for sale		**21,371**	70,390
Other investments		**739**	4,233
Advances, prepayments and other receivables		**24,046**	129,992
Financing obligations		**(863,320)**	(83,638)
Accounts payable, accruals and other liabilities		**(415,804)**	(254,008)
Cash from operations		**341,343**	661,972
Depositors'/investors' share of profit paid		**(367,295)**	(488,824)
Employees' end of service benefits paid		**(2,259)**	(2,138)
Zakat paid		**(11,887)**	(26,824)
Net cash (used in) from operating activities		**(40,098)**	144,186
INVESTING ACTIVITIES			
Additions to property and equipment	18	**(6,508)**	(14,248)
Held to maturity investments		**—**	1,450
Income received on mudaraba deposits and wakala investments		**20,983**	24,194
Net cash from investing activities		**14,475**	11,396
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(25,623)**	**155,582**
Cash and cash equivalents at 1 January		**507,886**	352,304
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**482,263**	**507,886**

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2010

	Share capital	Employees' benefit plan	Statutory reserve	General reserve	Special reserve	Cumulative changes in fair value	Retained earnings	Convertible sukuk equity component	Translation reserve	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at 1 January 2009	1,000,000	(7,680)	182,547	526,191	102,951	627	444,488	69,534	(692)	2,317,966
Total comprehensive loss for the year	—	—	—	—	—	(627)	(54,458)	—	692	(54,393)
Shares forfeited under employees' benefit plan	—	(1,542)	—	—	—	—	(23)	—	—	(1,565)
Cost of vested shares under employees' benefit plan	—	—	—	—	—	—	1,428	—	—	1,428
Directors' fees	—	—	—	—	—	—	(3,050)	—	—	(3,050)
Equity component of convertible sukuk	—	—	—	—	—	—	26,921	(26,921)	—	—
Zakat	—	—	—	—	—	—	(31,841)	—	—	(31,841)
Balance at 31 December 2009	**1,000,000**	**(9,222)**	**182,547**	**526,191**	**102,951**	**—**	**383,465**	**42,613**	**—**	**2,228,545**

	Share capital	Employees' benefit plan	Statutory reserve	General reserve	Special reserve	Cumulative changes in fair value	Retained earnings	Convertible sukuk equity component	Translation reserve	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at 1 January 2010	1,000,000	(9,222)	182,547	526,191	102,951	—	383,465	42,613	—	2,228,545
Total comprehensive income for the year	—	—	—	—	—	—	26,024	—	—	26,024
Shares forfeited under employees' benefit plan	—	(1,424)	—	—	—	—	(21)	—	—	(1,445)
Directors' fees appropriation reversed	—	—	—	—	—	—	4,206	—	—	4,206
Equity component of convertible sukuk	—	—	—	—	—	—	13,907	(13,907)	—	—
Transfer to statutory reserve (Note 23)	—	—	2,602	—	—	—	(2,602)	—	—	—
Transfer to general reserve (Note 24)	—	—	—	2,602	—	—	(2,602)	—	—	—
Zakat	—	—	—	—	—	—	(32,074)	—	—	(32,074)
Balance at 31 December 2010	**1,000,000**	**(10,646)**	**185,149**	**528,793**	**102,951**	**—**	**390,303**	**28,706**	**—**	**2,225,256**

1. THE COMPANY AND ITS OPERATIONS

Tamweel PJSC (the "**Company**") was registered on 3 June 2006 as a Public Joint Stock Company in accordance with UAE Federal Law No (8) of 1984, as amended. The share capital of the Company comprises 1,000,000,000 shares of AED 1 each. Previously, the Company was operating as Tamweel LLC with a paid up share capital of AED 450 million (450,000 shares of AED 1,000 each).

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia'a compliant financing and investment activities such as Ijara, Murabaha, Istisna'a etc. The activities of the Company and its Subsidiaries (together the "**Group**") are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. The Group is also engaged in the business of property development and trading.

The Group has a license from the Real Estate Regulatory Authority, Dubai, United Arab Emirates to offer Escrow Management Services.

The head office of the Group is located at Business Avenue Building, Emirate of Dubai, UAE. The Group has one branch each in the Emirates of Dubai and Abu Dhabi.

The Group consists of Tamweel PJSC (the Parent Company) and its subsidiaries registered up to 31 December 2010, as listed below:

	Beneficial ownership			
Subsidiaries	**31 December 2010**	**31 December 2009**	**Principal activity**	**Country of incorporation**
Tamweel Funding Limited	100%	100%	SPE for issuance of convertible sukuk	Jersey
Tamweel Sukuk Limited	100%	100%	SPE for issuance of sukuk	Cayman Islands
Tamweel ESOT Limited	100%	100%	SPE for employees' benefit plan	British Virgin Islands
Tamweel Properties & Investments LLC	100%	100%	Real estate development including construction, purchase, sale, rent, brokerage, agency and management services	UAE
Tahfeez Middle East Limited	100%	100%	General trading	JAFZA, Dubai, UAE
Liquidated during the year:				
Tahfeez Saudi Arabia Limited	—	100%	General trading	JAFZA, Dubai, UAE
Tamleek Saudi Arabia Limited	—	100%	General trading	JAFZA, Dubai, UAE
Esham Saudi Arabia Limited	—	100%	General trading	JAFZA, Dubai, UAE
Enjaz Saudi Arabia Limited	—	100%	General trading	JAFZA, Dubai, UAE

Trading in the Company's shares on the Dubai Financial Market has been suspended since November 2008.

In November 2010, Dubai Islamic Bank PJSC acquired an additional 37.47 per cent. shares from certain other shareholders to increase its share holding in Tamweel PJSC to 58.25 per cent. The Company is, accordingly, a subsidiary of Dubai Islamic Bank PJSC.

2. **BASIS OF PREPARATION**

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Sharia'a rules and principles as determined by the Sharia'a Supervisory Board (the Sharia'a Board) of the Group and applicable requirements of United Arab Emirates laws.

Basis of consolidation

Subsidiary undertakings are those companies over which the Group exercises control.

The consolidated financial statements comprise the financial statements of Tamweel PJSC (the Company) and its subsidiaries listed in note 1 (collectively "**the Group**"). The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010.
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective 1 July 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- IFRIC 18 Transfer of Assets from Customers effective for financial years beginning on or after 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

The adoption of the above standards, amendments and interpretations resulted in the following changes to the accounting policies but did not have any impact on the financial position or performance of the Group:

- *IAS 7 Statement of Cash Flows:* States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- *IAS 36 Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other new and amended IFRS and IFRIC interpretations effective as of 1 January 2010 did not have any impact on the accounting policies, financial position or performance of the Group.

IASB Standards and Interpretations issued at 31 December 2010 but not yet effective

The Group has not early adopted the IASB standards issued but not yet effective up to the date of issuance of the Group's financial statements and are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation - Classification of Rights Issues

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given *pro rata* to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group on initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the lASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address impairment and hedge accounting. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact of adopting IFRS 9. However, as the impact of adoption depends on the assets held by the Group at the date of adoption, it is not practical to quantify the effect.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is expected to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)

The IASB issued *Improvements to IFRSs,* an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods beginning on or after either 1 July 2010 or 1 January 2011. The amendments are listed below.

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IFRIC 13 *Customer Loyalty Programmes*

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Basis of measurement

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

The reporting currency of the Group is UAE Dirhams (AED) and these financial statements have been presented in thousands of AED.

3. SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which may have an effect on amounts recognised in the financial statements.

Transfer of equitable interest in properties

The Group has entered into a number of contracts with buyers for the sale of property units. Management has determined that equitable interest in such assets, and therefore risks and rewards of ownership, are transferred to the buyer once he has executed the purchase agreement, pursuant to which he is committed to make the payment of the purchase price. The commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progressive payments. The risk of the buyer being able to rescind the contract for the reasons stated in the contract is considered by management to be remote.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, carried at fair value through profit or loss or available-for-sale.

For those investments deemed held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Group has the intention and ability to hold these to maturity.

The Group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

All other investments are classified as available-for-sale.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts as described below:

Impairment losses on Islamic financing and investing assets

The Group reviews its Islamic financing and investing assets on a regular basis to assess whether a provision for impairment should be recorded in the statement of comprehensive income in relation to any non-performing assets. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

Collective impairment provisions on Islamic financing and investing assets

In addition to specific provisions against individually significant Islamic financing and investing assets, the Group also makes collective impairment provisions against facilities which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for facilities within each grade and is adjusted to reflect current economic changes.

Valuation of properties held for sale

The Group hires the service of third party valuers for obtaining estimates of the valuation of properties held for sale.

4. DEFINITIONS OF SIGNIFICANT TERMS

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

Sharia'a

Sharia'a is the body of Islamic law and is essentially derived from The Quran and The Sunna'h. The Group, being an Islamic Financial Institution, incorporates the principles of Sharia'a in its activities, as interpreted by its Sharia'a Supervisory Board.

Ijara

Ijara (Ijara Muntahia Bittamleek) is an agreement whereby the Group (in its capacity as a lessor,) leases an asset to the customer (as lessee), after buying/acquiring the specified asset according to the customer's request, against certain rental payments for specified lease term/periods. The duration of the lease term, as well as the basis for rental, are set and agreed in advance. The Group retains legal ownership of the asset throughout the arrangement. The arrangement could end by transferring the ownership of the asset to the lessee.

Istisna'a

Istisna'a is a sale contract whereby the Group undertakes to construct for the customer, a specific asset or property according to certain agreed upon specifications at a pre-determined price and for a fixed date of delivery. The work undertaken is not restricted to be accomplished by the Group alone and the whole or part of the construction can be undertaken by third parties under the Group's control and responsibility.

Murabaha

Murabaha is an agreement whereby the Group makes a sale to a customer of an asset that is acquired principally based on a promise received from the customer to buy the relevant asset according to the relevant specific terms and conditions. While making the sale, the Group expressly mentions the costs incurred on the asset that are sold and the profit thereon, to the customer.

Forward Ijara

Forward Ijara (Ijara Mausoofa Fiz Zimma) is an arrangement whereby the Group agrees to provide, on a specified future date, certain described property on lease to the customer upon its completion and delivery by the developer, from whom the Group has purchased the property. The lease rental under Forward Ijara commences only upon the customer having received possession of the property from the Group. The arrangement could end by transferring the ownership of the asset to the lessee.

Mudaraba

Mudaraba is an agreement in which the customer contributes capital and the Group applies its effort. The proportionate share of profit is determined by mutual agreement. The loss, if any, unless caused by negligence or violation of the terms of the agreement, is borne only by the owner of the capital in which case the Group gets nothing for its efforts. The fund provider is known as 'rab-al-mal' and the Group as 'mudareb'.

Wakala

An agreement whereby the Group provides a certain sum of money to an investment agent, who invests it according to specific conditions in return for a certain fee (a lump sum of money or percentage of the amount invested). The agent may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. The agent is obliged to return the invested amount in case of default, negligence or violation of the terms and conditions of the Wakala.

Sukuk

These comprise asset based, Sharia'a compliant trust certificates.

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements are as follows:

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably revenue is recognised in the statement of comprehensive income as follows:

Ijara income

Ijara income is recognised on a time-apportioned basis over the lease term based on the fixed rental amount outstanding.

Murabaha income

Murabaha income is recognised on a time-apportioned basis over the period of the contract based on the net Murabaha amount outstanding.

Istisna'a income

Istisna'a associated profit margin (difference between the cash price of al-masnoo to the customer and the Group's total Istisna'a cost) is accounted for on a time- apportioned basis over the construction period.

Forward Ijara income

Forward Ijara income during the construction period of the properties is accounted for on a time-apportioned basis over the construction period on account of rentals. Upon completion of the properties, income is recognised on a time-apportioned basis over the period of the contract based on the fixed rental amount outstanding.

Sale of properties held for sale

Sale of properties held for sale is recognised on full accrual method as and when the risk and reward and the control is transferred to buyer.

Processing fees

Processing fees are recognised when applications for facilities are processed.

Other income

Income earned on mudaraba deposits and wakala Investments is recognised on a time proportion basis. All other income is recognised when the right to receive the income is established.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Islamic financing and investing assets

Islamic financing and investing assets include outstanding Ijara fixed rentals, Murabaha sales receivables net of deferred profits, Istisna'a costs incurred to date measured at cash equivalent value and forward Ijara at costs incurred to date. Also included in the Islamic financing and investing assets are Ijara and Forward Ijara profit accruals in addition to Istisna'a and Murabaha amortised profits. These assets are stated at cost net of provisions for impairment and profit suspension, if any.

Properties held for sale

Properties held for sale are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Cost comprises all costs of purchase and other directly attributable costs incurred in bringing each property to its location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to be incurred on disposal.

Investments

Trading investments

These are initially recognised at cost and subsequently measured at fair value. All related realised and unrealised gains or losses are taken to the statement of comprehensive income. Profit earned or dividends received are included in other income.

Held to maturity

Securities which have fixed or determinable payments and are intended to be held to maturity, are carried at amortised cost using the effective profit method, less provision for impairment in value, if any.

Available -for-sale

Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "**cumulative changes in fair value**" within equity is included in the statement of comprehensive income for the year.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment in value, if any. Capital work-in progress is stated at cost and is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

Leasehold improvements	5 to 10 years
Buildings	20 years
Office equipment	5 years
Furniture and fixtures	4 to 5 years
Software licenses and computer equipment	3 to 8 years
Networks and servers	3 to 4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

Financial instruments

The Group recognises financial assets or financial liabilities only when the Group becomes a party to the contractual provisions of a financial instrument. On initial recognition, the financial assets and financial liabilities are measured at fair value plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial measurement, the financial assets are measured at fair value except for finances and receivables and held to maturity investments which are measured at amortised cost. Financial liabilities, after initial recognition, are measured at amortised cost.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

(a) the right to receive cash flows from the asset have expired; or

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

(c) either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Securitisation

The Group enters into securitisation transactions to finance specific Islamic finances to customers. Both the securities in issue and the finances and advances to customers remain on the Group's statement of financial position within the appropriate headings in the statement of financial position unless:

i) a fully proportionate share of all or of specifically identified cash flows have been transferred to the holders of the securities, in which case that proportion of the assets are derecognised;

ii) substantially all the risks and rewards associated with the assets have been transferred, in which case the assets are fully derecognised; or

iii) if a significant proportion of the risks and rewards have been transferred, the assets are recognised only to the extent of the Group's continuing involvement.

Zakat

Zakat is computed as per the Group's Articles and Memorandum of Association and is approved by the Group's Sharia'a Supervisory Board on the following basis:

- Zakat on shareholders' equity is computed at 2.5775 per cent. of the aggregate of general and legal reserves, retained earnings, other reserves and provision for staff gratuity.
- 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.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has a present 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

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

The Group 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 term of employment.

Employees' benefit plan shares

Employees' benefit plan shares consist of the Group's own shares that have been designated under Employee Stock Ownership Plan and not yet reissued or cancelled. These shares are accounted for using the cost method. Under the cost method, the average cost of the shares is shown as a deduction from total shareholders' equity.

Convertible Sukuk

Convertible Sukuk that can be settled at the option of the issuer are recorded as compound financial instruments. The equity component of the convertible sukuk is calculated as the excess of the issue proceeds over the present value of the future profit and principal payments, discounted at the market rate of profit applicable to similar liabilities that do not have a conversion option.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the awards are granted. The cost of equity-settled transactions with employees is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("**vesting date**"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Foreign currencies

Transactions in foreign currencies are recorded at rates of exchange prevailing at the dates of the transactions.

As at the reporting date, the assets and liabilities of the foreign subsidiaries are translated into Arab Emirates Dirhams at the rate of exchange ruling at the statement of financial position date and, their statement of comprehensive incomes are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the consolidated statement of comprehensive income.

Trade and settlement date accounting

All "**regular way**" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the statement of financial position date. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted securities fair value is determined by reference to brokers' quotes, recent transaction(s), the market value of similar securities, or based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

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

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis.

6. INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	2010	2009
	AED'000	*AED'000*
Ijara and Forward Ijara (constructed and handed over properties)	**463,985**	499,762
Istisna'a and Forward Ijara (under construction properties)	**62,946**	163,608
Murabaha and Mudaraba	**9,610**	33,544
Processing fees, other fees and commission income	**16,667**	9,682
	553,208	706,596

7. COMMISSION AND OTHER INCOME

	2010	2009
	AED'000	*AED'000*
Income on mudaraba deposits and wakala Investments	**20,983**	24,194
Gain on consolidation, reacquisition and foreclosure of properties	**35,368**	—
Reversal of provisions no longer required	**18,795**	—
Changes in fair value of investments held for trading	**—**	3,798
Gain on sale of investments held for trading	**—**	570
Others	**16,296**	9,640
	91,442	38,202

8. INCOME FROM SALE OF PROPERTIES HELD FOR SALE

	2010	2009
	AED'000	*AED'000*
Revenue on properties sold	**7,369**	97,933
Cost of properties sold	**(5,902)**	(77,493)
	1,467	20,440

9. GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
	AED'000	*AED'000*
Staff costs	**57,783**	75,159
Legal and professional charges	**13,212**	5,842
Office rent	**6,248**	16,517
Depreciation (Note 18)	**5,869**	5,255
Advertisement and sales promotion	**1,668**	600
Cost of vested shares under employees' benefit plan (Note 22)	**—**	1,428
Costs for closure of international operations and other non recurring costs	**—**	7,920
Other expenses	**14,639**	16,987
	99,419	129,708

10. **IMPAIRMENT PROVISIONS, NET**

	2010	2009
	AED'000	*AED'000*
Provision for impairment—Islamic financing and investing assets	**110,750**	140,469
—Properties held for sale (Note 15)	**46,646**	188,700
Provision for impairment on other receivables	**2,490**	—
Reversal of other provisions and accruals no longer required	**—**	(85,381)
	159,886	243,788

11. **DEPOSITORS'/INVESTORS' SHARE OF PROFIT AND RELATED COSTS**

	2010	2009
	AED'000	*AED'000*
Financing obligations	**345,813**	431,867
Amortization of deferred cost	**11,339**	11,508
Others	**3,636**	2,825
	360,788	446,200

12. **EARNINGS PER SHARE—BASIC AND DILUTED**

Basic earnings per share are calculated by dividing the profit for the year adjusted by the directors' fee, by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares. The diluted earnings per share arising from the issue of employees' share options do not result in any change from the reported basic earnings per share.

Basic earnings per share

	2010	2009
	AED'000	*AED'000*
Profit (loss) for the year net of directors' remuneration	**30,230**	(57,508)
	Number of shares'000	
Weighted average number of shares outstanding during the year	**1,000,000**	1,000,000
Basic earnings per share (AED)	**0.03**	(0.06)

Diluted earnings per share

	2010	2009
	AED'000	*AED'000*
Profit (loss) for the year net of directors' remuneration	**30,231**	(57,508)
Add: Profit on convertible Sukuk	**47,509**	60,258
	77,740	2,750
	Number of shares'000	
Weighted average number of shares outstanding during the year	**1,136,338**	1,136,338
Diluted earnings per share (AED)	**N.A.**	N.A.

Diluted earnings per share for the year ended 31 December 2010 have not been calculated since the conversion of sukuk into ordinary shares would have an antidilutive effect.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements for issuance. The Group holds 10,645,877 (2009: 9,222,377) shares under the employees' benefit plan, the impact of which on the earning per share is not material.

13. BANK BALANCES AND CASH

	2010	2009
	AED'000	*AED'000*
Bank balances	**482,238**	507,856
Cash in hand	**25**	30
	482,263	507,886

Almost all the bank balances are held with banks within the UAE, are profit generating and earn profit at an average profit rate of 3.3 per cent. (2009: 5.0 per cent.).

14. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2010	2009
	AED'000	*AED'000*
Receivable on Notes (Note 16 (c))	**37,557**	28,942
Receivable from developers	**13,339**	21,095
Commission receivable	**8,642**	8,642
Deferred cost	**4,622**	12,379
Receivable under employees' benefit plan	**2,550**	3,989
Prepaid expenses	**1,025**	9,168
Receivable on sale of properties	**—**	10,699
Others	**7,623**	12,479
	75,358	107,393
Less: Provision for impairment on advances and other receivables	**(11,134)**	(8,644)
	64,224	98,749

15. PROPERTIES HELD FOR SALE

	2010	2009
	AED'000	*AED'000*
Balance as at 1 January	**718,402**	672,702
Properties consolidated (see note (a) below)	**(239,883)**	—
Transferred to property and equipment (Note 18)	**(21,779)**	—
Properties acquired	**127,394**	26,665
Properties disposed off	**(5,902)**	(77,493)
Transferred from capital work in progress	**—**	56,918
Transferred from investment properties	**—**	39,610
	578,232	718,402
Impairment provision	**(168,641)**	(188,700)
	409,591	529,702

(a) In respect of certain properties held for sale, the Group has agreed to a consolidation with the property developer whereby the developer has agreed to cancel the sale of certain properties to the Group and adjust the amounts paid for such properties against payable to the property developer in respect of the other properties purchased. Accordingly, cost of such properties held for sale and its related payable have been reversed and the related impairment provision has been either reversed or written off.

(b) Properties held for sale are located within the UAE.

Impairment provision

Movements in the impairment provision were as follows:

	2010	2009
	AED'000	*AED'000*
At 1 January	**188,700**	—
Provision made during the year	**46,646**	188,700
Write off of impairment provision upon consolidation (see note (a) above)	**(66,705)**	—
At 31 December	**168,641**	188,700

16. **OTHER INVESTMENTS**

	2010	2009
	AED'000	*AED'000*
Available-for-sale: (within the UAE)		
Quoted—mutual fund units[(a)]	**1,030**	1,030
Others[(b)]	**920**	920
	1,950	1,950
Held to maturity: (outside the UAE)		
Investments in Notes[(c)]	**31,180**	34,646
Profit on Notes	**14,717**	11,990
	45,897	46,636
	47,847	48,586
Less: Provision for impairment	**(920)**	(920)
	46,927	47,666

(a) The fair value of investments in mutual fund units is based on the last bid price as published by the fund manager.

(b) This represents advances against equity shares to be allotted and has been fully provided for.

This represents the investment made in the notes issued by Tamweel Residential ABS CI (1) Ltd in Cayman Islands. The applicable expected profit rate ranges from 3.95 per cent. to 10 per cent. above LIBOR. The maturity of these Notes is the earlier of the year 2037 or the expiry of the securitised receivables.

17. **ISLAMIC FINANCING AND INVESTING ASSETS**

	2010	2009
	AED'000	*AED'000*
Ijara and Forward Ijara (constructed and handed over properties)	**6,151,664**	5,835,596
Gross Murabaha and Mudaraba receivables	**404,439**	583,685
Less: Deferred profit	**(12,616)**	(5,036)
Net Murabaha and Mudaraba receivables	**391,823**	578,649
Istisna'a and Forward Ijara (under construction properties)	**2,978,392**	4,237,225
	9,521,879	10,651,470
Less: Profit suspended	**(33,419)**	—
Less: Provision for impairment	**(330,654)**	(219,904)
	9,157,806	10,431,566

All the assets financed by the Group are within the UAE. Included in the Islamic financing and investing assets are profit accruals amounting to AED 343,885 thousand (2009: AED 401,100 thousand).

Provisions for impairment

Movements in the provision for impairment were as follows:

	2010	2009
	AED'000	*AED'000*
At 1 January	**219,904**	85,435
Provision made during the year	**110,750**	140,469
Amounts written off	**—**	(6,000)
At 31 December	**330,654**	219,904

Collateral

The Group enters into collateral arrangements with counter parties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the legal ownership of the finance property is maintained with the Group until the customer (lessee) has fulfilled all his obligations under the relevant Ijara.

18. **PROPERTY AND EQUIPMENT**

	Leasehold improvements	Buildings	Office equipment, furniture and fixtures	Software licenses and computer equipment	Network and servers	Capital work-in-progress	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Cost:							
At 1 January 2010	9,422	—	6,108	10,907	4,626	633	31,696
Additions	—	—	3,850	—	2,284	374	6,508
Transfers	—	—	—	692	—	(692)	—
Transferred from properties held for sale (Note 15)	—	21,779	—	—	—	—	21,779
Write offs	(6,999)	—	—	—	—	—	(6,999)
At 31 December 2010	**2,423**	**21,779**	**9,958**	**11,599**	**6,910**	**315**	**52,984**
Depreciation:							
At 1 January 2010	2,846	—	3,909	7,707	2,274	—	16,736
Charge for the year	715	1,468	728	1,802	1,156	—	5,869
Relating to write offs	(1,987)	—	—	—	—	—	(1,987)
At 31 December 2010	**1,574**	**1,468**	**4,637**	**9,509**	**3,430**	**—**	**20,618**
Net book value:							
At 31 December 2010	**849**	**20,311**	**5,321**	**2,090**	**3,480**	**315**	**32,366**

	Leasehold improvements	Buildings	Office equipment, furniture and fixtures	Software licenses and computer equipment	Network and servers	Capital work-in-progress	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Cost:							
At 1 January 2009	7,148	—	4,774	10,257	3,648	50,785	76,612
Additions	1,309	—	810	501	490	11,138	14,248
Transfers	1,028	—	1,055	383	507	(2,973)	—
Transferred to properties held for sale (Note 15)	—	—	—	—	—	(56,918)	(56,918)
Write offs	(63)	—	(531)	(234)	(19)	(1,399)	(2,246)
At 31 December 2009	**9,422**	**—**	**6,108**	**10,907**	**4,626**	**633**	**31,696**
Depreciation:							
At 1 January 2009	1,367	—	3,056	5,769	1,352	—	11,544
Charge for the year	1,504	—	857	1,970	924	—	5,255
Relating to write offs	(25)	—	(4)	(32)	(2)	—	(63)
At 31 December 2009	**2,846**	**—**	**3,909**	**7,707**	**2,274**	**—**	**16,736**
Net book value:							
At 31 December 2009	**6,576**	**—**	**2,199**	**3,200**	**2,352**	**633**	**14,960**

19. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2010	2009
	AED'000	*AED'000*
Profit payable on financing obligations	**52,937**	70,782
Accounts payable	**51,256**	81,353
Property purchase payables	**40,605**	235,899
Developers' payables	**—**	295,186
Payable under Escrow accounts	**22,511**	71,657
Takaful payable (Note 31)	**19,196**	16,315
Dividends payable	**18,784**	19,059
Employees' end of service benefits	**5,126**	5,286
Commission payable on sale of properties	**2,761**	31,235
Advisory and management fee payable	**—**	11,000
Accrual and other liabilities	**50,400**	20,084
	263,576	857,856

20. FINANCING OBLIGATIONS

	2010	2009
	AED'000	*AED'000*
Wakalas	**3,968,558**	4,405,185
Mudarabas	**1,481,043**	1,921,379
Sukuk	**1,100,000**	1,100,000
Convertible Sukuk	**1,068,941**	1,051,948
	7,618,542	8,478,512

Wakalas

Wakalas represent investment amounts received by the Group (Wakeel) from customers (Muwakkils) for investment purposes to generate profits for the Muwakkils. Any profit exceeding the expected profit after deduction of wakala fee is allowed to be kept by the Group as a performance incentive. The effective average profit rate on these Wakalas is 4 per cent. (2009: 4.9 per cent.)

Mudarabas

Mudarabas represent funds for investment in the Group's (Mudareb's) on-going real estate investment activities (the Project) on a mudaraba basis. The actual profit generated by investing the Mudaraba capital is shared between the Rab Al Mal and the Mudareb based on a pre agreed profit distribution ratio. Further, the Rab Al Mals agree to reward the Mudareb for profits earned by it in excess of a minimum return (based on EIBOR) determined at inception as a performance incentive/bonus for profitable, efficient and safe deployment of the Rab Al Mal's capital. The effective average profit rate on these Mudarabas is 3.6 per cent. (2009: 4.3 per cent.). All these Mudarabas are short term to medium term.

Sukuk

In July 2008, the Group issued Trust Certificates (Investment Sukuk), for the total value of AED 1,100 million through Tamweel Sukuk Limited, which are listed on NASDAQ Dubai. The Investment Sukuk is structured to conform to principles of Islamic Sharia'a, matures in 2013 and has an expected profit rate of 3M EIBOR + 225 basis points per annum, to be paid quarterly in arrears.

Convertible Sukuk

In January 2008, the Group issued convertible sukuk in the form of Trust Certificates / Shirkat-ul-Milk ("**the Sukuk**"), for a total value of U.S.$ 300 million, which are listed on NASDAQ Dubai. The Sukuk is structured to conform to the principles of Islamic Sharia'a, matures in 2013 and has a fixed profit rate of 4.31 per cent. per annum, to be paid on a quarterly basis in arrears. The reference share price (the relevant exchange price) for conversion, to which an exchange premium of 20.5 per cent. will apply, was taken as the closing price of the Parent Company's share as of 13 December 2008. This exchange premium was subsequently reduced to 16.8 per cent. due to the payment of dividend for the financial year 2008. This adjustment to the exchange price was made in accordance with the terms and conditions of the transaction documents.

In accordance with the terms of the subscription, each Trust Certificate may be redeemed at the option of the Certificate holder or the issuer as follows:

(a) At the option of the Certificate holder through "**Voluntary Early Redemption**" at any time one year after the issue date subject to satisfying certain conditions. At the option of the issuer, either the shares will be issued at the relevant exchange price or cash will be paid. The cash amount to be paid will be based on the arithmetic average of the volume weighted average price of the shares on each trading day during the last 10 consecutive trading days, multiplied by the number of shares that would have been issued under the equity settlement.

(b) At the option of the issuer at any time 3 years after the issue date through "**Optional Partial Redemption**" subject to satisfying certain conditions. In case of Optional Partial Redemption, either shares will be issued at the relevant exchange price or cash will be paid. The cash amount to be paid will be arrived similarly as in the case of Voluntary Early redemption.

At the time of final maturity, any remaining Trust Certificate will be redeemed in full by the issuer in cash at face value plus any unpaid profit amount.

The Convertible Sukuk has been included under financing obligations in the statement of financial position as follows:

	2010	**2009**
	AED'000	***AED'000***
Proceeds from issue of convertible sukuk	**1,101,840**	1,101,840
Less: Unamortised issuance costs	**(4,853)**	(7,279)
Net proceeds from convertible sukuk	**1,096,987**	1,094,561
Less: Equity component on initial recognition	**(69,534)**	(69,534)
Liability component	**1,027,453**	1,025,027
Add: Exchange difference		660
Add: Additional profit at effective rate	**40,828**	26,921
	1,068,941	1,051,948

21. SHARE CAPITAL

	2010	**2009**
	AED'000	***AED'000***
Authorised, issued and paid up 1,000,000,000 ordinary shares of AED 1 each (31 December 2009: 1,000,000,000 ordinary shares of AED 1 each)	**1,000,000**	1,000,000

22. EMPLOYEES' BENEFIT PLAN

On 26 February 2006, the Group established an Employee benefit plan to recognise and retain good performing key employees. The Plan gives the employee the right to purchase the Company's shares at an exercise price.

In accordance with an agreement between the shareholders of Tamweel LLC and the Group, the shareholders of Tamweel LLC agreed to transfer 18,000 shares of AED 1,000 each (equivalent to 18,000,000 shares of AED 1 each after the share split on conversion of the LLC into a PJSC) of the Company owned by them for the benefit of the Group's employees under this plan. These shares are held by two trustee companies. The cost of acquisition of these shares was AED 18 million at the rate of AED 1,000 per share of a nominal value of AED 1,000 each.

During 2010, there have been no new grants to the employees (2009: NIL) and there has been no vesting of the shares previously granted as trading in company shares have been suspended (Note 1). However, the Group forfeited 1,423,500 (2009: 1,541,950) shares on account of employees leaving the Group.

Out of these 18 million shares, the Group granted 7,354,123 shares (2009: 8,777,623 shares) at AED 1.015 per share up to 31 December 2010, net of forfeitures. These shares vest over a period of three years.

The remaining 10,645,877 shares (2009: 9,222,377 shares) of AED 1 each held under this scheme are held as plan shares by the trustees and will be granted in the future as and when the employees meet the pre-determined criteria. When granted to employees, the difference between the fair value of these shares on the grant date and amounts recovered from employees, if any, will be charged to the statement of comprehensive income. The fair value of these shares at 31 December 2010 is estimated at AED 10.6 million at the rate of AED 1 per share.

23. STATUTORY RESERVE

As required by the Commercial Companies Law and the Company's Articles of Association, 10 per cent. of the profit for the year is transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50 per cent. of paid up share capital. This reserve is not available for distribution except in the circumstances as stipulated by UAE Commercial Companies Law of 1984 (as amended).

24. GENERAL RESERVE

As required by the Company's Articles of Association, 10 per cent. of the profit for the year is transferred to general reserve. As per the Articles of Association, deductions for the general reserve shall stop by resolution of an Ordinary General Assembly upon the recommendation of the Board of Directors or when this reserve reaches 50 per cent. of the paid up capital of the Company. This reserve shall be utilised for the purpose determined by the General Assembly at an ordinary meeting upon the recommendation of the Board of Directors.

25. SPECIAL RESERVE

The special reserve, which has been created in accordance with the recommendations of the UAE Central Bank, is not available for distribution.

26. COMMITMENTS

	2010	**2009**
	AED'000	***AED'000***
Irrevocable commitments to extend credit	**1,776,731**	2,329,672

This represents contractual commitments to provide Islamic financing. Commitments generally have fixed expiry dates, or other termination clauses, and normally require the payment of a fee. Since these may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

27. CONTINGENCIES

(a) The Group's bankers have provided a guarantee of AED 50 million (31 December 2009: AED 50 million) favouring the UAE Central Bank against the share capital.

(b) The Group's bankers have also provided a guarantee of AED 5 million (31 December 2009: AED 5 million) to Economic Affairs Division of the Government of Dubai for establishing a subsidiary company.

28. RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement, mitigation and monitoring subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and sustainability. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in its attempt to build stakeholder's value are outlined below.

Risk Management Structure

Ultimate responsibility and accountability for the Group's risk management rests with the Board of Directors. The level of risk that the Group accepts, together with the basis for managing those risks, is driven from the top down by those charged with overall responsibility for running the business. However, separate independent bodies are entrusted with delegated risk management responsibilities.

The Board of Directors is responsible for the overall risk management approach and for designing and deciding the risk strategies, policies, appetite parameters, and principles.

The Audit and Risk Management (ARM) Committee is responsible to the full Board for ensuring that the Group establishes and maintains an effective internal control system, reviewing the effectiveness of the internal audit function, and ensuring that appropriate controls are in place for monitoring compliance with laws, regulations, and supervisory requirements. ARM Committee supports the monitoring of the overall risk situation and the management's approaches to comprehensive risk identification and control. The Committee reviews the Group's risk profile to ensure that it is within the Board established risk policies and appetite parameters.

The Audit and Risk Management function, reporting to the Board, independently ensures that appropriate processes are in place for the identification, assessment, monitoring and mitigation of risks. Within the guidelines of the Board of Directors, it coordinates the development and implementation of the risk management framework and the execution of risk policies.

Management is responsible for executing the risk management strategy including the identification and evaluation on a continuous basis of all risks to the business and the implementation of appropriate mitigation strategies to contain them.

The Sharia'a Supervisory Board is responsible to review the operational, financing and investing activities of the Group ensuring their alignment and compliance with the principles of Islamic Sharia'a as interpreted by it. Being a supervisory board they are also required to audit the business activities undertaken and present an independent report to the shareholders with regard to the implementation of the principles of Sharia'a in the Group's overall activities.

The Credit Committee is entrusted with evaluating the Group's credit portfolio, approving financial commitments exceeding a defined limit on behalf of the Group, reviewing the delinquency provision policy in light of the credit risk embedded in the overall portfolio, assessing the Group's significant credit-based exposures and the steps management has taken to mitigate them, handling impaired assets, formulating credit policies and procedures, reporting exposures, and analyzing country and counterparty risks.

The Group has introduced a Risk Adjusted Pricing Model for financing following accredited Credit and Risk evaluation standards. The Credit Committee actively pursues the quality of the portfolio on a monthly basis using internationally acknowledged credit scoring system.

The Asset and Liability Committee (ALCO) is chiefly responsible for defining long-term strategic plans and short-term tactical initiatives for directing asset and liability allocations prudently for the achievement of the Group's strategic goals. ALCO monitors the Group's liquidity and market risks and the Group's risk profile in the context of economic developments and market fluctuations.

The Investment Committee oversees market risk embedded in all investment-related deals through its responsibility in setting an overall investment strategy and policy, reviewing and approving the investment proposals raised by the Investment Department, monitoring defined limits, and reviewing the performance of the Group's investments within the risk-return guidelines set by the Board.

The Product Committee is responsible to ensure compliance with directives issued by the Sharia'a Board including changes in financing contracts, product parameters, etc.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive and up-to-date information necessary for their proper management and monitoring of risks inherent in the activities.

Types of Risk the Group is subject to:

Concentration Risk

Concentration arises 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. Concentration indicates the relative sensitivity of the Group's performance to developments affecting a particular nationality, industry or geographical location.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to maintain a diversified portfolio. This is further enforced by the Credit Committee's oversight. Identified concentration of credit risks are controlled and managed accordingly.

Credit Risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk stems mainly from day to day Islamic financing activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated financing authorities, credit standards and procedures.

The Group attempts to control credit risk by monitoring credit exposures, maintaining credit limits, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Group has built and maintains a sound credit portfolio within the guidelines of the Board approved credit policy. The Group has an established risk management process encompassing of credit approvals, control of exposures, credit policy direction to business units, well-designed credit appraisals, review of exposures both on an individual and a portfolio basis, and incorporation of robust problem credit management procedures. Special attention is directed towards the management of past-due financing assets through a dedicated Collection Team.

The Group enters in collateral arrangements with counterparties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the ownership of the financed property is maintained with the Group until the customer (lessee) has fulfilled all his obligations under the relevant Ijara.

QUANTITATIVE INFORMATION

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross.

	Gross maximum exposure 2010	**Gross maximum exposure 2009**
	AED'000	***AED'000***
Bank balances (Note 13)	**482,238**	507,856
Advances and other receivables	**69,711**	85,846
Other investments (Note 16)	**47,847**	48,586
Islamic financing and investing assets (Note 17)	**9,521,879**	10,651,470
Total	**10,121,675**	11,293,758
Irrevocable commitments to extend credit (Note 26)	**1,776,731**	2,329,672

For more details on the maximum exposure to credit risk for each class of financial instrument, references should be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

The Group's financial assets, before taking into account any collateral held or other credit enhancements are analysed by business segment in note 29.

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset, based on the Group's credit rating system.

At 31 December 2010

	Neither past due nor impaired				
	Normal grade	Watch list grade	Past due but not individually impaired	Past due and individually impaired	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Bank balances	482,238	—	—	—	482,238
Advances and other receivables	44,427	14,150	—	11,134	69,711
Other investments	46,927	—	—	920	47,847
Islamic financing and investing assets	7,653,660	764,313	463,903	640,003	9,521,879
Total	**8,227,252**	**778,463**	**463,903**	**652,057**	**10,121,675**

At 31 December 2009

	Neither past due nor impaired				
	Normal grade	Watch list grade	Past due but not individually impaired	Past due and individually impaired	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Bank balances	507,856	—	—	—	507,856
Advances and other receivables	35,241	41,961	—	8,644	85,846
Other investments	47,666	—	—	920	48,586
Islamic financing and investing assets	9,780,650	533,330	247,930	89,560	10,651,470
Total	**10,371,413**	**575,291**	**247,930**	**99,124**	**11,293,758**

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

Aging analysis of past due but not individually impaired Islamic, financing and investing assets

	31 December 2010				
	Less than 30 days	31 to 60 days	60 to 90 days	More than 91 Days	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Islamic financing and investing assets	232,840	134,549	23,804	72,710	463,903

	31 December 2009				
	Less than 30 days	31 to 60 days	60 to 90 days	More than 91 Days	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Islamic financing and investing assets	122,242	38,745	51,886	35,057	247,930

Collateral and other credit enhancements

The finance provided by the Group is asset backed in accordance with the principles of Sharia'a. Properties are funded based on "**Group's Appraised Value**". In the case of new properties, the appraised value is similar to the developers' per square footage rate further assessed by independent valuation and internal assessment. However, in some cases the Group might have lower rates than the developers based on the Group's view of the property. In case of older properties the appraised value is determined by the Credit

Department. These valuations are based on the valuation report from valuers, whenever required, and the property prices witnessed in Tamweel's past funding transactions.

Property insurance is mandatory and the property is insured against all normal risks for the value stated in the sale agreement, or the valuation amount given by the surveyor, as the case maybe. The insured value is maintained at the original property value through the life of the finance.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. In the Group's financial statements, mainly two line items can lead to such exposure i.e. Islamic financing assets and financing obligations, as shown on the assets and liability sides respectively. The profit rate risk for the Group is minimal in the short term period.

The profit rate for financing assets is a composition of EIBOR and internal spread which cannot be expected to fluctuate frequently based on EIBOR movement. The Group reviews the profit rate on a monthly basis during its ALCO meeting and, if required, recommends rate change based on market conditions and competition.

The financing obligations, being short term, are contractually variable rate contracts as determined on contract initiation.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's statement of comprehensive income.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in profit rates on the net profit earned for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2010 and 31 December 2009.

	31 December 2010	
	Increase/ (decrease) in basis points	**Sensitivity of net returns increase/ (decrease) AED 000's**
AED	50bps	24,924
AED	(50bps)	(24,924)

	31 December 2009	
	Increase/ (decrease) in basis points	**Sensitivity of net returns increase/ (decrease) AED 000's**
AED	50bps	(4,594)
AED	(50bps)	4,594

Currency risk

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

All assets and liabilities as on 31 December 2010 are denominated in the UAE Dirhams or US Dollars. UAE Dirham is currently pegged to US Dollar and therefore, the Group is not exposed to any significant currency risk except for the balances relating to foreign subsidiaries, which are not significant.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The Group is not subject to any equity price risk as it does not have any investment in equity shares.

Early settlement risk

Early settlement risk is the risk that the Group will incur a financial loss because its counterparties settle earlier or later than expected.

The Group does not have any significant early settlement risk as the amount recovered in case of early settlement is more than the fair value of the asset on settlement date, by adding a margin, and to recover amount on time and to avoid any delays. The collection team, supervised by the Credit committee monitors the customer receivable position on a daily basis.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Liquidity Risk

Liquidity risk is the risk that the Group may be unable to meet its funding requirements. This can be caused by political uncertainty, market disruptions or deterioration in the Group's credit ratings.

The Group monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis.

The Group reviews the maturity gap analysis in its monthly ALCO meetings to identify potential liquidity risks in advance. The gap measures liquidity in nine time buckets for each type of asset and liability for each period, as well as cumulatively.

Maturity analysis of assets and liabilities

The maturity analysis of assets, liabilities and items off the statement of financial position analysed according to when they are expected to be recovered, settled or sold.

The Group reviews the maturity gap analysis regularly to identify potential liquidity risks in advance. The Group measures liquidity in nine time buckets for each type of asset and liability for each period, as well as cumulatively.

The maturity gap as of 31 December 2010 arises as a result of contractual maturities of assets and liabilities. The Group has agreed in principle with its corporate depositors for financing obligations to roll forward the financing obligations amounting to AED 4.9 billion for five years at a profit rate of 4 per cent. Formal agreements have been signed for AED 3.6 billion of these deposits while others are in the process of being signed.

At 31 December 2010

	Within 1 month	1 to 3 months	3 to 12 months	Subtotal less than 12 months	1-5 years	Over 5 years	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
ASSETS							
Bank balances and cash	482,263	—	—	482,263	—	—	482,263
Advances, prepayments and other receivables	2,693	3,145	8,679	14,517	49,707	—	64,224
Properties held for sale	—	—	—	—	409,591	—	409,591
Other investments	—	—	—	—	46,927	—	46,927
Islamic financing and investing assets	255,512	159,578	762,729	1,177,819	1,765,980	6,214,007	9,157,806
Property and equipment	—	—	313	313	21,897	10,156	32,366
Total assets	**740,468**	**162,723**	**771,721**	**1,674,912**	**2,294,102**	**6,224,163**	**10,193,177**
LIABILITIES							
Zakat payable	5,000	10,000	38,729	53,729	32,074	—	85,803
Accounts payable, accruals and other liabilities	65,958	10,370	135,404	211,732	46,770	5,074	263,576
Financing obligations	—	341,128	231,043	572,171	7,046,371	—	7,618,542
Total liabilities	**70,958**	**361,498**	**405,176**	**837,632**	**7,125,215**	**5,074**	**7,967,921**
Assets less liabilities	**669,510**	**(198,775)**	**366,545**	**837,280**	**(4,831,113)**	**6,219,089**	**2,225,256**
COMMITMENTS							
Irrevocable commitments to extend credit	**202,593**	**446,449**	**445,485**	**1,094,527**	**682,204**	**—**	**1,776,731**

At 31 December 2010

	Within 1 month	1 to 3 months	3 to 12 months	Subtotal less than 12 months	1-5 years	Over 5 years	Total
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
ASSETS							
Bank balances and cash	507,886	—	—	507,886	—	—	507,886
Advances, prepayments and other receivables	1,857	6,704	41,407	49,968	48,781	—	98,749
Properties held for sale	—	—	6,487	6,487	523,215	—	529,702
Other investments	—	—	—	—	47,666	—	47,666
Islamic financing and investing assets	278,947	354,916	744,057	1,377,920	2,204,124	6,849,522	10,431,566
Property and equipment	—	—	633	633	14,327	—	14,960
Total assets	**788,690**	**361,620**	**792,584**	**1,942,894**	**2,838,113**	**6,849,522**	**11,630,529**
LIABILITIES							
Zakat payable	—	—	32,808	32,808	32,808	—	65,616
Accounts payable, accruals and other liabilities	69,679	86,979	206,810	363,468	489,102	5,286	857,856
Financing obligations	1,184,000	2,721,185	2,190,480	6,095,665	2,382,847	—	8,478,512
Total liabilities	**1,253,679**	**2,808,164**	**2,430,098**	**6,491,941**	**2,904,757**	**5,286**	**9,401,984**
Assets less liabilities	**(464,989)**	**(2,446,544)**	**(1,637,514)**	**(4,549,047)**	**(66,644)**	**6,844,236**	**2,228,545**
COMMITMENTS							
Irrevocable commitments to extend credit	**38,134**	**108,023**	**470,871**	**617,028**	**1,712,644**	**—**	**2,329,672**

Contractual undiscounted repayment obligations

The maturity profile of the Group's financial liabilities based on contractual undiscounted payment obligations is as follows:

	Within 1 month	1 to 3 months	3 to 12 months	Subtotal less than 12 months	Over 1 year	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
At 31 December 2010						
Zakat payable	5,000	10,000	38,729	53,729	32,074	85,803
Accounts payable, accruals and other liabilities	65,958	10,370	135,404	211,732	51,844	263,576
Financing obligations	—	348,956	445,852	794,808	7,977,398	8,772,206
	70,958	**369,326**	**619,985**	**1,060,269**	**8,061,316**	**9,121,585**

	Within 1 month	1 to 3 months	3 to 12 months	Subtotal less than 12 months	Over 1 year	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
At 31 December 2009						
Zakat payable	—	—	32,808	32,808	32,808	65,616
Accounts payable, accruals and other liabilities	69,679	86,979	206,810	363,468	494,388	857,856
Financing obligations	1,193,682	2,746,181	2,318,519	6,258,382	2,688,006	8,946,388
	1,263,361	**2,833,160**	**2,558,137**	**6,654,658**	**3,215,202**	**9,869,860**

29. **SEGMENTAL INFORMATION**

For management purposes the Group is organised into two major business segments:

Islamic financing and investing activities	Principally handling Islamic financing and investing activities.
Property development and investment activities	Principally involved in the development, purchase and sale of properties and related activities including commissions.

These segments are the basis on which the Group reports its segments information. Segmental information for the years ended 31 December 2010 and 2009 was as follows:

	31 December 2010				31 December 2009			
	Islamic financing and investing activities	**Property development and investment activities**	**Others**	**Total**	**Islamic financing and investing activities**	**Property development and investment activities**	**Others**	**Total**
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Gross income	**616,215**	**29,902**	**—**	**646,117**	730,036	22,443	12,759	765,238
Allocable expenses	**(434,226)**	**(25,981)**	**—**	**(460,207)**	(529,376)	(33,581)	(12,951)	(575,908)
Segment result	**181,989**	**3,921**	**—**	**185,910**	200,660	(11,138)	(192)	189,330
Impairment Provisions, net	**(113,240)**	**(46,646)**	**—**	**(159,886)**	(116,088)	(127,700)	—	(243,788)
Segment result after provision	**68,749**	**(42,725)**	**—**	**26,024**	84,572	(138,838)	(192)	(54,458)
Profit for the year				**26,024**				(54,458)
Segment assets	**9,260,458**	**410,635**	**522,084**	**10,193,177**	10,536,024	541,293	553,212	11,630,529
Segment liabilities	**7,183,097**	**338,454**	**446,370**	**7,967,921**	8,356,535	488,674	556,775	9,401,984
Depreciation	**—**	**—**	**5,869**	**5,869**	—	—	5,255	5,255
Capital expenditure	**—**	**—**	**6,508**	**6,508**	—	—	14,248	14,248

No secondary segment information has been provided as currently the operations of the Group are concentrated primarily in the United Arab Emirates.

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009. Capital comprises share capital, statutory reserve, general reserve, special reserve, convertible sukuk equity component, shares held under employees' benefit plan and retained earnings and is measured at AED 2,225,256 thousands as at 31 December 2010 (31 December 2009: AED 2,228,545 thousands).

31. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	Year ended 31 December 2010		Year ended 31 December 2009	
	Key management personnel	Major shareholders	Key management personnel	Major shareholders
	AED'000	*AED'000*	*AED'000*	*AED'000*
Income from Islamic financing and investing activities	**440**	**—**	493	—
Income on deposits and wakala placement	**—**	**6,457**	—	7,515
Depositors' share of profit	**—**	**50,079**	—	70,008
	440	**56,536**	493	77,523

Balances with related parties included in the consolidated statement of financial position are as follows:

	31 December 2010			31 December 2009		
	Key management personnel	Major shareholders	Others	Key Management personnel	Major shareholders	Others
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic financing and investing assets	**9,315**	**—**	**—**	6,556	—	—
Bank balances and cash	**—**	**422,683**	**—**	—	488,520	—
Financing obligations	**—**	**1,250,000**	**—**	—	1,428,680	—
Depositors' share of profit payable	**—**	**139**	**—**	—	13,647	—
Takaful payable in respect of properties financed (Note 19)	**—**	**—**	**19,196**	—	—	16,315

Compensation of key management personnel is as follows:

	2010	2009
	AED'000	*AED'000*
Short term employee benefits	5,861	6,099
Termination and other benefits	880	1,637
	6,741	7,736

32. **FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities.

Financial assets include bank balances and cash, receivables, Islamic financing and investing assets and other investments. Financial liabilities include zakat payable, accounts payable, accruals and other liabilities and financing obligations.

The fair values of financial instruments are not materially different from their carrying values.

33. **DATE OF AUTHORISATION**

These financial statements were approved for issue by the Board of Directors on 13 February 2011.

ERNST & YOUNG

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF TAMWEEL PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Tamweel PJSC (the ‘Company’) and its subsidiaries (the “Group”) as at 30 September 2011 which comprise the interim consolidated statement of financial position as at 30 September 2011, the related interim consolidated statement of income and interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended, the related interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine-month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with IAS 34.

Ernst & Young

Signed by:
Joe Murphy
Partner
Registration No. 492

6 October 2011

Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF INCOME
Period ended 30 September 2011 (Unaudited)

		Three months ended 30 September		Nine months ended 30 September	
		2011	**2010**	**2011**	**2010**
	Notes	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Income from Islamic financing and investing assets		**136,593**	128,966	**417,470**	439,055
Fees, commission and other income		**10,009**	36,246	**29,202**	68,877
Income from sale of properties held for sale		**—**	—	**—**	1,467
OPERATING INCOME		**146,602**	165,212	**446,672**	509,399
General and administrative expenses		**(25,132)**	(24,413)	**(74,619)**	(77,010)
Provision for loss	3	**(12,217)**	—	**(12,217)**	—
Impairment provisions		**(13,500)**	(46,646)	**(43,000)**	(137,396)
PROFIT BEFORE DEPOSITORS' / INVESTORS' SHARE OF PROFIT AND RELATED COST		**95,753**	94,153	**316,836**	294,993
Depositors' / investors' share of profit and related cost		**(80,063)**	(86,811)	**(246,180)**	(277,114)
PROFIT FOR THE PERIOD		**15,690**	7,342	**70,656**	17,879
Earnings per share:					
Basic earnings per share (AED)	**4**	**0.016**	0.007	**0.071**	0.018
Diluted earnings per share (AED)	**4**	**N.A.**	N.A.	**N.A.**	N.A.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 September 2011 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2011	**2010**	**2011**	**2010**
	AED'000	*AED'000*	*AED'000*	*AED'000*
PROFIT FOR THE PERIOD	**15,690**	7,342	**70,656**	17,879
Other comprehensive income for the period	**—**	—	**—**	**—**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**15,690**	7,342	**70,656**	17,879

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2011

	Notes	30 September 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Unaudited)
ASSETS			
Bank balances and cash	6	**133,928**	482,263
Advances, prepayments and other receivables		**78,324**	64,224
Properties held for sale	7	**391,626**	409,591
Other investments	8	**47,463**	46,927
Islamic financing and investing assets	9	**9,268,797**	9,157,806
Property and equipment		**28,501**	32,366
TOTAL ASSETS		**9,948,639**	10,193,177
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable		**85,803**	85,803
Advances, prepayments and other receivables		**308,303**	263,576
Financing obligations		**7,258,621**	7,618,542
Total liabilities		**7,652,727**	7,967,921
Equity			
Share capital		**1,000,000**	1,000,000
Employees' benefit plan	5	**(10,646)**	(10,646)
Statutory reserve		**185,149**	185,149
General reserve		**528,793**	528,793
Special reserve		**102,951**	102,951
Retained earnings		**471,389**	390,303
Convertible sukuk equity component		**18,276**	28,705
Total Equity		**2,295,912**	2,225,256
TOTAL LIABILITIES AND EQUITY		**9,948,639**	10,193.177

Chairman 6
October 2011

Acting Chief Executive Officer
6 October 2011

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Period ended 30 September 2011 (Unaudited)

	Nine months ended 30 September	
	2011	**2010**
	AED'000	*AED'000*
OPERATING ACTIVITIES		
Profit for the period	**70,656**	17,879
Adjustments for:		
Depreciation	**4,125**	4,190
Amortisation of deferred cost	**13,592**	19,560
Loss on sale of property and equipment	**—**	2,849
Provision for employees' end of service benefits	**1,488**	1,659
Impairment provisions	**43,000**	137,396
Depositors' / investors' share of profit and related cost	**232,588**	257,554
	365,449	**441,087**
Working capital changes:		
Islamic financing and investing assets	**(133,491)**	861,041
Financing obligations	**(372,171)**	(629,897)
Properties held for sale	**(35)**	21,371
Other investments	**(536)**	754
Advances, prepayments and other receivables	**(17,942)**	3,106
Accounts payable, accruals and other liabilities	**(2,571)**	(367,070)
Net cash (used in) from operations	**(161,297)**	330,392
Depositors' / investors' share of profit and related cost paid	**(185,965)**	(292,394)
Employees' end of service benefits paid	**(813)**	(1,958)
Zukat paid	**—**	(6,000)
Net cash (used in) from operating activities	**(348,075)**	30,040
INVESTING ACTIVITY		
Purchase of property and equipment	**(260)**	(5,690)
Cash used in investing activity	**(260)**	(5,690)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(348,335)**	24,350
Cash and cash equivalents at 1 January	**482,263**	507,886
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**133,928**	532,236

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 30 September 2011 (Unaudited)

	Period ended 30 September 2011 (Unaudited)							
	Share capital	**Employees' benefit plan**	**Statutory reserve**	**General reserve**	**Special reserve**	**Retained earnings**	**Convertible sukuk equity component**	**Total**
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
At 1 January 2011	*1,000,000*	*(10,646)*	*185,149*	*528,793*	*102,951*	*390,303*	*28,706*	*2,225,256*
Profit for the period	—	—	—	—	—	70,656	—	70,656
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Equity component of convertible sukuk	—	—	—	—	—	10,430	(10,430)	—
Balance at 30 September 2011	**1,000,000**	**(10,646)**	**185,149**	**528,793**	**102,951**	**471,389**	**18,276**	**2,295,912**

	Share capital	**Employees' benefit plan**	**Statutory reserve**	**General reserve**	**Special reserve**	**Retained earnings**	**Convertible sukuk equity component**	**Total**
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
At 1 January 2011	*1,000,000*	*(9,222)*	*182,547*	*526,191*	*102,951*	*383,465*	*42,613*	*2,228,545*
Profit for the period	—	—	—	—	—	17,879	—	17,879
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Equity component of convertible sukuk	—	—	—	—	—	10,430	(10,430)	—
Balance at 30 September 2011	**1,000,000**	**(9,222)**	**182,547**	**526,191**	**102,951**	**411,774**	**32,183**	**2,246,424**

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

1. THE COMPANY AND ITS OPERATIONS

Tamweel PJSC (the "**Company**") was registered on 3 June 2006 as a Public Joint Stock Company in accordance with UAE Federal Law No (8) of 1984, as amended. The share capital of the Company comprises 1,000,000,000 shares of AED 1 each. Previously, the Company was operating as Tamweel LLC with a paid up share capital of AED 450 million (450,000 shares of AED 1,000 each).

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia'a compliant financing and investment activities such as Ijara, Murabaha, Istisna'a etc. The activities of the Company and its Subsidiaries (together the "**Group**") are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. The Group is also engaged in the business of property trading.

The head office of the Group is located at Business Avenue Building, Emirate of Dubai, UAE. The Group has one branch each in the Emirates of Dubai and Abu Dhabi.

The Group consists of Tamweel PJSC (the "**Parent Company**") and its subsidiaries registered up to 30 September 2011 as listed below:

Subsidiaries	Beneficial ownership	Principal activity	Country of incorporation
Tamweel Properties & Investments LLC	100%	Real estate development including construction, purchase, sale, rent, brokerage, agency and management services	UAE
Tahfeez Middle East Limited	100%	General trading	JAFZA, Dubai, UAE
Tamweel Funding Limited	100%	SPE for issuance of convertible sukuk	Jersey
Tamweel Sukuk Limited	100%	SPE for issuance of sukuk	Cayman Islands
Tamweel ESOT Limited	100%	SPE for employees' benefit plan	British Virgin Islands

Effective November 2010 Tamweel is a 58.25% subsidiary of Dubai Islamic Bank PJSC. Trading in the Company's shares on the Dubai Financial Market which was suspended since November 2008 resumed on 10 May 2011.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("**IAS 34**") and the requirements of the Emirates Securities and Commodities Authority, UAE (ESCA).

The interim condensed consolidated financial statements have been presented in thousands of UAE Dirhams (AED).

These interim condensed consolidated financial statements do not contain all the information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the nine month period ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2010, except for early adoption of IFRS 9 as described below:

Adoption of IFRS 9 Financial Instruments: Recognition and Measurement

The Group has adopted IFRS 9 Financial Instruments (IFRS 9) in 2011 in advance of its effective date. The Group has chosen 1 January 2011 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets). As permitted by IFRS 9, the Standard has been applied retrospectively.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

Debt instruments are measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding. If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amortised cost criteria the entity may choose at initial recognition to designate the financial assets as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The Group has elected not to designate any debt instruments as FVTPL under the fair value option.

Only financial assets that are classified as measured at amortised cost are tested for impairment.

Investment in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income are recognised in other comprehensive income and are not subsequently reclassified to profit or loss.

The management has reviewed and assessed all of the Group's existing financial assets as at the date of initial application of IFRS 9. As a result:

- the Group's investments in debt instruments meeting the required criteria are measured at amortised cost;
- the Group's equity investments not held for trading have been designate as at FVTOCI;

The change in accounting policy has been applied retrospectively, in accordance with the transitional provisions of IFRS 9, where no restatement of comparative figures was applied.

There is no impact to the reported equity or income resulting from this change in accounting policy.

Accounting policies adopted with effect from 1 January 2011 in respect of financial assets are as follows:

Financial assets

All financial assets are recognised and derecognised on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs that are directly attributable to the acquisition of the financial asset, except for those financial assets measured subsequently at fair value through profit or loss, which are initially measured at fair value.

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective profit rate basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets as per IFRS 9

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification of financial assets

An instrument is classified as an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are classified as 'debt instruments'.

Financial assets measured at amortised cost

Investment in debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at fair value through profit of loss (FVTPL)). They are subsequently measured at amortised cost using the effective profit method less any impairment, with profit revenue recognised on an effective yield basis in the consolidated statement of income.

Subsequent to initial recognition, the Group is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria is no longer met.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Financial assets at FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value, within equity. Where the asset is disposed of, the cumulative gain or loss previously accumulated is not transferred to the consolidated statement of income, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividend is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets measured at FVTPL, the foreign exchange component is recognised in the consolidated statement of income. For financial assets measured at FVTOCI any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in other income in the consolidated statement of income.

As required by ESCA, certain accounting policies which have not been changed since 31 December 2010 have been reproduced below:

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Properties held for sale

Properties held for sale are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Cost comprises all costs of purchase and other directly attributable costs incurred in bringing each property to its location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to be incurred on disposal.

3. **PROVISION FOR LOSS**

The Board of Directors authorised a provision of AED 12,217 thousand for an anticipated exceptional loss resulting from the likely outcome of an ongoing litigation in respect of an asset sale transaction in a prior year.

4. **EARNINGS PER SHARE—BASIC AND DILUTED**

Basic earnings per share is calculated by dividing the profit for the period net of directors' remuneration by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit for the period net of directors' remuneration plus profit on convertible sukuk by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares. The diluted earnings per share arising from the issue of employees' share options do not result in any change from the reported basic earnings per share.

Basic earnings per share

	Three months ended 30 September		Nine months ended 30 September	
	2011	**2010**	**2011**	**2010**
	AED'000	*AED'000*	*AED'000*	*AED'000*
Profit for the period net of directors' remuneration	**15,690**	7,342	**70,656**	17,879
	Number of shares		*Number of shares*	
Weighted average number of shares outstanding during the period (in thousands)	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Basic earnings per share (AED)	**0.016**	0.007	**0.071**	0.018
Profit for the period net of directors' remuneration	**15,690**	7,342	**70,656**	17,879
Add: Profit on convertible sukuk	**11,879**	11,873	**35,638**	35,617
	27,569	19,215	**106,294**	53,496
	Number of shares		*Number of shares*	
Weighted average number of shares outstanding during the period (in thousands)	**1,136,338**	1,136,338	**1,136,338**	1,136,338

Diluted earnings per share for the three and nine months ended 30 September 2011 have not been calculated since the conversion of the sukuk into ordinary shares would have an antidilutive effect.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these interim condensed consolidated financial statements for issuance. The Group holds 10,645,877 (30 September 2010: 9,222,377) shares under the employees benefit plan, the impact of which on the earning per share is not material.

5. **TREASURY SHARES**

The Group held the following treasury shares at 30 September.

	Nine months ended 30 September	
	2011	**2010**
Number of treasury shares	**10,645,877**	9,222,377
Treasury shares as a percentage of total shares in issue	**1.06**	0.92%
Cost of treasury shares (AED)	**10,645,877**	9,222,377
Market value of treasury shares (AED)	**7,558,573**	9,130,153

The trading in the Company's shares which was suspended since November 2008 resumed on 10 May 2011. The market value of treasury shares at 30 September 2011 is based on the last traded price on that date. The market value at 30 September 2010 is based on the last traded price before suspension.

There was no movement in treasury shares during the nine months periods ended 30 September 2011 and 30 September 2010.

6. **BANK BALANCES AND CASH**

	30 September 2011	**31 December 2010**
	AED'000 (Unaudited)	***AED'000 (unaudited)***
Bank balances	**133,902**	482,238
Cash in hand	**25**	25
	133,928	**482,263**

Almost all the bank balances are held with banks within the UAE, profit generating and earn profit at an average rate of 1.2% (31 December 2010: 3.3%).

7. **PROPERTIES HELD FOR SALE**

	30 September 2011	**31 December 2010**
	AED'000 (Unaudited)	***AED'000 (unaudited)***
Balance as at 1 January	**578,232**	718,402
Properties consolidated (see note[(a)] below)	**—**	(239,883)
Transferred to property and equipment	**—**	(21,779)
Properties acquired	**9,070**	127,394
Properties disposed off	**(35)**	(5,902)
Impairment provision	**587,267**	478,232
Transferred to property and equipment	**(195,641)**	(168,641)
	391,626	409,591

(a) During 2010, in respect of certain properties held for sale, the Group agreed to a consolidation with the property developer whereby the developer agreed to cancel the sale of certain properties to the Group and adjust the amounts paid for such properties against payable to the property developer in respect of the other properties purchased. Accordingly, cost of such properties held for sale and its related payable were reversed and the related impairment provisions were either reversed or written off.

(b) Properties held for sale are located within the UAE.

Impairment provision

Movements in the impairment provision were as follows:

	30 September 2011	**31 December 2010**
	AED'000 (Unaudited)	***AED'000 (unaudited)***
At 1 January	**168,641**	188,700
Provision made during the period/year	**27,000**	46,646
Write off of impairment provision upon consolidation (see note (a) below)	**—**	(66,705)
	195,641	**168,641**

8. OTHER INVESTMENTS

	30 September 2011	31 December 2011
	AED'000 (unaudited)	*AED'000 (unaudited)*
Investments measured at fair value through other comprehensive income (FVTOCI): (within the UAE)		
Quoted—mutual fund units[(a)]	**1,030**	1,030
Others[(b)]	**920**	920
Investments measured at amortised cost: (outside the UAE)		
Investments in Notes[(c)]	**29,643**	31,180
Profit on Notes	**16,790**	14,717
	46,433	45,897
	48,383	47,847
Less: Provision for impairment	**(920)**	(920)
	47,463	**46,927**

(a) The fair value of investments in mutual fund units is based on the last bid price as published by the fund manager.

(b) Others represents advance against equity shares to be allotted.

(c) This represents the investment made in the notes issued by Tamweel Residential ABS CI (1) Ltd in Cayman Islands. The applicable profit rate ranges from 3.95% to 10% above LIBOR. The maturity of these Notes is the earlier of the period 2037 or the expiry of the securitised receivables.

9. ISLAMIC FINANCING AND INVESTING ASSETS

	30 September 2011	31 December 2011
	AED'000 (unaudited)	*AED'000 (unaudited)*
Ijara and Forward Ijara (constructed and handed over properties)	**6,849,486**	6,151,664
Gross Murabaha and Mudaraba receivables	**376,004**	404,439
Less: Deferred profit	**(8,681)**	(12,616)
Net Murabaha and Mudaraba receivables	**367,323**	391,823
Istisna'a and Forward Ijara (under construction properties)	**2,457,640**	2,978,392
	9,674,449	9,521,879
Less: Profit suspended	**(61,498)**	(33,419)
Less: Provision for impairment	**(344,154)**	(330,654)
	9,268,797	9,157,806

All the assets financed by the Group are within the UAE. Included in the Islamic financing and investing assets are profit accruals amounting to AED 309,343 thousand (31 December 2010: AED 343,885 thousand).

Provisions for impairment

Movements in the provision for impairment were as follows:

	30 September 2011	31 December 2010
	AED'000 (Unaudited)	*AED'000 (Audited)*
At 1 January	**330,654**	219,904
Provision made during the period/year	**13,500**	110,750
	344,154	**330,654**

Collateral

The Group enters in to collateral arrangements with counter parties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the legal ownership of the financed property is maintained with the Group until the customer (lessee) has fulfilled all his obligations under the relevant Ijara.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2011 (Unaudited)

10. SEGMENTAL INFORMATION

For management purposes the Group is organised into two major business segments:

Islamic financing and investing activities	Principally handling Islamic financing and investing activities
Property development and investment activities	Principally involved in the development, purchase and sale of properties and related activities

These segments are the basis on which the Group reports its segment information.

Segmental information for the three months ended 30 September is as follows:

	2011				2010			
	Islamic financing and investing activities	Property development and investment activities	Others	Total	Islamic financing and investing activities	Property development and investment activities	Others	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross income	*145,980*	*622*	—	*146,602*	*145,080*	*20,132*	—	*165,212*
Allocable expenses	(101,600)	(15,812)	—	(117,412)	(104,656)	(6,568)	—	(111,224)
Segment result	44,380	(15,190)	—	29,190	40,424	13,564	—	53,988
Provision for impairment	—	(13,500)	—	(13,500)	(20,000)	(26,646)	—	(46,646)
Segment result after provision	44,380	(28,690)	—	15,690	20,424	(13,082)	—	7,342
Profit for the period				**15,690**				**7,342**

Segmental information for the nine months ended 30 September is as follows:

	2011				2010			
	Islamic financing and investing activities	Property development and investment activities	Others	Total	Islamic financing and investing activities	Property development and investment activities	Others	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross income	*445,189*	*1,483*	—	*446,672*	*487,016*	*22,060*	*323*	*509,399*
Allocable expenses	(309,225)	(23,791)	—	(333,016)	(337,023)	(14,451)	(2,650)	(354,124)
Segment result	135,964	(22,308)	—	113,656	149,993	7,609	(2,327)	155,275
Provision for impairment	(16,000)	(27,000)	—	(43,000)	(110,750)	(26,646)	—	(137,396)
Segment result after provision	119,964	(49,308)	—	70,656	39,243	(19,037)	(2,3277)	17,879
Profit for the period				**70,656**				**17,879**

OTHER INFORMATION

				Total AED'000 30 September 2011 (Unaudited)				Total AED'000 31 December 2010 (Audited)
Segment assets	*9,326,907*	*396,560*	*225,172*	*9,948,639*	*9,260,458*	*410,635*	*522,084*	*10,193,177*
Segment liabilities	7,104,060	318,395	230,272	7,652,727	7,183,097	338,454	446,370	7,967,921
Depreciation	—	—	4,125	4,125	—	—	5,869	5,869
Capital expenditure	—	—	**260**	**260**	—	—	**6,508**	**6,508**

No secondary segment information has been provided as currently the operations of the Group are concentrated in the United Arab Emirates.

11. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

	30 September 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
	(Unaudited)	*(Audited)*
Irrevocable commitments to extend credit	**1,279,040**	1,776,731

This represents contractual commitments to provide Islamic financing. Commitments generally have fixed expiry dates, or other termination clauses, and normally require the payment of a fee. Since these may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Contingencies

The Group is engaged in certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions. The Group is defending these cases and has been advised by its legal counsel that it is only possible, but not probable, that the action by counter parties will succeed. Accordingly, no provision for any liability has been made in these financial statements. The Group has not disclosed the financial impact associated with these claims because they cannot reasonably be estimated.

12. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the interim consolidated statement of income are as follows:

	Nine months ended 30 September 2011 (Unaudited)		Nine months ended 30 September 2010 (Unaudited)	
	Key management personnel	Major shareholders	Key management personnel	Major shareholders
	AED'000	*AED'000*	*AED'000*	*AED'000*
Income from Islamic financing and investing activities	**1,188**	**—**	340	—
Income on deposits and wakala investments	**—**	**4,217**	—	5,337
Other income	**—**	**7,875**	—	—
Depositors'/investors' share of profit and related cost	**—**	**39,183**	—	46,448
General and administrative expenses	**—**	**649**	—	—

Balances with related parties included in the interim consolidated statement of financial position are as follows:

	30 September 2011 (Unaudited)			31 December 2010 (Audited)		
	Key management personnel	Major shareholders	Others	Key management personnel	Major shareholders	Others
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Bank balance and cash	**—**	**124,976**	—	—	422,683	—
Islamic financing and investing assets	**26,751**	**—**	—	9,315	—	—
Financing obligations	**—**	**1,450,000**	—	—	1,250,000	—
Depositors'/investors' share of profit payable and related cost	**—**	**14,184**	—	—	139	—
Other receivables	**—**	**7,979**	—	—	488	—
Other payables	**—**	**193**	—	—	—	—

Compensation of key management personnel is as follows:

	Nine months ended 30 September	
	2011	**2010**
	AED'000 ***(Unaudited)***	***AED'000*** ***(Unaudited)***
Short term employee benefits	**4,073**	4,389
Termination and other benefits	**543**	332
	4,616	4,721

DUBAI ISLAMIC BANK PJSC

Report and consolidated financial statements for the year ended 31 December 2009

DUBAI ISLAMIC BANK PJSC

Report and consolidated financial statements for the year ended 31 December 2009

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Dubai Islamic Bank PJSC
Dubai, U.A.E.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Dubai Islamic Bank PJSC and its subsidiaries (together referred to as the "Bank"), which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in pages 3 to 92.

Management's responsibility for the consolidated financial statements

Management of the Bank is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects the financial position of the Bank as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Bank, and the information included in the Board of Directors' report is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended) or the Articles of Association of the Bank which might have a material effect on the financial position of the Bank or its financial performance.

Saba Y. Sindaha
Registration Number 410
11 February 2010

DUBAI ISLAMIC BANK PJSC

Consolidated balance sheet
as at 31 December 2009

	Notes	2009 *AED'000*	2008 *AED'000* *(Restated)*	2007 *AED'000* *(Restated)*
ASSETS				
Cash and balances with Central Banks	**6**	**11,611,570**	6,328,666	4,905,657
Balances and deposits with banks and other financial institutions	**7**	**1,352,299**	1,840,978	1,195,720
International murabahat with financial institutions, short term	**8**	**1,204,959**	1,640,601	16,279,701
Islamic financing and investing assets, net	**9**	**49,924,941**	52,659,011	40,534,848
Investments in Islamic sukuk	**10**	**9,290,797**	11,226,276	8,511,759
Investments in associates	**11**	**4,295,168**	4,181,548	3,741,596
Other investments	**12**	**1,925,950**	2,107,936	4,082,682
Properties under construction	**13**	**388,648**	257,830	—
Properties held for sale	**14**	**157,269**	168,251	131,831
Investment properties	**15**	**1,996,288**	2,005,039	2,034,898
Receivables and other assets	**16**	**1,464,071**	1,671,728	2,273,642
Property, plant and equipment	**17**	**657,795**	668,753	630,667
Goodwill	**18**	**34,516**	—	36,910
Total assets		**84,304,271**	84,756,617	84,359,911
LIABILITIES				
Customers' deposits	**24**	**64,195,503**	66,328,677	65,175,594
Due to banks and other financial institutions	**25**	**1,449,051**	3,331,101	2,241,322
Sukuk financing instruments	**26**	**2,415,034**	2,754,750	2,754,750
Medium term wakala finance	**27**	**3,752,543**	—	—
Other liabilities	**28**	**3,370,804**	3,449,532	3,393,586
Accrued zakat	**30**	**140,536**	143,166	129,542
Total liabilities		**75,323,471**	76,007,226	73,694,794
EQUITY				
Share capital	**31**	**3,617,505**	3,445,400	2,996,000
Treasury shares	**32**	**(70,901)**	(3,307)	—
Statutory reserve	**33**	**2,731,879**	2,731,879	2,756,737
Donated land reserve	**33**	**276,139**	276,139	276,139
General reserve	**33**	**2,350,000**	2,250,000	1,650,000
Exchange translation reserve	**33**	**(77,841)**	(59,680)	27,340
Cumulative changes in fair value	**34**	**(723,713)**	(888,714)	1,006,637
Hedging reserve	**36**	**50,600**	111,411	—
Retained earnings		**822,222**	886,143	1,701,454
Equity attributable to equity holders of the Parent		**8,975,890**	8,749,271	10,414,307
Non-controlling interest	**38**	**4,910**	120	250,810
Total equity		**8,980,800**	8,749,391	10,665,117
Total liabilities and equity		**84,304,271**	84,756,617	84,359,911
Contingent liabilities and commitments	**39**	**25,638,030**	44,642,611	27,974,861

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors dated 11 February 2010.

H. E. Mohammad A. Al Shaibani	Sheikh Khalid Bin Zayed Al Nehyan	Abdulla Ali Al Hamli
Chairman	*Deputy Chairman*	*Chief Executive Officer*

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

DUBAI ISLAMIC BANK P.J.S.C

Consolidated income statement
for the year ended 31 December 2009

	Notes	2009 AED'000	2008 AED'000 (Restated)
INCOME			
Income from Islamic financing and investing assets	**41**	**3,322,857**	3,204,840
Income from Islamic sukuk		**703,539**	551,101
Income from international murabahat, short term	**42**	**51,478**	266,208
Share of profits of associates	**11**	**17,345**	126,538
Loss from other investments	**43**	**(18,935)**	(61,295)
Commissions, fees and foreign exchange income	**44**	**752,169**	872,127
Income from investment properties	**45**	**78,300**	180,401
Income from sale of properties held for sale	**46**	**997**	31,718
Gain on buy back of sukuk financing instrument	**26**	**38,712**	—
Other income	**47**	**186,453**	98,723
Total Income		**5,132,915**	5,270,361
EXPENSES			
Personnel expenses	**48**	**(813,202)**	(882,497)
General and administrative expenses	**49**	**(524,760)**	(517,045)
Net impairment loss on financial assets	**50**	**(817,909)**	(520,830)
Depreciation of investment properties	**15**	**(18,722)**	(20,125)
Total Operating Expenses		**(2,174,593)**	(1,940,497)
Profit before depositors' share and tax		**2,958,322**	3,329,864
Depositors' share of profits	**51**	**(1,739,197)**	(1,777,672)
Profit for the year before tax		**1,219,125**	1,552,192
Income tax (expense)/deferred	**29**	**(6,844)**	2,135
Net profit for the year		**1,212,281**	1,554,327
Attributable to:			
Equity holders of the parent		**1,207,491**	1,554,327
Non-controlling interest		**4,790**	—
Net profit for the year		**1,212,281**	1,554,327
Basic and diluted earning per share attributable to the equity holders of the parent (AED)	**52**	**AED 0.33**	AED 0.43

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

DUBAI ISLAMIC BANK P.J.S.C

Consolidated statement of comprehensive income
for the year ended 31 December 2009

	2009	**2008**
	AED'000	*AED'000 (Restated)*
Net profit for the year	**1,212,281**	1,554,327
Other comprehensive income/(loss) item		
Fair value gain/(loss) on available for sale investments	**165,310**	(1,836,761)
Realised loss on available for sale of investments	**(309)**	(58,590)
Currency translation differences of foreign operations	**(18,161)**	(87,020)
Fair value (loss)/gain on cash flow hedge	**(15,592)**	111,411
Reclassification of cash flow hedging reserve to consolidated income statement	**(45,219)**	—
Directors' remuneration	**(4,800)**	(5,350)
Other comprehensive income/(loss) for the year	**81,229**	(1,876,310)
Total comprehensive income/(loss) for the year	**1,293,510**	(321,983)
Attributable to:		
Equity holders of the parent	**1,288,720**	(321,983)
Non-controlling interest	**4,790**	—
	1,293,510	(321,983)

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

DUBAI ISLAMIC BANK P.J.S.C

Consolidated statement of changes in equity
for the year ended 31 December 2009

	Share capital	Treasury shares	Total reserves	Cumulative changes in fair value	Hedging reserve	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total equity
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at 1 January 2009—restated	3,445,400	(3,307)	5,198,338	(888,714)	111,411	886,143	8,749,271	120	8,749,391
Net profit for the year	—	—	—	—	—	1,207,491	1,207,491	4,790	1,212,281
Other comprehensive income items:									
Fair value gains on available for sale investments	—	—	—	165,310	—	—	165,310	—	165,310
Realised loss on available for sale investments	—	—	—	(309)	—	—	(309)	—	(309)
Currency translation differences of foreign operations	—	—	(18,161)	—	—	—	(18,161)	—	(18,161)
Fair value loss on cash flow hedge	—	—	—	—	(15,592)	—	(15,592)	—	(15,592)
Reclassification of cash flow hedging reserve to income statement	—	—	—	—	(45,219)	—	(45,219)	—	(45,219)
Directors' remuneration	—	—	—	—	—	(4,800)	(4,800)	—	(4,800)
Total comprehensive income for the year	—	—	(18,161)	165,001	(60,811)	1,202,691	1,288,720	4,790	1,293,510
Issuance of bonus shares	172,105	—	—	—	—	(172,105)	—	—	—
Dividends paid	—	—	—	—	—	(860,523)	(860,523)	—	(860,523)
Share based payments vested	—	—	—	—	—	5,444	5,444	—	5,444
Transfer to general reserve	—	—	100,000	—	—	(100,000)	—	—	—
Shares acquired	—	(67,594)	—	—	—	—	(67,594)	—	(67,594)
Accrued zakat (note 30)	—	—	—	—	—	(139,428)	(139,428)	—	(139,428)
Balance at 31 December 2009	**3,617,505**	**(70,901)**	**5,280,177**	**(723,713)**	**50,600**	**822,222**	**8,975,890**	**4,910**	**8,980,800**

	Share capital	Treasury shares	Total reserves	Cumulative changes in fair value	Hedging reserve	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total equity
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at 1 January 2008 (As reported)	2,996,000	—	4,710,216	1,006,637	—	1,701,454	10,414,307	250,810	10,665,117
Net profit for the year—as stated	—	—	—	—	—	1,730,290	1,730,290	—	1,730,290
Restatements:									
Adjustment in share of profit of associates	—	—	—	—	—	(274,496)	(274,496)	—	(274,496)
Effect on depositors share of profit of above	—	—	—	—	—	98,533	98,533	—	98,533
	—	—	—	—	—	1,554,327	1,554,327	—	1,554,327
Other comprehensive loss items:									
Fair value loss on available for sale investments	—	—	—	(1,836,761)	—	—	(1,836,761)	—	(1,836,761)
Realised loss on disposal of available for sale of investment	—	—	—	(58,590)	—	—	(58,590)	—	(58,590)
Currency translation differences of foreign operations	—	—	(87,020)	—	—	—	(87,020)	—	(87,020)
Fair value gain on cash flow hedge					111,411	—	111,411	—	111,411
Directors' remuneration	—	—	—	—	—	(5,350)	(5,350)	—	(5,350)
Total comprehensive loss for the year	—	—	(87,020)	(1,895,351)	111,411	1,548,977	(321,983)	—	(321,983)
Issuance of bonus shares	449,400	—	—	—	—	(449,400)	—	—	—
Dividends paid	—	—	—	—	—	(1,198,400)	(1,198,400)	—	(1,198,400)
Share based payment granted	—	(3,307)	—	—	—	—	(3,307)	—	(3,307)
Share based payment vested	—	—	—	—	—	18,069	18,069	—	18,069
Transfer to general reserves	—	—	600,000	—	—	(600,000)	—	—	—
Accrued zakat (note 30)	—	—	—	—	—	(134,557)	(134,557)	—	(134,557)
Movement as a result of subsidiary disposed	—	—	(24,858)	—	—	—	(24,858)	(250,690)	(275,548)
Balance at 31 December 2008	3,445,400	(3,307)	5,198,338	(888,714)	111,411	886,143	8,749,271	120	8,749,391

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

DUBAI ISLAMIC BANK P.J.S.C

Consolidated statement of cash flows
for the year ended 31 December 2009

	2009	2008
	AED'000	*AED'000 (Restated)*
OPERATING ACTIVITIES		
Net profit for the year before taxation and non-controlling interest	**1,219,125**	1,552,192
Adjustments for:		
Revaluation of investments at fair value through profit or loss	**53,562**	277,068
Dividend income	**(39,646)**	(116,184)
Gain on sale of investment properties	**(2,691)**	(89,744)
Cost of shared based payments	**5,444**	18,069
Net impairment loss on financial assets	**817,909**	518,161
Share of profits of associates	**(17,345)**	(126,538)
Gain on derivative assets	**(102,164)**	—
Depreciation of investment properties	**18,722**	20,125
Depreciation of property, plant and equipment	**116,008**	103,258
Loss on disposal of associates	**4,703**	—
Loss/(gain) on sale of investments at fair value through profit or loss	**6,841**	(9,534)
Gain on buy back of sukuk financial instruments	**(40,696)**	—
Amortisation of hedging reserve	**(45,219)**	—
Gain on disposal of property held for sale	**(997)**	(31,718)
Write off of property, plant and equipment	**27,950**	—
Gain on shares acquired	**(67,594)**	—
Operating profit before changes in operating assets and liabilities	**1,953,912**	2,115,155
Decrease/(increase) in Islamic financing and investing assets	**2,017,380**	(14,459,360)
Decrease in receivables and other assets	**311,513**	177,206
Increase in customers' deposits	**1,619,369**	3,683,341
(Decrease)/increase in due to banks and other financial institutions	**(1,882,050)**	1,163,039
(Decrease)/increase in other liabilities	**(83,528)**	478,790
Decrease in accrued zakat	**(141,825)**	(120,933)
Cash from/(used in) operations	**3,794,771**	(6,962,762)
Tax paid	**(4,436)**	—
Net cash from/(used in) operating activities	**3,790,335**	**(6,962,762)**

	2009	2008
	AED'000	*AED'000* *(Restated)*
INVESTING ACTIVITIES		
Proceeds/(acquisition) in Investments in Islamic sukuk	**1,894,378**	(2,714,517)
Proceeds from sale of investments at fair value through profit or loss	**133,163**	31,987
Proceeds from sale of available for sale investments	**117,604**	—
Purchase of investments at fair value through profit or loss	**(280)**	—
Purchase of available for sale investments	**—**	(801,730)
Proceeds from disposal of properties under construction	**—**	(4,287)
Proceeds from disposal of investment properties	**5,789**	396,290
Addition to properties under construction	**(130,818)**	(178,772)
Additions to properties held for sale	**(701)**	—
Purchase of investment properties	**(15,281)**	(367,958)
Net cash related on disposal of subsidiaries	**(38,567)**	(505,388)
Dividend income	**39,646**	116,184
Investments in associates	**(107,183)**	(111,902)
Purchase of property, plant and equipment	**(147,292)**	(413,457)
Proceeds from sale of property, plant and equipment	**12,160**	20,814
Proceeds from properties held for sale	**13,461**	93,879
International murabahats with financial institutions over 3 months	**(88,836)**	—
Exchange differences arising on translation of foreign operations	**(48,288)**	40,571
Net cash from/(used in) investing activities	**1,638,955**	(4,398,286)
FINANCING ACTIVITIES		
Dividends paid	**(860,523)**	(1,198,400)
Buy back of sukuk financing instrument	**(299,020)**	—
Treasury shares	**—**	3,307
Non-controlling interests	**—**	(14,692)
Net cash used in financing activities	**(1,159,543)**	(1,209,785)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**4,269,747**	(12,570,833)
Cash and cash equivalents at the beginning of the year	**9,810,245**	22,381,078
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 53)	**14,079,992**	9,810,245

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

1 General

Dubai Islamic Bank (Public Joint Stock Company) ("the Bank") was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia'a principles. It was subsequently registered under the Commercial Companies Law number 8 of 1984 (as amended) as a Public Joint Stock Company.

In addition to its main office in Dubai, the Bank operates through its branches in the U.A.E. The accompanying consolidated financial statements combine the activities of the Bank's head office, its branches and subsidiaries, its associates and joint ventures:

	Subsidiaries	Principal activity	Country of incorporation	Percentage of equity	
				2009	2008
1.	Islamic Financial Services L.L.C.	Brokerage services	U.A.E.	95.5%	95.5%
2.	Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	100.0%	100.0%
3.	Al Tanmyah Services L.L.C.	Labour services	U.A.E.	99.5%	99.5%
4.	DIB Capital Limited	Investments and financial services	U.A.E.	95.5%	95.5%
5.	Al Tatweer Al Hadith Real Estate	Real estate development	Egypt	96.0%	96.0%
6.	Al Tameer Modern Real Estate Investment	Real estate development	Egypt	96.0%	96.0%
7.	Al Tanmia Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
8.	Naseej Fabric Manufacturing L.L.C.	Textile Manufacturing	U.A.E.	99.0%	99.0%
9.	DIB Printing Press L.L.C.	Printing	U.A.E.	99.5%	99.5%
10.	Zone One Real Estate Management Co.	Investments in real estate	Cayman Islands	100.0%	100.0%
11.	Zone Two Real Estate Management Co.	Investments in real estate	Cayman Islands	100.0%	100.0%
12.	Al Islami Trade Finance FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
13.	DIB Lease One Ltd.	Investments	Bahamas	100.0%	100.0%
14.	DIB Lease One (Dublin) Ltd.	Investments	Ireland	100.0%	100.0%
15.	Gulf Atlantic FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
16.	Al Islami Oceanic Shipping Co FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
17.	Emirates Automotive Leasing Company	Trading in motor vehicles	U.A.E.	100.0%	100.0%
18.	Millennium Capital Holding PSC	Financing & investing	U.A.E.	95.5%	95.5%
19.	Sequia Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
20.	Bulwark Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
21.	Optimum Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
22.	Rubicon Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
23.	Osiris Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
24.	Lotus Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
25.	Premiere Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
26.	Landmark Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
27.	Blackstone Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
28.	Blue Nile Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
29.	Momentum Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
30.	Mount Sinai Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
31.	Dar al Shariah Financial & Legal Consultancy L.L.C.	Financial and legal advisory	U.A.E.	60.0%	60.0%

	Subsidiaries	Principal activity	Country of incorporation	Percentage of equity 2009	2008
32.	Al Ahlia Aluminum Company L.L.C. (under liquidation)	Aluminum fixtures	U.A.E.	75.5%	75.5%
33.	Al Islami Real Estate Investments Ltd.	Investments	U.A.E.	100%	100%
34.	HoldInvest Real Estate Sarl	Investments	Luxembourg	100%	100%
35.	France Invest Real Estate SAS	Real estate development	France	100%	100%
36.	SARL Barbanniers	Investments	France	100%	100%
37.	SCI le Sevine	Investment in real estate	France	100%	100%
38.	Findi Real Estate SAS	Trust activities	France	Controlling interest	Controlling interest
39.	PASR Einudzwanzigste Beteiligunsverwaltung GMBH	Trading and management	Austria	100%	100%
40.	Al Islami German Holding Co. GMBH	Investments	Germany	100%	100%
41.	Rhein Logistics GMBH	Administration	Germany	100%	100%
42.	Jef Holdings BV	Trust activities	Netherlands	Controlling interest	Controlling interest
43.	Levant One Investment Limited	Investments	U.A.E.	100%	—
44.	Petra Limited	Investments	Cayman Islands	100%	—

In addition to the registered ownership described above, the remaining equity in the entities 1, 3, 4, 5, 6, 8, 9 and 18 to 30 and 32 is also held by the Bank beneficially through nominee arrangements.

	Associates	Principal activity	Country of incorporation	Percentage of equity 2009	2008
45.	Bank of Khartoum	Banking	Sudan	28.4%	28.4%
46.	Millennium Finance Corporation Limited	Financial advisory	U.A.E.	—	32.5%
47.	Millennium Private Equity Ltd.	Investments	U.A.E.	—	32.5%
48.	Etisalat International Pakistan Ltd.	Investments	U.A.E.	10.0%	10.0%
49.	Bosnia International Bank	Banking	Bosnia	27.3%	27.3%
50.	BBI Leasing and Real Estate L.L.C.	Real estate development	Bosnia	13.6%	13.6%
51.	Liquidity Management Center (B.S.C.)	Brokers	Bahrain	25.0%	25.0%
52.	Emirates National Securitisation Corporation	Securitisation	Cayman Islands	—	35.0%
53.	Deyaar Development PJSC	Real estate development	U.A.E.	43.0%	43.0%
54.	Omega Engineering L.L.C.	Mechanical, electrical & plumbing	U.A.E	23.7%	23.7%
55.	Dubai Insaat Gayrimenkul Sanaki Ve Ticaret Limited Sirketi	Property Development	Turkey	—	43.0%
56.	DIB Tower SAL	Investment in real estate	Lebanon	—	43.0%
57.	Beirut Bay SAL	Property Development	Lebanon	43.0%	43.0%
58.	Deyaar (UK) Ltd.	Representative Office of Deyaar	UK	43.0%	43.0%
59.	Deyaar Cayman Ltd.	Investment holding Company	Cayman Islands	43.0%	43.0%
60.	Faisal Islamic Bank of Kibris	Banking	TRNC	31.0%	31.0%
61.	Saba Islamic Bank	Banking	Yemen	18.5%	18.5%
62.	Ejar Cranes & Equipment L.L.C.	Equipment leasing	U.A.E.	16.6%	16.6%
63.	Jordan Dubai Islamic Bank	Banking	Jordan	20.8%	—
64.	MESC Investment Company	Investments	Jordan	40.0%	—

	Joint ventures	Principal activity	Country of incorporation	Percentage of equity	
				2009	2008
65.	Al Bustan Center Company L.L.C.	Rental of apartments and shops	U.A.E.	50.0%	50.0%
66.	Waqf Trust Services L.L.C. (under liquidation)	Trust and fiduciary services	U.A.E.	50.0%	50.0%
67.	Al Rimal Development	Property development	U.A.E.	50.0%	50.0%
68.	Gulf Tankers L.L.C.	Cargo and transport	U.A.E.	50.0%	50.0%
69.	Millennium Private Equity L.L.C.	Fund Management	U.A.E.	50.0%	—

The entities listed as 32 and 68 did not conduct any operations during the current or previous periods.

Although the Bank's interest in the equity of the entities listed as 48, 50, 61 and 62 is less than 20%, the Bank exercises significant influence over these entities. These investments have, accordingly, been accounted for as 'investments in associates'.

The consolidated financial statements as of and for the year from 1 January 2008 to 31 December 2008 have been restated (refer to note 61).

The registered head office of the Bank is at P.O. Box 1080, Dubai, United Arab Emirates (U.A.E.).

The Bank is registered as a PJSC in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended).

2 Adoption of new and revised standards

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these consolidated financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the consolidated financial statements are set out in section 2.2.

• IAS 1 (as revised in 2007) *Presentation of Financial Statements*	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
• *Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)*	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk (see note 58).
• IFRIC 15 *Agreements for the Construction of Real Estate*	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised.

2.2 Standards and Interpretations adopted with no effect on the consolidated financial statements

The following new and revised Standards and Interpretations have also been adopted in these consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

• IFRS 8 *Operating Segments*	IFRS 8 is a disclosure Standard that requires re-designation of the Bank's reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and assess performance. There was no material impact of this Standard on the previous disclosures and reported results or the financial position of the Bank since the business segments reported earlier as per the requirements of IAS 14 *Segment Reporting* are also used by management to allocate resources to the segments and to assess its performance (note 56).
• Amendments to IFRS 2 *Share-based Payment—Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
• IAS 23 (as revised in 2007) *Borrowing Costs*	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these consolidated financial statements because it has always been the Bank's accounting policy to capitalise borrowing costs incurred on qualifying assets.
• Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements—Puttable Financial Instruments and Obligations Arising on Liquidation*	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
• IFRIC 13 *Customer Loyalty Programmes*	The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
• IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
• IFRIC 18 *Transfers of Assets from Customers* (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009)	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*.
• Improvements to IFRSs (2008)	Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 *Annual Improvements to IFRSs* majority of which are effective for annual periods beginning on or after 1 January 2009.

2.3 Standards and Interpretations in issue not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:

	Effective for annual periods beginning on or after
• IFRS 1 (revised) *First time Adoption of IFRS* and IAS 27 (revised) *Consolidated and Separate Financial Statements*—Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
• IFRS 3 (revised) *Business Combinations*—Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*	1 July 2009
• IAS 39 (revised) *Financial Instruments: Recognition and Measurement*—Amendments relating to Eligible Hedged Items (such as hedging Inflation risk and Hedging with options)	1 July 2009
• IFRS 1 (revised) *First time Adoption of IFRS*—Amendment on additional exemptions for First-time Adopters	1 January 2010
• IFRS 2 (revised) *Share-based payment*—Amendment relating to Group cash-settled Share-based payments	1 January 2010
• IAS 32 (revised) *Financial Instruments: Presentation*—Amendments relating to classification of Rights Issue	1 February 2010
• IAS 24 *Related Party Disclosures*—Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	1 January 2011
• IFRS 9 Financial Instruments: *Classification and Measurement* (intended as complete replacement for IAS 39 and IFRS 7)	1 January 2013
• Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 *Annual Improvements to IFRSs*.	Majority effective for annual periods beginning on or after 1 January 2010

New Interpretations and amendments to Interpretations:

	Effective for annual periods beginning on or after
• IFRS 17: *Distributions of Non-cash Assets to Owners*	1 July 2009
• IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
• Amendment to IFRIC 14: *IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction*	1 January 2011
• Amendment to IFRIC 16: *Hedges of a Net Investment in a Foreign Operation*	1 July 2009
• Amendment to IFRIC 9 (revised): *Reassessment of Embedded Derivatives* relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category	1 July 2009

The Directors anticipate that these amendments will be adopted in the Bank's consolidated financial statements for the initial period when they become effective. Management have not yet had an opportunity to consider the potential impact to the adoption of these amendments.

3 Definitions

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

Murabahat

An agreement whereby the Bank sells to a customer a commodity or asset, 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 the cost of the commodity and an agreed profit margin.

Istisna'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 against an agreed price.

Ijarah

An agreement whereby the Bank (lessor) purchases or constructs an asset for lease according to the customer's request (lessee), based on his promise to lease the asset for a specific period and against certain rent installments. Ijarah 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 third party whereby one party would provide a certain amount of funds, which the other party (Mudarib) would then invest in a specific enterprise or activity against a specific share in the profit. The Mudarib 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.

Sukuk

These comprise asset backed, Sharia'a compliant trust certificates.

4 Significant accounting policies

4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and applicable requirements of the Laws of the U.A.E.

As required by the Securities and Commodities Authority of the UAE ("SCA") Notification No.2624/2008 dated 12 October 2008, the Bank's exposure in Cash and balances with Central Banks, Balances and deposits with banks and other financial institutions, International murabahat with financial institutions, short term and other investments outside the U.A.E. have been presented under the respective notes.

4.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments mainly investment carried at fair value through profit or loss, available for sale investments, unilateral promise to buy/sell currencies and Islamic swaps which are measured at fair value.

4.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Dubai Islamic Bank PJSC and its subsidiaries (collectively referred to as "the Bank") as set out in Note 1. The entities controlled by the Bank have been treated as subsidiaries. Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

All significant inter-company balances, income and expense items are eliminated on consolidation.

Non-controlling interest in subsidiaries are identified separately from the Bank's equity therein. The interest of non-controlling shareholders is measured as the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interest represents the portion of profit or loss for the year and portion of net assets of consolidated subsidiaries not owned directly or indirectly by the Bank and are identified separately under the headings 'Non-controlling interest' in the consolidated financial statements.

4.4 Investments in joint ventures

The Bank's interests in joint ventures, which are defined as those entities which are subject to joint control, are accounted for under the proportionate consolidation method whereby the Bank accounts for its share of the assets, liabilities, income and expenses in the joint ventures on a line by line basis.

The reporting dates of the joint venture and the Bank are identical and the joint venture's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

4.5 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Bank's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.6 Revenue recognition

Income from investing and financing assets

Income from Islamic financing and investing assets are recognised in the consolidated income statement using the effective profit method. The effective profit rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective profit rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective profit rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective profit rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Murabahat

Murabahat income is recognised on an effective profit rate basis over the period of the contract based on the principal amounts outstanding.

Istisna'a

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

Ijarah

Ijarah income is recognised on an effective profit rate basis over the lease term.

Musharaka

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

Mudaraba

Income or losses on Mudaraba financing are recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Sukuk

Income is accounted for on a time-apportioned basis over the term of the Sukuk.

Sale of property

Revenue on sale of plots is recognised on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's initial investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property; and
- The Bank has transferred to the buyer the significant risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

Fee and commission income

Fee and commission income is recognised when the related services are performed.

Rental income

Rental income from investment properties is recognised on a straight line basis over the terms of the relevant lease and is stated net of related expenses.

Dividends

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

4.7 Balances and deposits with banks and other financial institutions

Balances and deposits with banks and other financial institutions are stated at cost less amounts written off and provision for impairment, if any.

4.8 International murabahat with financial institutions, short term

International murabahat with financial institutions, short term are stated at cost less provisions for impairment and deferred profits.

4.9 Islamic financing and investing assets

Islamic financing and investing assets consist of murabahat receivables, mudaraba, musharaka, wakala arrangements, istisna'a and ijarah contracts and they are measured at amortised cost less any amounts written off and allowance for impairment losses. Istisna'a cost is measured and reported in the consolidated financial statements at a value not exceeding the cash equivalent value.

Other Islamic financing and investing assets are stated at cost less any provisions for impairment and deferred income.

Allowance for impairment is made against Islamic financing and investing assets when their recovery is in doubt taking into consideration IFRS requirements for fair value measurement. Islamic financing and investing assets are written off only when all possible courses of action to achieve recovery have proved unsuccessful. Losses expected from future events are not recognised.

4.10 Islamic financing and investing assets impairment

Individually assessed Islamic financing and investing assets

Individually assessed Islamic financing and investing assets mainly represent corporate and commercial Islamic financing and investing assets which are assessed individually in order to determine whether there exists any objective evidence that an Islamic financing and investing asset is impaired. Islamic financing and investing assets are classified as impaired as soon as there is doubt about the customer's ability to meet payment obligations to the Bank in accordance with the original contractual terms. Doubts about the customer's ability to meet payment obligations generally arise when:

a) Principal and profit are not serviced as per contractual terms; and,

b) When there is significant deterioration in the customer's financial condition and the amount expected to be realised from disposals of collaterals, if any, are not likely to cover the present carrying value of the Islamic financing and investing assets.

Impaired Islamic financing and investing assets are measured on the basis of the present value of expected future cash flows discounted at the Islamic financing and investing asset's original effective profit rate or, as a practical expedient, at the Islamic financing and investing assets' observable market price or fair value of the collaterals if the Islamic financing and investing assets is collateral dependent. Impairment loss is calculated as the difference between the Islamic financing and investing assets' carrying value and its present impaired value.

Retail Islamic financing and investing assets with common features and which are not individually significant

Collective impairment is made to cover impairment against specific group of assets where there is a measurable decrease in estimated future cash flows by applying a formula approach which allocates progressively higher loss rates in line with the overdue installment date.

Incurred but not yet identified

Individually assessed Islamic financing and investing assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics based on industry, product or Islamic financing and investing assets rating for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Bank may have incurred as a result of events occurring before the consolidated balance sheet date, which the Bank is not able to identify on an individual basis, and that can be reliably estimated. As soon as information becomes available which identifies losses on individual Islamic financing and investing assets within the group of the customer, those loans are removed from the group of the customer and assessed on an individual basis for impairment.

Renegotiated financing facilities

Where possible, the Bank seeks to restructure financing exposures rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. Once the terms have been renegotiated, the financing exposure is no longer considered past due. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur. The facility continue to be subject to an individual or collective impairment assessment, calculated using the facility's original effective profit rate depending upon the borrower complying with the revised terms and conditions and making the minimum required payments for the Islamic financing and investing assets to be moved to performing category.

Reversal of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the consolidated income statement in the period in which it occurs.

4.11 Properties under construction

Properties in the course of construction for sale are classified as properties under construction. Unsold properties and sold properties which have not met the revenue recognition criteria are stated at the lower of cost or net realisable value. Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are recognised as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are recognised. Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the project to be completed. Upon completion, cost in respect to unsold properties is eliminated from properties under construction and transferred to properties held for sale.

4.12 Properties held for sale

Properties acquired or constructed with the intention of sale are classified as properties held for sale when construction is completed. Properties held for sale are stated at cost or at net realisable value, whichever is lower. Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Direct costs from the start of the project up to completion of the project are capitalised. Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the project to be completed. The cost of land and costs incurred in the course of development relating to properties sold during the year are transferred to cost of revenues.

4.13 Cost of sale of property

Cost of sale of property includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sale in respect of apartments is based on the estimated proportion of the development cost incurred to date to the estimated total development costs for each project.

4.14 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.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to investment properties when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in used evidenced by commencement of owner-occupation or commencement of development with a view to sale.

4.15 Investments in associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Bank's share of the net assets of the associate, less any impairment in the value of individual investments. After the application of the equity method, the Bank determines whether it is necessary to recognise any impairment loss on the Bank's investment in its associates. The Bank determines at each reporting date whether there is objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in the consolidated income statement.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Bank's subsidiary or other associate transacts with an associate of the Bank, profits and losses are eliminated to the extent of the Bank's interest in the relevant associate.

4.16 Other investments

Investments carried at fair value through profit or loss

Financial assets are classified at fair value through profit or loss ("FVTPL") where the financial assets is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short- term profit taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss arising on re-measurement in the consolidated income statement.

Non-trading investments

These are classified as follows:

- Held to maturity
- Available for sale investments

Held to maturity

Investments which have fixed or determinable payments with fixed maturities which the Bank has the intention and ability to hold to maturity, are classified as held to maturity investments. Held to maturity investments are carried at amortised cost, using effective profit rate method less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective profit rate method.

Any gain or loss on such investments is recognised in the consolidated income statement when the investment is derecognised on or impaired.

If there is objective evidence that an impairment on held to maturity investments carried at amortised cost has been incurred, the amount of impairment loss recognised is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the investments original effective profit rate, with the resulting impairment loss, if any, in the consolidated income statement.

Investments classified as held to maturity and not close to their maturity, cannot ordinarily be sold or reclassified without impacting the Bank's ability to use this classification and cannot be designated as a hedged item with respect to profit rate or prepayment risk, reflecting the longer-term nature of these investments.

Available for sale investments

Investments not classified as either "held for trading" or "held to maturity" are classified as "available for sale" and are stated at fair value.

Available for sale investments are initially recognised at fair value plus any directly attributable transaction cost and are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and tested for impairment, if any.

After initial recognition, investments which are classified as "available for sale" are remeasured at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and recorded in the cumulative changes in fair value with the exception of impairment losses, profit calculated using the effective yield method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity in the cumulative changes in fair value is included in the consolidated income statement for the year.

Dividends on available for sale equity instruments are recognised in the consolidated income statement when the Bank's right to receive the dividends is established.

4.17 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at that date and is recognised in the consolidated income statement.

4.18 Capital work in progress

Capital work in progress is stated at cost. When the asset is ready for use, capital work in progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Bank's policies.

4.19 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective profit method, with depositors' share of profit recognised on an effective yield basis.

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating depositors' share of profit over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

4.20 Customers' deposits, due to banks and other financial institutions and Medium term wakala finance

Customers' deposits, due to banks and other financial institutions and Medium term wakala finance are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their amortised cost using the effective profit method.

4.21 Employees' end of service benefits

Pension and national insurance contributions for the U.A.E. citizens are made by the Bank in accordance with Federal Law No. 2 of 2000.

The Bank provides end of service benefits for 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.

4.22 Provisions and contingent liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Bank's control. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless they are remote.

4.23 Taxation

Provision is made for current and deferred taxes arising from operating results of overseas subsidiary in accordance with the fiscal regulations of the respective countries in which the Bank operates.

Deferred income taxation is provided using the liability method on all temporary differences at the consolidated balance sheet date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the consolidated balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

4.24 Zakat

Zakat is computed as per the Articles and Memorandum of Association of the Bank and its subsidiaries and is approved by the Fatwa and Sharia'a Supervisory Boards of the respective entities on the following basis:

- Zakat on Shareholders' equity is deducted from their dividends and is computed on their zakat pool (shareholders' equity less paid up capital, donated land reserve, exchange translation reserve, hedging reserve and cumulative changes in fair value) plus employees' end of service benefits.

- Zakat on profit equalsation provision is charged to this provision 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 directly by the shareholders themselves.

4.25 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 Sharia'a Supervisory Board.

4.26 Trade and settlement date accounting

The "regular way" purchases and sales of financial assets are recognised on the settlement date basis i.e. the date that the Bank physically receives or transfers the assets. Regular way purchases or sales are those that require delivery of assets within the time frame generally established by regulation or convention in the market place. Any significant change in the fair value of assets which the Bank has committed to purchase at the consolidated balance sheet date is recognised in the consolidated income statement for assets classified as held for trading and in other comprehensive income for assets classified as available for sale.

4.27 Forfeited income

According to the Fatwa and Sharia'a Supervisory Board, the Bank is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia'a regulations and to set aside such amount in a separate account used to pay for local social activities.

4.28 Fiduciary activities

The Bank acts as trustees/manager and in other capacities that result in holding or placing of assets on behalf of trusts or other institutions. These assets and income arising thereon are not included in the Bank's consolidated financial statements as they are not assets of the Bank.

4.29 Offsetting of financial assets and liabilities

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

4.30 Cash and cash equivalents

Cash and cash equivalents disclosed in the consolidated cash flow statement consists of cash and balances with central banks, due from banks and international Murabahat with original maturities of three months or less.

4.31 Impairment of non financial assets

At each consolidated balance sheet date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.32 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised on where:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same financial institution on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

4.33 Derivative financial instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Bank enters into a variety of Islamic derivative financial instruments to manage the exposure to profit and foreign exchange rate risks, including unilateral promise to buy/sell currencies and Islamic swap.

Derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and reorganised pricing models as appropriate.

For the purpose of hedge accounting, the Bank classifies hedges into two categories: (a) fair value hedges, which hedge the exposure to changes in the fair value of a reorganised asset or liability; and (b) cash flow hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a reorganized asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective through its life, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objectives and strategies are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the re-measurement of both the derivative and the hedged item are recognised in the consolidated income statement. Fair value adjustments relating to the hedging instrument are allocated to the same consolidated income statement category as the related hedged item. Any ineffectiveness is also recognised in the same consolidated income statement category as the related hedged item. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in other comprehensive income. The ineffective part of any gain or loss is recognised immediately in the consolidated income statement as trading revenue/loss. Amounts accumulated in equity are transferred to the consolidated income statement in the periods in which the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised, in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the consolidated income statement. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the consolidated income statement and classified as trading revenue/loss.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated income statement as trading revenue/loss. However, the gains and losses arising from changes in the fair values of derivatives that are managed in conjunction with financial instruments designated at fair value are included in net income from financial instruments designated at fair value under other non-profit revenue/loss.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in the consolidated income statement.

4.34 Unilateral promise to buy/sell currencies (the Promise)

The promises are stated at fair value. The fair value of a promise is the equivalent of the unrealised gain or loss from marking to market the promise using prevailing market rates. The promise with positive market value (unrealised gain) are included in other assets and the promise with negative market value (unrealised losses) are included in other liabilities in the consolidated balance sheet.

4.35 Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of equity instruments that will eventually vest. At each consolidated balance sheet date, the Bank revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement over the remaining vesting period, with a corresponding adjustment to the employees' incentive plan reserve.

4.36 Foreign currencies

Transactions in currencies other than AED are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are revalued at the rates prevailing on the consolidated balance sheet date. Profits and losses arising on exchange are included in the consolidated income statement.

The assets and liabilities of the Bank's overseas operations are translated at exchange rates prevailing on the consolidated balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Bank's retained earnings. Such translation differences are recognised as income or as expense in the year in which the operation is disposed of.

4.37 Financial guarantees

Financial guarantees are undertaking/commitment that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees are initially recognised at their fair value, which is the premium received on issuance. The received premium is amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently recognised at the higher of this amortised amount and the present value of any expected payments (when a payment under guarantee has become probable). The premium received on these financial guarantees is included within other liabilities.

4.38 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments. Refer to note 56 on Business Segment reporting.

4.39 Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the consolidated balance sheet date. Bid prices are used for assets and offer prices are used for liabilities.

Unquoted available for sale investments are carried at cost, less provision for impairment, due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable fair value.

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

The fair value of unilateral promise to buy/sell currencies is calculated by reference to foreign exchange rates with similar maturities.

5 Critical accounting judgements and key sources of estimation of uncertainty

While applying the accounting policies as stated in Note 4, the management of the Bank has made certain judgments. These judgments mainly have a significant effect on the carrying amounts of Islamic financing and investing assets, investment securities and the fair values of derivative financial instruments. The significant judgments made by the management in arriving at the carrying amounts of Islamic financing and investing assets, investment securities and fair values of derivative financial instruments are summarised as follows:

5.1 Impairment losses on Islamic financing and investing assets

The impairment allowance for Islamic financing and investing assets is established through charges to the consolidated income statement in the form of an impairment allowance for doubtful Islamic financing and investing assets.

5.1.1Individually assessed Islamic financing and investing assets

Impairment losses for individually assessed Islamic financing and investing assets are determined by an evaluation of exposure on a case-by-case basis. This procedure is applied to all classified corporate Islamic financing and investing assets which are individually significant accounts or are not subject to the portfolio-based-approach.

The following factors are considered by management when determining allowance for impairment on individual Islamic financing and investing assets which are significant:

- The amount expected to be realised on disposals of collaterals.
- The Bank's ability to enforce its claim on the collaterals and associated cost of litigation.
- The expected time frame to complete legal formalities and disposals of collaterals.

The Bank's policy requires regular review of the level of impairment allowances on individual facilities and regular valuation of the collateral and its enforceability.

Impaired Islamic financing and investing assets continue to be classified as impaired unless they are brought fully current and the collection of scheduled profit and principal is considered probable.

5.1.2Collectively assessed Islamic financing and investing assets

Collective assessment of allowance for impairment is made for overdue retail Islamic financing and investing assets with common features which are not individually significant and performing Islamic financing and investing assets which are not found to be individually impaired.

This collective allowance is based on any deterioration in the internal rating of the asset or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The management of the Bank assesses, based on historical experience and the prevailing economic and credit conditions, the magnitude of Islamic financing and investing assets which may be impaired but not identified as of the consolidated balance sheet date.

5.2 Transfer of equitable interest in properties

The Bank has entered into a number of contracts with buyers for the sale of land and apartment units. Management has determined that the equitable interest in such assets and therefore, risks and rewards of the ownership, are transferred to the buyer once he is committed to complete the payment for the purchase. This commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progress payments. Based on this, the Bank recognises revenues and profits as the acts to complete the property are performed.

5.3 Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through income statement or available for sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Bank has the intention and ability to hold these to maturity.

The Bank classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available, reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through income statement.

All other investments are classified as available for sale.

5.4 Impairment of available for sale investments

The Bank exercises judgment to consider impairment on the available for sale investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, the Bank evaluates among other factors, the normal volatility in market price. In addition, the Bank considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance or changes in technology.

5.5 Impairment of associates

After application of equity method of accounting, the Bank determines whether it is necessary to recognise for any additional impairment loss on the carrying value of the investment in associate by comparing its recoverable amount with the higher of value in use or fair value less costs to sell with its carrying amount.

In determining the value in use of the investment, the Bank estimates:

i) its share of the present value of the estimated future cash flows expected to be generated by the associates, including the cash flows from the operations of the associates and the proceeds on the ultimate disposal of the investment; or

ii) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

5.6 Islamic derivative financial instruments

Subsequent to initial recognition, the fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The main factors which management considers when applying a model are:

a) The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although management judgement may be required in situations where the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt; and

b) An appropriate discount rate for the instrument. Management determines this rate, based on its assessment of the appropriate spread of the rate for the instrument over the internal benchmark profit rate. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared. When valuing instruments on a model basis using the fair value of underlying components, management considers, in addition, the need for adjustments to take account of a number of factors such as bid-offer spread, credit profile, servicing costs of portfolios and model uncertainty.

6 Cash and balances with Central Banks

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Cash in hand	**1,491,173**	1,293,409	1,027,859
Balances with central banks:			
—Current accounts	**6,376,863**	686,886	813,684
—Reserve requirements	**3,743,534**	4,348,371	3,064,114
	11,611,570	6,328,666	4,905,657

The reserve requirements are kept with the Central Banks of U.A.E. and Pakistan in the respective local currencies and US Dollar. These reserves are not available for use in the Bank's day to day operations, and cannot be withdrawn without the approval of the respective Central Banks. The level of reserve required changes every month in accordance with the requirements of the respective Central Banks' directives.

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

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Within the U.A.E.	**11,486,195**	6,212,874	4,523,409
Outside the U.A.E.	**125,375**	115,792	382,248
	11,611,570	6,328,666	4,905,657

7 Balances and deposits with banks and other financial institutions

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Current accounts	**666,321**	322,697	682,865
Investment deposits	**685,978**	1,518,281	512,855
	1,352,299	1,840,978	1,195,720

Balances and deposits with banks and other financial institutions by geography is as follows:

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Within the U.A.E.	**697,168**	1,313,602	941,264
Outside the U.A.E.	**655,131**	527,376	254,456
	1,352,299	1,840,978	1,195,720

8 International Murabahat with financial institutions, short term

International murabahat with financial institutions by geography is as follows:

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Within the U.A.E.	**102,872**	1,278,355	7,042,219
Outside the U.A.E.	**1,102,087**	362,246	9,237,482
	1,204,959	1,640,601	16,279,701

9 Islamic financing and investing assets, net

	2009	2008	2007
	AED'000	*AED'000*	*AED'000 (Restated)*
Financing Assets			
Commodities murabahat	**6,553,773**	8,328,995	8,452,997
International murabahat long term	**1,636,047**	1,779,248	2,405,710
Vehicles murabahat	**6,589,053**	6,735,209	4,979,679
Real estate murabahat	**5,391,693**	6,431,362	6,071,640
Total murabahat	**20,170,566**	23,274,814	21,910,026
Istisna'a	**8,362,108**	8,443,662	7,511,596
Ijara	**11,583,847**	9,946,785	7,147,159
Islamic credit cards	**392,014**	309,800	257,373
	40,508,535	41,975,061	36,826,154
Less: Deferred income	**(4,414,648)**	(4,617,627)	(4,031,793)
Provisions for impairment	**(1,845,257)**	(1,186,864)	(1,046,662)
Contractors and consultants' Istisna'a contracts	**(1,147,768)**	(1,555,810)	(1,786,179)
	33,100,862	34,614,760	29,961,520
Investing Assets			
Musharakat	**10,524,280**	10,047,283	4,544,234
Mudaraba	**5,456,053**	7,208,814	5,920,503
Wakalat	**946,791**	846,491	186,598
	16,927,124	18,102,588	10,651,335
Less: Provision for impairment	**(103,045)**	(58,337)	(78,007)
	16,824,079	18,044,251	10,573,328
Total Islamic financing and investing assets, net	**49,924,941**	52,659,011	40,534,848

Islamic financing and investing assets by industry group and geography are as follows:

	2009			2008			2007 (Restated)		
	U.A.E.	International	Total	U.A.E.	International	Total	U.A.E.	International	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Economic sector									
Financial institutions	**4,125,258**	**517,834**	**4,643,092**	4,567,767	409,444	4,977,211	1,981,401	943,373	2,924,774
Real estate	**20,858,321**	**110,263**	**20,968,584**	19,716,956	231,740	19,948,696	15,663,170	1,289,569	16,952,739
Trade	**3,456,548**	**102,377**	**3,558,925**	4,814,638	320,329	5,134,967	3,062,147	871,522	3,933,669
Government	**4,182,292**	**—**	**4,182,292**	4,398,741	45,729	4,444,470	2,723,103	—	2,723,103
Manufacturing and services	**9,096,360**	**1,147,366**	**10,243,726**	9,847,947	1,948,297	11,796,244	5,184,800	3,565,639	8,750,439
Personal financings and others	**7,804,476**	**472,148**	**8,276,624**	7,602,624	—	7,602,624	6,374,793	—	6,374,793
Total	**49,523,255**	**2,349,988**	**51,873,243**	50,948,673	2,955,539	53,904,212	34,989,414	6,670,103	41,659,517
Less: Allowance for impairment			**(1,948,302)**			(1,245,201)			(1,124,669)
Total			**49,924,941**			52,659,011			40,534,848

Provisions for impairment

Movements in the provision for impairment are as follows:

	Financing	**Investing**	**Total**
	AED'000	*AED'000*	*AED'000*
2009			
Balance, beginning of the year	1,186,864	58,337	1,245,201
Charge for the year	784,803	72,452	857,255
Release to the consolidated income statement	(113,519)	(27,046)	(140,565)
Write-offs during the year	(12,861)	—	(12,861)
Others	(30)	(698)	(728)
Balance, end of the year	**1,845,257**	**103,045**	**1,948,302**
Gross amount of financing and investing assets, individually determined to be impaired, before deducting any individually assessed impairment allowance	**2,922,752**	**184,253**	**3,107,005**
2008			
Balance, beginning of the year	1,046,662	78,007	1,124,669
Charge for the year	295,498	9,898	305,396
Release to the income statement	(59,830)	(28,207)	(88,037)
Pertaining to subsidiaries disposed off	(89,509)	—	(89,509)
Write-offs during the year	(5,957)	(36)	(5,993)
Others	—	(1,325)	(1,325)
Balance, end of the year	1,186,864	58,337	1,245,201
Gross amount of financing and investing assets, individually determined to be impaired, before deducting any individually assessed impairment allowance	2,179,036	47,842	2,226,878
2007			
Balance, beginning of the year	802,366	78,877	881,243
Charge for the year	325,056	6,798	331,854
Release to the income statement	(55,581)	(7,668)	(63,249)
Write-offs	(25,179)	—	(25,179)
Balance, end of the year	1,046,662	78,007	1,124,669
Gross amount of financing and investing assets, individually determined to be impaired, before deducting any individually assessed impairment allowance	1,604,424	80,321	1,684,745

Collateral

The Bank, in the ordinary course of providing finance, holds collateral as security to mitigate credit risk associated with investing and financing assets. This collateral includes savings and investment deposits, financial guarantees, equities, real estate and other fixed assets. The estimated value of collaterals, other than retail assets which are mainly asset based financing, is as follows:

	2009	**2008**	**2007**
	AED'000	*AED'000*	*AED'000*
Corporate and financial guarantees	**49,074,130**	39,903,222	18,419,337
Property and Mortgages	**29,937,517**	26,571,190	12,438,573
Deposits	**1,259,473**	1,409,832	901,538
Vehicles and machineries	**163,481**	48,071	39,718

The fair value of collaterals that the Bank holds relating to facilities individually determined to be impaired at 31 December 2009 amounts to AED 2.75 billion (2008: AED 3.09 billion and 2007: 384.05 million).

During the year, the Bank took possession of various underlying assets, primarily vehicles. The Bank has sold repossessed assets amounting to AED 6.52 million (2008: AED 4.38 million and 2007: AED 3.19 million), which has been adjusted against the outstanding receivables.

10 Investments in Islamic Sukuk

Investments in Islamic sukuk by geographical area are as follows:

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Held to maturity—at amortised cost			
Within U.A.E.	**7,736,096**	10,610,805	7,813,423
Other G.C.C. Countries	**346,161**	391,001	565,274
Rest of the world	**238,857**	224,470	133,062
	8,321,114	11,226,276	8,511,759
Available for sale			
Within U.A.E.	**969,683**	—	—
	969,683	—	—
Total	**9,290,797**	11,226,276	8,511,759

Held to maturity investments in Islamic sukuk are measured at amortised cost and available for sale investments in Islamic sukuk after initial recognition are re-measured at fair value with changes in fair value recognised in other comprehensive income.

11 Investments in associates

Investments in associates comprise:

	2009	2008	2007
	AED'000	*AED'000 (Restated)*	*AED'000*
Share in capital and financing	**4,056,455**	3,954,342	3,573,871
Share of profits	**356,704**	336,632	217,151
Less: provision for impairment	**(117,991)**	(109,426)	(49,426)
	4,295,168	4,181,548	3,741,596

Provision for impairment of investments in associates

	2009	2008	2007
	AED'000	*AED'000 (Restated)*	*AED'000*
Balance, beginning of the year	**109,426**	49,426	27,500
Charge for the year (note 50)	**8,565**	60,000	21,926
Balance, end of the year	**117,991**	109,426	49,426

The following table illustrates summarised information of the Bank's investments in associates:

	2009	2008	2007
	AED'000	*AED'000 (Restated)*	*AED'000*
Share of associates' balance sheets:			
Assets	**6,847,034**	6,926,707	5,722,294
Liabilities	**(2,433,875)**	(2,635,733)	(1,931,271)
Net assets	**4,413,159**	4,290,974	3,791,023
Less: Provision for impairment	**(117,991)**	(109,426)	(49,427)
Carrying value of investment in associates	**4,295,168**	4,181,548	3,741,596
Share of associates' revenues and results:			
Revenues	**1,014,371**	1,048,293	419,711
Results	**17,345**	126,538	203,462

Carrying value of investment in associates by geographical area are as follows:

	2009	2008	2007
	AED'000	*AED'000 (Restated)*	*AED'000*
Within U.A.E.	**3,769,867**	3,809,405	3,606,182
Other G.C.C. Countries	**56,782**	59,431	58,647
Rest of the world	**468,519**	312,712	76,767
	4,295,168	4,181,548	3,741,596

As required under IAS 28, management applies the requirements of IAS 39 at the end of each reporting period to determine whether it is necessary to recognise any additional impairment with respect to the net investment in associates on an individual basis. An investment was identified as being impaired for which the entire carrying amount under IAS 36 was tested and the resulting impairment of AED 8.57 million was charged to the consolidated income statement.

12 Other investments

	2009	2008	2007
	AED'000	*AED'000*	*AED'000 (Restated)*
Investments carried at fair value through income statement	**128,561**	322,128	820,849
Available for sale investments	**1,797,389**	1,785,808	3,261,833
	1,925,950	2,107,936	4,082,682

	31 December 2009			
	U.A.E.	Other G.C.C. Countries	Rest of World	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Investments carried at fair value through profit or loss				
Equity instruments	**1,212**	**108,192**	**19,157**	**128,561**
Available for sale investments				
Quoted:				
Equity instruments *	**603,650**	**95,909**	**40,255**	**739,814**
Unquoted:				
Equity instruments	**212,863**	**133,389**	**192,627**	**538,879**
Investment funds	**142,968**	**—**	**406,996**	**549,964**
	355,831	**133,389**	**599,623**	**1,088,843**
Gross available for sale investments	**959,481**	**229,298**	**639,878**	**1,828,657**
Allowance for impairment	**—**	**(12,862)**	**(18,406)**	**(31,268)**
Net available for sale investments	**959,481**	**216,436**	**621,472**	**1,797,389**
Total	**960,693**	**324,628**	**640,629**	**1,925,950**

* The available for sale investments include an investment of AED 205,652,700 (2008: AED 205,652,700 and 2007: AED 400,365,019) which was suspended for trading on the local stock market in November 2008. The investment is valued at the last traded price before its suspension on the local stock market.

	31 December 2008			
	U.A.E.	Other G.C.C. Countries	Rest of World	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Investments carried at fair value through profit or loss				
Equity instruments	953	234,199	86,976	322,128
Available for sale investments				
Quoted:				
Equity instruments	541,776	76,178	19,179	637,133
Unquoted:				
Equity instruments	212,863	134,151	192,363	539,377
Investment funds	273,473	—	375,017	648,490
	486,336	134,151	567,380	1,187,867
Gross available for sale investments	1,028,112	210,329	586,559	1,825,000
Allowance for impairment	(150)	(11,269)	(27,773)	(39,192)
Net available for sale investments	1,027,962	199,060	558,786	1,785,808
Total	1,028,915	433,259	645,762	2,107,936

	31 December 2007 (Restated)			
	U.A.E.	Other G.C.C. Countries	Rest of World	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Investments carried at fair value through income statement				
Equity instruments	5,327	606,611	208,911	820,849
Available for sale investments				
Quoted:				
Equity instruments	2,169,091	27,559	60,100	2,256,750
Unquoted:				
Equity instruments	137,989	132,287	148,915	419,191
Investment funds	—	392,870	223,882	616,752
	137,989	525,157	372,797	1,035,943
Gross available for sale investments	2,307,080	552,716	432,897	3,292,693
Allowance for impairment	—	(27,860)	(3,000)	(30,860)
Net available for sale investments	2,307,080	524,856	429,897	3,261,833
Total	2,312,407	1,131,467	638,808	4,082,682

The available for sale investments amounting to AED 1.83 billion (2008: AED 1.79 billion and 2007: AED 3.26 billion) is stated net of investments written down of AED 92.6 million (2008: AED 224 million and 2007: AED Nil) charged to the consolidated income statement during the year (refer note 50).

Industry distribution of other investments is as follows:

	2009	2008	2007
	AED'000	*AED'000*	*AED'000 (Restated)*
Banks and other financial institutions	**853,107**	861,320	2,303,316
Real estate	**507,213**	520,831	532,572
Manufacturing and others	**565,630**	725,785	1,246,794
	1,925,950	2,107,936	4,082,682

Unquoted available for sale investments are carried at cost, less provision for impairment, due to the unpredictable nature of future cash flows and the lack of other methods suitable for arriving at a reliable fair value.

Movements in the provision for impairment of available for sale investments are as follows:

	2009	2008	2007
	AED'000	*AED'000*	*AED'000* *(Restated)*
Balance, beginning of the year	**39,192**	30,860	14,899
Charge for the year (note 50)	**7,660**	10,794	23,961
Release to the consolidated income statement	**(15,743)**	(2,462)	(7,000)
Write-offs during the year	**—**	—	(1,000)
Other movements	**159**	—	—
Balance, end of the year	**31,268**	39,192	30,860

During 2008, the held for trading investments were reclassified to available for sale investments. The reclassification was made in accordance with the amendments to IAS 39 issued on 12 October 2008 with respect to reclassification of financial assets. The fair value at the date of reclassification of investments was AED 155.6 million. As at 31 December 2009, reclassified investments amounted to AED 56.9 million (2008: AED 76.2 million). During 2009, the reclassified investments amounting to AED 8.5 million (2008: AED Nil) were disposed.

13 Properties under construction

The movement in properties under construction during the year was as follows:

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Balance, beginning of the year	**257,830**	—	2,171,004
Additions	**130,818**	178,772	981,345
Disposals	**—**	—	(510,855)
Transfer to Deyaar PJSC (note 23)	**—**	—	(2,641,494)
Other transfers	**—**	79,058	—
Balance, end of the year	**388,648**	257,830	—

14 Properties held for sale

Properties held for sale represent properties in Egypt and Lebanon that are registered in the name of certain subsidiaries and branches of the Bank.

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Balance, beginning of year	**168,251**	131,831	136,585
Additions	**701**	100,809	—
Disposals (note 46)	**(12,464)**	(62,161)	—
Exchange gain/(losses)	**781**	(2,228)	(4,754)
Balance, end of the year	**157,269**	168,251	131,831

15 Investment properties

	2009 AED'000	2008 AED'000	2007 AED'000 (Restated)
Land			
In U.A.E.	**1,171,398**	1,171,601	1,171,537
Other G.C.C. Countries	**936**	936	936
Rest of World	**51,783**	51,766	66,113
	1,224,117	1,224,303	1,238,586
Less: Provision for impairment	**(300)**	(300)	(300)
	1,223,817	1,224,003	1,238,286
Other real estate			
In U.A.E.	**353,121**	366,271	304,923
Other G.C.C. Countries	**4,193**	4,193	6,904
Rest of World	**555,659**	538,424	593,305
	912,973	908,888	905,132
Less: Accumulated depreciation	**(140,502)**	(127,852)	(108,520)
	772,471	781,036	796,612
Investment properties, net	**1,996,288**	2,005,039	2,034,898

The fair value of the investment properties has been arrived at on the basis of a valuation carried out by independent valuers. The valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The effective date of the valuations is 31 December 2009.

The fair value of the Bank's investment properties as of 31 December 2009 is AED 2.94 billion (2008: AED 4.30 billion and 2007: AED 3.08 billion).

Land in the U.A.E. includes land valued at AED 276.14 million (2008: AED 276.14 million and 2007: AED 276.14 million) donated by the Government of Dubai which has been allocated for the sole benefit of the Shareholders (refer note 33).

The movement in investment properties is as follows:

2009

	Land AED'000	Other Real Estate AED'000	Total AED'000
Cost:			
Balance, beginning of the year	**1,224,303**	**908,888**	**2,133,191**
Additions	**—**	**15,281**	**15,281**
Disposals	**—**	**(4,284)**	**(4,284)**
Transfers	**—**	**(8,867)**	**(8,867)**
Exchange effect	**(186)**	**1,955**	**1,769**
Balance, end of the year	**1,224,117**	**912,973**	**2,137,090**
Accumulated depreciation/provision for impairment:			
Balance, beginning of the year	**300**	**127,852**	**128,152**
Charge for the year	**—**	**18,722**	**18,722**
Disposal	**—**	**(1,186)**	**(1,186)**
Transfers	**—**	**(5,320)**	**(5,320)**
Exchange effect	**—**	**434**	**434**
Balance, end of the year	**300**	**140,502**	**140,802**
Carrying amount			
31 December 2009	**1,223,817**	**772,471**	**1,996,288**

2008

	Land	Other Real Estate	Total
	AED'000	*AED'000*	*AED'000*
Cost:			
Balance, beginning of the year	1,238,586	905,132	2,143,718
Additions	306,608	61,350	367,958
Disposals	(306,544)	(40,181)	(346,725)
Transfers	(12,085)	(2,713)	(14,798)
Exchange effect	(2,262)	(14,700)	(16,962)
Balance, end of the year	1,224,303	908,888	2,133,191
Accumulated depreciation/provision for impairment:			
Balance, beginning of the year	300	108,520	108,820
Charge for the year	—	20,125	20,125
Exchange effect	—	(793)	(793)
Balance, end of the year	300	127,852	128,152
Carrying amount			
31 December 2008	1,224,003	781,036	2,005,039

2007 (Restated)

	Land	Other Real Estate	Total
	AED'000	*AED'000*	*AED'000*
Cost:			
Balance, beginning of the year	541,281	300,727	842,008
Additions	987,107	604,405	1,591,512
Transfer	—	24,417	24,417
Disposals	(289,802)	(24,417)	(314,219)
Balance, end of the year	1,238,586	905,132	2,143,718
Accumulated depreciation/provision for impairment:			
Balance, beginning of the year	300	80,495	80,795
Charge for the year	—	28,029	28,029
Disposals	—	(2,149)	(2,149)
Transfers	—	2,145	2,145
Balance, end of the year	300	108,520	108,820
Carrying amount			
31 December 2007	1,238,286	796,612	2,034,898

16 Receivables and other assets

	2009	2008	2007
	AED'000	*AED'000*	*AED'000 (Restated)*
Income receivable	**322,978**	608,080	774,518
Rental income receivable	**596,679**	465,223	120,104
Trade receivables	**54,188**	75,858	80,561
Cheques sent for collection	**11,865**	14,840	240,825
Advances to contractors	**38,999**	—	30,811
Inventories	**9,443**	19,748	250,256
Prepaid expenses	**81,910**	47,382	55,448
Qard Hassan (profit-free facilities)	**8,000**	8,000	8,000
Overdrawn current accounts, net	**27,963**	6,206	4,833
Deferred taxation (note 29)	**18,057**	25,371	28,109
Islamic derivative assets (note 40)	**86,572**	111,411	—
Others	**207,417**	289,609	680,177
	1,464,071	1,671,728	2,273,642

Overdrawn current accounts, net are stated net of provision for impairment amounting to AED 43.25 million (2008: AED 28.53 million and 2007: AED 25.70 million).

17 Property, plant and equipment

2009

	Land and buildings	Plant and machinery	Furniture and office equipment	Information technology	Motor vehicles	Capital work in progress	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Cost:							
As of 1 January 2009	**86,310**	**82,386**	**304,141**	**292,253**	**4,787**	**288,083**	**1,057,960**
Additions	**4,059**	**779**	**14,482**	**9,735**	**108**	**118,129**	**147,292**
Disposals	**—**	**—**	**(14,871)**	**(54)**	**(623)**	**—**	**(15,548)**
Write offs during the year	**—**	**—**	**—**	**—**	**—**	**(22,456)**	**(22,456)**
Reclassification	**—**	**—**	**8,867**	**—**	**—**	**—**	**8,867**
Other transfers	**—**	**—**	**37,681**	**53,868**	**—**	**(97,042)**	**(5,493)**
Exchange adjustments	**—**	**(313)**	**(4,205)**	**(2,203)**	**(107)**	**(89)**	**(6,917)**
As of 31 December 2009	**90,369**	**82,852**	**346,095**	**353,599**	**4,165**	**286,625**	**1,163,705**
Accumulated depreciation:							
As of 1 January 2009	**31,348**	**52,437**	**156,560**	**145,713**	**3,149**	**—**	**389,207**
Charge for the year	**1,754**	**3,914**	**58,889**	**50,651**	**800**	**—**	**116,008**
Disposals	**—**	**—**	**(2,912)**	**(54)**	**(423)**	**—**	**(3,389)**
Reclassification	**—**	**—**	**5,320**	**—**	**—**	**—**	**5,320**
Exchange adjustments	**—**	**(44)**	**(814)**	**(324)**	**(54)**	**—**	**(1,236)**
As of 31 December 2009	**33,102**	**56,307**	**217,043**	**195,986**	**3,472**	**—**	**505,910**
Carrying amount							
31 December 2009	**57,267**	**26,545**	**129,052**	**157,613**	**693**	**286,625**	**657,795**

2008

	Land and buildings	Plant and machinery	Furniture and office equipment	Information technology	Motor vehicles	Capital work in progress	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Cost:							
As of 1 January 2008	211,428	80,782	293,869	188,698	28,730	158,104	961,611
Additions	29,909	2,459	43,828	35,994	129	303,850	416,169
Disposals	(155,027)	—	(63,928)	(4,646)	(22,167)	(13,508)	(259,276)
Other transfers	—	—	42,973	75,074	—	(156,431)	(38,384)
Exchange adjustments	—	(855)	(12,601)	(2,867)	(1,905)	(3,932)	(22,160)
As of 31 December 2008	86,310	82,386	304,141	292,253	4,787	288,083	1,057,960
Accumulated depreciation:							
As of 1 January 2008	36,266	49,158	124,364	110,104	11,052	—	330,944
Charge for the year	2,390	3,360	58,613	37,550	1,345	—	103,258
Disposals	(7,308)	—	(24,914)	(1,200)	(8,632)	—	(42,054)
Exchange adjustments	—	(81)	(1,503)	(741)	(616)	—	(2,941)
As of 31 December 2008	31,348	52,437	156,560	145,713	3,149	—	389,207
Carrying amount							
31 December 2008	54,962	29,949	147,581	146,540	1,638	288,083	668,753

2007

	Land and buildings	Plant and machinery	Furniture and office equipment	Information technology	Motor vehicles	Capital work in progress	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Cost:							
As of 1 January 2007	306,835	79,868	188,193	127,301	26,727	29,851	758,775
Additions	1,187	3,064	95,370	66,837	9,904	153,194	329,556
Disposals	(73,047)	(2,128)	(13,013)	(5,991)	(7,861)	(836)	(102,876)
Other transfers	(24,417)	—	23,486	485	—	(23,971)	(24,417)
Exchange adjustments	870	(22)	(167)	66	(40)	(134)	573
As of 31 December 2007	211,428	80,782	293,869	188,698	28,730	158,104	961,611
Accumulated depreciation:							
As of 1 January 2007	36,411	46,659	81,136	87,465	11,503	—	263,174
Charge for the year	3,526	3,847	48,298	24,957	4,911	—	85,539
Disposals	(1,552)	(1,347)	(5,085)	(2,318)	(5,369)	—	(15,671)
Other transfers	(2,145)	—	—	—	—	—	(2,145)
Exchange adjustments	26	(1)	15	—	7	—	47
As of 31 December 2007	36,266	49,158	124,364	110,104	11,052	—	330,944
Carrying value							
31 December 2007	175,162	31,624	169,505	78,594	17,678	158,104	630,667

18 Goodwill

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
At 1 January	**—**	36,910	36,910
Additions (note 21)	**34,516**	—	—
Written off during the year	**—**	(36,910)	—
At 31 December	**34,516**	—	36,910

Impairment testing of goodwill

During 2009, goodwill acquired through business combination has been allocated to Millennium Private Equity L.L.C. as a cash-generating unit.

In 2008, the investment in Bank of Khartoum had been partially diluted resulting in changes in classification of the investment from a subsidiary to an associate, the goodwill was written off (note 22).

19 Investments in joint ventures

The Bank's 50% share of assets and liabilities in the joint ventures included in the consolidated financial statements are disclosed below:

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Cash and balances with banks	**10,026**	8,327	9,371
Islamic financing and investing assets	**1,212**	953	4,275
Properties under construction	**47,798**	47,053	—
Receivables and other assets	**11,539**	12,849	28,669
Property, plant and equipment	**5,993**	4,022	3,574
Total assets	**76,568**	73,204	45,889
Other liabilities	**39,935**	34,337	10,284
Profit for the year	**10,465**	8,059	25,345

20 Disposal of interest in associates

In 2009, the Bank disposed its 32.5% interest in Millennium Finance Corporation (“MFC”) in consideration of a 50% interest in Millennium Private Equity L.L.C. (“MPE”), a Company registered in U.A.E., amounting to U.S.$ 10.5 million (AED 38.6 million).

Further, Emirates National Securitisation Company (“ENSEC”), an associate, also adopted a voluntary dissolution in accordance with the shareholders resolution. The net assets of both companies along with their consideration are as follows:

	2009
	AED'000
Carrying amount of investments in associates at the date of disposal	**42,509**
Less: consideration for disposal of associates—net	**(37,806)**
Net loss on disposal of associates (refer note 47)	**4,703**

21 Business combination

In 2009, the Bank acquired a 50% interest in Millennium Private Equity L.L.C. (“MPE”) a Company based in U.A.E. and engaged in fund management activities. The fair value of the identifiable assets and liabilities of MPE acquired at that date were as follows:

	Recognised on acquisition 2009
	AED'000
Cash and balances with banks	**4,269**
Other assets	**9,964**
Property and equipment	**1,344**
Total assets	**15,577**
Other liabilities	**7,477**
Total liabilities	**7,477**
Fair value of net assets—100%	**8,100**
Consideration for acquisition	**38,566**
Less: fair value of identifiable net assets acquired	**(4,050)**
Goodwill arising on acquisition (refer note 18)	**34,516**

The fair value of the net assets has been arrived at on the basis of a valuation carried out by an external valuer that are not related to the Bank.

22 Dilution of interest in subsidiaries

Effective 1 February 2008, Bank of Khartoum (a subsidiary company as at that date) and Emirates and Sudan Bank, Sudan, were merged (“the transaction”) and commenced operations as Bank of Khartoum. As part of the transaction, Bank of Khartoum issued 144,318,188 shares to the shareholders of Emirates & Sudan Bank at par resulting in dilution of the Bank’s interest in Bank of Khartoum from 52.3% to 28.4%. The investment in the Bank of Khartoum is classified as investment in associates.

During the year 2008, the Bank partially disposed of its interest in Millennium Finance Corporation Limited (then a subsidiary) resulting in dilution of the Bank’s interest from 65% to 32.5%. The Bank’s investment in Millennium Financial Corporation Limited is classified as investment in associates.

The assets and liabilities of subsidiaries, where the Bank's interests had been diluted, as of 31 December 2007 were as follows:

	2007
	AED'000
Cash and balances with banks	583,552
Islamic financing and investing assets	1,992,726
Equity investments	343,950
Investment properties	40,181
Prepayments and other assets	414,126
Property, plant and equipment	196,410
Total assets	3,570,945
Customers' Deposits	2,530,258
Due to banks and financial institutions	87,320
Accounts payable and accruals	448,542
Non-controlling interests	235,998
Total liabilities	3,302,118
Net assets	268,827
Profit on disposal of subsidiaries	36,517

23 Transfer of interest in subsidiary

The Bank transferred its entire interest in Deyaar Development Company P.S.C. (a subsidiary company) engaged in real estate development to Deyaar Development PJSC as at 30 May 2007 for a consideration of AED 2,600,000,000 to be settled by the issue of 2,600,000,000 shares of AED 1 each in Deyaar Development PJSC The assets and liabilities of Deyaar Development Company P.S.C. as of 30 May 2007 were as follows:

	30 May 2007
	AED'000
Property, plant and equipment	14,956
Properties under construction	2,641,494
Accounts and notes receivable	245,267
Prepayments and other assets	382,079
Bank balances and cash	584,598
Total assets	3,868,394
Employees' end of service benefits	2,805
Retention payable	44,531
Islamic finance obligations	857,038
Term loan	1,346
Accounts payable and accruals	1,327,875
Non-controlling interest	3,763
Total liabilities	2,237,358
Net assets	1,631,036
Consideration	2,600,000
Profit arising on transfer	968,964

24 Customers' deposits

	2009	2008	2007
	AED'000	*AED'000 (Restated)*	*AED'000 (Restated)*
a) By type:			
Current accounts	**14,015,030**	14,060,338	13,804,657
Saving accounts	**9,881,740**	11,151,372	8,730,070
Investment deposits	**40,023,078**	40,608,612	41,619,982
Margin accounts	**233,769**	281,497	450,800
Profit equalisation provision (note 54)	**41,886**	226,858	570,085
	64,195,503	66,328,677	65,175,594
b) By contractual maturity:			
Demand deposits	**24,556,123**	28,446,620	16,299,754
Deposits due within 3 months	**21,453,380**	23,335,037	27,040,433
Deposits due within 6 months	**7,684,018**	5,428,646	2,333,038
Deposits due within 1 year	**10,347,086**	8,763,923	17,998,356
Deposits due over 1 year	**154,896**	354,451	1,504,013
	64,195,503	66,328,677	65,175,594
c) By geographical areas:			
Within U.A.E.	**62,448,316**	62,137,369	59,598,309
Outside U.A.E.	**1,747,187**	4,191,308	5,577,285
	64,195,503	66,328,677	65,175,594
d) By currency:			
U.A.E. Dirham	**56,986,387**	60,227,445	53,163,825
Other currencies	**7,209,116**	6,101,232	12,011,769
	64,195,503	66,328,677	65,175,594

Refer to notes 27 and 61.1 respectively.

25 Due to banks and other financial institutions

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Current accounts	**53,890**	99,293	240,660
Investment deposits	**1,395,161**	3,231,808	2,000,662
	1,449,051	3,331,101	2,241,322

Due to banks and other financial institutions by geography is as follows:

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Within the U.A.E.	**1,328,864**	3,024,538	607,158
Outside the U.A.E.	**120,187**	306,563	1,634,164
	1,449,051	3,331,101	2,241,322

26 Sukuk financing instruments

During 2007 the Bank, through a Sharia'a compliant Sukuk Financing arrangement, raised a medium term finance amounting to AED 2,754,750,000 (U.S.$ 750 million). The sukuks are listed on the NASDAQ Dubai and the London Stock Exchange.

The terms of the arrangement include transfer of certain identified assets ("the Co Owned Assets") including original leased and musharakat assets, Sharia'a compliant authorised investments and any replaced assets of the Bank to a Sukuk company, DIB Sukuk Company Limited—the Issuer, especially formed for the sukuk transaction. The assets are in the control of the Bank and shall continue to be serviced by the Bank. The sukuk certificates mature in 2012.

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

The sukuks bear a variable profit rate payable to the investors based on the rate of 3 months LIBOR plus 0.33% per annum. Such profits are payable on a quarterly basis.

During 2009, sukuks amounting to U.S.$ 92.5 million (AED 340 million) were bought back at a discount, including buy back through a cash tender offer to sukuk holders. The Bank has recognised AED 38.7 million as a related gain on sukuk buy back which is included under other income. These sukuk certificates will be cancelled upon maturity when the Bank will re-purchase the Co Owned Assets.

27 Medium term wakala finance

The Bank opted to re-categorise wakala deposits received in 2008 from UAE Ministry of Finance amounting to AED 3.75 billion to Tier 2 qualifying finance ("Tier 2 finance"). The conversion process has been approved by the Shareholders in the Extraordinary General Meeting held in April 2009. The wakala deposits provided by the UAE Ministry of Finance (the Muwakkil) to the Bank (the Wakeel) will be used for investments for a tenor of seven years commencing from the date of re-categorisation and will mature in December 2016. Wakala profit will be paid every three months based on the expected profit rate range of 4% – 5.25% per annum.

In accordance with the terms of wakala agreement, the Muwakkil's rights and claims on the Wakeel in respect of wakala are wholly subordinated to the rights and claims of all other non subordinated creditors.

As at 31 December 2008, the amount was classified in customers' investment deposits (refer to note 24).

28 Other liabilities

	2009	2008	2007
	AED'000	*AED'000*	*AED'000 (Restated)*
Depositors' share of profits (note 51)	**364,140**	582,527	607,980
Payable for properties	**171,079**	268,282	336,393
Bankers cheques	**255,300**	306,889	453,968
Cheques received for collection	**1,624**	204,589	209,148
Sundry deposits	**399,044**	180,264	381,704
Trade payables	**443,075**	461,523	480,615
Rent received in advance	**167,053**	186,547	88,468
Vendor payable for investing and financing assets	**665,724**	188,234	—
Provision for employees' end-of-service benefits	**89,554**	74,313	60,256
Unclaimed dividends	**38,964**	100,803	35,272
Provision for taxation (note 29)	**—**	3,544	3,484
Directors' remuneration	**4,800**	5,350	5,350
Payable to contractors	**4,856**	3,872	6,082
Fund transfer and remittances	**74,664**	160,138	—
Investments related payable	**293,585**	293,585	293,585
Others	**397,342**	429,072	431,281
	3,370,804	3,449,532	3,393,586

29 Taxation

Provision for taxation

	2009 AED'000	2008 AED'000	2007 AED'000
Opening balance	**3,544**	3,484	37,823
Charge for the year	**892**	3,544	952
Tax paid	**(4,436)**	—	(35,291)
Relating to subsidiary disposed off	**—**	(3,484)	—
Closing balance (note 28)	**—**	3,544	3,484

Deferred tax asset

	2009 AED'000	2008 AED'000	2007 AED'000
Deferred tax asset at beginning of the year	**25,371**	28,109	13,009
(Reversals)/additions during the year	**(5,952)**	5,679	15,100
Exchange effect	**(1,362)**	(8,417)	—
Deferred tax asset at the end of the year (note 16)	**18,057**	25,371	28,109

Tax (expense)/reversal for the year

	2009 AED'000	2008 AED'000	2007 AED'000
Current taxation	**(892)**	(3,544)	(952)
Deferred taxation	**(5,952)**	5,679	15,100
Income tax (expense)/reversal	**(6,844)**	2,135	14,148

30 Accrued Zakat

	2009 AED'000	2008 AED'000	2007 AED'000
Zakat on Shareholders' equity	**139,428**	134,557	118,660
Zakat on profit equalisation provision (note 54)	**1,108**	8,609	10,882
	140,536	143,166	129,542

31 Share capital

	2009		2008		2007	
	Number of Shares'000	Amount in AED'000	Number of shares'000	Amount in AED'000	Number of shares'000	Amount in AED'000
Authorised						
Ordinary shares of AED 1 each	**3,617,505**	**3,617,505**	3,445,400	3,445,400	3,000,000	3,000,000
Issued and fully paid up						
At 1 January	**3,445,400**	**3,445,400**	2,996,000	2,996,000	2,800,000	2,800,000
Bonus shares	**172,105**	**172,105**	449,400	449,400	196,000	196,000
At 31 December	**3,617,505**	**3,617,505**	3,445,400	3,445,400	2,996,000	2,996,000

During the year 172,105,000 shares of AED 1 each were issued as bonus shares (2008: 449,400,000 shares and 2007: 196,000,000 shares).

32 Treasury shares

The treasury shares includes the shares acquired from a third party on settlement of certain transactions. The Bank intends to dispose of these shares in 2010.

33 Reserves

	Statutory reserve	Donated land reserve	General reserve	Exchange translation reserve	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
As of 1 January 2007	2,761,030	286,951	895,000	30,323	3,973,304
Exchange and other adjustments	—	—	—	(2,983)	(2,983)
Reversal of share premium in a subsidiary	(4,293)	—	—	—	(4,293)
Transfer from retained earnings	—	—	755,000	—	755,000
Relating to disposal of donated land	—	(10,812)	—	—	(10,812)
As of 1 January 2008	2,756,737	276,139	1,650,000	27,340	4,710,216
Exchange and other adjustments	—	—	—	(87,020)	(87,020)
Transfer from retained earnings	—	—	600,000	—	600,000
Movement as a result of disposed subsidiaries	(24,858)	—	—	—	(24,858)
As of 1 January 2009	2,731,879	276,139	2,250,000	(59,680)	5,198,338
Exchange and other adjustments	—	—	—	(18,161)	(18,161)
Transfer from retained earnings	—	—	100,000	—	100,000
As of 31 December 2009	**2,731,879**	**276,139**	**2,350,000**	**(77,841)**	**5,280,177**

Statutory reserve

Article 192 of the U.A.E. 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 other than in circumstances stipulated by law. The statutory reserve includes AED 2,000 million being the premium collected at AED 2 per share on the rights issue during 2006.

The Board of Directors has resolved to discontinue the annual transfer to statutory reserve as the reserve exceeds 50% of the paid up capital.

Donated land reserve

The Government of Dubai has donated certain land which has been allocated for the sole benefit of the shareholders of the Bank. Such land is included in investment properties (note 15). The donated land reserve represents the fair value of the land, net of disposals, at the time of the donation.

General reserve

Transfer to general reserve is made based on the discretion of the Board of Directors and is subject to the approval of the Shareholders at the annual general meeting.

34 Cumulative changes in fair value

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
At 1 January	(888,714)	1,006,637	544,649
Realised on disposal of available for sale investments	(309)	(58,590)	(116,430)
Unrealised gain/(loss) on available for sale investments	165,310	(1,836,761)	578,418
At 31 December	(723,713)	(888,714)	1,006,637

35 Dividends paid and proposed

	2009 AED'000	2008 AED'000	2007 AED'000
Cash dividend:			
(2009: AED 0.15 per share of AED 1 each)	538,648	—	—
(2008: AED 0.25 per share of AED 1 each)	—	860,523	—
(2007: AED 0.40 per share of AED 1 each)	—	—	1,198,400
Scrip dividend			
(2009: AED 0.05 per share of AED 1 each)	179,549	—	—
(2008: AED 0.05 per share of AED 1 each)	—	172,105	—
(2007: AED 0.15 per share of AED 1 each)	—	—	449,400

Dividends relating to the year 2008 were declared and paid/issued during the year. Proposed cash dividend relating to the year 2009 are subject to the approval of the Shareholders at the Annual General Meeting to be held on 31 March 2010.

36 Hedging reserve

During the year the Bank discontinued its cash flow hedge of a forecast transaction. The discontinuance of the hedge accounting resulted in reclassification of associated cumulative gains amounting to AED 45.2 million (2008: AED Nil) from the hedging reserve to consolidated income statement. Refer to note 44.

37 Employee stock Ownership plan (ESOP)

In 2004, the Bank established an Employee Stock Ownership Plan (ESOP) to recognise and retain key employees. The plan gives the employee the right to own the Bank's shares at the issue price. In accordance with a resolution of the Shareholders of the Bank at the Extraordinary General Meeting of Shareholders held on 26 June 2004, the shareholders surrendered 2% of their share entitlement under the Bank's rights issue, at the rights issue price of AED 20 per share, for the benefit of the Bank's employees under this plan. Under this arrangement, the bank acquired 913,999 of its own shares at the issue price of AED 20 per share.

The Bank granted 502,699 shares during 2004 at the rights issue price of AED 20 per share to key employees who achieved certain pre-determined criteria. These employees' entitlement to ownership became effective on or before 31 December 2004.

The remaining 411,300 shares of AED 10 each acquired by the Bank under this scheme were held as ESOP shares and were equivalent to 4,113,000 shares of AED 1 each after the share split during 2005. The cost of acquisition of these shares was AED 8,226 thousand at the rate of AED 20 per share of a nominal value of AED 10 each or AED 2 per share after the share split.

These shares were issued at AED 2 each during the previous year, under nominee arrangements, to various categories of employees on condition that the employees continue in the service of the Bank for an agreed minimum period ranging between three to four years from the grant date. Should the employee leave before the completion of the full vesting period, a proportion of the shares would revert back to the Bank. Management considers it unlikely that a significant amount of shares would revert back to the Bank on account of employees leaving before completing their vesting period.

The fair value of these shares on the grant date was AED 109,817,000. Accordingly, at the grant date, an amount of AED 101,591,000, being the fair value less the amounts recoverable from the employees, was determined to be charged to the consolidated income statement over the vesting period. In 2008, a number of staff have left the Bank, and 1,576,836 shares have been taken back. As a result the yearly charge on account of ESOP have been changed prospectively as follows:

Year	Current charge to consolidated income statement	Charge to consolidated income statement at grant date
	AED '000	*AED '000*
2006	30,312	30,312
2007	36,846	36,846
2008	18,069	25,085
2009	5,444	6,856
2010	478	2,492
Total	91,149	101,591

38 Non-controlling interest

Non-controlling 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.

39 Contingent liabilities and commitments

Financing-related financial instruments

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

Commitments to extend financing represent contractual commitments to provide Islamic financing. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

The Bank has outstanding commitments and contingent liabilities under letters of credit and guarantees arising in the normal course of business, as follows:

	2009	2008	2007
	AED'000	*AED'000*	*AED'000*
Contingent liabilities:			
Acceptances	479,915	603,081	1,462,287
Letters of credit	3,040,028	3,387,529	6,161,796
Letters of guarantee	10,484,586	17,476,434	10,381,479
	14,004,529	21,467,044	18,005,562
Commitments:			
Capital expenditure commitments	416,257	591,975	578,299
Irrevocable undrawn facilities commitments	11,217,244	22,583,592	9,391,000
	11,633,501	23,175,567	9,969,299
Total contingent liabilities and commitments	25,638,030	44,642,611	27,974,861

40 Islamic derivatives

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

31 December 2009: ***Notional amounts by term to maturity***

	Positive fair value	*Negative fair value*	*Notional amount total*	*Within 3 months*	*Over 3 months to 1 year*	*Over 1 year to 3 years*	*Over 3 to 5 years*	*Over 5 years*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic Derivatives held for trading:								
Unilateral promise to buy/sell currencies . . .	**13,793**	**16,457**	**8,428,233**	**3,807,118**	**1,332,980**	**2,904,929**	**383,206**	**—**
Islamic profit rate Swaps (refer note 16)	**275,548**	**188,976**	**12,609,741**	**—**	**—**	**—**	**12,217,140**	**392,601**
	289,341	**205,433**	**21,037,974**	**3,807,118**	**1,332,980**	**2,904,929**	**12,600,346**	**392,601**

31 December 2008: ***Notional amounts by term to maturity***

	Positive fair value	*Negative fair value*	*Notional amount total*	*Within 3 months*	*Over 3 months to 1 year*	*Over 1 year to 3 years*	*Over 3 to 5 years*	*Over 5 years*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic Derivatives held for trading:								
Unilateral promise to buy/ sell currencies	47,463	68,062	11,255,642	3,795,463	6,174,629	1,285,550	—	—
Islamic profit rate swaps	231,735	227,776	9,559,792	—	—	—	9,206,987	352,805
	279,198	295,838	20,815,434	3,795,463	6,174,629	1,285,550	9,206,987	352,805
Islamic Derivatives held as cash flow hedge:								
Islamic profit rate swaps (note 16)	111,411	—	2,000,000	—	—	—	2,000,000	—
	390,609	295,838	22,815,434	3,795,463	6,174,629	1,285,550	11,206,987	352,805

31 December 2007: ***Notional amounts by term to maturity***

	Positive fair value	*Negative fair value*	*Notional amount total*	*Within 3 months*	*Over 3 months to 1 year*	*Over 1 year to 3 years*	*Over 3 to 5 years*	*Over 5 years*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic Derivatives held for trading:								
Unilateral promise to buy/ sell currencies	33,726	29,633	14,936,790	12,009,606	356,084	2,571,100	—	—
Islamic profit rate swaps	33,052	33,052	4,530,033	—	—	1,941,443	2,588,590	—
	66,778	62,685	19,466,823	12,009,606	356,084	4,512,543	2,588,590	—

The Bank has positions in the following types of derivative.

Unilateral Promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the value dates, by exchanging the purchase/ sale offers and acceptances between the relevant parties.

Islamic Swaps

Islamic Swaps are based on a Wa'ad (promise) structure between two parties to buy a specified Sharia'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. Islamic swap structure comprises profit rate swap and currency swap. For Islamic profit rate swaps, counterparties generally exchange fixed and floating rate profit payments by executing the purchase/sale of commodity under "Murabaha Sale Agreement" in a single currency. For Islamic currency swaps, fixed or floating profit payments as well as cost of underlying commodity are exchanged in different currencies, by executing the purchase/sale of commodity under "Murabaha Sale Agreement".

Derivatives held or issued for trading purposes

Most of the Bank's derivative trading activities relate to sales and strategic hedging (see below). Sales activities involve offering products to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks.

Derivatives held or issued for hedging purposes

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to currency and profit rate risks. This is achieved by hedging specific financial instruments and forecasted transactions as well as strategic hedging against overall balance sheet exposures.

For profit rate risk, strategic hedging is carried out by monitoring the repricing of financial assets and liabilities and entering into profit rate swaps. As strategic hedging does not qualify for special hedge accounting, related derivatives are accounted for as trading instruments.

41 Income from Islamic financing and investing assets

	2009	2008
	AED'000	*AED'000*
Financing assets		
Commodities murabahat	**454,259**	624,216
International murabahat	**18,046**	30,941
Vehicles murabahat	**486,540**	457,142
Real estate murabahat	**352,726**	414,346
Total murabahat income	**1,311,571**	1,526,645
Istisna'a	**408,560**	267,306
Ijara	**572,602**	514,260
Income from financing assets	**2,292,733**	2,308,211
Investing assets		
Musharakat	**625,053**	445,769
Mudarabat	**354,791**	378,092
Wakalat	**42,945**	65,590
Others	**7,335**	7,178
Income from investing assets	**1,030,124**	896,629
Total income from Islamic financing and investing assets	**3,322,857**	3,204,840

Income from investing and financing assets is presented net of forfeited income of AED 8.97 million (2008: AED 10.61 million).

42 Income from International Murabahats, short term

	2009	2008
	AED'000	*AED'000*
Income from international murabahats	**20,087**	242,098
Income from investment and wakala deposits	**31,391**	24,110
	51,478	266,208

43 Loss from other investments

	2009	2008
	AED'000	*AED'000*
(Loss)/gain on disposal of investments carried at fair value through profit or loss	**(6,841)**	9,534
Loss on revaluation of investments carried at fair value through profit or loss	**(53,562)**	(277,068)
Dividend on investments carried at fair value through profit or loss	**16,310**	26,987
Realised gain on disposal of available for sale investments	**—**	58,590
Dividend on available for sale equity investments	**23,336**	89,197
Dividend from available for sale investment funds	**1,822**	31,465
	(18,935)	(61,295)

Dividend on available for sale investment is presented net of forfeited income of AED 3.05 million (2008: AED Nil).

44 Commissions, fees and foreign exchange income

	2009	2008
	AED'000	*AED'000*
Trade related commission and fees	**237,930**	301,164
Other commissions and fees	**414,290**	447,079
Gains on unilateral promise to buy/sell currencies	**99,842**	119,925
Fair value of Islamic derivatives	**107**	3,959
	752,169	872,127

Other commission and fees includes AED 45.2 million (2008: Nil) on account of reclassification of associated cumulative gains from the hedging reserve to the consolidated income statement. Refer to note 36.

Other commission and fees is presented net of forfeited income of AED 1.20 million (2008: AED Nil).

45 Income from investment properties

	2009	2008
	AED'000	*AED'000*
Net rental income	**75,609**	90,657
Gain on sale of investment properties	**2,691**	89,744
	78,300	180,401

46 Income from sale of properties held for sale

	2009	2008
	AED'000	*AED'000*
Sales proceeds	**13,461**	93,879
Cost of sale (note 14)	**(12,464)**	(62,161)
	997	31,718

47 Other income

	2009	2008
	AED'000	*AED'000*
Services income, net	**32,446**	89,492
Loss on disposal of interest in associates (note 20)	**(4,703)**	—
Others	**158,710**	9,231
	186,453	98,723

48 Personnel expenses

	2009	2008
	AED'000	*AED'000*
Salaries and wages	**712,859**	758,922
Staff terminal benefits	**22,200**	24,012
Share based payments	**5,444**	18,069
Others	**72,699**	81,494
	813,202	882,497

49 General and administrative expenses

	2009	2008
	AED'000	*AED'000*
Administrative expenses	**110,029**	131,065
Depreciation of property, plant and equipment (note 17)	**116,008**	103,258
Rental charges payable under operating leases	**67,082**	58,944
Communication costs	**53,507**	47,076
Premises and equipment maintenance costs	**42,869**	41,105
Printing and stationery	**11,713**	12,243
Miscellaneous write offs	**23,997**	—
Others	**99,555**	123,354
	524,760	517,045

50 Net impairment loss on financial assets

	2009	2008
	AED'000	*AED'000*
Provision/(reversal) for investing assets	**45,406**	(18,309)
Provision for financing assets	**671,284**	235,668
Provision for receivables and other assets	**15,737**	8,469
Provision for guarantees	**—**	2,670
Impairment loss on available for sale investments	**92,660**	232,332
Impairment loss on investments in associates	**8,565**	60,000
Reversal in provision for available for sale investment funds	**(15,743)**	—
	817,909	520,830

51 Depositors' share of profits

	2009	2008
	AED'000	*AED'000* *(Restated)*
Share for the year	**1,739,197**	1,777,672
Less: Pertaining to depositors' profit equalisation provision (Note 54)	**(11,636)**	(25,415)
Transfer from depositors' profit equalisation provision (Note 54 and 61.1)	**195,500**	201,267
	1,923,061	1,953,524
Less: Paid during the year	**(1,558,921)**	(1,370,997)
Depositors' share of profit payable (Note 28)	**364,140**	582,527
Share of profits accrued to customers and financial institutions are as follows:		
Investment and savings deposits from customers	**1,176,329**	1,364,720
Wakala and other investment deposits from banks and customers	**529,138**	311,439
Profit accrued on sukuk financing instrument	**33,730**	101,513
	1,739,197	1,777,672

52 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the year attributable to equity holders of the Bank by the weighted average number of shares outstanding during the year as follows:

	2009	2008
		(Restated)
Profit for the year net of directors' remuneration of AED 4,800,000 (2008: AED 5,350,000)	**1,202,691,000**	1,548,977,000
Weighted average number of shares of AED 1 each outstanding during the year	**3,613,331,000**	3,615,928,000
Basic and diluted earnings per share in AED	**0.33**	0.43

The earnings per share of AED 0.50 as reported for 2008 has been adjusted for the effect of the shares issued in 2009 as a result of the bonus shares and prior period adjustment (refer to note 61.1).

The figures for basic and diluted earnings per share is the same as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

53 Cash and cash equivalents

	2009	2008
	AED'000	*AED'000*
Cash and balances with central banks	**11,611,570**	6,328,666
International murabahat with financial institutions, short term	**1,204,959**	1,640,601
Balances and deposits with banks and financial institutions	**1,352,299**	1,840,978
	14,168,828	**9,810,245**
Less: Balances and deposits with banks with original maturity over 3 months	**(88,836)**	—
	14,079,992	9,810,245

54 Profit equalisation provision

	2009	2008
	AED'000	*AED'000* *(Restated)*
Balance, beginning of the year—as reported	**226,858**	570,085
Transfer from retained earnings for share of profit pertaining to prior years	**—**	(158,766)
Share of profit for the year (note 51)	**11,636**	25,415
Zakat for the year (note 30)	**(1,108)**	(8,609)
Additional transfer to depositors' share of profit during the year (notes 51 and 61.1)	**(195,500)**	(201,267)
Balance, end of the year (note 24)	**41,886**	226,858

Profit equalisation provision represents a portion of the depositors' share of profits set aside as a provision. This provision is payable to the depositors upon the approval of the Board of Directors and the Bank's Fatwa and Sharia'a Supervisory Board. Zakat on profit equalisation provision is included under accrued Zakat.

55 Related party transactions

The Bank enters into transactions with Shareholders, directors, key management personnel and their related concerns in the ordinary course of business at commercial profit and commission rates. All facilities to related parties are performing facilities and are free of any provision for possible impairment.

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

	Major Shareholders	Directors and key management personnel	Associates	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
2009				
Financing and investing assets	**3,812,737**	**182,362**	**513,774**	**4,508,873**
Customers' deposits	**5,065,054**	**55,652**	**287,281**	**5,407,987**
Income from financing and investing assets	**73,252**	**12,194**	**14,562**	**100,008**
Depositors' share of profits	**38,443**	**988**	**1,910**	**41,341**
Contingent liabilities	**2,038,091**	**890**	**700**	**2,039,681**

	Major Shareholders	Directors and key management personnel	Associates	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
2008				
Financing and investing assets	5,365,704	192,558	779,580	6,337,842
Customers' deposits	2,971	13,051	158,559	174,581
Income from financing and investing assets	27,260	4,991	18,829	51,080
Depositors' share of profits	59	74	400	533
Contingent liabilities	1,719,843	5	105,970	1,825,818

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

	2009	2008
	AED'000	*AED'000*
Salaries and other benefits	**45,164**	38,780
Employee terminal benefits	**1,612**	1,020

56 Segmental information

The Bank has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14: Segment Reporting) required an entity to identify two segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. This has not resulted in any significant change to the reportable segments presented by the Bank as the segments reported by the Bank was consistent with the internal reports provided to the chief operating decision maker.

For operating purposes the Bank is organised into four major business segments as follows:

i) Retail and business banking:	Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahats, ijarah, islamic card and funds transfer facilities and trade finance facilities.
ii) Corporate and investment banking:	Principally handling financing and investing facilities and deposit and current accounts for corporate and institutional customers and investment banking services.
iii) Real estate:	Property development and other real estate investments.
iv) Others:	Treasury and other functions.

These segments are the basis on which the Bank reports its primary segment information. Transactions between segments are conducted at estimated profit rates which approximate market rates on an arm's length basis.

Primary segment information—business segments

2009

The following table presents income and profit and certain asset and liability information regarding the Bank's business segments for the year ended 31 December 2009:

	Retail and business banking	Corporate and investment banking	Real estate	Others	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Segment revenue, net	1,564,149	1,363,520	(84,664)	550,712	3,393,717
Operating expenses	(840,229)	(346,650)	(52,649)	(117,155)	(1,356,683)
Net impairment losses on financial assets	(134,044)	(679,548)	—	(4,317)	(817,909)
Profit for the year before depositors' share and taxation	589,876	337,322	(137,313)	429,240	1,219,125
Income tax expense					(6,844)
Net profit for the year					1,212,281
Segment assets	10,318,903	44,308,289	5,347,653	24,329,426	84,304,271
Segment liabilities and equity	44,896,686	27,753,025	1,049,435	10,605,125	84,304,271
Capital expenditure	62,438	333,005	—	20,814	416,257

2008 (Restated)

The following table presents income and profit and certain asset and liability information regarding the Bank's business segments for the year ended 31 December 2008 (Restated):

	Retail and business banking	Corporate and investment banking	Real estate	Others	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Segment revenue, net	1,291,730	1,573,212	11,987	615,760	3,492,689
Operating expenses	(828,307)	(448,533)	(24,712)	(118,115)	(1,419,667)
Net impairment losses on financial assets	(55,178)	(458,405)	—	(7,247)	(520,830)
Profit for the year before depositors' share and taxation	408,245	666,274	(12,725)	490,398	1,552,192
Income tax deferred					2,135
Net profit for the year					1,554,327
Segment assets	10,208,514	53,852,198	5,266,322	15,429,583	84,756,617
Segment liabilities and equity	40,671,022	33,110,601	467,595	10,507,399	84,756,617
Capital expenditure	62,881	508,286	—	20,808	591,975

Secondary segment information—geographical segments

Although the management of the Bank is based primarily on business segments, the Bank operates in two geographic markets: U.A.E. which is designated as domestic and outside the U.A.E. which is designated as international. The following table shows the distribution of the Bank's operating income, total assets, total liabilities and capital expenditure by geographical segment:

	Domestic		International		Total	
	2009	2008	2009	2008	2009	2008
	AED'000	*AED'000 (Restated)*	*AED'000*	*AED'000 (Restated)*	*AED'000*	*AED'000 (Restated)*
Gross income	**4,694,063**	4,726,967	**438,852**	543,394	**5,132,915**	5,270,361
Total assets	**76,872,268**	77,783,659	**7,432,003**	6,972,958	**84,304,271**	84,756,617
Total liabilities and equity	**79,429,952**	76,986,759	**4,874,319**	7,769,858	**84,304,271**	84,756,617
Capital expenditure	**285,822**	559,809	**130,435**	32,166	**416,257**	591,975

57 Maturity analysis of assets and liabilities

The table below summarises the maturity profile of the Bank's assets and liabilities analysed according to when they are expected to be recovered or settled.

At 31 December 2009

	Less than one month	1 –3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Assets:						
Cash and balances with Central banks	**7,868,036**	**3,743,534**	**—**	**—**	**—**	**11,611,570**
Balances and deposits with banks and other financial institutions	**666,321**	**685,978**	**—**	**—**	**—**	**1,352,299**
International murabahats, short term	**1,204,959**	**—**	**—**	**—**	**—**	**1,204,959**
Islamic financing and investing assets	**5,483,365**	**3,725,723**	**4,442,826**	**24,778,197**	**11,494,830**	**49,924,941**
Investment in Islamic sukuk	**—**	**2,550**	**1,174,732**	**5,741,513**	**2,372,002**	**9,290,797**
Investments in associates	**—**	**—**	**—**	**—**	**4,295,168**	**4,295,168**
Other investments	**—**	**—**	**1,022,954**	**902,996**	**—**	**1,925,950**
Properties under construction	**—**	**—**	**—**	**388,648**	**—**	**388,648**
Properties held for sale	**—**	**—**	**157,269**	**—**	**—**	**157,269**
Investment properties	**—**	**—**	**—**	**1,996,288**	**—**	**1,996,288**
Receivables and other assets	**87,719**	**56,572**	**1,319,780**	**—**	**—**	**1,464,071**
Property, plant and equipment	**7,818**	**15,636**	**70,361**	**523,279**	**40,701**	**657,795**
Goodwill	**—**	**—**	**—**	**—**	**34,516**	**34,516**
Total assets	**15,318,218**	**8,229,993**	**8,187,922**	**34,330,921**	**18,237,217**	**84,304,271**
Liabilities:						
Customers' deposits	**12,263,174**	**7,429,426**	**24,824,200**	**19,678,703**	**—**	**64,195,503**
Due to banks and other financial institutions	**151,551**	**48,831**	**1,248,669**	**—**	**—**	**1,449,051**
Sukuk financing instruments	**—**	**—**	**—**	**2,415,034**	**—**	**2,415,034**
Medium term wakala finance	**—**	**—**	**—**	**—**	**3,752,543**	**3,752,543**
Other liabilities	**849,740**	**177,180**	**1,924,237**	**419,647**	**—**	**3,370,804**
Accrued zakat	**—**	**—**	**140,536**	**—**	**—**	**140,536**
Equity	**—**	**—**	**765,759**	**(723,713)**	**8,938,754**	**8,980,800**
Total liabilities and equity	**13,264,465**	**7,655,437**	**28,903,401**	**21,789,671**	**12,691,297**	**84,304,271**
Net maturities gap	**2,053,753**	**574,556**	**(20,715,479)**	**12,541,250**	**5,545,920**	**—**

At 31 December 2008 (Restated)

	Less than one month	1 – 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Assets:						
Cash and balances with central banks	2,070,520	4,258,146	—	—	—	6,328,666
Balances and deposits with banks and other financial institutions	527,111	1,313,867	—	—	—	1,840,978
International murabahats, short term	1,640,601	—	—	—	—	1,640,601
Islamic financing and investing assets	5,509,723	7,302,115	11,833,098	19,913,751	8,100,324	52,659,011
Investment in Islamic sukuk	—	—	2,203,800	7,709,492	1,312,984	11,226,276
Investments in associates	—	—	—	4,181,548	—	4,181,548
Other investments	—	—	—	2,107,936	—	2,107,936
Properties under construction	—	—	—	257,830	—	257,830
Properties held for sale	—	—	—	168,251	—	168,251
Investment properties	—	—	—	2,005,039	—	2,005,039
Receivables and other assets	21,965	15,861	1,493,463	131,773	8,666	1,671,728
Property, plant and equipment	1,255	2,498	10,426	626,715	27,859	668,753
Total assets	9,771,175	12,892,487	15,540,787	37,102,335	9,449,833	84,756,617
Liabilities:						
Customers' deposits	8,135,907	15,511,748	22,900,502	19,774,354	6,166	66,328,677
Due to banks and other financial institutions	348,534	113,113	2,869,454	—	—	3,331,101
Sukuk financing instruments	—	—	—	2,754,750	—	2,754,750
Other liabilities	1,639,061	624,368	287,351	898,752	—	3,449,532
Accrued zakat	—	—	143,166	—	—	143,166
Equity	—	—	861,350	—	7,888,041	8,749,391
Total liabilities and equity	10,123,502	16,249,229	27,061,823	23,427,856	7,894,207	84,756,617
Net maturities gap	(352,327)	(3,356,742)	(11,521,036)	13,674,479	1,555,626	—

58 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. Differences can therefore arise between book value under the historical cost method and fair value estimates.

The fair value of unilateral promise to buy/sell currencies and Islamic swaps is set out in note 40. The fair value of the Bank's other financial assets and liabilities, except unquoted securities which are stated at cost, are not materially different from their carrying values as at 31 December 2009.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) the carrying amounts approximate to their fair value. This applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Valuation of all financial instruments recorded at fair value, is based on quoted market prices.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:
  - **Level 1**—Quoted prices (unadjusted) in active markets for identical financial assets or liabilities. This level includes listed equity securities and investments in Islamic sukuk.
  - **Level 2**—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC Islamic derivative contracts. The sources of input parameters like variable yield curve or counterparty credit risk are obtained from Bloomberg and Reuters.
  - **Level 3**—inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and Islamic financing instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

	Level 1	Level 2	Level 3	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Financial assets at FVTPL				
Other investments	**128,561**	**—**	**—**	**128,561**
Islamic derivative financial assets held for trading	**—**	**86,572**	**—**	**86,572**
Available-for-sale financial assets				
Quoted equities	**739,814**	**—**	**—**	**739,814**
Investment in Islamic sukuk	**969,683**	**—**	**—**	**969,693**
Total	**1,838,058**	**86,572**	**—**	**1,924,630**

59 Financial assets and liabilities

At 31 December 2009

	Financings and receivables	Available for sale	Fair value through profit and loss	Amortised cost	Carrying amount
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial assets					
Balances with central banks	**—**	**—**	**—**	**10,120,397**	**10,120,397**
Balances and deposits with banks and financial institutions	**—**	**—**	**—**	**1,352,299**	**1,352,299**
International murabahat, short term	**—**	**—**	**—**	**1,204,959**	**1,204,959**
Islamic financing and investing assets	**49,924,941**	**—**	**—**	**—**	**49,924,941**
Investment in Islamic sukuk	**—**	**969,683**	**—**	**8,321,114**	**9,290,797**
Other investments	**—**	**1,797,389**	**128,561**	**—**	**1,925,950**
Receivables and other assets	**1,354,661**	**—**	**—**	**—**	**1,354,661**
	51,279,602	**2,767,072**	**128,561**	**20,998,769**	**75,174,004**
Financial liabilities					
Customer deposits	**—**	**—**	**—**	**64,195,503**	**64,195,503**
Due to banks and other financial institutions	**—**	**—**	**—**	**1,449,051**	**1,449,051**
Sukuk financing instruments	**—**	**—**	**—**	**2,415,034**	**2,415,034**
Medium term wakala finance	**—**	**—**	**—**	**3,752,543**	**3,752,543**
Other liabilities	**—**	**—**	**—**	**3,370,804**	**3,370,804**
	—	**—**	**—**	**75,182,935**	**75,182,935**

At 31 December 2008 (Restated)

	Financings and receivables	Available for sale	Fair value through profit and loss	Amortised cost	Carrying amount
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial assets					
Balances with central banks	—	—	—	5,035,257	5,035,257
Balances and deposits with banks and financial institutions	—	—	—	1,840,978	1,840,978
International murabahat, short term	—	—	—	1,640,601	1,640,601
Islamic financing and investing assets	52,659,011	—	—	—	52,659,011
Investment in Islamic sukuk	—	—	—	11,226,276	11,226,276
Other investments	—	1,785,808	322,128	—	2,107,936
Receivables and other assets	1,580,227	—	—	—	1,580,227
	54,239,238	1,785,808	322,128	19,743,112	76,090,286
Financial liabilities					
Customer deposits	—	—	—	66,328,677	66,328,677
Due to banks and other financial institutions	—	—	—	3,331,101	3,331,101
Sukuk financing instruments	—	—	—	2,754,750	2,754,750
Other liabilities	—	—	—	3,449,532	3,449,532
	—	—	—	75,864,060	75,864,060

60 Risk management

60.1 Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his responsibilities.

The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

60.1.1 Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk Management Committee

The Risk Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management and Control

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. The department is responsible for credit approval, credit administration, portfolio management, credit risk, market risk and overall risk control.

Asset and Liability Management Committee

Asset and Liability Management Committee is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit

Risk management processes throughout the Bank are audited periodically by the internal audit which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit comments the results of their assessments with management, and reports its findings and recommendations to the Audit Committee.

60.1.2 Risk measurement and reporting systems

The Bank measures risks using conventional qualitative methods for credit, market and operational risks. Further, the Bank also uses quantitative analysis and methods to support revisions in business and risk strategies as and when required. These analysis and methods reflect both the expected loss likely to arise in normal course of business or unexpected losses in an unforeseen event based on simple statistical techniques and probabilities derived from historical experience. The Bank also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, limit exceptions, liquidity and other risk profile changes. On a monthly basis detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the provision for impairment losses on a quarterly basis.

60.1.3 Risk mitigation

As part of its overall risk management, the Bank uses various methods to manage exposures resulting from changes in credit risks, profit rate risk, foreign currencies, equity risks, and operational risks.

The Bank seeks to manage its credit risk exposures through diversification of financing and investment activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. The Bank actively uses collateral to reduce its credit risks.

The market risk is managed on the basis of predetermined asset allocation across various asset categories and continuous appraisal of market conditions for movement and expectation of foreign currencies rate, bench mark profit rates and equity houses.

In order to guard against liquidity risk, management has diversified funding sources and assets are managed with overall Bank liquidity in consideration maintaining a healthy balance of cash and cash equivalents.

To manage all other risks, the Bank has developed a detailed risk management framework to identify and apply resources to mitigate the risks.

60.1.4 Risk concentration

Concentrations 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 indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

60.2 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. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk.

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.

Management of credit risk

The Bank's credit risk management framework includes:

- Establishment of authorisation structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being sanctioned to customers. Renewals and reviews of facilities are subject to the same review process;
- Diversification of Islamic financing and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with the risk management strategy and market trends.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed.

Credit risk measurement

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. Whilst some of the models for assessment of Real Estate projects are internally developed, others for the Corporate, Contracting and SME businesses have been acquired from Moody's and are housed with the Moody's Risk Analyst rating tool, which has been implemented during 2009.

The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of securities for amount advance, which is a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for Islamic financing and investing assets are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Islamic derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated balance sheet.

Credit-related commitments risks

The Bank makes available to its customers guarantees and letters of credit which require that the Bank makes payments in the event that the customer fails to fulfill certain obligations to other parties. This exposes the Bank to a similar risk to financing and investing assets and these are mitigated by the same control processes and policies.

60.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the consolidated balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2009	Gross maximum exposure 2008
	AED'000	*AED'000*
Balances with central banks	**10,120,397**	5,035,257
Balances and deposits with banks and other financial institutions	**1,352,299**	1,840,978
International murabahat, short term	**1,204,959**	1,640,601
Islamic financing and investing assets	**51,873,243**	53,904,212
Investment in Islamic sukuk	**9,290,797**	11,226,246
Other investments	**1,953,293**	2,147,128
Receivables and other assets	**1,456,394**	1,646,978
	77,251,382	77,441,400
Contingent liabilities	**14,004,529**	21,467,044
Commitments	**11,633,501**	22,583,592
Total	**102,889,412**	121,492,036

60.2.2 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The Bank's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

At 31 December 2009

	Retail and business banking	Corporate and investment banking	Real estate	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
U.A.E.	**11,244,218**	**61,559,444**	**20,176,507**	**92,980,169**
GCC	**—**	**2,950,949**	**2,170,854**	**5,121,803**
South Asia	**472,148**	**1,795,872**	**—**	**2,268,020**
Europe	**—**	**1,741,493**	**—**	**1,741,493**
Africa	**—**	**314,591**	**—**	**314,591**
Others	**—**	**446,576**	**16,760**	**463,336**
Total	**11,716,366**	**68,808,925**	**22,364,121**	**102,889,412**

At 31 December 2008

	Retail and business banking	Corporate and investment banking	Real estate	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
U.A.E.	9,622,299	73,806,407	26,146,812	109,575,518
G.C.C.	—	2,800,554	5,219,631	8,020,185
South Asia	586,215	1,587,269	—	2,173,484
Europe	—	928,756	—	928,756
Africa	—	352,859	—	352,859
Others	— .	408,912	32,322	441,234
Total	**10,208,514**	**79,884,757**	**31,398,765**	**121,492,036**

An industry sector analysis of the Bank's financial assets, before and after taking into account collateral held or other credit enhancements, is as follows:

	Gross maximum Exposure	
	2009	2008
	AED'000	*AED'000*
Financial Institutions	**23,142,723**	18,198,657
Government	**6,835,125**	9,914,793
Manufacturing and services	**16,012,319**	35,460,576
Real Estate	**38,044,981**	37,052,940
Retail	**8,917,311**	7,626,802
Trade	**9,936,953**	13,238,268
Total	**102,889,412**	**121,492,036**

60.2.3 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial financing and investing facilities, charges over real estate properties, inventory and trade receivables,
- For retail financing and investing facilities, charge over assets and mortgages over properties.

The Bank also obtains guarantees from parent companies for financings to their subsidiaries, but the benefits are not included in the above table.

60.2.4 Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for investing and financing related balance sheet lines, based on the Bank's credit rating system.

At December 2009

	Non-impaired exposures			
	Low and fair risk	Past due	Individually impaired	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Balances with Central banks	**10,120,397**	**—**	**—**	**10,120,397**
Balances and deposits with banks and other financial institutions	**1,352,299**	**—**	**—**	**1,352,299**
International murabahat, short term	**1,204,959**	**—**	**—**	**1,204,959**
Islamic financing and investing assets	**45,132,195**	**3,634,043**	**3,107,005**	**51,873,243**
Investment in Islamic sukuks	**9,290,797**	**—**	**—**	**9,290,797**
Other investments	**1,842,903**	**—**	**110,390**	**1,953,293**
Receivables and other assets	**1,385,180**	**27,963**	**43,251**	**1,456,394**
	70,328,730	**3,662,006**	**3,260,646**	**77,251,382**
Contingent liabilities	**14,004,529**	**—**	**—**	**14,004,529**
Commitments	**11,633,501**	**—**	**—**	**11,633,501**
	25,638,030	**—**	**—**	**25,638,030**
Total	**95,966,760**	**3,662,006**	**3,260,646**	**102,889,412**

At December 2008

	Non-impaired exposures			
	Low and fair risk	Past due	Individually impaired	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Balances with Central banks	5,035,257	—	—	5,035,257
Balances and deposits with banks and other financial institutions	1,840,978	—	—	1,840,978
International murabahat, short term	1,640,601	—	—	1,640,601
Islamic financing and investing assets	48,860,455	2,816,879	2,226,878	53,904,212
Investment in Islamic sukuks	11,226,246	—	—	11,226,246
Other investments	1,906,037	—	241,091	2,147,128
Receivables and other assets	1,618,452	—	28,526	1,646,978
Total	72,128,026	2,816,879	2,496,495	77,441,400
Contingent liabilities	21,467,044	—	—	21,467,044
Commitments	22,583,592	—	—	22,583,592
	44,050,636	—	—	44,050,636
Total	116,178,662	2,816,879	2,496,495	121,492,036

Past due financing and investing assets include those that are only past due by a few days. An analysis of past due investing and financing assets, by age, is provided. The majority of the past due investing and financing assets are not considered to be impaired.

Credit risk exposure of the Bank's financial assets for each internal risk rating

	Moody's equivalent grades	Total 2009	Total 2008
		AED'000	*AED'000*
Low risk			
Risk rating class 1	Aaa	**13,812,166**	22,078,924
Risk rating classes 2 and 3	Aa1-A3	**29,601,113**	46,702,299
Fair risk			
Risk rating class 4	Baa1-Baa3	**24,631,065**	18,793,542
Risk rating classes 5 and 6	Ba1-B3	**26,424,077**	25,556,763
Risk rating class 7	Caa1-Caa3	**1,561,687**	3,047,127
Sub standard			
Risk rating class 8		**3,662,006**	2,816,879
Impaired			
Risk rating classes 9, 10 and 11		**3,197,298**	2,496,502
		102,889,412	121,492,036

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of financing exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly. The Moody's equivalent grades are relevant only for certain of the exposures in each risk rating class.

60.2.5 Aging analysis of past due but not impaired investing and financing assets per class of financial assets

As at December 2009

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic financing and investing assets	**1,350,921**	**725,390**	**180,007**	**1,377,725**	**3,634,043**

As at December 2008

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic financing and investing assets	1,437,388	410,004	213,956	755,531	2,816,879

See Note 50 for more detailed information with respect to the allowance for impairment losses on investing and financing assets.

60.2.6 Carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amount for renegotiated financial assets, by class.

	2009	2008
	AED'000	*AED'000*
Islamic financing and investing assets	**1,034,439**	155,161

60.2.7 Impairment assessment

The main considerations for the impairment assessment include whether any payments of principal or profit are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant Islamic financing or investing asset on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on Islamic financing and investing assets that are not individually significant (including Islamic credit cards, auto murabahat, and unsecured retail financing assets) where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is reviewed by credit management to ensure alignment with the Bank's overall policy.

Acceptances, letters of credit and guarantees are assessed and provision made in a similar manner as for Islamic financing and investing assets.

60.3 Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains statutory deposits with Central Banks. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

During 2007, the Bank issued a five year sukuk U.S.$ 750 million sukuk to diversify sources of funding to support business growth going forward.

During 2009, the Bank has also opted to re-categorise wakala finance from UAE Ministry of Finance to Tier 2 capital for seven years.

The high quality of the asset portfolio ensures its liquidity and coupled with the Bank's own funds and "evergreen" customer deposits help form a stable funding source. Even under adverse conditions, the Bank has access to the funds necessary to cover customer needs and meet its funding requirements.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands.

60.3.1 Liquidity risk management process

The Bank's liquidity risk management process, as carried out within the Bank and monitored by a separate team in Bank's Treasury department, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of investing and financing exposures maturities.

Based on the internal guidelines, the liquidity ratios at the end of each quarter during the year was as follows:

	March	June	September	December
2009	**24%**	**19%**	**12%**	**18%**
2008	28%	21%	11%	10%

60.3.2 Funding approach

Sources of liquidity are regularly reviewed by management to maintain a wide diversification by currency, geography, provider, product and term.

60.3.3 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial assets and liabilities by remaining contractual maturities at the consolidated balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at 31 December 2009

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balances with Central banks	**6,376,863**	**3,743,534**	**—**	**—**	**—**	**10,120,397**
Balances and deposits with financial institutions	**666,321**	**692,838**	**—**	**—**	**—**	**1,359,159**
International murabahats, short term	**1,208,976**	**—**	**—**	**—**	**—**	**1,208,976**
Islamic financing and investing assets	**7,189,650**	**6,299,255**	**11,565,259**	**25,695,570**	**11,513,388**	**62,263,122**
Investment in Islamic sukuk	**—**	**2,582**	**1,218,784**	**6,889,816**	**3,202,203**	**11,313,385**
Other investments	**—**	**—**	**864,988**	**1,060,962**	**—**	**1,925,950**
Receivables and other assets	**—**	**—**	**1,464,071**	**—**	**—**	**1,464,071**
Total assets	**15,441,810**	**10,738,209**	**15,113,102**	**33,646,348**	**14,715,591**	**89,655,060**
Customers' deposits	**24,590,701**	**21,606,229**	**7,894,737**	**11,553,315**	**142,442**	**65,787,424**
Due to banks and other financial institutions	**53,890**	**147,957**	**1,286,129**	**—**	**—**	**1,487,976**
Sukuk financing instruments	**—**	**30,188**	**90,564**	**2,777,289**	**—**	**2,898,041**
Medium term wakala finance	**—**	**—**	**—**	**—**	**4,803,255**	**4,803,255**
Other liabilities	**843,424**	**177,180**	**1,924,237**	**422,103**	**—**	**3,366,944**
Accrued zakat	**—**	**142,807**	**—**	**—**	**—**	**142,807**
Total liabilities	**25,488,015**	**22,104,361**	**11,195,667**	**14,752,707**	**4,945,697**	**78,486,447**

As at 31 December 2008 (Restated)

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balances with Central Banks	777,111	4,258,146	—	—	—	5,035,257
Balances and deposits with financial institutions	527,111	1,327,006	—	—	—	1,854,117
International murabahats, short term	1,646,070	—	—	—	—	1,646,070
Islamic financing and investing assets	5,532,680	7,362,966	12,365,587	25,489,601	12,352,994	63,103,828
Investment in Islamic sukuk	—	2,582	3,505,227	6,889,816	2,839,969	13,237,594
Other investments	—	—	864,988	1,072,547	—	1,937,535
Receivables and other assets	—	—	1,671,728	—	—	1,671,728
Total assets	8,482,972	12,950,700	18,407,530	33,451,964	15,192,963	88,486,129
Customers' deposits	28,446,620	23,655,893	14,778,012	545,228	7,544	67,433,297
Due to banks and other financial institutions	99,293	2,918,167	367,792	—	—	3,385,252
Sukuk financing instruments	—	34,434	103,303	3,167,963	—	3,305,700
Other liabilities	1,639,061	655,373	287,350	1,037,464	—	3,619,248
Accrued zakat	—	—	143,166	—	—	143,166
Total liabilities	30,184,974	27,263,867	15,679,623	4,750,655	7,544	77,886,663

Assets available to meet all of the liabilities and to cover outstanding commitments include cash, central bank balances, items in the course of collection, short term international murabahat with banks, investing and financing assets and other investments.

The Bank's Islamic derivatives will be settled on the following basis:

- Unilateral promise to buy/sell currencies: This mainly comprise promises to either buy or sell a specified currency at a specific price and date in the future.
- Islamic derivatives: comprise Islamic profit rate swaps.

The table below analyses the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the consolidated balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

60.3.4 Derivative cash flows

As at 31 December 2009

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Unilateral promise to buy/sell currencies	**—**	**3,807,118**	**1,332,980**	**3,288,135**	**—**	**8,428,233**
Islamic profit rate swaps	**—**	**—**	**—**	**12,217,140**	**392,601**	**12,609,741**
	—	**3,807,118**	**1,332,980**	**15,505,275**	**392,601**	**21,037,974**

As at 31 December 2008

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Unilateral promise to buy / sell currencies	—	3,795,463	6,174,629	1,285,550	—	11,255,642
Islamic profit rate swaps	—	—	—	11,206,987	352,805	11,559,792
	—	3,795,463	6,174,629	12,492,537	352,805	22,815,434

60.3.5 Off Balance Sheet items

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments

As at 31 December 2009

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Commitments on behalf of customers:						
—Letters of guarantee	**—**	**7,157,079**	**3,120,670**	**206,837**	**—**	**10,484,586**
—Letters of credit	**—**	**1,244,516**	**1,713,187**	**82,325**	**—**	**3,040,028**
—Acceptances	**—**	**354,993**	**124,922**	**—**	**—**	**479,915**
	—	**8,756,588**	**4,958,779**	**289,162**	**—**	**14,004,529**
Capital commitments	**—**	**72,840**	**123,346**	**220,071**	**—**	**416,257**
Total	**—**	**8,829,428**	**5,082,125**	**509,233**	**—**	**14,420,786**

As at 31 December 2008

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Commitments on behalf of customers:						
—Letters of guarantee	—	8,518,279	4,091,931	4,865,381	843	17,476,434
—Letters of credit	—	1,989,713	180,457	1,217,359	—	3,387,529
—Acceptances	—	529,058	74,023	—	—	603,081
	—	11,037,050	4,346,411	6,082,740	843	21,467,044
Capital commitments	—	262,052	167,423	162,500	—	591,975
Total	—	11,299,102	4,513,834	6,245,240	843	22,059,019

60.4 Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. The Bank is exposed to diverse financial instruments including securities, foreign currencies, equities and commodities.

The Bank pays considerable attention to market risk. The Bank uses appropriate models, as per standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management.
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on a timely basis.

The policies and procedures and the trading limits are set to ensure the implementation of the Bank's market risk policy in day-to-day operations. These are reviewed periodically to ensure they remain in line with the Bank's general market risk policy. The Chief Risk Officer of the Bank ensures that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, the Bank is required to comply with the guidelines and regulations of the Central Bank of the U.A.E.

60.4.1 Profit margin risk

The Bank is not significantly exposed to risk in terms of repricing of its customer deposits since, in accordance with Islamic Sharia'a, the Bank does not provide contractual rates of return to its depositors or investment account holders. The return payable to depositors and investment account holders is based on the principle of the Mudaraba by which the depositors and investment account holders agree to share the profit or loss made by the Bank's Mudaraba asset pool over a given period.

60.4.2 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank manages this risk through risk management strategies.

The effective profit rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Bank's consolidated income statement.

The sensitivity of the consolidated income statement is the effect of the assumed changes in profit rates on the net income for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December.

Currency	Increase in basis points	Sensitivity of profit on financing and investing assets	Increase in basis points	Sensitivity of profit on financing and investing assets
	2009	*AED'000*	*2008*	*AED'000*
AED	**50**	**53,917**	50	31,779
U.S.$	**50**	**9,564**	50	19,726

60.4.3 Foreign exchange risk

The Bank has significant income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Bank's presentation currency, the U.A.E. Dirham.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk—on- and off-balance sheet financial instruments

At 31 December 2009

	AED	U.S.$	Other G.C.C.	GBP	Euro	Others	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial Assets:							
Cash and balances with Central banks	**6,237,105**	**5,249,090**	**—**	**—**	**—**	**125,375**	**11,611,570**
Balances and deposits with financial institutions	**697,169**	**364,497**	**97,937**	**15,193**	**84,656**	**92,847**	**1,352,299**
International murabahat, short term	**—**	**1,102,096**	**102,863**	**—**	**—**	**—**	**1,204,959**
Islamic financing and investing assets	**44,034,275**	**4,772,403**	**89,846**	**—**	**21,760**	**1,006,657**	**49,924,941**
Investment in Islamic sukuk	**6,458,243**	**2,678,176**	**—**	**—**	**—**	**154,378**	**9,290,797**
Other investments	**528,751**	**963,226**	**185,864**	**8,594**	**180,101**	**59,414**	**1,925,950**
Receivables and other assets	**1,225,295**	**100,880**	**42**	**—**	**13,904**	**123,950**	**1,464,071**
Total	**59,180,838**	**15,230,368**	**476,552**	**23,787**	**300,421**	**1,562,621**	**76,774,587**
Financial Liabilities:							
Customers' deposits	**56,961,904**	**5,438,182**	**516,967**	**52,369**	**348,957**	**877,124**	**64,195,503**
Due to banks and other financial institutions	**651,408**	**790,844**	**22**	**383**	**943**	**5,451**	**1,449,051**
Sukuk financing instruments	**—**	**2,415,034**	**—**	**—**	**—**	**—**	**2,415,034**
Medium term wakala finance	**3,752,543**	**—**	**—**	**—**	**—**	**—**	**3,752,543**
Other liabilities	**2,308,613**	**807,141**	**184,335**	**282**	**1,886**	**68,547**	**3,370,804**
Total	**63,674,468**	**9,451,201**	**701,324**	**53,034**	**351,786**	**951,122**	**75,182,935**
Net on balance sheet financial position	**(4,493,630)**	**5,779,167**	**(224,772)**	**(29,247)**	**(51,365)**	**611,499**	**1,591,652**
Unilateral promise to buy/sell currencies	**7,272,555**	**(7,293,647)**	**(3,757)**	**29,303**	**510**	**(4,964)**	**—**
Cumulative currency position – long/(short)	**2,778,925**	**(1,514,480)**	**(228,529)**	**56**	**(50,855)**	**606,535**	**1,591,652**

At 31 December 2008 (Restated)

	AED	U.S.$	Other G.C.C.	GBP	Euro	Others	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial Assets:							
Cash and balances with Central banks	5,946,686	310,724	—	2,449	3,577	65,230	6,328,666
Balance and deposits from financial institutions	1,321,767	379,617	20,769	10,180	30,546	78,099	1,840,978
International murabahat, short term	360,045	918,352	362,204	—	—	—	1,640,601
Islamic financing and investing assets	44,819,047	6,444,260	355,736	—	24,307	1,015,661	52,659,011
Investment in Islamic sukuk	5,695,108	5,391,177	—	—	—	139,991	11,226,276
Other investments	496,822	1,338,787	217,063	7,712	10,137	37,415	2,107,936
Receivables and other assets	1,117,523	274,253	15,576	—	7,774	256,602	1,671,728
Total assets	59,756,998	15,057,170	971,348	20,341	76,341	1,592,998	77,475,196
Financial Liabilities:							
Customers' deposits	60,363,807	3,240,694	1,643,986	33,787	361,603	684,800	66,328,677
Due to banks and other financial institutions	1,881,874	1,325,471	23	109,523	14,210	—	3,331,101
Sukuk financing instruments	—	2,754,750	—	—	—	—	2,754,750
Other liabilities	2,342,359	416,269	17,260	524	605,631	67,489	3,449,532
Total liabilities	64,588,040	7,737,184	1,661,269	143,834	981,444	752,289	75,864,060
Net on balance sheet financial position	(4,831,042)	7,319,986	(689,921)	(123,493)	(905,103)	840,709	1,611,136
Unilateral promise to buy/ sell currencies	7,305,612	(8,872,923)	1,326,036	106,558	137,618	(2,901)	—
Cumulative currency position—long/(short)	2,474,570	(1,552,937)	636,115	(16,935)	(767,485)	837,808	1,611,136

Sensitivity analysis—impact of fluctuation of various currencies on net income and equity

The tables below indicate the extent to which the Bank was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against the AED with all other variables held constant, including the effect of hedging instruments, on the consolidated income statement (due to the changes in the fair values of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated available-for-sale equity instruments). A negative amount in the table reflects a potential net reduction in consolidated income statement and equity, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Bank that might be taken to mitigate the effect of such changes.

Currency	Increase in currency rate in % 2009	Effect on profit before tax 2009	Increase in currency rate in % 2008	Effect on profit before tax 2008
		AED'000		*AED '000 (Restated)*
U.S.$	**+2**	**30,290**	+2	31,059
GBP	**+2**	**(1)**	+2	339
EURO	**+2**	**1,017**	+2	1,153

Currency	Decrease in currency rate in % 2009	Effect on profit before tax 2009	Decrease in currency rate in % 2008	Effect on profit before tax 2008
		AED'000		*AED '000 (Restated)*
U.S.$	**-2**	**(30,290)**	-2	(31,059)
GBP	**-2**	**1**	-2	(339)
EURO	**-2**	**(1,017)**	-2	(1,153)

60.4.4 Foreign investment

The Bank has significant income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Bank's presentation currency, the U.A.E. Dirham.

The table below indicates the change in recorded profit before tax and equity had the result for the year ended 31 December been translated at exchange rates against the AED adjusted, with all other variables held constant, by the assumed changes below. The sensitivity analyses do not take account of actions by the Bank that might be taken to mitigate the effect of such changes.

Currency	Increase in currency rate in % 2009	Effect on profit before tax 2009	Effect on equity 2009	Increase in currency rate in % 2008	Effect on profit before tax 2008	Effect on equity 2008
		AED'000	*AED'000*		*AED'000 (Restated)*	*AED'000 (Restated)*
Pak Rupees	**+5**	**615**	**31,703**	+5	(264)	12,175

Currency	Decrease in currency rate in % 2009	Effect on profit before tax 2009	Effect on Equity 2009	Decrease in currency rate in % 2008	Effect on profit before tax 2008	Effect on Equity 2008
		AED'000	*AED'000*		*AED'000 (Restated)*	*AED'000 (Restated)*
Pak Rupees	**-5**	**551**	**(3,684)**	-5	(240)	11,110

60.4.5 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Bank's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as available-for-sale at 31 December 2009) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	% Change in Market indices	Effect on consolidated income statement 2009	Effect on equity 2009	Effect on consolidated income statement 2008	Effect on equity 2008
		AED'000	*AED'000*	*AED'000*	*AED'000*
Dubai Financial Market	**±5%**	**—**	**15,142**	—	14,068
Abu Dhabi Stock Market	**±5%**	**—**	**2,530**	—	3,619
Dubai Intl Financial Exchange	**±5%**	**—**	**8,631**	—	7,616
Bahrain Stock Exchange	**±5%**	**2,642**	**—**	8,063	—
Kuwait Stock Exchange	**±5%**	**—**	**—**	1,408	—
Saudi Stock Exchange	**±5%**	**—**	**3,321**	210	—
Doha Stock Exchange	**±5%**	**—**	**1,230**	—	1,074
Others	**±5%**	**1,668**	**1,912**	125	901

60.5 Operational Risk

Operational risk is the potential exposure to financial or other damage arising from inadequate or failed internal processes, people or systems.

The Bank has developed a detailed operational risk framework. The framework clearly defines roles and responsibilities of individuals/ units across different functions of the Bank that are involved in performing various operational risk management tasks. Operational Risk Management Framework will ensure that operational risks within the Bank are properly identified, monitored, managed and reported. Key elements of the framework include process mapping, setting up loss data base, setting up of KRIs, risk analysis and risk management reporting.

The Bank is currently using operational risk tracking system, i.e. ORMIS to track operational risk events across the bank. The system houses two years of operational loss data. The subject system is currently enhanced to automate KRI, RCSA.

Each new product introduced is subject to a risk review and signoff process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product. Variations of existing products are also subject to a similar process. Business and support units are responsible for managing operations risk in their respective functional areas. They operate within the Bank's operational risk management framework and ensure that risk is being managed within their respective business units. The day-to-day management of operations risk is through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedure to monitor transaction positions and documentation, as well as maintenance of key backup procedures and business contingency planning.

60.6 Capital management

60.6.1 Regulatory capital

The Bank's lead regulator the Central Bank of U.A.E. sets and monitors capital requirements for the Bank as a whole. The parent company and individual banking operations within the Bank are directly supervised by their respective local regulators.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available for sale.

Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of consolidated balance sheet, are:

- To comply with the capital requirements set by the Central Bank of United Arab Emirates;
- To safeguard the Bank's ability to continue as a going concern and increase the returns for the shareholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the regulators on a monthly basis.

The U.A.E. Central Bank vide its circular No. 27/2009 dated 17 November 2009 informed all the Banks operating in the U.A.E. to implement Standardised approach of Basel II from the date of the circular. For credit and market risk, the Central Bank has previously issued draft guideline for implementation of Standardised approach and Banks are expected to comply and report under pillar 2—Internal Capital Adequacy Assessment Process (ICAAP) requirements by March 2010. For operational risk, the Central Bank has given Banks the option to use the Basic Indicators approach or the Standardised approach and the Bank has chosen to use the Standardised approach. Banks in the U.A.E. are currently on a parallel run on Basel I and Basel II.

Further, all Banks operating in the U.A.E. are required to maintain a capital adequacy ratio at a minimum of 11% at all times increasing to 12% by 30 June 2010.

The ratios calculated in accordance with Basel I and Basel II are as follows:

	Basel I		Basel II	
	2009	2008	2009	2008
	AED'000	*AED'000*	*AED'000*	*AED'000*
Tier 1 Capital				
Share capital	**3,617,505**	3,445,400	**3,617,505**	3,445,400
Statutory reserves	**2,731,879**	2,731,879	**2,731,879**	2,731,879
Donated land reserve	**—**	—	**276,139**	276,139
General reserves	**2,350,000**	2,250,000	**2,350,000**	2,250,000
Other reserves	**—**	—	**—**	—
Proposed bonus shares	**—**	172,105	**—**	172,105
Retained earnings	**104,025**	29,478	**104,025**	29,478
Non-controlling interest	**4,910**	120	**—**	120
	8,808,319	8,628,982	**9,079,548**	8,905,121
Less:				
Goodwill and intangibles	**(34,516)**	—	**(34,516)**	—
Cumulative deferred exchange losses	**—**	—	**(74,321)**	—
Treasury shares	**(70,901)**	(3,307)	**(70,901)**	(3,307)
	8,702,902	8,625,675	**8,899,810**	8,901,814
Tier 2 Capital				
Hedging reserves	**22,770**	50,135	**22,770**	50,135
Collective impairment	**352,814**	—	**352,814**	
Medium term wakala finance	**3,752,543**	—	**3,752,543**	
Deductions for associates	**(525,300)**	(416,173)	**(525,300)**	(416,173)
	3,602,827	(366,038)	**3,602,827**	(366,038)
Total capital base	**12,305,729**	8,259,637	**12,502,637**	8,535,776
Risk weighted assets				
On balance sheet	**61,005,391**	60,489,646	**—**	—
Off balance sheet	**7,772,421**	8,426,079	**—**	—
Credit risk	**—**	—	**64,478,003**	72,222,748
Market risk	**—**	—	**2,026,564**	3,135,334
Operational risk	**—**	—	**5,051,584**	4,513,574
Total risk weighted assets	**68,777,812**	68,915,725	**71,556,151**	79,871,656
Capital Ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets	**17.9%**	12.0%	**17.5%**	10.7%
Tier 1 capital to total risk weighted assets after deductions for associates	**12.7%**	12.5%	**12.1%**	11.1%

61 Prior year adjustments

The consolidated financial statements as of and for the year from 1 January 2008 to 31 December 2008 have been restated for the following:

61.1 During the year, IFRIC 15 "*Agreement for the construction of real estate*" was applicable on an associate of the Bank. The prior year financial statements of the associate have been restated on adoption of IFRIC 15. As a result the Bank has also restated its share of income from the associate in prior years as follows:

	As previously reported	**Restatement**	**As restated**
	AED'000	*AED'000*	*AED'000*
Consolidated balance sheet			
Investment in associates	**4,456,044**	**(274,496)**	**4,181,548**
Customer deposits—profit equalisation provision	**66,427,210**	**(98,533)**	**66,328,677**
Consolidated income statement			
Share of profit from associates	**401,034**	**(274,496)**	**126,538**
Depositors' share of profit	**1,876,205**	**(98,533)**	**1,777,672**
Consolidated statement of changes in equity			
Retained earnings as at 1 January 2009	**29,478**	**(175,963)**	**(146,485)**

Refer to notes 11, 24 and 39.

61.2 The consolidated financial statements as of and for the year from 1 January 2007 to 31 December 2007 have been restated for the following in 2008:

61.2.1 Recognition of profit which was amortised on a straight line method over the life of the assets instead of the effective yield method. The adjustments have been done by restating 2007 results for impact for the year ended 31 December 2007 and in retained earnings in consolidated statement of changes in equity for years prior to 2007.

61.2.2 Recognition of an investment fund in 2007 as 100% owned subsidiary consolidated on line by line basis. The adjustments have been done by restating 2007 results for impact for 2007.

The following table summarises the significant impacts of above restatements:

	As previously reported	**Restatement**	**As restated**
	AED'000	*AED'000*	*AED'000*
Recognition of income from investing and financing assets			
Consolidated balance sheet			
Investing and Financing asset	40,376,082	158,766	40,534,848
Customer deposits—profit equalisation provision	(411,319)	(158,766)	(570,085)
Consolidated income statement			
Income from Islamic financing and investing Assets	2,685,939	39,060	2,724,999
Depositors' share of profit	(2,356,014)	(39,060)	(2,395,074)
Consolidated statement of changes in equity			
Retained earnings as at 1 January 2007	43,197	—	43,197

Adjustment related to prior years to 2007 amounting to AED 119,706 has been classified to customer deposits profit equalisation provision account.

	As previously reported	**Restatement**	**As restated**
	AED'000	*AED'000*	*AED'000*
Consolidation of an investment fund			
Consolidated balance sheet			
Investment properties	1,499,303	535,595	2,034,898
Other liabilities	(2,931,200)	(462,386)	(3,393,586)
Consolidated income statement			
Income from investment properties	187,639	44,185	231,824
Depreciation of investment properties	(10,500)	(17,529)	(28,029)

62 Comparative information

Certain comparative figures have been reclassified to conform to the current year presentation.

63 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 February 2010.

Dubai Islamic Bank PJSC

Report and consolidated financial statements for the year ended 31 December 2010

Dubai Islamic Bank PJSC

Report and consolidated financial statements
for the year ended 31 December 2010

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Dubai Islamic Bank PJSC
Dubai
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Dubai Islamic Bank PJSC and its subsidiaries (together referred to as the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management of the Bank is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of Dubai Islamic Bank PJSC and its subsidiaries (the "Bank") as at 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Bank. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended), or the Articles of Association of the Bank which might have a material effect on the financial position of the Bank or its financial performance.

Deloitte & Touche (M.E.)

Saba Y. Sindaha
Registration Number 410

8 March 2011

Dubai Islamic Bank PJSC

Consolidated statement of financial position
as at 31 December 2010

	Notes	2010 AED'000	2009 AED'000
ASSETS			
Cash and balances with Central Banks	6	11,247,225	11,611,570
Due from banks and financial institutions	7	2,356,531	2,557,258
Islamic financing and investing assets, net	8	57,171,067	49,924,941
Investments in Islamic sukuk	9	8,200,476	9,290,797
Other investments	10	1,772,946	1,925,950
Investments in associates	11	3,430,274	4,295,168
Properties under construction	12	524,165	388,648
Properties held for sale	13	544,959	157,269
Investment properties	14	1,922,911	1,996,288
Receivables and other assets	15	2,296,873	1,464,071
Property, plant and equipment	16	653,086	657,795
Goodwill	17	17,258	34,516
Total assets		90,137,771	84,304,271
LIABILITIES			
Customers' deposits	21	63,447,070	64,195,503
Due to banks and financial institutions	22	4,409,427	1,449,051
Sukuk financing instruments	23	4,176,015	2,415,034
Medium term wakala finance	24	3,752,543	3,752,543
Payables and other liabilities	25	3,679,923	3,370,804
Accrued zakat	28	146,336	140,536
Total liabilities		79,611,314	75,323,471
EQUITY			
Share capital	29	3,797,054	3,617,505
Treasury shares	30	—	(70,901)
Statutory reserve	31	2,731,879	2,731,879
Donated land reserve	31	276,139	276,139
General reserve	31	2,350,000	2,350,000
Exchange translation reserve	31	(91,541)	(77,841)
Cumulative changes in fair value	32	(243,166)	(723,713)
Hedging reserve	34	10,656	50,600
Retained earnings		748,428	822,222
Equity attributable to equity holders of the Parent		9,579,449	8,975,890
Non-controlling interest	36	947,008	4,910
Total equity		10,526,457	8,980,800
Total liabilities and equity		90,137,771	84,304,271
Contingent liabilities and commitments	37	24,266,184	25,638,030

H.E. Mohammad A. Al Shaibani	**Sheikh Khalid Bin Zayed Al Nehyan**	**Abdulla Ali Al Hamli**
Chairman	Deputy Chairman	Chief Executive Officer

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

Dubai Islamic Bank PJSC

Consolidated income statement
for the year ended 31 December 2010

	Notes	2010 AED'000	2009 AED'000
INCOME			
Income from Islamic financing and investing assets	**39**	**3,221,695**	3,322,857
Income from Islamic sukuk		**376,260**	703,539
Income from International murabahats and wakala, short term	**40**	**36,313**	51,478
Gain / (loss) from other investments	**41**	**136,163**	(18,935)
Commissions, fees and foreign exchange income	**42**	**687,030**	752,169
Income from investment properties	**43**	**90,166**	78,300
Income from sale of properties held for sale	**44**	**14,498**	997
Gain on buy back of sukuk financing instrument	**23**	**6,418**	38,712
Other income	**45**	**140,006**	186,453
Total income		**4,708,549**	5,115,570
EXPENSES			
Personnel expenses	**46**	**(817,819)**	(813,202)
General and administrative expenses	**47**	**(542,943)**	(524,760)
Depreciation of investment properties	**14**	**(22,669)**	(18,722)
Impairment loss on financial assets, net	**48**	**(801,055)**	(809,344)
Impairment loss on non-financial assets, net	**49**	**(62,824)**	(8,565)
Total expenses		**(2,247,310)**	(2,174,593)
Profit before depositors' share and tax		**2,461,239**	2,940,977
Depositors' share of profits	**50**	**(1,435,631)**	(1,739,197)
Operating profit for the year		**1,025,608**	1,201,780
Share of (loss)/profit from associates	**11**	**(846,521)**	17,345
Gain on acquiring controlling interest	**20**	**637,038**	—
Profit for the year before tax		**816,125**	1,219,125
Income tax expense	**26**	**(3,492)**	(6,844)
Profit for the year		**812,633**	1,212,281
Attributable to:			
Equity holders of the parent		**806,523**	1,207,491
Non-controlling interest		**6,110**	4,790
Profit for the year		**812,633**	1,212,281
Basic and diluted earning per share attributable to the equity holders of the parent (AED)	**51**	**AED 0.21**	AED 0.32

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

Dubai Islamic Bank PJSC

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	2010	2009
	AED'000	*AED'000*
Profit for the year	**812,633**	1,212,281
Other comprehensive income		
Net gain on available for sale investments during the year	**606,140**	165,310
Reclassification of realised gain on disposal of available for sale of investments to profit or loss	**(125,593)**	(309)
Currency translation differences of foreign operations	**(13,700)**	(18,161)
Net loss on cash flow hedge	**—**	(15,592)
Reclassification of cash flow hedging reserve to profit or loss	**(39,944)**	(45,219)
Directors' remuneration	**(4,800)**	(4,800)
Other comprehensive income for the year	**422,103**	81,229
Total comprehensive income for the year	**1,234,736**	1,293,510
Attributable to:		
Equity holders of the parent	**1,228,626**	1,288,720
Non-controlling interest	**6,110**	4,790
	1,234,736	1,293,510

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

Dubai Islamic Bank PJSC

Consolidated statement of changes in equity
for the year ended 31 December 2010

	Share capital	Treasury shares	Total reserves	Cumulative changes in fair value	Hedging reserve	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total Equity
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at 1 January 2009—restated	3,445,400	(3,307)	5,198,338	(888,714)	111,411	886,143	8,749,271	120	8,749,391
Profit for the year	—	—	—	—	—	1,207,491	1,207,491	4,790	1,212,281
Other comprehensive income for the year	—	—	(18,161)	165,001	(60,811)	(4,800)	81,229	—	81,229
Total comprehensive income for the year	—	—	(18,161)	165,001	(60,811)	1,202,691	1,288,720	4,790	1,293,510
Issuance of bonus shares	172,105	—	—	—	—	(172,105)	—	—	—
Dividends paid	—	—	—	—	—	(860,523)	(860,523)	—	(860,523)
Share based payments vested	—	—	—	—	—	5,444	5,444	—	5,444
Transfer to general reserve	—	—	100,000	—	—	(100,000)	—	—	—
Shares acquired	—	(67,594)	—	—	—	—	(67,594)	—	(67,594)
Accrued zakat (note 28)	—	—	—	—	—	(139,428)	(139,428)	—	(139,428)
Balance at 1 January 2010	**3,617,505**	**(70,901)**	**5,280,177**	**(723,713)**	**50,600**	**822,222**	**8,975,890**	**4,910**	**8,980,800**
Profit for the year	—	—	—	—	—	806,523	806,523	6,110	812,633
Other comprehensive income for the year	—	—	(13,700)	480,547	(39,944)	(4,800)	422,103	—	422,103
Total comprehensive income for the year	—	—	(13,700)	480,547	(39,944)	801,723	1,228,626	6,110	1,234,736
Additional non-controlling interest arising on acquisition of a subsidiary	—	—	—	—	—	—	—	940,300	940,300
Issuance of bonus shares	179,549	—	—	—	—	(179,549)	—	—	—
Dividends paid	—	—	—	—	—	(538,648)	(538,648)	(4,312)	(542,960)
Treasury shares disposed	—	70,901	—	—	—	(11,473)	59,428	—	59,428
Share based payments vested	—	—	—	—	—	479	479	—	479
Accrued zakat (note 28)	—	—	—	—	—	(146,326)	(146,326)	—	(146,326)
Balance at 31 December 2010	**3,797,054**	**—**	**5,266,477**	**(243,166)**	**10,656**	**748,428**	**9,579,449**	**947,008**	**10,526,457**

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

Dubai Islamic Bank PJSC

Consolidated statement of cash flows
for the year ended 31 December 2010

	2010	2009
	AED'000	*AED'000*
Cash flows from operating activities		
Profit for the year before tax	**816,125**	1,219,125
Adjustments for:		
Gain on acquiring controlling interest	**(637,038)**	—
Revaluation of investments at fair value through profit or loss	**13,182**	53,562
Dividend income	**(24,303)**	(39,646)
Gain on sale of investment properties	**(18,001)**	(2,691)
Cost of shared based payments	**479**	5,444
Net impairment loss on financial assets	**801,055**	809,344
Net impairment loss on non-financial assets	**62,824**	8,565
Share of loss / (profit) from associates	**846,521**	(17,345)
Gain on derivative assets	**—**	(102,164)
Depreciation of investment properties	**22,669**	18,722
Depreciation of property, plant and equipment	**122,855**	116,008
Loss on disposal of associates	**—**	4,703
Gain on disposal of property, plant and equipment	**(20)**	—
Gain on disposal of available for sale investments	**(125,593)**	—
Loss on disposal of investments at fair value through profit or loss	**1,941**	6,841
Gain on buy back of sukuk financial instruments	**(6,418)**	(40,696)
Amortisation of hedging reserve	**(39,943)**	(45,219)
Gain on disposal of properties held for sale	**(14,498)**	(997)
Amortisation of fair value of Islamic Financing and investing activities	**5,473**	—
Write off of property, plant and equipment	**4,099**	27,950
Gain on shares acquired	**—**	(67,594)
Operating cash flow before changes in operating assets and liabilities	**1,831,409**	1,953,912
Decrease in Islamic financing and investing assets	**1,671,570**	2,017,380
(Increase) /decrease in receivables and other assets	**(733,760)**	311,513
(Decrease)/increase in customers' deposits	**(2,227,113)**	1,619,369
Decrease in due to banks and financial institutions	**(923,002)**	(1,882,050)
Decrease in payables and other liabilities	**(4,488)**	(83,528)
Accrued zakat paid	**(140,536)**	(141,825)
Cash (used in)/ generated from operating activities	**(525,920)**	3,794,771
Tax paid	**(1,414)**	(4,436)
Net cash (used in)/ generated from operating activities	**(527,334)**	3,790,335

	2010	2009
	AED'000	*AED'000*
Cash flows from investing activities		
Proceeds from disposal of investments in Islamic sukuk	**864,585**	1,894,378
Proceeds from disposal of investments at fair value through profit or loss	**4,511**	133,163
Proceeds from disposal of available for sale investments	**16,166**	117,604
Purchase of available for sale investments	**(42,343)**	—
Purchase of investments at fair value through profit or loss	**—**	(280)
Proceeds from disposal of investment properties	**22,204**	5,789
Additions to properties under construction	**(135,517)**	(130,818)
Additions to properties held for sale	**(29,747)**	(701)
Additions to investment properties	**(8,757)**	(15,281)
Net cash outflow on acquisition of controlling interest	**(81,851)**	(38,567)
Dividend income	**24,302**	39,646
Payments for investments in associates	**(2,655)**	(107,183)
Income from investment in associates	**8,791**	—
Purchase of property, plant and equipment	**(93,303)**	(147,292)
Proceeds from disposal of property, plant and equipment	**1,402**	12,160
Proceeds from disposal of properties held for sale	**31,067**	13,461
Movement in deposits and International murabahats with original maturities above three months	**(3,031,239)**	(88,836)
Exchange differences arising from translation of foreign operations	**(23,562)**	(48,288)
Net cash (used in) / generated from investing activities	**(2,475,946)**	1,638,955
Cash flow from financing activities		
Dividends paid	**(538,648)**	(860,523)
Buy back of sukuk financing instruments	**(51,542)**	(299,020)
Non-controlling interests	**(2,841)**	—
Net cash used in financing activities	**(593,031)**	(1,159,543)
(Decrease)/increase in cash and cash equivalents	**(3,596,311)**	4,269,747
Cash and cash equivalents at the beginning of the year	**14,079,992**	9,810,245
Cash and cash equivalents at the end of the year (Note 52)	**10,483,681**	14,079,992

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

1 General information

Dubai Islamic Bank (Public Joint Stock Company) ("the Bank") was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia'a principles. It was subsequently registered under the Commercial Companies Law number 8 of 1984 (as amended) as a Public Joint Stock Company.

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

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

The Bank is registered as a PJSC in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended).

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

2.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported in these consolidated financial statements. Details of other new and revised IFRSs adopted in these consolidated financial statements that have had no material effect on the financial statements are set out in section 2.2.

• IFRS 3 (revised in 2008) *Business Combination*	IFRS 3(2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its adoption has affected the accounting for business combinations in the current year.

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

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

• Amendments to IFRS 1 *First-time Adoption of IFRS*—Additional Exemption for first-time adopters.	The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.
• Amendments to IFRS 2 *Share-based payment—Bank Cash-settled Share-based Payment Transactions*	The amendments clarify the scope of IFRS 2, as well as the accounting for the Bank cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
• Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRSs* issued in 2008)	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Bank is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Bank will retain a non-controlling interest in the subsidiary after the sale.

• Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRSs* issued in 2009)	The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.
• Amendments to IAS 1 *Presentation of financial statements* (as part of improvements to IFRSs issued in 2009)	The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.
• Amendments to IAS 7 *Statement of Cash Flows* (as part of *Improvements to IFRSs* issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities in the statement of cash flows.
• Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*—Eligible Hedged Items	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
• Amendment to IFRIC 9 (revised): *Reassessment of Embedded Derivatives*	Relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category
• IFRIC 17 *Distributions of Non-cash Assets to Owners*	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
• IFRIC 18 *Transfers of Assets from Customers*	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*.
• Amendment to IFRIC 16: *Hedges of a Net Investment in a Foreign Operation*	The Interpretation removes the restriction in terms of which entity in the group to hold the hedging instrument, subsequent to the amendment per IFRIC 16, any entity in the group can hold the hedging instrument that qualifies as net investment hedge in a foreign operation.
• Improvements to IFRSs (2009)	Except for the amendments to IFRS 3 described earlier in section 2.1, the application of improvements to IFRS issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.

2.3 New and revised IFRSs is in issue but not yet effective.

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
• Amendments to IFRS 1 relating to *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	1 July 2010
• Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	1 July 2011
• IFRS 9 *Financial Instruments* (as amended in 2010)	1 January 2013
• IAS 24 *Related Party Disclosures* (revised in 2009)	1 January 2011
• Amendments to IAS 32 *Financial Instruments: Presentation*, relating to Classification of Rights Issues	1 February 2010
• Amendments to IFRIC 14 relating to *Prepayments of a Minimum Funding Requirement*	1 January 2011
• IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
• *Improvements to IFRSs* issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	1 January 2011, except IFRS 3 and IAS 27 which are effective 1 July 2010

Management anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Bank in the period of initial application.

3 Definitions

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

3.1 Murabahat

An agreement whereby the Bank sells to a customer a commodity or asset, 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 the cost of the commodity and an agreed profit margin.

3.2 Salam finance

An agreement whereby the Bank pays full price of a commodity in advance, whereas the customer delivers the goods with certain specifications and certain quantity on the agreed future date(s) (i.e. purchase of commodity for deferred delivery by the customer in exchange for upfront payment of the full purchase price by the purchaser).

3.3 Istisna'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 against an agreed price.

3.4 Ijarah

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

3.5 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.

3.6 Mudaraba

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

3.7 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.

3.8 Sukuk

These comprise asset backed, Sharia'a compliant trust certificates.

4 Significant accounting policies

4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and applicable requirements of the Laws of the U.A.E.

As required by the Securities and Commodities Authority of the UAE ("SCA") Notification No.2624/2008 dated 12 October 2008, the Bank's exposure in Cash and balances with Central Banks, Balances and deposits with banks and other financial institutions, International murabahat with financial institutions, short term and other investments outside the U.A.E. have been presented under the respective explanatory notes to the consolidated financial statements.

4.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The significant accounting policies are set down below.

4.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Dubai Islamic Bank PJSC and its subsidiaries (together referred to as "the Bank") as set out in Note 19. The entities controlled by the Bank have been treated as subsidiaries. Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Bank's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Bank's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

When the Bank loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

4.4 Due from banks and financial institutions

Balances and deposits with banks and financial institutions are stated at cost less amounts written off and provision for impairment, if any.

International murabahat with financial institutions, short term are stated at cost less provisions for impairment and deferred profits.

4.5 Islamic financing and investing assets

Islamic financing and investing assets consist of murabahat receivables, salam finacing, mudaraba, musharaka, wakala arrangements, istisna'a and ijarah contracts and they are measured at amortised cost less any amounts written off and provision for impairment losses. Istisna'a cost is measured and reported in the consolidated financial statements at a value not exceeding the cash equivalent value.

Provision for impairment is made for Islamic financing and investing assets when their recovery is in doubt taking into consideration IFRS requirements for fair value measurement. Islamic financing and investing assets are written off only when all possible courses of action to achieve recovery have proved unsuccessful. Losses expected from future events are not recognised.

Islamic financing and investing assets (and the related impairment allowance) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised Islamic financing and investing assets, when the proceeds from realizing the security have been received.

4.6 Islamic financing and investing assets impairment

4.6.1 Individually assessed Islamic financing and investing assets

Individually assessed Islamic financing and investing assets mainly represent corporate and commercial assets which are assessed individually in order to determine whether there exists any objective evidence that an Islamic financing and investing asset is impaired. Islamic financing and investing assets are classified as impaired as soon as there is doubt about the customer's ability to meet payment obligations to the Bank in accordance with the original contractual terms. Doubts about the customer's ability to meet payment obligations generally arise when:

a) Principal and profit are not serviced as per contractual terms; and

b) When there is significant deterioration in the customer's financial condition and the amount expected to be realised from disposals of collaterals, if any, are not likely to cover the present carrying value of the Islamic financing and investing assets.

Impaired Islamic financing and investing assets are measured on the basis of the present value of expected future cash flows discounted at the Islamic financing and investing asset's original effective profit rate or, as a practical expedient, at the Islamic financing and investing assets' observable market price or fair value of the collaterals if the Islamic financing and investing assets is collateral dependent. Impairment loss is calculated as the difference between the Islamic financing and investing assets' carrying value and its present impaired value.

4.6.2 Retail Islamic financing and investing assets with common features and which are not individually significant

Collective impairment is made to cover impairment against specific group of assets where there is a measurable decrease in estimated future cash flows by applying a formula approach which allocates progressively higher loss rates in line with the overdue installment date.

4.6.3 Incurred but not yet identified

Individually assessed Islamic financing and investing assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics based on industry, product or Islamic financing and investing assets rating for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Bank may have incurred as a result of events occurring before the consolidated balance sheet date, which the Bank is not able to identify on an individual basis, and that can be reliably estimated. As soon as information becomes available which identifies losses on individual Islamic financing and investing assets within the group of the customer, those loans are removed from the group of the customer and assessed on an individual basis for impairment.

4.6.4 Reversal of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the investing and financing asset impairment provision account accordingly. The write-back is recognised in the consolidated income statement in the period in which it occurs.

4.6.5 Renegotiated financing facilities

Where possible, the Bank seeks to restructure financing exposures rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. Once the terms have been renegotiated, the financing exposure is no longer considered past due. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur. The facility continue to be subject to an individual or collective impairment assessment, calculated using the facility’s original effective profit rate depending upon the borrower complying with the revised terms and conditions and making the minimum required payments for the Islamic financing and investing assets to be moved to performing category.

4.7 Investment in Islamic Sukuk

4.7.1 Held to maturity

Investments in Islamic Sukuk which have fixed or determinable payments with fixed maturities which the Bank has the intention and ability to hold to maturity, are classified as held to maturity. Held to maturity investments in Islamic Sukuk are carried at amortised cost, using effective profit rate method less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective profit rate method.

If there is objective evidence that an impairment on held to maturity investments in Islamic Sukuk carried at amortised cost has been incurred, the amount of impairment loss recognised is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the investments original effective profit rate, with the resulting impairment loss, if any, in the consolidated income statement.

4.7.2 Available for sale investments

Investments in Islamic Sukuk not classified as “held to maturity” are classified as “available for sale” and are stated at fair value.

Available for sale investments in Islamic Sukuk are initially recognised at fair value plus any directly attributable transaction cost and are subsequently measured at fair value.

After initial recognition, investments which are classified as “available for sale” are remeasured at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and recorded in the cumulative changes in fair value with the exception of impairment losses, profit calculated using the effective yield method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated income statement.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity in the cumulative changes in fair value is reclassified to consolidated income statement.

If available for sale investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortization) and the current fair value, less any previous impairment loss recognised in the consolidated income statement is removed from equity and recognised in the consolidated income statement.

4.8 Other investments

4.8.1 Investments carried at fair value through profit or loss

Financial assets are classified at fair value through profit or loss ("FVTPL") where the financial assets is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short- term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss arising on re-measurement in the consolidated income statement.

4.8.2 Available for sale investments

Investments not classified as "FVTPL" are classified as "available for sale" and are stated at fair value.

If available for sale investment is impaired, the difference between the acquisition cost and the current fair value, less any previous impairment loss recognised in the consolidated income statement is removed from equity and recognised in the consolidated income statement.

Once an impairment loss has been recognised on an available-for-sale financial asset, subsequent decline in the fair value of the instrument is recognised in the consolidated income statement when there is further objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised directly in equity.

4.8.3 Reclassification of other investments

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

4.8.4 Derecognition of other investments

The Bank derecognises an investment security only when the contractual rights to the cash flows from the investment expire, or when it transfers the investment and substantially all the risks and rewards of ownership of the investment to another entity. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

4.9 Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the consolidated balance sheet date. Bid prices are used for assets and offer prices are used for liabilities.

Unquoted available for sale investments are carried at cost, less provision for impairment, due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable fair value.

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

The fair value of unilateral promise to buy/sell currencies is calculated by reference to foreign exchange rates with similar maturities.

4.10 Investments in associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Bank's share of the net assets of the associate, less any impairment in the value of individual investments. After the application of the equity method, the Bank determines whether it is necessary to recognise any impairment loss on the Bank's investment in its associates. The Bank determines at each reporting date whether there is objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in the consolidated income statement.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Bank's subsidiary or other associate transacts with an associate of the Bank, profits and losses are eliminated to the extent of the Bank's interest in the relevant associate.

4.11 Fund management

The Bank manages and administers assets held in unit trusts on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements except when the Bank controls the entity.

4.12 Properties under construction

Properties in the course of construction for sale are classified as properties under construction. Unsold properties and sold properties which have not met the revenue recognition criteria are stated at the lower of cost or net realisable value. Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are recognised as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are recognised. Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the project to be completed. Upon completion, cost in respect to unsold properties is eliminated from properties under construction and transferred to properties held for sale.

4.13 Properties held for sale

Properties acquired or constructed with the intention of sale are classified as properties held for sale when construction is completed. Properties held for sale are stated at cost or at net realisable value, whichever is lower. Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Direct costs from the start of the project up to completion of the project are capitalised. Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the project to be completed. The cost of land and costs incurred in the course of development relating to properties sold during the year are transferred to cost of revenues.

4.14 Cost of sale of property

Cost of sale of property includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sale in respect of apartments is based on the estimated proportion of the development cost incurred to date to the estimated total development costs for each project.

4.15 Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation on investment in buildings is charged on a straight-line basis over 25 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to investment properties when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in used evidenced by commencement of owner-occupation or commencement of development with a view to sale.

4.16 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated income statement in the period in which they are incurred.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated financial statements.

4.17 Impairment of tangible and intangible assets excluding goodwill

At each consolidated balance sheet date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.18 Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Bank's policies.

4.19 Investments in joint ventures

The Bank's interests in joint ventures, which are defined as those entities which are subject to joint control, are accounted for under the proportionate consolidation method whereby the Bank accounts for its share of the assets, liabilities, income and expenses in the joint ventures on a line by line basis.

The reporting dates of the joint venture and the Bank are identical and the joint venture's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

4.20 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the equity interests issued by the Bank in exchange for control of the acquiree. Acquisition-related costs are generally recognised in consolidated income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Bank entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal Banks) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated income statements as gain on acquiring controlling interest.

4.20 Business combination

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Bank in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in consolidated income statement.

When a business combination is achieved in stages, the Bank's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Bank obtains control) and the resulting gain or loss, if any, is recognised in consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated income statement where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Bank reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

4.21 Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to each of the Bank's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.22 Customers' deposits, due to banks and financial institutions and Medium term wakala finance

Customers' deposits, due to banks and financial institutions and Medium term wakala finance are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their amortised cost using the effective profit method.

4.23 Sukuk financing instruments

4.23.1 Non-convertible sukuk

Sukuk financing instruments are initially measured at fair value, net of transaction costs, and then are subsequently measured at amortised cost using the effective profit rate method, with profit expense recognised on an effective yield basis.

The effective profit rate method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

4.23.2 Convertible sukuk

Convertible Sukuk that can be settled at the option of the issuer are recorded as compound financial instruments. The equity component of the convertible sukuk is calculated as the excess of the issue proceeds over the present value of the future profit and principal payments, discounted at the market rate of profit applicable to similar liabilities that do not have a conversion option.

4.24 Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective profit method, with depositors' share of profit recognised on an effective yield basis.

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating depositors' share of profit over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

4.25 Derecognition of financial assets and financial liabilities

4.25.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised on where:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4.25.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same financial institution on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

4.26 Employees' end of service benefits

Pension and national insurance contributions for the U.A.E. citizens are made by the Bank in accordance with Federal Law No. 2 of 2000.

The Bank provides end of service benefits for 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.

4.27 Taxation

Provision is made for current and deferred taxes arising from operating results of overseas subsidiary in accordance with the fiscal regulations of the respective countries in which the Bank operates.

Deferred income taxation is provided using the liability method on all temporary differences at the consolidated balance sheet date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the consolidated balance sheet.

The carrying amount of deferred income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

4.28 Zakat

Zakat is computed as per the Articles and Memorandum of Association of the Bank and its subsidiaries and is approved by the Fatwa and Sharia'a Supervisory Boards of the respective entities on the following basis:

- Zakat on Shareholders' equity is deducted from their dividends and is computed on their zakat pool (shareholders' equity less paid up capital, donated land reserve, exchange translation reserve, hedging reserve and cumulative changes in fair value) plus employees' end of service benefits.
- Zakat on profit equalisation provision is charged to this provision 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 directly by the shareholders themselves.

4.29 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 Sharia'a Supervisory Board.

4.30 Provisions and contingent liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Bank's control; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements, unless they are remote.

4.31 Share capital—equity instruments

Debt and equity instruments are classified as either financial liability or equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

A financial instrument is classified as equity instrument if, and only if, below both conditions are met:

- (a) The instrument includes no contractual obligation:
  - (i) to deliver cash or another financial asset to another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank.
- (b) If the instrument will or may be settled in the Bank's own equity instruments, it is:
  - (i) a non-derivative that includes no contractual obligation for the Bank to deliver a variable number of its own equity instruments; or
  - (ii) a derivative that will be settled only by the Bank exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

4.32 Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of equity instruments that will eventually vest. At each consolidated balance sheet date, the Bank revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement over the remaining vesting period, with a corresponding adjustment to the employees' incentive plan reserve.

4.33 Financial guarantees

Financial guarantees are undertaking/commitment that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees are initially recognised at their fair value, which is the premium received on issuance. The received premium is amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently recognised at the higher of this amortised amount and the present value of any expected payments (when a payment under guarantee has become probable). The premium received on these financial guarantees is included within other liabilities.

4.34 Acceptances

Acceptances have been considered within the scope of IAS 39 Financial Instruments: Recognition and Measurement and are recognised as financial liability in the consolidated balance sheet with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

4.35 Derivative financial instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Bank enters into a variety of Islamic derivative financial instruments to manage the exposure to profit and foreign exchange rate risks, including unilateral promise to buy/sell currencies and Islamic swap.

Derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in consolidated income statement under net gain on dealing in derivatives.

When derivatives are designated as hedges, the Bank classifies them as either: (i) hedges of the change in the fair value of recognised assets or liabilities or firm commitments ('fair value hedges'); (ii) hedges of the variability in future cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect future reported net income ('cash flow hedges'); or (iii) a hedge of a net investment in a foreign operation ('net investment hedges'). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow or net investment hedges provided certain criteria are met.

At the inception of a hedging relationship, to qualify for hedge accounting, the Bank documents the relationship between the hedging instruments and the hedged items as well as its risk management objective and its strategy for undertaking the hedge. The Bank also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments, primarily derivatives, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. Profit on designated qualifying hedges is included in 'Net profit income'.

4.35.1 Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the re-measurement of both the derivative and the hedged item are recognised in the consolidated income statement. Fair value adjustments relating to the hedging instrument are allocated to the same consolidated income statement category as the related hedged item. Any ineffectiveness is also recognised in the same consolidated income statement category as the related hedged item. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued.

4.35.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in other comprehensive income. The ineffective part of any gain or loss is recognised immediately in the consolidated income statement as trading revenue/loss. Amounts accumulated in equity are transferred to the consolidated income statement in the periods in which the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised, in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the consolidated income statement. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the consolidated income statement and classified as trading revenue/loss.

4.35.3 Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated income statement as trading revenue/loss. However, the gains and losses arising from changes in the fair values of derivatives that are managed in conjunction with financial instruments designated at fair value are included in net income from financial instruments designated at fair value under other non-profit revenue/loss.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in the consolidated income statement.

4.36 Unilateral promise to buy/sell currencies (the Promise)

The promises are stated at fair value. The fair value of a promise is the equivalent of the unrealised gain or loss from marking to market the promise using prevailing market rates. The promise with positive market value (unrealised gain) are included in other assets and the promise with negative market value (unrealised losses) are included in other liabilities in the consolidated balance sheet.

4.37 Revenue recognition

4.37.1 Income from investing and financing assets

Income from Islamic financing and investing assets are recognised in the consolidated income statement using the effective profit rate method. The effective profit rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective profit rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective profit rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective profit rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

4.37.2 Murabahat

Murabahat income is recognised on an effective profit rate basis over the period of the contract based on the principal amounts outstanding.

4.37.3 Salam finance

Salam income is recognised on effective profit rate basis over the period of contract based on salam capital outstanding.

4.37.4 Istisna’a

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

4.37.5 Ijarah

Ijarah income is recognised on an effective profit rate basis over the Ijarah term.

4.37.6 Musharaka

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

4.36.7 Mudaraba

Income or losses on mudaraba financing are recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

4.37.8 Sukuk

Income is accounted for on a time-apportioned basis over the term of the Sukuk.

4.37.9 Fee and commission income

Fee and commission income is recognised when the related services are performed.

4.37.10 Dividends

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

4.37.11 Sale of property

Revenue on sale of plots is recognised on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's initial investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property; and
- The Bank has transferred to the buyer the significant risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

4.38 Forfeited income

According to the Fatwa and Sharia'a Supervisory Board, the Bank is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia'a regulations and to set aside such amount in a separate account used to pay for local social activities.

4.39 Fiduciary activities

The Bank acts as trustees/manager and in other capacities that result in holding or placing of assets on behalf of trusts or other institutions. These assets and income arising thereon are not included in the Bank's consolidated financial statements as they are not assets of the Bank.

4.40 Operating lease

4.40.1 The Bank as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

4.40.2 The Bank as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

4.41 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Central Banks, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated balance sheet.

4.42 Foreign currencies

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements of the Bank are presented in AED, which is the Bank's presentation currency.

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the consolidated balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using rate of exchange at the date of initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Any exchange component of a gain or loss on a non-monetary item is recognised directly in equity if the gain or loss on the non-monetary item is recognised directly in equity. Any exchange component of a gain or loss on the non-monetary is recognised directly in the consolidated income statement if the gain or loss on the non-monetary item is recognised in the consolidated income statement.

In the consolidated financial statements, the assets, including related goodwill where applicable, and liabilities of branches, subsidiaries, joint ventures and associates whose functional currency is not AED, are translated into the Bank's presentation currency at the rate of exchange ruling at the consolidated balance sheet date. The results of branches, subsidiaries, joint ventures and associates whose functional currency is not AED are translated into AED at the average rates of exchange for the reporting period. Exchange differences arising from the retranslation of opening foreign currency net investments, and exchange differences arising from retranslation of the result for the reporting period from the average rate to the exchange rate prevailing at the period end, are recognised in other comprehensive income and accumulated in equity in the 'foreign exchange translation reserve'.

On disposal or partial disposal (i.e. of associates or jointly controlled entities not involving a change of accounting basis) of a foreign operation, exchange differences relating thereto and previously recognised in reserves are recognised in the consolidated income statement on proportionate basis except in the case of partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4.43 Trade and settlement date accounting

The "regular way" purchases and sales of financial assets are recognised on the settlement date basis i.e. the date that the Bank physically receives or transfers the assets. Regular way purchases or sales are those that require delivery of assets within the time frame generally established by regulation or convention in the market place. Any significant change in the fair value of assets which the Bank has committed to purchase at the consolidated balance sheet date is recognised in the consolidated income statement for assets classified as held for trading and in other comprehensive income for assets classified as available for sale.

4.44 Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

The Bank is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented on a gross basis.

4.45 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments. Refer to note 55 on Business Segment reporting.

5 Critical accounting judgements and key sources of estimation of uncertainty

While applying the accounting policies as stated in Note 4, the management of the Bank has made certain judgments. These judgments mainly have a significant effect on the carrying amounts of Islamic financing and investing assets, investment securities and the fair values of derivative financial instruments. The significant judgments made by the management in arriving at the carrying amounts of Islamic financing and investing assets, investment securities and fair values of derivative financial instruments are summarised as follows:

5.1 Impairment losses on Islamic financing and investing assets

The impairment allowance for Islamic financing and investing assets is established through charges to the consolidated income statement in the form of an impairment allowance for doubtful Islamic financing and investing assets.

5.1.1 Individually assessed Islamic financing and investing assets

Impairment losses for individually assessed Islamic financing and investing assets are determined by an evaluation of exposure on a case-by-case basis. This procedure is applied to all classified corporate Islamic financing and investing assets which are individually significant accounts or are not subject to the portfolio-based-approach.

The following factors are considered by management when determining allowance for impairment on individual Islamic financing and investing assets which are significant:

- The amount expected to be realised on disposals of collaterals;
- The Bank's ability to enforce its claim on the collaterals and associated cost of litigation; and
- The expected time frame to complete legal formalities and disposals of collaterals.

The Bank's policy requires regular review of the level of impairment allowances on individual facilities and regular valuation of the collateral and its enforceability.

Impaired Islamic financing and investing assets continue to be classified as impaired unless they are brought fully current and the collection of scheduled profit and principal is considered probable.

Collective assessment of allowance for impairment is made for overdue retail Islamic financing and investing assets with common features which are not individually significant and performing Islamic financing and investing assets which are not found to be individually impaired.

This collective allowance is based on any deterioration in the internal rating of the asset or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The management of the Bank assesses, based on historical experience and the prevailing economic and credit conditions, the magnitude of Islamic financing and investing assets which may be impaired but not identified as of the consolidated balance sheet date.

5.2 Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through profit or loss or available for sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Bank has the intention and ability to hold these to maturity.

The Bank classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available, reliable fair values and the changes in fair values are reported as part of consolidated income statement in the management accounts, these are classified as fair value through income statement.

All other investments are classified as available for sale.

5.3 Impairment of available for sale investments

The Bank exercises judgment to consider impairment on the available for sale investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, the Bank evaluates among other factors, the normal volatility in market price. In addition, the Bank considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance or changes in technology.

5.4 Impairment of associates

After application of equity method of accounting, the Bank determines whether it is necessary to recognise for any additional impairment loss on the carrying value of the investment in associate by comparing its recoverable amount with the higher of value in use or fair value less costs to sell with its carrying amount.

In determining the value in use of the investment, the Bank estimates:

i) its share of the present value of the estimated future cash flows expected to be generated by the associates, including the cash flows from the operations of the associates and the proceeds on the ultimate disposal of the investment; or

ii) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

5.5 Islamic derivative financial instruments

Subsequent to initial recognition, the fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The main factors which management considers when applying a model are:

a) The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although management judgement may be required in situations where the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt; and

b) An appropriate discount rate for the instrument. Management determines this rate, based on its assessment of the appropriate spread of the rate for the instrument over the internal benchmark profit rate. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared. When valuing instruments on a model basis using the fair value of underlying components, management considers, in addition, the need for adjustments to take account of a number of factors such as bid-offer spread, credit profile, servicing costs of portfolios and model uncertainty.

6 Cash and balances with Central Banks

	2010	2009
	AED'000	*AED'000*
Cash in hand	**1,374,754**	1,491,173
Balances with Central Banks:		
—Current accounts	**2,664,847**	6,376,863
—Reserve requirements	**3,905,838**	3,743,534
—International murabahat with Central Bank—short term	**3,301,786**	—
	11,247,225	11,611,570

The reserve requirements are kept with the Central Banks of U.A.E. and Pakistan in the respective local currencies and US Dollar. These reserves are not available for use in the Bank's day to day operations, and cannot be withdrawn without the approval of the respective Central Banks. The level of reserve required changes every month in accordance with the requirements of the respective Central Banks' directives.

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

	2010	2009
	AED'000	*AED'000*
Within the U.A.E.	**11,114,569**	11,486,195
Outside the U.A.E.	**132,656**	125,375
	11,247,225	11,611,570

7 Due from banks and financial institutions

	2010	2009
	AED'000	AED'000
Current accounts	**336,541**	666,321
Investment deposits	**751,880**	685,978
International murabahat—short term	**1,268,110**	1,204,959
	2,356,531	2,557,258

Balances and deposits with banks and financial institutions by geography is as follows:

	2010	2009
	AED'000	*AED'000*
Within the U.A.E.	**2,019,539**	800,040
Outside the U.A.E.	**336,992**	1,757,218
	2,356,531	2,557,258

8 Islamic financing and investing assets, net

	2010	2009
	AED'000	*AED'000*
Commodities murabahat	**5,495,201**	6,553,773
International murabahat—long term	**1,661,426**	1,636,047
Vehicles murabahat	**6,546,265**	6,589,053
Real estate murabahat	**5,187,596**	5,391,693
Total murabahat	**18,890,488**	20,170,566
Istisna'a	**7,289,783**	8,362,108
Home finance ijara	**12,225,198**	3,006,098
Other ijaras	**10,032,307**	8,577,749
Salam	**1,399,132**	—
Islamic credit cards	**431,953**	392,014
	50,268,861	40,508,535
Less: Deferred income	**(3,834,249)**	(4,414,648)
Contractors and consultants' istisna'a contracts	**(524,002)**	(1,147,768)
Provisions for impairment	**(2,824,393)**	(1,845,257)
	43,086,217	33,100,862
Investing Assets		
Musharakat	**9,717,533**	10,524,280
Mudaraba	**3,709,791**	5,456,053
Wakalat	**790,207**	946,791
	14,217,531	16,927,124
Less: Provision for impairment	**(132,681)**	(103,045)
	14,084,850	16,824,079
Net Islamic financing and investing assets	**57,171,067**	49,924,941

Islamic financing and investing assets by industry group and geography are as follows:

	2010			2009		
	U.A.E.	International	Total	U.A.E.	International	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Economic sector						
Financial institutions	**3,014,911**	**413,706**	**3,428,617**	4,125,258	517,834	4,643,092
Real estate	**17,478,834**	**434**	**17,479,268**	17,835,629	110,263	17,945,892
Trade	**2,755,050**	**65,971**	**2,821,021**	3,456,548	102,377	3,558,925
Government	**4,843,577**	**17,156**	**4,860,733**	4,182,292	—	4,182,292
Manufacturing and services	**8,242,261**	**1,141,821**	**9,384,082**	9,096,360	1,147,366	10,243,726
Consumer home finance	**12,578,399**	**—**	**12,578,399**	3,022,692	—	3,022,692
Consumer financing	**9,090,735**	**485,286**	**9,576,021**	7,804,476	472,148	8,276,624
Total	**58,003,767**	**2,124,374**	**60,128,141**	49,523,255	2,349,988	51,873,243
Less: Provision for impairment			**(2,957,074)**			(1,948,302)
Total			**57,171,067**			49,924,941

Provisions for impairment

Movements in the provision for impairment are as follows:

	Financing	Investing	Total
	AED'000	*AED'000*	*AED'000*
2010			
Balance, beginning of the year	**1,845,257**	**103,045**	**1,948,302**
Acquisition of controlling interest	**364,073**	**—**	**364,073**
Charge for the year	**834,493**	**94,470**	**928,963**
Release to the profit or loss	**(217,206)**	**(58,321)**	**(275,527)**
Write-offs during the year	**(2,135)**	**(6,260)**	**(8,395)**
Others	**(89)**	**(253)**	**(342)**
Balance, end of the year	**2,824,393**	**132,681**	**2,957,074**
Gross amount of financing and investing assets, individually determined to be impaired, before deducting any individually assessed provision for impairment	**4,667,226**	**344,955**	**5,012,222**
2009			
Balance, beginning of the year	1,186,864	58,337	1,245,201
Charge for the year	784,803	72,452	857,255
Release to the profit or loss	(113,519)	(27,046)	(140,565)
Write-offs during the year	(12,861)	—	(12,861)
Others	(30)	(698)	(728)
Balance, end of the year	1,845,257	103,045	1,948,302
Gross amount of financing and investing assets, individually determined to be impaired, before deducting any individually assessed provision for impairment	2,922,752	184,253	3,107,005

Collaterals

The Bank, in the ordinary course of providing finance, holds collateral as security to mitigate credit risk associated with investing and financing assets. The collaterals include lien on savings and investment deposits, financial guarantees, equities, properties and other fixed assets. The estimated value of collaterals for Islamic financing and investing assets other than retail assets which are mainly asset based financing, is as follows:

	2010	2009
	AED'000	*AED'000*
Corporate and financial guarantees	**53,863,873**	49,074,130
Property and Mortgages	**32,268,139**	29,937,517
Deposits	**801,921**	1,259,473
Vehicles and machineries	**463,720**	163,481

The fair value of collaterals that the Bank holds relating to facilities individually determined to be impaired at 31 December 2010 amounts to AED 3.90 billion (2009: AED 2.75 billion).

During the year, the Bank took possession of various underlying assets, primarily vehicles. The Bank has sold repossessed assets amounting to AED 8.80 million (2009: AED 6.52 million), which has been adjusted against the outstanding receivables.

9 Investments in Islamic Sukuk

Investments in Islamic sukuk by geographical area are as follows:

	2010	2009
	AED'000	*AED'000*
Held to maturity—at amortised cost		
Within U.A.E.	**6,567,730**	7,736,096
Other G.C.C. Countries	**136,705**	346,161
Rest of the world	**300,890**	238,857
	7,005,325	8,321,114
Available for sale		
Within U.A.E.	**1,195,151**	969,683
	1,195,151	969,683
Total	**8,200,476**	**9,290,797**

Held to maturity investments in Islamic sukuk are measured at amortised cost and available for sale investments in Islamic sukuk after initial recognition are re-measured at fair value with changes in fair value recognised in other comprehensive income.

10 Other investments

	2010	2009
	AED'000	*AED'000*
Investments carried at fair value through profit or loss	**108,406**	128,561
Available for sale investments	**1,664,540**	1,797,389
	1,772,946	1,925,950

	31 December 2010			
	U.A.E.	Other G.C.C. Countries	Rest of World	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Investments carried at fair value through profit or loss				
Equity instruments	**1,013**	**78,185**	**29,208**	**108,406**
Available for sale investments Quoted:				
Equity instruments	**443,654**	**122,526**	**35,168**	**601,348**
Unquoted:				
Equity instruments	**223,148**	**124,430**	**191,624**	**539,202**
Investment funds	**157,855**	**9,182**	**356,953**	**523,990**
	381,003	**133,612**	**548,577**	**1,063,192**
Available for sale investments	**824,657**	**256,138**	**583,745**	**1,664,540**
Total	**825,670**	**334,323**	**612,953**	**1,772,946**

	31 December 2009			
	U.A.E.	Other G.C.C. Countries	Rest of World	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Investments carried at fair value through profit or loss				
Equity instruments	1,212	108,192	19,157	128,561
Available for sale investments				
Quoted:				
Equity instruments*	603,650	95,909	40,255	739,814
Unquoted:				
Equity instruments	212,863	120,527	192,627	526,017
Investment funds	142,968	—	388,590	531,558
	355,831	120,527	581,217	1,057,575
Available for sale investments	959,481	216,436	621,472	1,797,389
Total	960,693	324,628	640,629	1,925,950

Industry distribution of other investments is as follows:

	2010	2009
	AED'000	*AED'000*
Banks and other financial institutions	**889,542**	853,107
Real estate	**338,070**	507,213
Manufacturing and others	**545,334**	565,630
	1,772,946	1,925,950

Unquoted available for sale investments are carried at cost, less provision for impairment, due to the unpredictable nature of future cash flows and the lack of other methods suitable for arriving at a reliable fair value.

The available for sale investments were assessed for indicators of impairment at the end of reporting period. The available for sale investments, quoted and unquoted investments identified where reporting fair value of investment were below the cost for significant or prolonged period, accordingly investments have been impaired. The impaired loss amounting to AED 136.3 million (2009: AED 92.7 million) recognised in the consolidated income statements (refer note 48).

During 2008, the held for trading investments were reclassified to available for sale investments. The reclassification was made in accordance with the amendments to IAS 39 (Financial Instruments: Recognisition and Measurement) issued on 12 October 2008 with respect to reclassification of financial assets. The fair value at the date of reclassification of investments was AED 155.6 million. As at 31 December 2010, reclassified investments amounted to AED 39.3 million (2009: AED 56.9 million). During 2010, the reclassified investments amounting to AED 8.7 million (2009: AED 8.5 million) were disposed.

* The available for sale investments as at 31 December 2009 include an investment of AED 205,652,700 which was suspended from trading on the local stock market in November 2008. The investment is valued at the last traded price before its suspension on the local stock market.

11 Investments in associates

11.1 List of associates

Details of the Bank's associates at the end of the reporting period are as follows:

	Associates	Principal activity	Country of incorporation	Percentage of equity 2010	Percentage of equity 2009
1.	Bank of Khartoum	Banking	Sudan	28.4%	28.4%
2.	Jordan Dubai Islamic Bank	Banking	Jordan	20.8%	20.8%
3.	Bosnia International Bank	Banking	Bosnia	27.3%	27.3%
4.	Faisal Islamic Bank of Kibris	Banking	TRNC	31.0%	31.0%
5.	Saba Islamic Bank	Banking	Yemen	18.5%	18.5%
6.	Deyaar Development PJSC	Real estate development	U.A.E.	43.0%	43.0%
7.	Etisalat International Pakistan Ltd.	Investments	U.A.E.	10.0%	10.0%
8.	BBI Leasing and Real Estate L.L.C.	Real estate development	Bosnia	13.6%	13.6%
9.	Liquidity Management Center (B.S.C.)	Brokers	Bahrain	25.0%	25.0%
10.	Ejar Cranes & Equipment L.L.C.	Equipment leasing	U.A.E.	16.6%	16.6%
11.	MESC Investment Company	Investments	Jordan	40.0%	40.0%
12.	Omega Engineering L.L.C.	Mechanical, electrical & plumbing	U.A.E.	23.7%	23.7%
13.	Beirut Bay SAL	Property Development	Lebanon	43.0%	43.0%
14.	Deyaar (UK) Ltd.	Representative Office of Deyaar	UK	43.0%	43.0%
15.	Deyaar Cayman Ltd.	Investment holding Company	Cayman Islands	43.0%	43.0%

Although the Bank's interest in the equity of the entities listed as 5, 7, 8 and 10 is less than 20%, the Bank exercises significant influence over these entities. These investments have, accordingly, been accounted for as "investments in associates".

11.2 Investments in associates and share of profits

	2010 AED'000	2009 AED'000
Investments in associates	**4,046,553**	4,056,455
Share of (loss)/profit	**(486,051)**	356,704
Less: provision for impairment	**(130,228)**	(117,991)
	3,430,274	4,295,168

11.3 Provision for impairment of investments in associates

	2010 AED'000	2009 AED'000
Balance, beginning of the year	**117,991**	109,426
Charge for the year (note 49)	**12,237**	8,565
Balance, end of the year	**130,228**	117,991

11.4 Carrying value of investment in associates

The following table illustrates summarised information of the Bank's investments in associates:

	2010	2009
	AED'000	*AED'000*
Share of associates' balance sheets:		
Assets	**7,808,043**	6,847,034
Liabilities	**(4,247,540)**	(2,433,875)
Net assets	**3,560,503**	4,413,159
Less: Provision for impairment	**(130,229)**	(117,991)
	3,430,274	4,295,168
Share of associates' revenues and results:		
Revenues	**334,026**	1,014,371
Results	**(846,521)**	17,345

11.5 Investment in associates by geography

Carrying value of investment in associates by geographical area are as follows:

	2010	2009
	AED'000	*AED'000*
Within U.A.E.	**2,879,233**	3,769,867
Other G.C.C. Countries	**49,835**	56,782
Rest of the world	**501,206**	468,519
	3,430,274	4,295,168

As at 31 December 2010, the fair value of the Bank's interest in listed associates on the local stock exchanges, was AED 822 million (2009: AED 1,542 million) and the carrying amount of the Bank's interest in those associates was AED 2,243 million (2009: AED 2,990 million).

11.6 Disposal of interest in associates

In 2009, the Bank disposed its 32.5% interest in Millennium Finance Corporation ("MFC") in consideration of a 50% interest in Millennium Private Equity L.L.C. ("MPE"), a Company registered in U.A.E., amounting to AED 38.6 million.

Further, Emirates National Securitisation Company ("ENSEC"), an associate, also adopted a voluntary dissolution in accordance with the shareholders resolution. The net assets of both companies along with their consideration are as follows:

	2009
	AED'000
Carrying amount of investments in associates at the date of disposal	42,509
Less: consideration for disposal of associates—net	(37,806)
Net loss on disposal of associates (note 45)	4,703

12 Properties under construction

The movement in properties under construction during the year was as follows:

	2010	2009
	AED'000	*AED'000*
Balance, beginning of the year	**388,648**	257,830
Additions during the year	**135,517**	130,818
Balance, end of the year	**524,165**	388,648

13 Properties held for sale

Properties held for sale represent properties in U.A.E, Egypt and Lebanon that are registered in the name of certain subsidiaries and branches of the Bank.

	2010	2009
	AED'000	*AED'000*
Balance, beginning of year	**157,269**	168,251
Acquisition of controlling interest, net	**399,899**	—
Additions	**29,747**	701
Disposals (note 44)	**(16,569)**	(12,464)
Impaired during the year (note 49)	**(20,000)**	—
Exchange (losses)/ gain	**(5,387)**	781
Balance, end of the year	**544,959**	157,269

14 Investment properties

	2010	2009
	AED'000	*AED'000*
Land		
In U.A.E.	**1,171,398**	1,171,398
Other G.C.C. Countries	**—**	936
Rest of World	**51,733**	51,783
	1,223,131	1,224,117
Less: Provision for impairment	**—**	(300)
	1,223,131	1,223,817
Other real estate		
In U.A.E.	**353,121**	353,121
Other G.C.C. Countries	**—**	4,193
Rest of World	**519,856**	555,659
	872,977	912,973
Less: Accumulated depreciation and impairment	**(173,197)**	(140,802)
	699,780	772,471
	1,922,911	1,996,288

The fair value of the Bank's investment properties as of 31 December 2010 is AED 2.47 billion (2009: AED 2.94 billion).

The fair value of the investment properties has been arrived on the basis of a valuation carried out by independent valuers. The valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The effective date of the valuations is 31 December 2010.

Land in the U.A.E. includes land valued at AED 276.14 million (2009: AED 276.14 million) donated by the Government of Dubai which has been allocated for the sole benefit of the Shareholders (refer note 31).

The movement in investment properties is as follows:

	Land	Other Real Estate	Total
	AED'000	*AED'000*	*AED'000*
2010			
Cost:			
Balance, beginning of the year	**1,224,117**	**912,973**	**2,137,090**
Additions	**—**	**8,757**	**8,757**
Disposals	**(936)**	**(4,193)**	**(5,129)**
Exchange effect	**(50)**	**(44,560)**	**(44,610)**
Balance, end of the year	**1,223,131**	**872,977**	**2,096,108**
Accumulated depreciation/provision for impairment:			
Balance, beginning of the year	**300**	**140,502**	**140,802**
Charge for the year	**—**	**22,669**	**22,669**
Impairment, net	**—**	**13,629**	**13,629**
Disposal	**(300)**	**(626)**	**(926)**
Exchange effect	**—**	**(2,977)**	**(2,977)**
Balance, end of the year	**—**	**173,197**	**173,197**
Carrying amount 31 December 2010	**1,223,131**	**699,780**	**1,922,911**
2009			
Cost:			
Balance, beginning of the year	1,224,303	908,888	2,133,191
Additions	—	15,281	15,281
Disposals	—	(4,284)	(4,284)
Transfers	—	(8,867)	(8,867)
Exchange effect	(186)	1,955	1,769
Balance, end of the year	1,224,117	912,973	2,137,090
Accumulated depreciation/provision for impairment:			
Balance, beginning of the year	300	127,852	128,152
Charge for the year	—	18,722	18,722
Disposal	—	(1,186)	(1,186)
Transfers	—	(5,320)	(5,320)
Exchange effect	—	434	434
Balance, end of the year	300	140,502	140,802
Carrying amount 31 December 2009	1,223,817	772,471	1,996,288

Investment properties includes properties with a carrying value amount of AED 482.16 million (2009: 524.86 million) have been mortgage by one of the subsidiary as security financing obligation to other bank.

15 Receivables and other assets

	2010	2009
	AED'000	*AED'000*
Accrued profit on investing, financing and Sukuks	**876,448**	818,440
Other income receivable	**109,100**	101,217
Trade receivables	**72,202**	54,188
Cheques sent for collection	**13,236**	11,865
Advances to contractors	**4,456**	38,999
Inventories	**14,947**	9,443
Prepaid expenses	**87,908**	81,910
Qard Hassan (profit-free facilities)	**8,000**	8,000
Overdrawn current accounts, net	**39,816**	27,963
Deferred taxation (note 26)	**19,300**	18,057
Islamic derivative assets (note 38)	**61,074**	86,572
Others	**990,386**	207,417
	2,296,873	1,464,071

Overdrawn current accounts, net are stated net of provision for impairment amounting to AED 54.50 million (2009: AED 43.25 million).

16 Property, plant and equipment

2010

	Land and buildings	Plant and machinery	Furniture and office equipment	Information technology	Motor vehicles	Capital work in progress	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Cost:							
1 January 2010	**90,369**	**82,852**	**346,095**	**353,599**	**4,165**	**286,625**	**1,163,705**
Acquisition of controlling interest	**24,648**	**—**	**9,958**	**18,511**	**—**	**313**	**53,430**
Additions	**1,654**	**1,356**	**17,241**	**8,260**	**627**	**64,165**	**93,303**
Disposals	**(1,123)**	**—**	**(455)**	**—**	**(804)**	**—**	**(2,382)**
Other transfers	**283,271**	**—**	**5,082**	**30,643**	**—**	**(326,003)**	**(7,007)**
Exchange adjustments	**(34)**	**(80)**	**(1,013)**	**(641)**	**(20)**	**(25)**	**(1,813)**
31 December 2010	**398,785**	**84,128**	**376,908**	**410,372**	**3,968**	**25,075**	**1,299,236**
Accumulated depreciation:							
1 January 2010	**33,102**	**56,307**	**217,043**	**195,986**	**3,472**	**—**	**505,910**
Acquisition of controlling interest	**2,145**	**—**	**4,378**	**12,434**	**—**	**—**	**18,957**
Charge for the year	**9,035**	**4,317**	**51,549**	**57,527**	**427**	**—**	**122,855**
Disposals	**—**	**—**	**(303)**	**—**	**(730)**	**—**	**(1,033)**
Reclassification	**—**	**—**	**30**	**(30)**	**—**	**—**	**—**
Exchange adjustments	**—**	**(19)**	**(314)**	**(191)**	**(15)**	**—**	**(539)**
31 December 2010	**44,282**	**60,605**	**272,383**	**265,726**	**3,154**	**—**	**646,150**
Carrying amount							
31 December 2010	**354,503**	**23,523**	**104,525**	**144,646**	**814**	**25,075**	**653,086**

2009

	Land and buildings	Plant and machinery	Furniture and office equipment	Information technology	Motor vehicles	Capital work in progress	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Cost:							
1 January 2009	86,310	82,386	304,141	292,253	4,787	288,083	1,057,960
Additions	4,059	779	14,482	9,735	108	118,129	147,292
Disposals	—	—	(14,871)	(54)	(623)	—	(15,548)
Write offs during the year	—	—	—	—	—	(22,456)	(22,456)
Reclassification	—	—	8,867	—	—	—	8,867
Other transfers	—	—	37,681	53,868	—	(97,042)	(5,493)
Exchange adjustments	—	(313)	(4,205)	(2,203)	(107)	(89)	(6,917)
31 December 2009	90,369	82,852	346,095	353,599	4,165	286,625	1,163,705
Accumulated depreciation:							
1 January 2009	31,348	52,437	156,560	145,713	3,149	—	389,207
Charge for the year	1,754	3,914	58,889	50,651	800	—	116,008
Disposals	—	—	(2,912)	(54)	(423)	—	(3,389)
Reclassification	—	—	5,320	—	—	—	5,320
Exchange adjustments	—	(44)	(814)	(324)	(54)	—	(1,236)
31 December 2009	33,102	56,307	217,043	195,986	3,472	—	505,910
Carrying amount							
31 December 2009	57,267	26,545	129,052	157,613	693	286,625	657,795

Capital work in progress comprises costs incurred on information technology projects and civil work for branch network.

17 Goodwill

	2010	2009
	AED'000	*AED'000*
At 1 January	**34,516**	—
Additions (note 20.2)	**—**	34,516
Impaired during the year (note 49)	**(17,258)**	—
At 31 December	**17,258**	34,516

Impairment testing of goodwill

During 2010, the goodwill resulting from a business combination has been tested for impairment and accordingly the carrying value of goodwill adjusted for impairment.

18 Investments in joint ventures

18.1 Significant joint ventures

Details of the Bank's significant joint ventures at the end of reporting period are as follows:

Joint ventures	Principal activity	Country of incorporation	Percentage of equity	
			2010	2009
1. Al Bustan Center Company L.L.C.	Rental of apartments and shops	U.A.E.	50.0%	50.0%
2. Millennium Private Equity L.L.C.	Fund Management	U.A.E.	50.0%	50.0%
3. Al Rimal Development	Property development	U.A.E.	50.0%	50.0%
4. Waqf Trust Services L.L.C. (under liquidation)	Trust and fiduciary services	U.A.E.	50.0%	50.0%
5. Gulf Tankers L.L.C. (under liquidation)	Cargo and transport	U.A.E.	50.0%	50.0%

The entities listed as 4 and 5 did not conduct any operations during the current or previous periods.

18.2 Carrying value of investment in joint ventures

The Bank's 50% share of assets and liabilities in the joint ventures included in the consolidated financial statements are disclosed below:

	2010	2009
	AED'000	*AED'000*
Cash and balances with banks	**1,186**	8,915
Other investments	**1,013**	1,212
Properties under construction	**47,803**	47,798
Receivables and other assets	**16,474**	11,539
Property and equipment	**5,615**	5,993
Total assets	**72,091**	75,457
Total liabilities	**32,633**	39,935
Net profit for the year	**16,045**	10,465

19 Subsidiaries

The Bank's interest held directly or indirectly in the subsidiaries are as follows:

	Subsidiaries	Principal activity	Country of incorporation	Percentage of equity	
				2010	2009
1.	DIB Capital Limited	Investments and financial services	U.A.E.	95.5%	95.5%
2.	Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	100.0%	100.0%
3.	Tamweel P.J.S.C	Financing and investment	U.A.E	58.3%	—
4.	Islamic Financial Services L.L.C.	Brokerage services	U.A.E.	95.5%	95.5%
5.	Millennium Capital Holding PSC	Financing & investing	U.A.E.	95.5%	95.5%
6.	Dar al Shariah Financial & Legal Consultancy L.L.C.	Financial and legal advisory	U.A.E.	60.0%	60.0%
7.	Al Tanmyah Services L.L.C.	Labour services	U.A.E.	99.5%	99.5%
8.	Emirates Automotive Leasing Company	Trading in motor vehicles	U.A.E.	100.0%	100.0%
9.	Emirates REIT Management Private Limited	Properties management	U.A.E	60.0%	—
10.	Al Tatweer Al Hadith Real Estate	Real estate development	Egypt	100.0%	96.0%
11.	Al Tameer Modern Real Estate Investment	Real estate development	Egypt	100.0%	96.0%
12.	Al Tanmia Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
13.	Naseej Fabric Manufacturing L.L.C.	Textile Manufacturing	U.A.E.	99.0%	99.0%
14.	DIB Printing Press L.L.C.	Printing	U.A.E.	99.5%	99.5%
15.	Levant One Investment Limited	Investments	U.A.E.	100.0%	100.0%
16.	Petra Limited	Investments	Cayman Islands	100.0%	100.0%
17.	Al Ahlia Aluminum Company L.L.C. (under liquidation)	Aluminum fixtures	U.A.E.	75.5%	75.5%
18.	Al Islami Real Estate Investments Ltd.	Investments	U.A.E.	100.0%	100.0%
19.	Tamweel Funding Limited	Sukuk	Jersey	58.3%	—
20.	Tamweel Sukuk Limited	Sukuk	Cayman Islands	58.3%	—
21.	Tamweel ESOT Limited	Employees share options	British Virgin Islands	58.3%	—
22.	Tamweel Properties & Investments L.L.C	Real estate development	U.A.E	58.3%	—
23.	Tahfeez Middle East Limited	General trading	U.A.E	58.3%	—

The following Special Purpose Vehicles ("SPV") were formed to manage certain transactions including funds, and are expected to be closed upon completion of transactions.

SPV		Principal activity	Country of incorporation	Percentage of equity	
				2010	**2009**
24.	HoldInvest Real Estate Sarl	Investments	Luxembourg	Controlling interest	Controlling interest
25.	France Invest Real Estate SAS	Investments	France	Controlling interest	Controlling interest
26.	SARL Barbanniers	Investments	France	Controlling interest	Controlling interest
27.	SCI le Sevine	Investments	France	Controlling interest	Controlling interest
28.	Findi Real Estate SAS	Investments	France	Controlling interest	Controlling interest
29.	PASR Einudzwanzigste Beteiligunsverwaltung GMBH	Investments	Austria	Controlling interest	Controlling interest
30.	Al Islami German Holding Co. GMBH	Investments	Germany	Controlling interest	Controlling interest
31.	Rhein Logistics GMBH	Investments	Germany	Controlling interest	Controlling interest
32.	Jef Holdings BV	Investments	Netherlands	Controlling interest	Controlling interest
33.	Zone One Real Estate Management Co.	Investments	Cayman Islands	100.0%	100.0%
34.	Zone Two Real Estate Management Co.	Investments	Cayman Islands	Controlling interest	Controlling interest
35.	Al Islami Trade Finance FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
36.	DIB Lease One Ltd.	Investments	Bahamas	100.0%	100.0%
37.	DIB Lease One (Dublin) Ltd.	Investments	Ireland	100.0%	100.0%
38.	Gulf Atlantic FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
39.	Al Islami Oceanic Shipping Co FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
40.	Sequia Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
41.	Bulwark Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
42.	Optimum Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
43.	Rubicon Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
44.	Osiris Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
45.	Lotus Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
46.	Premiere Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
47.	Landmark Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
48.	Blackstone Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
49.	Blue Nile Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
50.	Momentum Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
51.	Mount Sinai Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%

In addition to the registered ownership described above, the remaining equity in the entities 1, 4, 5, 7, 13, 14, 17 and 40 to 51 also held by the Bank beneficially through nominee arrangements.

The entities listed as 8 and 17 did not conduct any operations during the current or previous periods.

20 Business combination

20.1 Acquisition of Tamweel P.J.S.C

Tamweel P.J.S.C ("the Company"), a company listed in NASDAQ Dubai and engaged in Islamic Sharia'a compliant financing and investment activities became a subsidiary of the Bank on the 4th of November 2010. The Bank acquired further shares of the Company from major shareholders thereby acquiring a controlling interest. The acquisition was done to unfold the value of the Company by providing long term strategic support. The acquisition will help the Bank in becoming largest retail islamic home financing bank in the U.A.E.

The fair value of identifiable assets and liabilities of the Company as at the acquisition date is as follows:

	Recognised on acquisition 2010
	AED'000
Cash and balances with banks	**236,758**
Islamic financing and investing assets	**9,758,677**
Other investments	**46,859**
Properties held for sale	**399,899**
Receivables and other assets	**98,060**
Property and equipment	**34,473**
Total assets	**10,574,726**
Financing obligation	**7,528,058**
Accounts payable and accruals	**346,668**
Total liabilities	**7,874,726**
Fair value of net assets—100%	**2,700,000**
Consideration for acquisition	**935,600**
Less: fair value of identifiable net assets acquired	**(1,572,638)**
Gain on acquiring controlling interest	**637,038**

The fair value of the net assets has been determined by the Bank on the basis of valuation of the Company carried by an external valuer that is not related to the Bank. The valuation of the Company was based on generally accepted business valuation techniques including the dividend discount model and adjusted book value method.

Consideration of acquisition

	2010
	AED'000
Cash	**318,609**
Transfer of treasury shares	**56,121**
Fair value of available for sale shares	**560,870**
Total consideration	**935,600**

The transaction cost amounting to AED 1.1 million has been excluded from the consideration transferred and have been recognised as an expenses in the consolidated income statement.

Non-controlling interest of the Company was recognised at the acquisition date and was measured at cost.

The total revenue and net profit of the Bank includes AED 89.9 million and AED 6.1 million respectively in respect of post acquisition period. Had the Company been acquired on 1 January 2010, the total revenue and net profit of the Bank would have increased by AED 607 million and AED 21.4 million respectively.

20.2 Acquisition of Millennium Private Equity L.L.C

In 2009, the Bank acquired a 50% interest in Millennium Private Equity L.L.C. ("MPE") a Company based in U.A.E. and engaged in fund management activities. The fair value of the identifiable assets and liabilities of MPE acquired at that date were as follows:

	Recognised on acquisition 2009
	AED'000
Cash and balances with banks	4,269
Other assets	9,964
Property and equipment	1,344
Total assets	15,577
Other liabilities	7,477
Total liabilities	7,477
Fair value of net assets—100%	8,100
Consideration for acquisition	38,566
Less: fair value of identifiable net assets acquired	(4,050)
Goodwill arising on acquisition (note 17)	34,516

The fair values of the net asset were arrived at on the basis of a valuation carried out by an independent external valuer that is not related to the Bank.

21 Customers' deposits

	2010	2009
	AED'000	*AED'000*
a) By type:		
Current accounts	**15,087,566**	14,015,030
Saving accounts	**10,047,003**	9,881,740
Investment deposits	**38,124,012**	40,023,078
Margin accounts	**188,102**	233,769
Profit equalisation provision (note 53)	**387**	41,886
	63,447,070	64,195,503
b) By contractual maturity:		
Demand deposits	**24,876,422**	24,556,123
Deposits due within 3 months	**18,843,284**	21,453,380
Deposits due within 6 months	**7,269,059**	7,684,018
Deposits due within 1 year	**12,310,178**	10,347,086
Deposits due over 1 year	**148,127**	154,896
	63,447,070	64,195,503
c) By geographical areas:		
Within U.A.E.	**61,122,089**	62,448,316
Outside U.A.E.	**2,324,981**	1,747,187
	63,447,070	64,195,503
d) By currency:		
U.A.E. Dirham	**58,724,097**	56,986,387
Other currencies	**4,722,973**	7,209,116
	63,447,070	64,195,503

22 Due to banks and financial institutions

	2010	2009
	AED'000	*AED'000*
Current accounts	**51,517**	53,890
Investment deposits	**4,357,910**	1,395,161
	4,409,427	1,449,051

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

	2010	2009
	AED'000	*AED'000*
Within U.A.E.	**3,993,101**	1,328,864
Outside U.A.E.	**416,326**	120,187
	4,409,427	1,449,051

23 Sukuk financing instruments

	2010	2009
	AED'000	*AED'000*
23.1 Sukuk financing instruments issued by the Bank	**2,357,075**	2,415,034
23.2 Sukuks financing instruments issued by a subsidiary	**1,818,940**	—
	4,176,015	2,415,034

23.1 Sukuk financing instruments issued by the Bank

During 2007 the Bank, through a Sharia'a compliant Sukuk Financing arrangement, raised a US Dollar denominated medium term finance amounting to AED 2,754.75 million (U.S.$ 750 million). The sukuks are listed on the NASDAQ Dubai and the London Stock Exchange.

The terms of the arrangement include transfer of certain identified assets ("the Co Owned Assets") including original leased and musharakat assets, Sharia'a compliant authorised investments and any replaced assets of the Bank to a Sukuk company, DIB Sukuk Company Limited—the Issuer, especially formed for the sukuk transaction. The assets are in the control of the Bank and shall continue to be serviced by the Bank. The sukuk certificates mature in 2012.

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

The sukuks bear a variable profit rate payable to the investors based on the rate of 3 months LIBOR plus 0.33% per annum. Such profits are payable on a quarterly basis.

During 2010, sukuks amounting to AED 58.0 million (U.S.$ 15.8 million) (2009: AED 340 million (U.S.$ 92.5 million) were bought back at a discount, including buy back through a cash tender offer to sukuk holders. The Bank has recognised AED 6.4 million (2009: AED 38.7 million) as a related gain on sukuk buy back which is included under other income. These sukuk certificates will be cancelled upon maturity when the Bank will re-purchase the Co Owned Assets.

23.2 Sukuks financing instruments issued by a subsidiary

- During 2008, a subsidiary of the Bank issued Sharia'a compliant, non-convertible sukuk in the form of Trust Certificates for the total value of AED 1,100 million (at a rate of 3 months EIBOR Plus 0.225% per annum) and convertible sukuk for a total value of U.S.$ 300 million (at a fixed profit rate of 4.31% per annum), which are listed on NASDAQ Dubai. The sukuk certificates mature in 2013.
- As at 31 December 2010, the sukuk held by third parties were AED 1.82 million.

In accordance with the terms of the subscription, each Trust Certificate may be redeemed at the option of the Certificate holder or the subsidiary as follows:

a. At the option of the Certificate holder through "Voluntary Early Redemption" at any time one year after the issue date subject to satisfying certain conditions;

b. At the option of the a subsidiary at any time 3 years after the issue date through "Optional Partial Redemption" subject to satisfying certain condition.

In both the options, the subsidiary will either issue the share of the subsidiary at the relevant exchange price or cash will be paid.

At the time of final maturity, any remaining Trust Certificates will be redeemed in full by a subsidiary in cash at face value plus any unpaid profit amount.

24 Medium term wakala finance

The Bank opted to re-categorise wakala deposits received in 2008 from UAE Ministry of Finance amounting to AED 3.75 billion to Tier 2 qualifying finance ("Tier 2 finance"). The conversion process has been approved by the Shareholders in the Extraordinary General Meeting held in April 2009. The wakala deposits provided by the UAE Ministry of Finance (the Muwakkil) to the Bank (the Wakeel) will be used for investments for a tenor of seven years commencing from the date of re-categorisation and will mature in December 2016. Wakala profit will be paid every three months based on the expected profit rate range of 4.00% –5.25% per annum.

In accordance with the terms of wakala agreement, the Muwakkil's rights and claims on the Wakeel in respect of wakala are wholly subordinated to the rights and claims of all other non subordinated creditors.

25 Payables and other liabilities

	2010	2009
	AED'000	*AED'000*
Depositors' share of profits (note 50)	**329,928**	364,140
Payable for properties	**248,153**	171,079
Bankers cheques	**185,822**	255,300
Sundry deposits	**429,357**	399,044
Trade payables	**411,411**	443,075
Rent received in advance	**122,728**	167,053
Vendor payable for investing and financing assets	**116,487**	665,724
Provision for employees' end-of-service benefits (note 27)	**101,737**	89,554
Unclaimed dividends	**52,121**	38,964
Directors' remuneration	**4,800**	4,800
Payable to contractors	**18,274**	4,856
Fund transfer and remittances	**51,508**	74,664
Investments related payable	**293,585**	293,585
Cheques received for collection	**465**	1,624
Provision for taxation (note 26)	**3,626**	—
Others	**1,309,921**	397,342
	3,679,923	3,370,804

26 Taxation

Provision for taxation

	2010	2009
	AED'000	*AED'000*
Opening balance	**—**	3,544
Charge for the year	**5,040**	892
Tax paid	**(1,414)**	(4,436)
Closing balance (note 25)	**3,626**	—

Deferred tax asset

	2010 AED'000	2009 AED'000
Deferred tax asset at beginning of the year	**18,057**	25,371
Additions/(reversals) during the year	**1,545**	(5,952)
Exchange effect	**(302)**	(1,362)
Deferred tax asset at the end of the year (note 15)	**19,300**	18,057

Tax expense for the year

	2010 AED'000	2009 AED'000
Current taxation	**(5,037)**	(892)
Deferred taxation	**1,545**	(5,952)
Income tax expense	**(3,492)**	(6,844)

27 Provision for employees' end-of-service benefits

	2010 AED'000	2009 AED'000
At 1 January	**89,554**	74,313
Charge during the year	**27,140**	22,200
Paid during the year	**(14,957)**	(6,959)
At 31 December (note 25)	**101,737**	89,554

28 Accrued Zakat

	2010 AED'000	2009 AED'000
Zakat on Shareholders' equity	**146,326**	139,428
Zakat on profit equalisation provision (note 53)	**10**	1,108
	146,336	140,536

29 Share capital

	2010		2009	
	Number of Shares'000	*Amount in AED'000*	*Number of shares'000*	*Amount in AED'000*
Authorised				
Ordinary shares of AED 1 each	**3,797,054**	**3,797,054**	3,617,505	3,617,505
Issued and fully paid up				
At 1 January	**3,617,505**	**3,617,505**	3,445,400	3,445,400
Bonus shares	**179,549**	**179,549**	172,105	172,105
At 31 December	**3,797,054**	**3,797,054**	3,617,505	3,617,505

During the year, 179,549,000 shares of AED 1 each were issued as bonus shares (2009: 172,105,000 shares).

30 Treasury shares

The treasury shares at 31 December 2009 included the shares acquired from a third party on settlement of certain transactions.

31 Reserves

	Statutory reserve	Donated land reserve	General reserve	Exchange translation reserve	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
As of 1 January 2009	2,731,879	276,139	2,250,000	(59,680)	5,198,338
Exchange and other adjustments	—	—	—	(18,161)	(18,161)
Transfer from retained earnings	—	—	100,000	—	100,000
As of 1 January 2010	2,731,879	276,139	2,350,000	(77,841)	5,280,177
Exchange and other adjustments	—	—	—	(13,700)	(13,700)
As of 31 December 2010	**2,731,879**	**276,139**	**2,350,000**	**(91,541)**	**5,266,477**

Statutory reserve

Article 192 of the U.A.E. 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 other than in circumstances stipulated by law.

The Board of Directors has resolved to discontinue the annual transfer to statutory reserve as the reserve exceeds 50% of the paid up capital.

Donated land reserve

The Government of Dubai has donated certain land which has been allocated for the sole benefit of the shareholders of the Bank. Such land is included in investment properties (note 14). The donated land reserve represents the fair value of the land, net of disposals, at the time of the donation.

General reserve

Transfer to general reserve is made based on the discretion of the Board of Directors and is subject to the approval of the Shareholders at the annual general meeting.

Exchange translation reserve

Exchange translation reserve relating to the translation of the results and net assets of the Bank's foreign operations from their functional currencies to the Bank's presentation currency (i.e. AED) are recognised directly in other comprehensive income and accumulated in the exchange translation reserve.

32 Cumulative changes in fair value

	2010	2009
	AED'000	*AED'000*
At 1 January	**(723,713)**	(888,714)
Net unrealised gain on available for sale investments	**606,140**	165,310
Reclassification of realised gain on disposal of available for sale investments to profit or loss	**(125,593)**	(309)
At 31 December	**(243,166)**	(723,713)

33 Dividends paid and proposed

	2010	2009
	AED'000	*AED'000*
Dividend proposed		
Cash dividend:		
(2010: AED 0.10 per share)	**379,705**	—
Dividend proposed and paid		
Cash dividend:		
(2009: AED 0.15 per share)	—	538,648
Scrip dividend		
(2009: AED 0.05 per share)	—	179,549

34 Hedging reserve

During 2009 the Bank discontinued its cash flow hedge of a forecast transaction which resulted in reclassification of associated cumulative gains during 2010 of AED 39.9 million (2009: AED 45.2 million). Refer to note 42.

35 Employee stock Ownership plan (ESOP)

The Bank commenced Employee Stock Ownership Plans (ESOP) to recognise and retain key employees in 2004. The plans give employees the right to own the Bank's shares at the issue price.

The following share based payment arrangements were in existence in current and previous years.

	Issue year	No of shares	Grant date	Expiry date	Exercise price	Fair value at grant date
1	2006	4,113,000	January 2006	February 2010	2	26.7
2	2010	1,560,000	April 2010	March 2012	—	2.0

The shares were granted under nominee arrangements, to various categories of employees on condition that the employees continue in the service of the Bank for an agreed minimum period ranging between two to four years from the grant date. Should the employee leave before the completion of the full vesting period, a proportion of the shares would revert back to the Bank. Generally, the management considers it unlikely that a significant amount of shares would revert back to the Bank on account of employees leaving before completing their vesting period. In 2008, some of staffs have left the Bank, and 1,576,836 shares have been taken back. As a result the yearly charges on account of ESOP have been changed prospectively as follows:

The fair value of existing ESOP in current and previous years on grant date and adjusted charge over vesting period is as follows.

Year	Current charge to consolidated income statement	Charge to consolidated income statement at grant date
	AED'000	*AED'000*
2006	30,312	30,312
2007	36,846	36,846
2008	18,049	25,085
2009	5,444	6,856
2010	1,580	3,594
2011	1,653	1,653
2012	551	551
Total	94,435	104,897

36 Non-controlling interest

Non-controlling 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.

37 Contingent liabilities and commitments

Financing-related financial instruments

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

Commitments to extend financing represent contractual commitments to provide Islamic financing. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

The Bank has outstanding commitments and contingent liabilities under letters of credit and guarantees arising in the normal course of business, as follows:

	2010	2009
	AED'000	AED'000
Contingent liabilities:		
Letters of guarantee	**8,774,047**	10,484,586
Letters of credit	**2,535,666**	3,519,943
	11,309,713	14,004,529
Commitments:		
Capital expenditure commitments	**388,932**	416,257
Irrevocable undrawn facilities commitments	**12,567,539**	11,217,244
	12,956,471	11,633,501
Total contingent liabilities and commitments	**24,266,184**	25,638,030

38 Islamic derivatives

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

31 December 2010: ***Notional amounts by term to maturity***

	Positive fair value	Negative fair value	Notional amount total	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 years
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic Derivatives held for trading:								
Unilateral promise to buy/ sell currencies	**15,127**	**14,029**	**5,308,254**	**2,552,713**	**2,748,360**	**7,181**	**—**	**—**
Islamic profit rate Swaps (refer note 15)	**258,074**	**197,000**	**9,995,651**	**—**	**—**	**9,324,101**	**—**	**671,550**
	273,201	**211,029**	**15,303,905**	**2,552,713**	**2,748,360**	**9,331,282**	**—**	**671,550**

31 December 2009: *Notional amounts by term to maturity*

	Positive fair value	Negative fair value	Notional amount total	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 years
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic Derivatives held for trading:								
Unilateral promise to buy/ sell currencies	13,793	16,457	8,428,233	3,807,118	1,332,980	2,904,929	383,206	—
Islamic profit rate Swaps (refer note 15)	275,548	188,976	12,609,741	—	—	—	12,217,140	392,601
	289,341	205,433	21,037,974	3,807,118	1,332,980	2,904,929	12,600,346	392,601

The Bank has positions in the following types of derivative.

Unilateral Promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the value dates, by exchanging the purchase/sale offers and acceptances between the relevant parties.

Islamic Swaps

Islamic Swaps are based on a Waa'd (promise) structure between two parties to buy a specified Sharia'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. Islamic swap structure comprises profit rate swap and currency swap. For Islamic profit rate swaps, counterparties generally exchange fixed and floating rate profit payments by executing the purchase/sale of commodity under "Murabaha Sale Agreement" in a single currency. For Islamic currency swaps, fixed or floating profit payments as well as cost of underlying commodity are exchanged in different currencies, by executing the purchase/sale of commodity under "Murabaha Sale Agreement".

Derivatives held or issued for trading purposes

Most of the Bank's derivative trading activities relate to sales and strategic hedging (see below). Sales activities involve offering products to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks.

Derivatives held or issued for hedging purposes

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to currency and profit rate risks. This is achieved by hedging specific financial instruments and forecasted transactions as well as strategic hedging against overall balance sheet exposures.

For profit rate risk, strategic hedging is carried out by monitoring the repricing of financial assets and liabilities and entering into profit rate swaps. As strategic hedging does not qualify for special hedge accounting, related derivatives are accounted for as trading instruments.

39 Income from Islamic financing and investing assets

	2010 AED'000	2009 AED'000
Financing assets		
Commodities murabahat	**416,517**	454,259
International murabahat	**10,023**	18,046
Vehicles murabahat	**486,552**	486,540
Real estate murabahat	**258,304**	352,726
Total murabahat income	**1,171,396**	1,311,571
Istisna'a	**458,702**	408,560
Home finance ijara	**188,907**	155,650
Ijara	**432,505**	416,952
Salam finance	**52,349**	—
Income from financing assets	**2,303,859**	2,292,733
Investing assets		
Musharakat	**597,013**	625,053
Mudarabat	**270,604**	354,791
Wakalat	**37,584**	42,945
Others	**12,635**	7,335
Income from investing assets	**917,836**	1,030,124
Total income from Islamic financing and investing assets	**3,221,695**	3,322,857

Income from investing and financing assets is presented net of forfeited income of AED 12 million (2009: AED 8.97 million).

40 Income from International murabahats and wakala, short term

	2010 AED'000	2009 AED'000
Income from International murabahats from Banks and financial institutions	**13,328**	20,087
Income from Investment and wakala deposits	**21,199**	31,391
Income from International murabahats with Central Bank	**1,786**	—
	36,313	51,478

41 Gain/(loss) from other investments

	2010 AED'000	2009 AED'000
Realised gain on disposal of available for sale investments	**125,593**	—
Loss on disposal of investments carried at fair value through profit or loss	**(1,941)**	(6,841)
Loss on revaluation of investments carried at fair value through profit or loss	**(13,182)**	(53,562)
Dividend on investments carried at fair value through profit or loss	**281**	16,310
Dividend on available for sale equity investments	**24,022**	23,336
Dividend from available for sale investment funds	**1,390**	1,822
	136,163	(18,935)

Dividend on available for sale investment is presented net of forfeited income of AED nil (2009: AED 3.05 million).

42 Commissions, fees and foreign exchange income

	2010	2009
	AED'000	*AED'000*
Trade related commission and fees	**170,933**	237,930
Other commissions and fees	**371,430**	369,071
Gains on unilateral promise to buy/sell currencies	**102,836**	99,842
Cumulative gains on hedging reserve reclassified to profit or loss (note 34)	**39,944**	45,219
Fair value of Islamic derivatives	**1,887**	107
	687,030	752,169

Other commission and fees is presented net of forfeited income of AED nil (2009: AED 1.20 million).

43 Income from investment properties

	2010	2009
	AED'000	*AED'000*
Net rental income	**72,165**	75,609
Gain on sale of investment properties	**18,001**	2,691
	90,166	78,300

44 Income from sale of properties held for sale

	2010	2009
	AED'000	*AED'000*
Sales proceeds	**31,067**	13,461
Cost of sale (note 13)	**(16,569)**	(12,464)
	14,498	997

45 Other income

	2010	2009
	AED'000	*AED'000*
Services income, net	**85,059**	32,446
Loss on disposal of interest in associates (note 11.6)	**—**	(4,703)
Other	**54,947**	158,710
	140,006	186,453

46 Personnel expenses

	2010	2009
	AED'000	*AED'000*
Salaries and wages	**779,673**	712,859
Staff terminal benefits	**27,140**	22,200
Share based payments	**1,581**	5,444
Other	**9,425**	72,699
	817,819	813,202

47 General and administrative expenses

	2010	2009
	AED'000	*AED'000*
Administrative expenses	**107,538**	110,029
Depreciation of property, plant and equipment (refer note 16)	**122,855**	116,008
Rental charges under operating leases	**77,194**	67,082
Communication costs	**67,110**	53,507
Premises and equipment maintenance costs	**45,516**	42,869
Printing and stationery	**13,284**	11,713
Miscellaneous write offs	**—**	23,997
Other	**109,446**	99,555
	542,943	524,760

48 Impairment loss on financial assets, net

	2010	2009
	AED'000	*AED'000*
Net provision for financing assets	**617,287**	671,284
Net provision for investing assets	**36,149**	45,406
Net provision for receivables and other assets	**11,328**	15,737
Impairment loss on available for sale investments	**136,291**	92,660
Reversal in provision for available for sale investment funds	**—**	(15,743)
	801,055	809,344

49 Impairment loss on non-financial assets, net

	2010	2009
	AED'000	*AED'000*
Impairment loss on investment in associates	**12,237**	8,565
Impairment of investment properties	**13,329**	—
Impairment of properties held for sale	**20,000**	—
Impairment of Goodwill	**17,258**	—
	62,824	8,565

50 Depositors' share of profits

	2010	2009
	AED'000	*AED'000*
Share for the year	**1,435,631**	1,739,197
Less: Pertaining to depositors' profit equalisation provision (note 53)	**(511)**	(11,636)
Transfer from depositors' profit equalisation provision (note 53)	**42,000**	195,500
	1,477,120	1,923,061
Less: Paid during the year	**(1,147,192)**	(1,558,921)
Depositors' share of profit payable (note 25)	**329,928**	364,140
Share of profits accrued to customers and financial institutions are as follows:		
Investment and savings deposits from customers	**996,491**	1,176,329
Wakala and other investment deposits from banks and customers	**409,884**	529,138
Profit accrued on sukuk financing instrument	**29,256**	33,730
	1,435,631	1,739,197

51 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the year attributable to equity holders of the Bank by the weighted average number of shares outstanding during the year as follows:

	2010	2009
Profit for the year net of directors' remuneration of AED 4,800,000 (2009: AED 4,800,000)	**801,723,000**	1,202,691,000
Weighted average number of shares of AED 1 each outstanding during the year	**3,776,269,000**	3,772,112,000
Basic and diluted earnings per share in AED	**0.21**	0.32

The earnings per share of AED 0.33 as reported for 2009 has been adjusted for the effect of the shares issued in 2010 as a result of the bonus shares.

The figures for basic and diluted earnings per share is the same as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

52 Cash and cash equivalents

	2010	2009
	AED'000	*AED'000*
Cash and balances with Central Banks	**11,247,225**	11,611,570
Due from banks and financial institutions	**2,356,531**	2,557,258
	13,603,756	14,168,828
Less: Balances and deposits with banks and financial institutions with original maturity over 3 months	**(3,120,075)**	(88,836)
	10,483,681	14,079,992

53 Profit equalisation provision

	2010	2009
	AED'000	*AED'000*
Balance, beginning of the year—as reported	**41,886**	226,858
Share of profit for the year (note 50)	**511**	11,636
Zakat for the year (note 28)	**(10)**	(1,108)
Additional transfer to depositors' share of profit during the year (note 50)	**(42,000)**	(195,500)
Balance, end of the year (note 21)	**387**	41,886

Profit equalisation provision represents a portion of the depositors' share of profits set aside as a provision. This provision is payable to the depositors upon the approval of the Board of Directors and the Bank's Fatwa and Sharia'a Supervisory Board. Zakat on profit equalisation provision is included under accrued Zakat.

54 Related party transactions

The Bank enters into arms length transactions with Shareholders, directors, key management personnel and their related concerns in the ordinary course of business at commercial profit and commission rates. All facilities to related parties are performing facilities and are free of any provision for possible impairment.

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

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

	Major Shareholders	Directors and key management personnel	Associates	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
2010				
Financing and investing assets	**1,836,500**	**183,701**	**463,475**	**2,483,676**
Customers' deposits	**2,847,087**	**43,772**	**172,052**	**3,062,911**
Income from financing and investing assets	**56,914**	**10,662**	**4,321**	**71,897**
Depositors' share of profits	**107,538**	**663**	**171**	**108,372**
Contingent liabilities	**—**	**303**	**700**	**1,003**

	Major Shareholders	Directors and key management personnel	Associates	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
2009				
Financing and investing assets	3,812,737	182,362	513,774	4,508,873
Customers' deposits	5,065,054	55,652	287,281	5,407,987
Income from financing and investing assets	73,252	12,194	14,562	100,008
Depositors' share of profits	38,443	988	1,910	41,341
Contingent liabilities	2,038,091	890	700	2,039,681

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

	2010	2009
	AED'000	*AED'000*
Salaries and other benefits	**28,915**	45,164
Employee terminal benefits	**1,948**	1,612

55 Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14: Segment Reporting) required an entity to identify two segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. This has not resulted in any significant change to the reportable segments presented by the Bank as the segments reported by the Bank was consistent with the internal reports provided to the chief operating decision maker.

For operating purposes the Bank is organised into four major business segments as follows:

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

ii) Wholesale Banking: Principally handling financing and other credit facilities and deposit and current accounts for corporate and institutional customers and investment banking services.

iii) Real estate: Property development and other real estate investments.

iv) Treasury: Principally responsible for managing the Bank's overall liquidity and market risk and provide treasury services to customers. Treasury also run its own Islamic debt and specialise financial instruments book to manage the above risk.

iv) Others: Functions other then above core lines of businesses.

These segments are the basis on which the Bank reports its primary segment information. Transactions between segments are conducted at estimated profit rates which approximate market rates on an arm's length basis.

Primary segment information—business segments

The following table presents income and profit and certain asset and liability information regarding the Bank's business segments for the year ended 31 December:

	Retail and business banking		Wholesale banking		Real estate		Treasury		Others		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
Net operating revenue	**1,615,121**	1,526,668	**1,076,996**	1,003,966	**(215,074)**	(291,116)	**360,219**	616,837	**435,656**	520,018	**3,272,918**	3,376,373
Share of profit /(loss) of associates	**—**	—	**25,614**	17,345	**(872,135)**	—	**—**	—	**—**	—	**(846,521)**	17,345
Gain on acquiring controlling interest	**—**	—	**—**	—	**—**	—	**—**	—	**637,038**	—	**637,038**	—
Operating expenses	**(893,736)**	(848,469)	**(297,274)**	(339,313)	**(67,162)**	(55,319)	**(20,623)**	(21,437)	**(104,636)**	(92,146)	**(1,383,431)**	(1,356,684)
Provision for impairment	**(178,141)**	(134,044)	**(677,285)**	(671,889)	**—**	(7,659)	**—**	—	**(8,453)**	(4,317)	**(863,879)**	(817,909)
Profit for the year before tax	**543,244**	544,155	**128,051**	10,109	**(1,154,371)**	(354,094)	**339,596**	595,400	**959,605**	423,555	**816,125**	1,219,125
Income tax	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(3,492)**	(6,844)
Profit for the year	**543,244**	544,155	**128,051**	10,109	**(1,154,371)**	(354,094)	**339,596**	595,400	**959,605**	423,555	**812,633**	1,212,281

Primary segment information—business segments

The following table presents income and net profit regarding the Bank's business segments:

	Retail and business banking		Wholesale Banking		Real estate		Treasury		Others		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
Segment assets	**23,718,232**	12,306,672	**37,999,806**	41,923,446	**4,748,006**	5,509,332	**9,598,156**	10,645,772	**14,073,571**	13,919,049	**90,137,771**	84,304,271
Segment liabilities and equity	**46,862,730**	43,553,495	**21,079,548**	25,196,796	**547,096**	837,709	**8,925,308**	4,241,853	**12,723,089**	10,474,418	**90,137,771**	84,304,271
Capital expenditure	**27,991**	44,188	**27,991**	44,188	**—**	—	**18,661**	29,458	**18,660**	29,458	**93,303**	147,292

Secondary segment information—geographical segments

Although the management of the Bank is based primarily on business segments, the Bank operates in two geographic markets: U.A.E. which is designated as domestic and outside the U.A.E. which is designated as international. The following table shows the distribution of the Bank's operating income, total assets, total liabilities and capital expenditure by geographical segment:

	Domestic		International		Total	
	2010	2009	2010	2009	2010	2009
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Gross income	**3,415,024**	4,694,063	**447,004**	438,852	**3,862,028**	5,132,915
Total assets	**84,110,228**	76,872,268	**6,027,543**	7,432,003	**90,137,771**	84,304,271
Total liabilities and equity	**84,757,343**	79,429,952	**5,380,428**	4,874,319	**90,137,771**	84,304,271
Capital expenditure	**78,869**	135,959	**14,434**	11,333	**93,303**	147,292

56 Maturity analysis of assets and liabilities

The table below summarises the maturity profile of the Bank's assets and liabilities analysed according to when they are expected to be recovered or settled.

At 31 December 2010

	Less than one month	1 – 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Assets:						
Cash and balances with Central banks	**4,135,310**	**4,310,176**	**2,801,739**	**—**	**—**	**11,247,225**
Due from banks and financial institutions	**395,530**	**1,638,868**	**322,133**	**—**	**—**	**2,356,531**
Islamic financing and investing assets	**5,746,037**	**2,985,310**	**6,903,828**	**21,459,918**	**20,075,974**	**57,171,067**
Investment in Islamic sukuk	**14**	**—**	**240,339**	**6,630,716**	**1,329,407**	**8,200,476**
Other investments	**—**	**—**	**706,995**	**1,065,951**	**—**	**1,772,946**
Investments in associates	**—**	**—**	**—**	**3,430,274**	**—**	**3,430,274**
Properties under construction	**—**	**—**	**—**	**524,165**	**—**	**524,165**
Properties held for sale	**—**	**—**	**135,368**	**409,591**	**—**	**544,959**
Investment properties	**—**	**—**	**—**	**1,922,911**	**—**	**1,922,911**
Receivables and other assets	**60,512**	**80,944**	**2,093,236**	**56,338**	**5,843**	**2,296,873**
Property, plant and equipment	**9,887**	**19,227**	**85,100**	**199,462**	**339,410**	**653,086**
Goodwill	**—**	**—**	**—**	**17,258**	**—**	**17,258**
Total assets	**10,347,290**	**9,034,525**	**13,288,738**	**35,716,584**	**21,750,634**	**90,137,771**
Liabilities:						
Customers' deposits	**9,098,359**	**6,596,396**	**27,085,844**	**20,643,365**	**23,106**	**63,447,070**
Due to banks and other financial institutions	**183,309**	**435,594**	**1,747,226**	**2,043,298**	**—**	**4,409,427**
Sukuk financing instruments	**—**	**—**	**—**	**4,176,015**	**—**	**4,176,015**
Medium term wakala finance	**—**	**—**	**—**	**—**	**3,752,543**	**3,752,543**
Other liabilities	**1,434,465**	**266,427**	**1,531,586**	**447,445**	**—**	**3,679,923**
Accrued zakat	**—**	**—**	**146,336**	**—**	**—**	**146,336**
Equity	**—**	**—**	**379,705**	**(243,166)**	**10,389,918**	**10,526,457**
Total liabilities and equity	**10,716,133**	**7,298,417**	**30,890,697**	**27,066,957**	**14,165,567**	**90,137,771**
Net maturities gap	**(368,843)**	**1,736,108**	**(17,601,959)**	**8,649,627**	**7,585,067**	**—**

At 31 December 2009

	Less than one month	1 – 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Assets:						
Cash and balances with Central banks	7,868,036	3,743,534	—	—	—	11,611,570
Due from banks and financial institutions	1,871,280	685,978	—	—	—	2,557,258
Islamic financing and investing assets	5,483,365	3,725,723	4,442,826	24,778,197	11,494,830	49,924,941
Investment in Islamic sukuk	—	2,550	1,174,732	5,741,513	2,372,002	9,290,797
Other investments	—	—	1,022,954	902,996	—	1,925,950
Investments in associates	—	—	—	—	4,295,168	4,295,168
Properties under construction	—	—	—	388,648	—	388,648
Properties held for sale	—	—	157,269	—	—	157,269
Investment properties	—	—	—	1,996,288	—	1,996,288
Receivables and other assets	87,719	56,572	1,319,780	—	—	1,464,071
Property, plant and equipment	7,818	15,636	70,361	523,279	40,701	657,795
Goodwill	—	—	—	—	34,516	34,516
Total assets	15,318,218	8,229,993	8,187,922	34,330,921	18,237,217	84,304,271
Liabilities:						
Customers' deposits	12,263,174	7,429,426	24,824,200	19,678,703	—	64,195,503
Due to banks and other financial institutions	151,551	48,831	1,248,669	—	—	1,449,051
Sukuk financing instruments	—	—	—	2,415,034	—	2,415,034
Medium term wakala finance	—	—	—	—	3,752,543	3,752,543
Other liabilities	849,740	177,180	1,924,237	419,647	—	3,370,804
Accrued zakat	—	—	140,536	—	—	140,536
Equity	—	—	765,759	(723,713)	8,938,754	8,980,800
Total liabilities and equity	13,264,465	7,655,437	28,903,401	21,789,671	12,691,297	84,304,271
Net maturities gap	2,053,753	574,556	(20,715,479)	12,541,250	5,545,920	—

57 Fair vales 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. Differences can therefore arise between book value under the historical cost method and fair value estimates.

The fair value of unilateral promise to buy/sell currencies and Islamic swaps is set out in note 38. The fair value of the Bank's other financial assets and liabilities, except unquoted securities which are stated at cost, are not materially different from their carrying values as at 31 December 2010.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) the carrying amounts approximate to their fair value. This applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Valuation of all financial instruments recorded at fair value, is based on quoted market prices.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

  Level 1—Quoted prices (unadjusted) in active markets for identical financial assets or liabilities. This level includes listed equity securities and investments in Islamic sukuk.

  Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC Islamic derivative contracts. The sources of input parameters like variable yield curve or counterparty credit risk are obtained from Bloomberg and Reuters.

  Level 3—inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and Islamic financing instruments with significant unobservable components.

  This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

  The table below summarises the fair value of financial instruments of the Bank's financial instruments according to fair value hierarchy.

At 31 December 2010

	Level 1	**Level 2**	**Level 3**	**Total**
	AED'000	*AED'000*	*AED'000*	*AED'000*
Financial assets at FVTPL				
Other investments	**108,406**	**—**	**—**	**108,406**
Islamic derivative financial assets held for trading	**—**	**61,074**	**—**	**61,074**
Available-for-sale financial assets				
Quoted equities	**601,348**	**—**	**—**	**601,348**
Investment in Islamic sukuk	**1,195,151**	**—**	**—**	**1,195,151**
Total	**1,904,905**	**61,074**	**—**	**1,965,979**

At 31 December 2009

	Level 1	**Level 2**	**Level 3**	**Total**
	AED'000	*AED'000*	*AED'000*	*AED'000*
Financial assets at FVTPL				
Other investments	128,561	—	—	128,561
Islamic derivative financial assets held for trading	—	86,572	—	86,572
Available-for-sale financial assets				
Quoted equities	739,814	—	—	739,814
Investment in Islamic sukuk	969,683	—	—	969,683
Total	1,838,058	86,572	—	1,924,630

58 Financial assets and liabilities

At 31 December 2010

	Financings and receivables	Available for sale	Fair value through profit and loss	Amortised cost	Carrying amount
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial assets					
Balances with central banks	**—**	**—**	**—**	**9,872,471**	**9,872,471**
Due from banks and financial institutions	**—**	**—**	**—**	**2,356,531**	**2,356,531**
Islamic financing and investing assets	**57,171,067**	**—**	**—**	**—**	**57,171,067**
Investment in Islamic sukuk	**—**	**1,195,151**	**—**	**7,005,325**	**8,200,476**
Other investments	**—**	**1,664,540**	**108,406**	**—**	**1,772,946**
Receivables and other assets	**2,021,583**	**—**	**—**	**—**	**2,021,583**
	59,192,650	**2,859,691**	**108,406**	**19,234,327**	**81,395,074**
Financial liabilities					
Customer deposits	**—**	**—**	**—**	**63,447,070**	**63,447,070**
Due to banks and other financial institutions	**—**	**—**	**—**	**4,409,427**	**4,409,427**
Sukuk financing instruments	**—**	**—**	**—**	**4,176,015**	**4,176,015**
Medium term wakala finance	**—**	**—**	**—**	**3,752,543**	**3,752,543**
Other liabilities	**—**	**—**	**—**	**3,679,923**	**3,679,923**
	—	**—**	**—**	**79,464,978**	**79,464,978**

At 31 December 2009

	Financings and receivables	Available for sale	Fair value through profit and loss	Amortised cost	Carrying amount
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial assets					
Balances with central banks	—	—	—	10,120,397	10,120,397
Due from banks and financial institutions	—	—	—	2,557,258	2,557,258
Islamic financing and investing assets	49,924,941	—	—	—	49,924,941
Investment in Islamic sukuk	—	969,683	—	8,321,114	9,290,797
Other investments	—	1,797,389	128,561	—	1,925,950
Receivables and other assets	1,354,661	—	—	—	1,354,661
	51,279,602	2,767,072	128,561	20,998,769	75,174,004
Financial liabilities					
Customer deposits	—	—	—	64,195,503	64,195,503
Due to banks and other financial institutions	—	—	—	1,449,051	1,449,051
Sukuk financing instruments	—	—	—	2,415,034	2,415,034
Medium term wakala finance	—	—	—	3,752,543	3,752,543
Other liabilities	—	—	—	3,370,804	3,370,804
	—	—	—	75,182,935	75,182,935

59 Risk management

59.1 Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his responsibilities.

The Bank is exposed to a number of risk including credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

59.1.1 Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk Management Committee

The Risk Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management Department

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. The department is responsible for credit approval, credit administration, portfolio management, credit risk, market risk, operational risk and overall risk control.

Asset and Liability Management Committee

Asset and Liability Management Committee is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit

Risk management processes throughout the Bank are audited periodically by the internal audit which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit comments the results of their assessments with management, and reports its findings and recommendations to the Audit Committee.

59.1.2 Risk measurement and reporting systems

The Bank measures risks using conventional qualitative methods for credit, market and operational risks. Further, the Bank also uses quantitative analysis and methods to support revisions in business and risk strategies as and when required. These analysis and methods reflect both the expected loss likely to arise in normal course of business or unexpected losses in an unforeseen event based on simple statistical techniques and probabilities derived from historical experience. The Bank also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, limit exceptions, liquidity and other risk profile changes. On a monthly basis detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the provision for impairment losses on a quarterly basis.

59.1.3 Risk mitigation

As part of its overall risk management, the Bank uses various methods to manage exposures resulting from changes in credit risks, profit rate risk, foreign currencies, equity risks, and operational risks.

The Bank seeks to manage its credit risk exposures through diversification of financing and investment activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. The Bank actively uses collateral to reduce its credit risks.

The market risk is managed on the basis of predetermined asset allocation across various asset categories and continuous appraisal of market conditions for movement and expectation of foreign currencies rate, bench mark profit rates and equity houses.

In order to guard against liquidity risk, management has diversified funding sources and assets are managed with overall Bank liquidity in consideration maintaining a healthy balance of cash and cash equivalents.

To manage all other risks, the Bank has developed a detailed risk management framework to identify and apply resources to mitigate the risks.

59.1.4 Risk concentration

Concentrations 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 indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

59.2 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. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk.

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.

Management of credit risk

The Bank's credit risk management framework includes:

- Establishment of authorisation structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being sanctioned to customers. Renewals and reviews of facilities are subject to the same review process;
- Diversification of Islamic financing and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with the risk management strategy and market trends.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed.

Credit risk measurement

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. Whilst some of the models for assessment of Real Estate projects are internally developed, others for the Corporate, Contracting and SME businesses have been acquired from Moody's and are housed with the Moody's Risk Analyst rating tool, which has been implemented during 2009.

The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of securities for amount advance, which is a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for Islamic financing and investing assets are:

- Mortgages over residential and commercial properties;
- Corporate and financial guarantees;
- Charges over business assets such as premises, machinery, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Islamic derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated balance sheet.

Credit-related commitments risks

The Bank makes available to its customers guarantees and letters of credit which require that the Bank makes payments in the event that the customer fails to fulfill certain obligations to other parties. This exposes the Bank to a similar risk to financing and investing assets and these are mitigated by the same control processes and policies.

59.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the consolidated balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2010	Gross maximum exposure 2009
	AED'000	*AED'000*
Balances with central banks	**9,872,471**	10,120,397
Due from banks and financial institutions	**2,356,531**	2,557,258
Islamic financing and investing assets	**60,128,141**	51,873,243
Investment in Islamic sukuk	**8,200,476**	9,290,797
Other investments	**1,772,946**	1,925,950
Receivables and other assets	**2,076,134**	1,456,394
	84,406,699	77,224,039
Contingent liabilities	**11,309,713**	14,004,529
Commitments	**12,956,471**	11,633,501
Total	**108,672,883**	102,862,069

59.2.2 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The Bank's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

At 31 December 2010

	Retail and business banking	Wholesale banking	Total
	AED'000	*AED'000*	*AED'000*
U.A.E.	**25,902,054**	**76,508,874**	**102,410,928**
GCC	**—**	**3,276,653**	**3,276,653**
South Asia	**394,739**	**1,768,559**	**2,163,298**
Europe	**—**	**436,667**	**436,667**
Africa	**—**	**183,662**	**183,662**
Others	**—**	**201,675**	**201,675**
Total	**26,296,793**	**82,376,090**	**108,672,883**

At 31 December 2009

	Retail and business banking	Wholesale banking	Total
	AED'000	*AED'000*	*AED'000*
U.A.E.	11,244,218	81,756,635	93,000,853
GCC	—	5,108,941	5,108,941
South Asia	472,148	1,795,872	2,268,020
Europe	—	1,723,087	1,723,087
Africa	—	314,591	314,591
Others	—	446,577	446,577
Total	11,716,366	91,145,703	102,862,069

59.2.2 Risk concentrations of the maximum exposure to credit risk (continued)

An industry sector analysis of the Bank's financial assets, before and after taking into account collateral held or other credit enhancements, is as follows:

	Gross maximum Exposure	
	2010	2009
	AED'000	*AED'000*
Financial Institutions	**18,517,858**	20,392,723
Government	**11,170,038**	9,585,125
Manufacturing and services	**14,186,895**	16,012,319
Real Estate	**30,515,910**	34,994,946
Home financing	**14,519,700**	3,022,692
Consumer financing	**11,393,439**	8,917,311
Trade	**8,369,043**	9,936,953
Total	**108,672,883**	102,862,069

59.2.3 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial financing and investing facilities, charges over real estate properties, inventory and trade receivables,
- For retail financing and investing facilities, charge over assets and mortgages over properties.

The Bank also obtains guarantees from parent companies for financings to their subsidiaries, but the benefits are not included in the above table.

59.2.4 Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for investing and financing related balance sheet lines, based on the Bank's credit rating system.

At December 2010

	Non-impaired exposures			
	Low and fair risk	Past due	Individually impaired	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Balances with Central banks	**9,872,471**	**—**	**—**	**9,872,471**
Due from banks and financial institutions	**2,356,531**	**—**	**—**	**2,356,531**
Islamic financing and investing assets	**50,348,908**	**4,767,011**	**5,012,222**	**60,128,141**
Investment in Islamic sukuks	**8,200,476**	**—**	**—**	**8,200,476**
Other investments	**1,772,946**	**—**	**—**	**1,772,946**
Receivables and other assets	**1,970,634**	**39,817**	**65,683**	**2,076,134**
	74,521,966	**4,806,828**	**5,077,905**	**84,406,699**
Contingent liabilities	**11,309,713**	**—**	**—**	**11,309,713**
Commitments	**12,956,471**	**—**	**—**	**12,956,471**
	24,266,184	**—**	**—**	**24,266,184**
Total	**98,788,150**	**4,806,828**	**5,077,905**	**108,672,883**

At December 2009

	Non-impaired exposures			
	Low and fair risk	Past due	Individually impaired	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Balances with Central banks	10,120,397	—	—	10,120,397
Due from banks and financial institutions	2,557,258	—	—	2,557,258
Islamic financing and investing assets	45,132,195	3,634,043	3,107,005	51,873,243
Investment in Islamic sukuks	9,290,797	—	—	9,290,797
Other investments	1,925,950	—	—	1,925,950
Receivables and other assets	1,385,180	27,963	43,251	1,456,394
	70,411,777	3,662,006	3,150,256	77,224,039
Contingent liabilities	14,004,529	—	—	14,004,529
Commitments	11,633,501	—	—	11,633,501
	25,638,030	—	—	25,638,030
Total	96,049,807	3,662,006	3,150,256	102,862,069

Past due financing and investing assets include those that are only past due by a few days. An analysis of past due investing and financing assets, by age, is provided. The majority of the past due investing and financing assets are not considered to be impaired.

Credit risk exposure of the Bank's financial assets for each internal risk rating

	Moody's equivalent grades	Total 2010	Total 2009
		AED'000	*AED'000*
Low risk			
Risk rating class 1	Aaa	**12,249,828**	13,812,166
Risk rating classes 2 and 3	Aa1-A3	**12,640,826**	29,601,113
Fair risk			
Risk rating class 4	Baa1-Baa3	**19,237,170**	24,631,065
Risk rating classes 5 and 6	Ba1-B3	**40,972,960**	26,424,077
Risk rating class 7	Caa1-Caa3	**13,688,058**	1,581,386
Watchlist			
Risk rating class 8		**4,806,136**	3,662,006
Impaired			
Risk rating classes 9, 10 and 11		**5,077,905**	3,150,256
		108,672,883	102,862,069

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of financing exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly. The Moody's equivalent grades are relevant only for certain of the exposures in each risk rating class.

59.2.5 Ageing analysis of past due but not impaired investing and financing assets per class of financial assets

As at December 2010

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic financing and investing assets	**1,127,951**	**843,421**	**461,031**	**2,334,608**	**4,767,011**

As at December 2009

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Islamic financing and investing assets	1,350,921	725,390	180,007	1,377,725	3,634,043

See note 48 for more detailed information with respect to the allowance for impairment losses on investing and financing assets.

59.2.6 Carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amount for renegotiated financial assets, by class.

	2010	2009
	AED'000	*AED'000*
Islamic financing and investing assets	**6,078,619**	1,034,439

59.2.7 Impairment assessment

The main considerations for the impairment assessment include whether any payments of principal or profit are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant Islamic financing or investing asset on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on Islamic financing and investing assets that are not individually significant (including Islamic credit cards, auto murabahat, and unsecured retail financing assets) where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is reviewed by credit management to ensure alignment with the Bank's overall policy.

Acceptances, letters of credit and guarantees are assessed and provision made in a similar manner as for Islamic financing and investing assets.

59.3 Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains statutory deposits with Central Banks. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

During 2007, the Bank issued a five year sukuk AED 2,822.25 million (U.S.$ 750 million) sukuk to diversify sources of funding to support business growth going forward.

During 2009, the Bank has also opted to re-categorise wakala finance from UAE Ministry of Finance to Tier 2 capital for seven years.

The high quality of the asset portfolio ensures its liquidity and coupled with the Bank's own funds and "evergreen" customer deposits help form a stable funding source. Even under adverse conditions, the Bank has access to the funds necessary to cover customer needs and meet its funding requirements.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands.

59.3.1 Liquidity risk management process

The Bank's liquidity risk management process, as carried out within the Bank and monitored by a separate team in Bank's Treasury department, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of investing and financing exposures maturities.

Based on the internal guidelines, the liquidity ratios at the end of each quarter during the year was as follows:

	March	June	September	December
2010	**17%**	**19%**	**16%**	**18%**
2009	24%	19%	12%	18%

59.3.2 Funding approach

Sources of liquidity are regularly reviewed by management to maintain a wide diversification by currency, geography, provider, product and term.

59.3.3 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial assets and liabilities by remaining contractual maturities at the consolidated balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at 31 December 2010

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balances with Central banks	**4,039,601**	**4,406,053**	**2,813,137**	**—**	**—**	**11,258,791**
Due from banks and financial institutions	**337,077**	**1,521,681**	**507,552**	**—**	**—**	**2,366,310**
Islamic financing and investing assets	**8,948,557**	**6,989,739**	**13,358,379**	**25,667,204**	**17,125,545**	**72,089,424**
Investment in Islamic sukuk	**14**	**—**	**247,550**	**7,691,630**	**1,701,642**	**9,640,836**
Other investments	**—**	**—**	**706,995**	**1,065,951**	**—**	**1,772,946**
Receivables and other assets	**60,512**	**80,944**	**2,093,236**	**56,338**	**5,844**	**2,296,874**
Total assets	**13,385,761**	**12,998,417**	**19,726,849**	**34,481,123**	**18,833,031**	**99,425,181**
Customers' deposits	**21,252,483**	**22,396,508**	**8,414,400**	**12,001,973**	**1,267,146**	**65,332,510**
Due to banks and other financial institutions	**183,309**	**439,950**	**1,799,643**	**2,370,226**	**—**	**4,793,128**
Sukuk financing instruments	**—**	**50,797**	**152,391**	**4,785,580**	**—**	**4,988,768**
Medium term wakala finance	**—**	**—**	**—**	**—**	**4,803,255**	**4,803,255**
Other liabilities	**1,434,465**	**266,427**	**1,531,586**	**447,445**	**—**	**3,679,923**
Accrued zakat	**—**	**—**	**146,336**	**—**	**—**	**146,336**
Total liabilities	**22,870,257**	**23,153,682**	**12,044,356**	**19,605,224**	**6,070,401**	**83,743,920**

As at 31 December 2009

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balances with Central banks	6,376,863	3,743,534	—	—	—	10,120,397
Due from banks and financial institutions	1,875,297	692,838	—	—	—	2,568,135
Islamic financing and investing assets	7,189,650	6,299,255	11,565,259	25,695,570	11,513,388	62,263,122
Investment in Islamic sukuk	—	2,582	1,218,784	6,889,816	3,202,203	11,313,385
Other investments	—	—	864,988	1,060,962	—	1,925,950
Receivables and other assets	—	—	1,464,071	—	—	1,464,071
Total assets	15,441,810	10,738,209	15,113,102	33,646,348	14,715,591	89,655,060
Customers' deposits	24,590,701	21,606,229	7,894,737	11,553,315	142,442	65,787,424
Due to banks and other financial institutions	53,890	147,957	1,286,129	—	—	1,487,976
Sukuk financing instruments	—	30,188	90,564	2,777,289	—	2,898,041
Medium term wakala finance	—	—	—	—	4,803,255	4,803,255
Other liabilities	843,424	177,180	1,924,237	422,103	—	3,366,944
Accrued zakat	—	142,807	—	—	—	142,807
Total liabilities	25,488,015	22,104,361	11,195,667	14,752,707	4,945,697	78,486,447

Assets available to meet all of the liabilities and to cover outstanding commitments include cash, central bank balances, items in the course of collection, short term international murabahat with banks, investing and financing assets and other investments.

The Bank's Islamic derivatives will be settled on the following basis:

- Unilateral promise to buy/sell currencies: This mainly comprise promises to either buy or sell a specified currency at a specific price and date in the future.
- Islamic derivatives: comprise Islamic profit rate swaps.

The table below analyses the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the consolidated balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2010

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Unilateral promise to buy/sell currencies	**—**	**2,552,713**	**2,748,360**	**7,181**	**—**	**5,308,254**
Islamic profit rate Swaps	**—**	**—**	**—**	**9,324,101**	**671,550**	**9,995,651**
	—	**2,552,713**	**2,748,360**	**9,331,282**	**671,550**	**15,303,905**

As at 31 December 2009

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Unilateral promise to buy/sell currencies	—	3,807,118	1,332,980	3,288,135	—	8,428,233
Islamic profit rate Swaps	—	—	—	12,217,140	392,601	12,609,741
	—	3,807,118	1,332,980	15,505,275	392,601	21,037,974

59.3.5 Off Balance Sheet items

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments

As at 31 December 2010

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Commitments on behalf of customers:						
—Letters of guarantee	**—**	**5,969,424**	**2,670,783**	**133,805**	**35**	**8,774,047**
—Letters of credit	**—**	**1,442,063**	**1,093,603**	**—**	**—**	**2,535,666**
	—	**7,411,487**	**3,764,386**	**133,805**	**35**	**11,309,713**
Capital commitments	**—**	**87,021**	**44,988**	**256,923**	**—**	**388,932**
Total	**—**	**7,498,508**	**3,809,374**	**390,728**	**35**	**11,698,645**

As at 31 December 2009

	On Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Commitments on behalf of customers:						
—Letters of guarantee	—	7,157,079	3,120,670	206,837	—	10,484,586
—Letters of credit	—	1,599,509	1,838,109	82,325	—	3,519,943
	—	8,756,588	4,958,779	289,162	—	14,004,529
Capital commitments	—	72,840	123,346	220,071	—	416,257
Total	—	8,829,428	5,082,125	509,233	—	14,420,786

59.4 Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. The Bank is exposed to diverse financial instruments including securities, foreign currencies, equities and commodities.

The Bank pays considerable attention to market risk. The Bank uses appropriate models, as per standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management.
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on a timely basis.

The policies and procedures and the trading limits are set to ensure the implementation of the Bank's market risk policy in day-to-day operations. These are reviewed periodically to ensure they remain in line with the Bank's general market risk policy. The Chief Risk Officer of the Bank ensures that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, the Bank is required to comply with the guidelines and regulations of the Central Bank of the U.A.E.

59.4.1 Profit margin risk

The Bank is not significantly exposed to risk in terms of repricing of its customer deposits since, in accordance with Islamic Sharia'a, the Bank does not provide contractual rates of return to its depositors or investment account holders. The return payable to depositors and investment account holders is based on the principle of the Mudaraba by which the depositors and investment account holders agree to share the profit or loss made by the Bank's Mudaraba asset pool over a given period.

59.4 Market risk

59.4.2 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank manages this risk through risk management strategies.

The effective profit rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Bank's consolidated income statement.

The sensitivity of the consolidated income statement is the effect of the assumed changes in profit rates on the net income for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December.

Currency	Increase in basis points 2010	Sensitivity of profit on financing and investing assets	Increase in basis points 2009	Sensitivity of profit on financing and investing assets
		AED'000		*AED'000*
AED	**50**	**51,252**	50	53,917
U.S.$	**50**	**8,651**	50	9,564

59.4.3 Foreign exchange risk

The Bank has significant income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Bank's presentation currency, the U.A.E. Dirham.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk—on- and off-balance sheet financial instruments

At 31 December 2010

	AED	U.S.$	Other G.C.C.	GBP	Euro	Others	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial Assets:							
Cash and balances with Central banks	**9,408,777**	**331,038**	**—**	**—**	**—**	**132,656**	**9,872,471**
Due from banks and financial institutions	**1,057,498**	**720,804**	**215,173**	**197,213**	**85,627**	**80,216**	**2,356,531**
Islamic financing and investing assets, net	**51,743,422**	**4,393,839**	**17**	**—**	**17,176**	**1,016,613**	**57,171,067**
Investment in Islamic sukuk	**5,606,484**	**2,338,999**	**—**	**—**	**—**	**254,993**	**8,200,476**
Other investments	**273,700**	**1,075,729**	**181,453**	**8,300**	**159,008**	**74,756**	**1,772,946**
Receivables and other assets	**1,257,541**	**438,359**	**34,566**	**155**	**35,295**	**255,667**	**2,021,583**
Total	**69,347,422**	**9,298,768**	**431,209**	**205,668**	**297,106**	**1,814,901**	**81,395,074**
Financial Liabilities:							
Customers' deposits	**58,677,298**	**3,058,930**	**10,164**	**33,125**	**308,971**	**1,358,582**	**63,447,070**
Due to banks and other financial institutions	**3,388,460**	**802,553**	**23**	**171,776**	**5,870**	**40,745**	**4,409,427**
Sukuk financing instruments	**2,168,941**	**2,007,074**	**—**	**—**	**—**	**—**	**4,176,015**
Medium term wakala finance	**3,752,543**	**—**	**—**	**—**	**—**	**—**	**3,752,543**
Other liabilities	**2,043,159**	**1,105,814**	**279,933**	**1,000**	**28,789**	**221,228**	**3,679,923**
Total	**70,030,401**	**6,974,371**	**290,120**	**205,901**	**343,630**	**1,620,555**	**79,464,978**
Net on balance sheet financial position	**(682,979)**	**2,324,397**	**141,089**	**(233)**	**(46,524)**	**194,346**	**1,930,096**
Unilateral promise to buy/sell currencies	**4,285,814**	**(4,258,683)**	**(44,184)**	**440**	**17,771**	**(1,158)**	**—**
Cumulative currency position—long/(short)	**3,602,835**	**(1,934,286)**	**96,905**	**207**	**(28,753)**	**193,188**	**1,930,096**

At 31 December 2009

	AED	U.S.$	Other G.C.C.	GBP	Euro	Others	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial Assets:							
Cash and balances with Central banks	6,237,105	5,249,090	—	—	—	125,375	11,611,570
Due from banks and financial institutions	697,169	1,466,593	200,800	15,193	84,656	92,847	2,557,258
Islamic financing and investing assets, net	44,034,275	4,772,403	89,846	—	21,760	1,006,657	49,924,941
Investment in Islamic sukuk	6,458,243	2,678,176	—	—	—	154,378	9,290,797
Other investments	528,751	963,226	185,864	8,594	180,101	59,414	1,925,950
Receivables and other assets	1,225,295	100,880	42	—	13,904	123,950	1,464,071
Total	59,180,838	15,230,368	476,552	23,787	300,421	1,562,621	76,774,587
Financial Liabilities:							
Customers' deposits	56,961,904	5,438,182	516,967	52,369	348,957	877,124	64,195,503
Due to banks and other financial institutions	651,408	790,844	22	383	943	5,451	1,449,051
Sukuk financing instruments	—	2,415,034	—	—	—	—	2,415,034
Medium term wakala finance	3,752,543	—	—	—	—	—	3,752,543
Other liabilities	2,308,613	807,141	184,335	282	1,886	68,547	3,370,804
Total	63,674,468	9,451,201	701,324	53,034	351,786	951,122	75,182,935
Net on balance sheet financial position	(4,493,630)	5,779,167	(224,772)	(29,247)	(51,365)	611,499	1,591,652
Unilateral promise to buy/sell currencies	7,272,555	(7,293,647)	(3,757)	29,303	510	(4,964)	—
Cumulative currency position—long/(short)	2,778,925	(1,514,480)	(228,529)	56	(50,855)	606,535	1,591,652

Sensitivity analysis—impact of fluctuation of various currencies on net income and equity

The tables below indicate the extent to which the Bank was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against the AED with all other variables held constant, including the effect of hedging instruments, on the consolidated income statement (due to the changes in the fair values of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated available-for-sale equity instruments). A negative amount in the table reflects a potential net reduction in consolidated income statement and equity, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Bank that might be taken to mitigate the effect of such changes.

Currency	Increase in currency rate in % 2010	Effect on profit before tax 2010	Increase in currency rate in % 2009	Effect on profit before tax 2009
		AED'000		*AED '000*
U.S.$	**+2**	**38,686**	+2	30,290
GBP	**+2**	**(4)**	+2	(1)
EURO	**+2**	**575**	+2	1,017

Currency	Decrease in currency rate in % 2010	Effect on profit before tax 2010	Decrease in currency rate in % 2009	Effect on profit before tax 2009
		AED'000		*AED '000*
U.S.$	**-2**	**(38,686)**	-2	(30,290)
GBP	**-2**	**4**	-2	1
EURO	**-2**	**(575)**	-2	(1,017)

59.4.4 Foreign investment

The Bank has significant income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Bank's presentation currency, the U.A.E. Dirham.

The table below indicates the change in recorded profit before tax and equity had the result for the year ended 31 December been translated at exchange rates against the AED adjusted, with all other variables held constant, by the assumed changes below. The sensitivity analyses do not take account of actions by the Bank that might be taken to mitigate the effect of such changes.

Currency	Increase in currency rate in % 2010	Effect on profit before tax 2010	Effect on equity 2010	Increase in currency rate in % 2009	Effect on profit before tax 2009	Effect on equity 2009
		AED'000	*AED'000*		*AED'000*	*AED'000*
Pak Rupees	**+5**	**—**	**13,629**	+5	615	31,703

Currency	Decrease in currency rate in % 2010	Effect on profit before tax 2010	Effect on Equity 2010	Decrease in currency rate in % 2009	Effect on profit before tax 2009	Effect on Equity 2009
		AED'000	*AED'000*		*AED'000*	*AED'000*
Pak Rupees	**-5**	**(1)**	**(12,335)**	-5	551	(3,684)

59.4.5 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Bank's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as available-for-sale at 31 December 2010) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	% Change in Market indices	Effect on consolidated income statement 2010	Effect on equity 2010	Effect on consolidated income statement 2009	Effect on equity 2009
		AED'000	*AED'000*	*AED'000*	*AED'000*
NASDAQ Dubai	**±5%**	**—**	**4,583**	—	15,142
Abu Dhabi Stock Market	**±5%**	**—**	**3,035**	—	2,530
Dubai Intl Financial Exchange	**±5%**	**—**	**9,351**	—	8,631
Bahrain Stock Exchange	**±5%**	**894**	**—**	2,642	—
Saudi Stock Exchange	**±5%**	**—**	**3,192**	—	3,321
Doha Stock Exchange	**±5%**	**—**	**1,293**	—	1,230
Others	**±5%**	**1,005**	**1,530**	1,668	1,912

59.5 Operational risk

Operational risk is the potential exposure to financial or other damage arising from inadequate or failed internal processes, people or systems.

The Bank has developed a detailed operational risk framework. The framework clearly defines roles and responsibilities of individuals/units across different functions of the Bank that are involved in performing various operational risk management tasks. Operational Risk Management Framework will ensure that operational risks within the Bank are properly identified, monitored, managed and reported. Key elements of the framework include process mapping, setting up loss data base, setting up of KRIs, risk analysis and risk management reporting.

The Bank is currently using operational risk tracking system, i.e. ORMIS to track operational risk events across the bank. The system houses three years of operational loss data. The subject system is currently enhanced to automate KRI, RCSA.

Each new product introduced is subject to a risk review and signoff process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product. Variations of existing products are also subject to a similar process. Business and support units are responsible for managing operations risk in their respective functional areas. They operate within the Bank's operational risk management framework and ensure that risk is being managed within their respective business units. The day-to-day management of operations risk is through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedure to monitor transaction positions and documentation, as well as maintenance of key backup procedures and business contingency planning.

59.6 Capital management

59.6.1 Regulatory capital

The Bank's lead regulator the Central Bank of U.A.E. sets and monitors capital requirements for the Bank as a whole. The parent company and individual banking operations within the Bank are directly supervised by their respective local regulators.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available for sale.

Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of consolidated balance sheet, are:

- To comply with the capital requirements set by the Central Bank of United Arab Emirates;
- To safeguard the Bank's ability to continue as a going concern and increase the returns for the shareholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the regulators on a monthly / quarterly basis.

The U.A.E. Central Bank vide its circular No. 27/2009 dated 17 November 2009 informed all the Banks operating in the U.A.E. to implement Standardised approach of Basel II from the date of the circular. For credit and market risk, the Central Bank has previously issued draft guideline for implementation of Standardised approach and Banks are expected to comply and report under pillar 2—Internal Capital Adequacy Assessment Process (ICAAP) requirements by March 2010. For operational risk, the Central Bank has given Banks the option to use the Basic Indicators approach or the Standardised approach and the Bank has chosen to use the Standardised approach. Banks in the U.A.E. are currently on a parallel run on Basel I and Basel II.

Further, from June 2010, all Banks operating in the U.A.E. are required to maintain a capital adequacy ratio at 12%.

The ratios calculated in accordance with Basel I and Basel II are as follows:

	Basel I		Basel II	
	2010	**2009**	**2010**	**2009**
	AED'000	*AED'000*	*AED'000*	*AED'000*
Tier 1 Capital				
Share capital	**3,797,054**	3,617,505	**3,797,054**	3,617,505
Statutory reserves	**2,731,879**	2,731,879	**2,731,879**	2,731,879
Donated land reserve	**—**	—	**276,139**	276,139
General reserves	**2,350,000**	2,350,000	**2,350,000**	2,350,000
Retained earnings	**368,723**	104,025	**368,723**	104,025
Non-controlling interest	**947,008**	4,910	**942,434**	—
	10,194,664	8,808,319	**10,466,229**	9,079,548
Less:				
Goodwill and intangibles	**(17,258)**	(34,516)	**(17,258)**	(34,516)
Cumulative deferred exchange losses	**—**	—	**(79,279)**	(74,321)
Treasury shares	**—**	(70,901)	**—**	(70,901)
	10,177,406	8,702,902	**10,369,692**	8,899,810
Tier 2 Capital				
Hedging reserves	**4,795**	22,770	**4,795**	22,770
Assets revaluation reserve	**(243,166)**	—	**(243,166)**	—
Collective impairment	**764,689**	352,814	**764,689**	352,814
Medium term wakala finance	**3,752,543**	3,752,543	**3,752,543**	3,752,543
Deductions for associates	**(551,053)**	(525,300)	**(596,950)**	(525,300)
	3,727,808	3,602,827	**3,681,911**	3,602,827
Total capital base	**13,905,214**	12,305,729	**14,051,603**	12,502,637
Risk weighted assets				
On balance sheet	**66,066,432**	61,005,391	**—**	—
Off balance sheet	**6,764,718**	7,772,421	**—**	—
Credit risk	**—**	—	**73,395,388**	64,478,003
Market risk	**—**	—	**1,986,235**	2,026,564
Operational risk	**—**	—	**3,772,256**	5,051,584
Total risk weighted assets	**72,831,150**	68,777,812	**79,153,879**	71,556,151
Capital Ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets	**19.1%**	17.9%	**17.8%**	17.5%
Tier 1 capital to total risk weighted assets after deductions for associates	**13.6%**	12.3%	**12.7%**	12.1%

60 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue 8 March 2011.

DUBAI ISLAMIC BANK P.J.S.C.

Review report and interim financial information for the period ended 30 September 2011

DUBAI ISLAMIC BANK P.J.S.C.

Review report and interim financial information for the period ended 30 September 2011

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors
Dubai Islamic Bank P.J.S.C.
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Dubai Islamic Bank P.J.S.C. and its subsidiaries (together referred to as the "Bank") as at 30 September 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended. Management of the Bank is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

Deloitte & Touche (M.E.)

Saba Y. Sindaha
Registration Number 410
27 October 2011

DUBAI ISLAMIC BANK P.J.S.C.

Condensed consolidated statement of financial position
as at 30 September 2011

	Notes	30 September 2011 AED'000 *(unaudited)*	31 December 2010 AED'000 *(audited)*
ASSETS			
Cash and balances with Central Banks	**4**	**17,817,441**	11,247,225
Due from banks and financial institutions	**5**	**1,538,520**	2,356,531
Islamic financing and investing assets, net	**6**	**52,716,685**	57,171,067
Investments in Islamic sukuk	**7**	**10,772,621**	8,200,476
Other investments	**8**	**1,218,180**	1,772,946
Investments in associates		**3,431,296**	3,430,274
Investment properties	**9**	**1,202,827**	1,922,911
Assets held for sale	**10**	**784,855**	—
Properties under construction		**546,555**	524,165
Properties held for sale		**511,912**	544,959
Receivables and other assets		**2,313,242**	2,296,873
Property, plant and equipment		**597,465**	653,086
Goodwill		**17,258**	17,258
Total assets		**93,468,857**	90,137,771
LIABILITIES			
Customers' deposits	**11**	**68,624,411**	63,447,070
Due to banks and financial institutions		**2,980,840**	4,409,427
Sukuk financing instruments	**12**	**4,169,900**	4,176,015
Medium term wakala finance		**3,752,543**	3,752,543
Payables and other liabilities		**3,544,816**	3,679,923
Accrued zakat		**—**	146,336
Total liabilities		**83,072,510**	79,611,314
EQUITY			
Share capital	**13**	**3,797,054**	3,797,054
Statutory reserve		**2,731,879**	2,731,879
Donated land reserve		**276,139**	276,139
General reserve		**2,350,000**	2,350,000
Exchange translation reserve		**(97,338)**	(91,541)
Investments fair value reserve		**(808,222)**	(243,166)
Hedging reserve		**1,710**	10,656
Retained earnings		**1,182,356**	748,428
Equity attributable to equity holders of the Parent		**9,433,578**	9,579,449
Non-controlling interest		**962,769**	947,008
Total equity		**10,396,347**	10,526,457
Total liabilities and equity		**93,468,857**	90,137,771
Contingent liabilities and commitments	**14**	**21,545,247**	24,266,184

H.E. Mohammad A Al Shaibani
Chairman

Abdullah Ali Al Hamli
Chief Executive Officer

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

DUBAI ISLAMIC BANK P.J.S.C.

Condensed consolidated statement of income (unaudited) for the period ended 30 September 2011

		3 months ended 30 September		9 months ended 30 September	
		2011	**2010**	**2011**	**2010**
	Notes	*AED'000*	*AED'000*	*AED'000*	*AED'000*
INCOME					
Income from Islamic financing and investing assets	**15**	**834,665**	803,346	**2,600,330**	2,371,767
Income from investments in Islamic sukuk		**131,611**	94,320	**372,644**	283,967
Income from international murabahat and wakala, short term		**28,808**	8,422	**66,434**	25,480
Income from other investments		**6,983**	18,958	**36,635**	28,934
Commissions, fees and foreign exchange income	**16**	**163,202**	143,920	**548,482**	521,319
Income from investment properties		**19,295**	29,324	**47,804**	51,652
Profit on sale of properties		**6,025**	4,153	**12,751**	8,035
Other income		**22,602**	25,505	**93,104**	85,579
Total income		**1,213,191**	1,127,948	**3,778,184**	3,376,733
EXPENSES					
Personnel expenses		**(233,239)**	(204,293)	**(676,460)**	(603,078)
General and administrative expenses		**(130,499)**	(136,239)	**(401,780)**	(388,494)
Depreciation of investment properties		**(3,630)**	(3,446)	**(16,119)**	(12,000)
Impairment loss on financial assets, net		**(203,327)**	(123,831)	**(689,313)**	(432,625)
Impairment loss on non-financial assets, net		**(13,500)**	—	**(28,950)**	(11,311)
Total expenses		**(584,195)**	(467,809)	**(1,812,622)**	(1,447,508)
Profit before depositors' share and tax		**628,996**	660,139	**1,965,562**	1,929,225
Depositors' share of profits		**(328,543)**	(337,887)	**(1,090,777)**	(1,051,180)
Operating profit for the period		**300,453**	322,252	**874,785**	878,045
Share of profit/(loss) of associates		**6,274**	(51,858)	**13,630**	(102,350)
Profit for the period before tax		**306,727**	270,394	**888,415**	775,695
Income tax		**(1,559)**	(67)	**(6,168)**	(2,865)
Profit for the period		**305,168**	270,327	**882,247**	772,830
Attributable to:					
Equity holders of the parent		**298,004**	269,583	**850,143**	770,947
Non-controlling interest		**7,164**	744	**32,104**	1,883
Profit for the period		**305,168**	270,327	**882,247**	772,830
Basic and diluted earning per share attributable to the equity holders of the parent	**17**	**0.08**	0.07	**0.22**	0.20

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

DUBAI ISLAMIC BANK P.J.S.C.

Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 30 September 2011

	3 months ended 30 September		9 months ended 30 September	
	2011	**2010**	**2011**	**2010**
	AED'000	*AED'000*	*AED'000*	*AED'000*
Profit for the period	**305,168**	**270,327**	**882,247**	**772,830**
Other comprehensive (loss) /income items				
Fair value losses on available for sale investments	**—**	113,615	**—**	73,255
Reclassification of realised loss on disposal of available for sale in investments to profit or loss	**—**	(15,209)	**—**	(21,910)
Reclassification of cash flow hedging reserve to profit or loss	**—**	—	**(8,946)**	(23,045)
Fair value loss on other investments carried at FVTOCI	**(51,755)**	—	**(123,098)**	—
Currency translation differences of foreign operations	**(369)**	(2,562)	**(5,797)**	(13,685)
Other comprehensive (loss) / income for the period	**(52,124)**	95,844	**(137,841)**	14,615
Total comprehensive income for the period	**253,044**	366,171	**744,406**	787,445
Attributable to:				
Equity holders of the parent	**228,103**	365,427	**712,302**	785,562
Non-controlling interest	**24,941**	744	**32,104**	1,883
	253,044	366,171	**744,406**	787,445

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

DUBAI ISLAMIC BANK P.J.S.C.

Condensed consolidated statement of changes in equity
for the period ended 30 September 2011

	Share capital	Treasury shares	Total reserves	Investments fair value reserve	Hedging reserve	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total equity
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at 1 January 2010 (audited)	3,617,505	(70,901)	5,280,177	(723,713)	50,600	822,222	8,975,890	4,910	8,980,800
Profit for the period	—	—	—	—	—	770,947	770,947	1,883	772,830
Other comprehensive income for the period	—	—	(13,685)	51,345	(23,045)	—	14,615	—	14,615
Total comprehensive income for the period	—	—	(13,685)	51,345	(23,045)	770,947	785,562	1,883	787,445
Issuance of bonus shares	179,549	—	—	—	—	(179,549)	—	—	—
Dividend paid	—	—	—	—	—	(538,648)	(538,648)	(4,310)	(542,958)
Share based payments vested	—	—	—	—	—	478	478	—	478
Balance at 30 September 2010 (unaudited)	3,797,054	(70,901)	5,266,492	(672,368)	27,555	875,450	9,223,282	2,483	9,225,765
Balance at 1 January 2011 (audited)	3,797,054	—	5,266,477	(243,166)	10,656	748,428	9,579,449	947,008	10,526,457
Effect of the change in accounting policy for classification and measurement of financial assets—IFRS 9 (Note 2)	—	—	—	(441,973)	—	(36,070)	(478,043)	—	(478,043)
Balance at 1 January 2011 (restated)	3,797,054	—	5,266,477	(685,139)	10,656	712,358	9,101,406	947,008	10,048,414
Profit for the period	—	—	—	—	—	850,143	850,143	32,104	882,247
Reclassification of realized gain on disposal of investments carried at FVTOCI	—	—	—	15	—	(15)	—	—	—
Other comprehensive loss for the period	—	—	(5,797)	(123,098)	(8,946)	—	(137,841)	—	(137,841)
Total comprehensive income for the period	—	—	(5,797)	(123,083)	(8,946)	850,128	712,302	32,104	744,406
Dividend paid	—	—	—	—	—	(379,705)	(379,705)	(2,952)	(382,657)
Zakat paid	—	—	—	—	—	(425)	(425)	(13,391)	(13,816)
Balance at 30 September 2011 (unaudited)	**3,797,054**	**—**	**5,260,680**	**(808,222)**	**1,710**	**1,182,356**	**9,433,578**	**962,769**	**10,396,347**

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

DUBAI ISLAMIC BANK P.J.S.C.

Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 September 2011

	9 months ended 30 September	
	2011	**2010**
	AED'000	*AED'000*
Operating activities		
Profit for the period before tax	**888,415**	775,695
Adjustments for:		
Revaluation of investments at fair value through profit or loss	**(552)**	15,598
Dividend income	**(28,710)**	(23,869)
Share based payments	**—**	478
Impairment loss on financial assets, net	**689,313**	432,625
Impairment loss on non financial assets, net	**28,950**	11,311
Share of (profit)/ loss of associates	**(13,630)**	102,350
Depreciation of investment properties	**16,119**	12,000
Depreciation of property, plant and equipment	**89,150**	90,849
Gain on disposal of property, plant and equipment	**(189)**	(14)
Gain on disposal of properties held for sale	**(12,751)**	(8,035)
Gain on disposal of investment properties	**—**	(18,001)
Gain on sale of other investments	**(712)**	(19,858)
Property, plant and equipment written offs	**—**	3,416
Amortisation of hedging reserve	**(8,946)**	(23,044)
Amortisation of sukuk financing instruments issued by a subsidiary	**12,250**	—
Gain on buy back of sukuk financing instrument	**—**	(7,137)
Operating cash flow before changes in operating assets and liabilities	**1,658,707**	1,344,364
Decrease/(increase) in Islamic financing and investing assets	**3,777,225**	(737,306)
Increase in receivables and other assets	**(16,883)**	(55,828)
Net movement in deposits and international murabahat with over 3 month maturity	**(7,406,646)**	88,836
Increase / (decrease) in customers' deposits	**5,177,341**	(2,537,512)
(Decrease)/increase in due to banks and other financial institutions	**(1,428,587)**	554,264
Decrease in payables and other liabilities	**(141,766)**	(505,100)
Decrease in accrued zakat	**(146,336)**	(140,536)
Cash generated from / (used in) operations	**1,473,055**	(1,988,818)
Tax paid	**(1,605)**	(2,616)
Net cash generated from / (used in) operating activities	**1,471,450**	(1,991,434)
Investing activities		
Net movement in investments in Islamic sukuk	**(2,594,901)**	1,129,129
Net movement in other investments	**(38,766)**	(36,297)
Additions to properties under construction	**(22,390)**	(114,625)
Dividend received	**28,710**	23,869
Net movement in investments in associates	**—**	(2,655)
Dividends from associates	**10,658**	8,791
Proceeds from disposal of investment properties	**—**	22,504
Purchase of investment properties	**(77,753)**	—
Purchase of property, plant and equipment	**(35,881)**	(60,342)
Proceeds from disposal of property, plant and equipment	**1,061**	2,120
Proceeds from disposal of properties held for sale	**27,868**	17,750
Purchase of properties held for sale	**(9,070)**	(54)
Exchange differences arising on translation of foreign operations	**(32,770)**	21,731
Net cash (used in)/generated from investing activities	**(2,743,234)**	1,011,921
Financing activities		
Repayment of Sukuk financing instruments	**—**	(50,823)
Cash dividend paid	**(382,657)**	(538,648)
Non-controlling interests	**—**	(4,310)
Net cash used in financing activities	**(382,657)**	(593,781)
Decrease in cash and cash equivalents	**(1,654,441)**	(1,573.294)
Cash and cash equivalents at the beginning of the period	**10,483,681**	14,079,992
Cash and cash equivalents at the end of the period (Note 19)	**8,829,240**	12,506,698

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

1 General information

Dubai Islamic Bank (Public Joint Stock Company) (the "Bank") was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia'a principles. The Bank was subsequently registered as a Public Joint Stock Company in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended).

In addition to its main office in Dubai, the Bank operates through its branches in the United Arab Emirates (U.A.E.). The accompanying condensed consolidated financial statements combine the activities of the Bank's head office, its branches and subsidiaries.

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

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

2.1 Revised IFRS affecting amounts reported in the current period

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these condensed consolidated financial statements.

IFRS 9 *Financial instruments*	IFRS 9 prescribes the classification and measurement of financial assets and completes the first phase of the project to replace IAS 39 Financial instruments: Recognition and Measurement. The impact on the condensed consolidated financial statements is described below.

IFRS 9 Financial Instruments: Recognition and Measurement

The Bank has adopted IFRS 9 Financial Instruments (IFRS 9) in advance of its effective date. The Bank has chosen 1 January 2011 as its date of initial application (i.e. the date on which the Bank has assessed its existing financial assets). The Standard has been applied retrospectively and as permitted by IFRS 9, comparative amounts have not been restated.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

The financing instruments (i.e. Islamic Sukuks) are measured at amortized cost only if:

(i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss ("FVTPL"). Additionally, even if the asset meets the amoritsed cost criteria, the entity may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The Bank has elected not to designate any financing instruments (i.e. Islamic Sukuks) as FVTPL under the fair value option.

Only financial assets that are classified as measured at amortized cost are tested for impairment.

All Islamic derivatives are classified FVTPL, except if designated in an effective cash flow hedge or hedge of a foreign operation hedge accounting relationship. In accordance with IFRS 9, embedded derivatives within the scope of that Standard are not separately accounted for as financial assets.

Investments in equity instruments not held for trading are designated by the bank as at fair value through other comprehensive income ("FVTOCI") as the equity investments are not held for trading. If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income are recognised in other comprehensive income and are not subsequently reclassified to statement of income.

The management has reviewed and assessed all of the Bank's existing financial assets as at the date of initial application of IFRS 9. As a result:

- the Bank's investments in financing instruments meeting the required criteria are measured at amortized cost; and
- the Bank's equity investments that are not held for trading have been designated as at FVTOCI.

The change in accounting policy has been applied retrospectively, in accordance with the transitional provisions of IFRS 9, where no restatement of comparative figures was applied.

The impact of this change in accounting policy at the beginning of the current period (as at 1 January 2011) is as follows:

	Investments fair value reserve	Retained earnings
	AED'000	*AED'000*
Investment in AFS Islamic Sukuks		
• Reversal of related revaluation reserve	(4,784)	—
• Impact of funded income at effective profit rate in previous period	—	252
Other Equity Investments		
• FVTPL Equity Investments—cumulative fair value impacts earlier accounted in consolidated statement of income in earlier years	(14,658)	14,658
• Quoted AFS Investments—cumulative impairment losses accounted in consolidated statement of income in earlier years	(422,531)	422,531
• Unquoted Equity investments—re-measured at FVTOCI	—	(473,511)
	(441,973)	(36,070)

Had IFRS 9, not been adopted during the current period, the consolidated statement of income would have been impacted by a decrease in net profit by AED 29.14 million resulting from fair value changes in FVTPL investments.

Additional disclosures required, reflecting the revised classification and measurement of financial assets of the Bank as a result of adopting IFRS 9, are shown in Notes 7 and 8 to the condensed consolidated financial statements.

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

The following new and revised IFRSs have also been adopted in these condensed consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 1 relating to Limited Exemption from comparative IFRS 7 Disclosure for First-time adoption.
- Amendments to IAS 32 Financial Instruments: Presentation, relating to Classification of Right Issues.
- Amendment to IFRIC 14 relating to Prepayments of a Minimum Funding Requirement.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

2.3 New and revised IFRSs is in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 1 relating to Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	1 July 2011
• Amendments to IFRS 7 Financial Instruments: Disclosures, relating to Disclosures on Transfers of Financial Assets	1 July 2011
• IFRS 10 Consolidated Financial Statements	1 January 2013
• IFRS 11 Joint Arrangements	1 January 2013
• IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
• IFRS 13 Fair Value Measurement	1 January 2013
• Amendments to IAS 12 Income Taxes—Limited scope amendment (recovery of underlying assets	1 January 2012
• Amendments to IAS 1 Presentation of Financial Statements—Amendments to revise the way other comprehensive income is presented	1 July 2012
• Amendments to IAS 19 Employee Benefits—Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
• IAS 27 Consolidated and Separate Financial Statements—Reissued as IAS 27 Separate Financial Statements	1 January 2013
• IAS 28 Investments in Associates—Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013

Management anticipates that these amendments will be adopted in the Bank's consolidated financial statements in the initial period when they become effective. Management has not yet had an opportunity to consider the potential impact of the adoption of these amendments.

3 Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34. "*Interim Financial Reporting*" issued by the International Accounting Standards Board and also complies with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Bank's transactions are denominated.

These condensed consolidated financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Bank's consolidated financial statements for the year ended 31 December 2010. In addition, results for the period from 1 January 2011 to 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2010 except for adoption of the accounting policy related to classification and measurement of financial assets in accordance with IFRS 9 (Note 2).

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to investment securities and investment properties have been disclosed in the condensed consolidated financial statements.

3.2 Estimates

The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual amount may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Bank's accounting policies, and the key sources of estimates uncertainty were the same as those were applied to the consolidated financial statements as at and for the year ended 31 December 2010.

3.3 Financial risk management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2010.

3.4 Basis of consolidation

These condensed consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The condensed consolidated financial statements comprise the financial statements of the Bank and of the subsidiaries as disclosed in the annual audited financial statements for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

3.5 Investments in Islamic Sukuk

3.5.1 Investments in Islamic Sukuk—Per IFRS 9

Investments in Islamic Sukuk are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Investments in Islamic Sukuk meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective yield method less any impairment, with profit recognised on an effective yield basis in income from investments in Islamic Sukuk in the condensed consolidated statement of income.

Subsequent to initial recognition, the Bank is required to reclassify investments in Islamic Sukuk from amortised cost to fair value through profit or loss, if the objective of the business model changes so that the amortised cost criteria is no longer met.

The Bank may irrevocably elect at initial recognition to classify investment in Islamic Sukuk that meets the amortised cost criteria above as at fair value through profit or loss, if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost. At the reporting date, the Bank has elected not to designate any investments in Islamic Sukuk as FVTPL under the fair value option.

3.5.2 Investments in Islamic Sukuk—Per IAS 39—For comparatives only

Held to maturity

Investments in Islamic Sukuk which have fixed or determinable payments with fixed maturities which the Bank has the intention and ability to hold to maturity, are classified as held to maturity. Held to maturity investments in Islamic Sukuk are carried at amortised cost, using effective profit rate method less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective profit rate method.

If there is objective evidence that an impairment on held to maturity investments in Islamic Sukuk carried at amortised cost has been incurred, the amount of impairment loss recognised is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the investments original effective profit rate, with the resulting impairment loss, if any, in the condensed consolidated statement of income.

Available for sale investments

Investments in Islamic Sukuk not classified as "held to maturity" are classified as "available for sale" and are stated at fair value.

Available for sale investments in Islamic Sukuk are initially recognised at fair value plus any directly attributable transaction cost and are subsequently measured at fair value.

After initial recognition, investments in Islamic Sukuk which are classified as "available for sale" are remeasured at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and recorded in the cumulative changes in fair value with the exception of impairment losses, profit calculated using the effective yield method and foreign exchange gains and losses on monetary assets, which are recognised directly in the condensed consolidated statement of income.

Where the investment in Islamic Sukuk is disposed of or is determined to be impaired, the cumulative gain or loss previously in condensed consolidated statement of changes in equity in the cumulative changes in fair value is reclassified to condensed consolidated statement of income.

If available for sale investment is impaired, the difference between the acquisition cost (net if any principal repayment and amortisation) and the current fair value, less any previous impairment loss recognised in the condensed consolidated statement of income.

3.6 Other investments

3.6.1 Other investments classification—Per IFRS 9

Investments carried at fair value through profit or loss

Investments in equity instruments are classified as financial assets measured at FVTPL, unless the Bank designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition.

Financial assets measured at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in the condensed consolidated statement of income. The net gain or loss recognised is included in the net investment income in the condensed consolidated statement of income.

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

Investments carried at fair value through other comprehensive income

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate other investments as at fair value through other comprehensive income (FVTOCI). Designation at FVTOCI is not permitted if the equity investment is held for trading.

Other investments are held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair values. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the cumulative changes in fair value is not reclassified to the condensed consolidated statement of income, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in condensed consolidated statement of income when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investments.

3.6.2 Other investments classification—Per IAS 39—For comparatives only

Investments carried at fair value through profit or loss

Other investments are classified at fair value through profit or loss ("FVTPL") where the financial assets is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short- term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss arising on re-measurement in the condensed consolidated statement of income.

Available for sale investments

Investments not classified as "FVTPL" are classified as "available for sale" and are stated at fair value.

If available for sale investment is impaired, the difference between the acquisition cost and the current fair value, less any previous impairment loss recognised in the condensed consolidated statement of income is removed from equity and recognised in the condensed consolidated statement of income.

Once an impairment loss has been recognised on an available-for-sale financial asset, subsequent decline in the fair value of the instrument is recognised in the condensed consolidated statement of income when there is further objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised directly in equity.

Reclassification of other investments

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Derecognition of other investments

The Bank derecognises an investment security only when the contractual rights to the cash flows from the investment expire, or when it transfers the investment and substantially all the risks and rewards of ownership of the investment to another entity. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

3.7 Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation on investment in buildings is charged on a straight-line basis over 25 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the condensed consolidated statement of income in the period of retirement or disposal.

Transfers are made to investment properties when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

3.8 Assets held for sale

Assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable and the assets are available for immediate sale in its present condition. These are stated at the lower of carrying amount and fair value less costs to sell.

4 Cash and balances with Central Banks

	30 September 2011	**31 December 2010**
	(unaudited) AED'000	*(audited) AED'000*
Cash in hand	**1,159,342**	1,374,754
Balances with the Central Banks:		
—Current accounts	**517,724**	2,664,847
—Reserve requirements	**4,608,116**	3,905,838
—International murabahat with Central Bank—short term	**11,532,259**	3,301,786
	17,817,441	11,247,225

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

Within the U.A.E.	**17,686,847**	11,114,569
Outside the U.A.E.	**130,594**	132,656
	17,817,441	11,247,225

5 Due from banks and financial institutions

	30 September 2011	**31 December 2010**
	(unaudited) AED'000	*(audited) AED'000*
Current accounts	**368,313**	336,541
Investment deposits	**666,918**	751,880
International murabahat—short term	**503,289**	1,268,110
	1,538,520	2,356,531

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

Within the U.A.E.	**1,219,097**	2,019,539
Outside the U.A.E.	**319,423**	336,992
	1,538,520	2,356,531

6 Islamic financing and investing assets, net

	30 September 2011	31 December 2010
	(unaudited) AED'000	*(audited) AED'000*
Financing Assets:		
Commodities murabahat	**4,374,254**	5,495,201
International murabahat—long term	**1,687,656**	1,661,426
Vehicles murabahat	**5,971,729**	6,546,265
Real estate murabahat	**4,937,292**	5,187,596
Total Murabahat	**16,970,931**	18,890,488
Istisna'a	**6,427,556**	7,289,783
Home finance ijara	**9,124,153**	12,225,198
Other ijara	**12,404,085**	10,032,307
Salam	**2,806,040**	1,399,132
Islamic credit cards	**448,269**	431,953
	48,181,034	50,268,861
Less: Deferred income	**(3,190,189)**	(3,834,249)
Contractors and consultants' Istisna'a contracts	**(285,319)**	(524,002)
Provisions for impairment	**(3,390,151)**	(2,824,393)
	41,315,375	43,086,217

	30 September 2011	31 December 2010
	(unaudited) AED'000	*(audited) AED'000*
Investing Assets:		
Musharakat	**6,308,228**	9,717,533
Mudaraba	**3,693,818**	3,709,791
Wakalat	**1,641,578**	790,207
	11,643,624	14,217,531
Less: Provisions for impairment	**(242,314)**	(132,681)
	11,401,310	14,084,850
Islamic financing and investing assets, net	**52,716,685**	57,171,067

Provision for impairment

Movements in the provision for impairment are as follows:

	30 September 2011 (unaudited)			31 December 2010 (audited)		
	Financing	Investing	Total	Financing	Investing	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at beginning of the period/year	**2,824,393**	**132,681**	**2,957,074**	1,845,257	103,045	1,948,302
Acquisition of controlling interest	**—**	**—**	**—**	364,073	—	364,073
Charge for the period/year	**701,891**	**160,855**	**862,746**	834,493	94,470	928,963
Release to the statement of income	**(154,353)**	**(30,632)**	**(184,985)**	(217,206)	(58,321)	(275,527)
Write-offs during the period/year	**(1,766)**	**—**	**(1,766)**	(2,135)	(6,260)	(8,395)
Others	**19,986**	**(20,590)**	**(604)**	(89)	(253)	(342)
Balance at end of the period/year	**3,390,151**	**242,314**	**3,632,465**	2,824,393	132,681	2,957,074

7 Investments in Islamic sukuk

7.1 The analysis of the Bank's investment in Islamic Sukuk as at 30 September 2011 (classified in accordance with IFRS 9) is as follows:

	30 September 2011
	(unaudited) *AED'000*
Investment in Islamic Sukuk measured at amortised cost	
Within U.A.E.	**10,251,641**
Other G.C.C. Countries	**130,851**
Rest of the World	**390,129**
Total	**10,772,621**

7.2 The analysis of the Bank's investment in Islamic Sukuk as at 31 December 2010 (classified in accordance with IAS 39) is as follows:

	31 December 2010
	(audited) *AED'000*
Held to maturity—at amortised cost	
Within U.A.E.	6,567,730
Other G.C.C. Countries	136,705
Rest of the World	300,890
	7,005,325
Available for sale	
Within U.A.E.	1,195,151
Total	8,200,476

8 Other investments

8.1 The analysis of the other investments as at 30 September 2011 (classified in accordance with IFRS 9).

	30 September 2011
	(unaudited) *AED'000*
Investments carried at fair value through profit or loss	**50,811**
Investments carried at fair value through other comprehensive income	**1,167,369**
	1,218,180

The analysis of the other investments as at 30 September 2011 (classified in accordance with IFRS 9) by geography is as follows:

	30 September 2011 (unaudited)			
	Within U.A.E.	Other G.C.C. Countries	Rest of the World	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Investments carried at fair value through profit or loss				
Quoted equity instruments	**884**	**—**	**49,927**	**50,811**
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	**361,242**	**161,145**	**38,488**	**560,875**
Unquoted equity instruments	**130,693**	**61,685**	**58,854**	**251,232**
Unquoted investment funds	**122,822**	**6,035**	**226,405**	**355,262**
	614,757	**228,865**	**323,747**	**1,167,369**
Total	**615,641**	**228,865**	**373,674**	**1,218,180**

8.2 The analysis of the other investments as at 31 December 2010 (classified in accordance with IAS 39).

	31 December 2010
	(audited) *AED'000*
Investments carried at fair value through profit or loss	108,406
Available for sale investments	1,664,540
	1,772,946

The analysis of the other investments as at 31 December 2010 (classified in accordance with IAS 39) by geography is as follows:

	31 December 2010 (audited)			
	Within U.A.E.	Other G.C.C. Countries	Rest of World	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Investments carried at fair value through profit or loss				
Quoted equity instruments	1,013	78,185	29,208	108,406
Available for sale investments				—
Quoted equity instruments	443,654	122,526	35,168	601,348
Unquoted equity instruments	223,148	124,430	191,624	539,202
Unquoted investment funds	157,855	9,182	356,953	523,990
	824,657	256,138	583,745	1,664,540
Total	825,670	334,323	612,953	1,772,946

9 Investment properties

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Land		
Within U.A.E.	**432,051**	1,171,398
Rest of the world	**51,733**	51,733
	483,784	1,223,131
Other real estate		
Within U.A.E.	**369,864**	353,121
Rest of the World	**534,598**	519,856
	904,462	872,977
Less: Accumulated depreciation	**(185,419)**	(173,197)
	719,043	699,780
	1,202,827	1,922,911

10 Assets held for sale

The Bank intends to dispose off certain investment properties with a carrying value of AED 784.86 million. These investment properties were reclassified during the period to assets held for sale. No impairment loss was recognised at the time of the reclassification as the carrying amount of these assets approximate to fair values less costs to sell.

11 Customers' deposits

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Current accounts	**16,593,342**	15,087,566
Saving accounts	**13,281,176**	10,047,003
Investment deposits	**38,518,637**	38,124,012
Margin accounts	**174,918**	188,102
Profit equalisation provision	**56,338**	387
	68,624,411	63,447,070

Customers deposits by geography are as follows:

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Within the U.A.E.	**66,360,162**	61,122,089
Outside the U.A.E.	**2,264,249**	2,324,981
	68,624,411	63,447,070

12 Sukuk financing instruments

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Sukuk financing instruments issued by the Bank	**2,357,075**	2,357,075
Sukuks financing instruments issued by a subsidiary	**1,812,825**	1,818,940
	4,169,900	4,176,015

13 Share capital

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Authorised capital:		
3,797,054,000 shares of AED 1 each (2010 : 3,797,054,000 shares of AED 1 each)	**3,797,054**	3,797,054
Issued and fully paid up:		
3,797,054,000 shares of AED 1 each (2010: 3,797,054,000 shares of AED 1 each)	**3,797,054**	3,797,054

14 Contingent liabilities and commitments

Financing-related financial instruments

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

Commitments to extend financing represent contractual commitments to provide islamic financing. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

The Bank has outstanding commitments and contingent liabilities under letters of credit and guarantees arising in the normal course of business, as follows:

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Contingent liabilities:		
Letters of guarantee	**7,963,527**	8,774,047
Letters of credit	**2,022,997**	2,535,666
	9,986,524	11,309,713
Commitments:		
Capital expenditure commitments	**367,295**	388,932
Irrevocable undrawn facilities commitments	**11,191,428**	12,567,539
	11,558,723	12,956,471
Total contingent liabilities and commitments	**21,545,247**	24,266,184

15 Income from Islamic financing and investing assets (unaudited)

	3 months ended 30 September		9 months ended 30 September	
	2011	2010	2011	2010
	AED'000	*AED'000*	*AED'000*	*AED'000*
Financing assets:				
Commodities murabahat	**72,950**	105,450	**237,587**	319,196
International murabahat	**1,825**	2,673	**5,914**	7,759
Vehicles murabahat	**107,486**	121,837	**339,943**	366,835
Real estate murabahat	**52,485**	60,552	**169,710**	197,024
Total murabahat income	**234,746**	290,512	**753,154**	890,814
Istisna'a	**99,337**	115,567	**317,995**	349,149
Home finance ijara	**184,334**	46,547	**501,702**	126,857
Ijara	**105,201**	123,524	**314,695**	359,578
Salam	**72,429**	16,232	**181,907**	17,703
Income from financing assets	**696,047**	592,382	**2,069,453**	1,744,101
Investing assets:				
Musharakat	**73,347**	128,666	**339,998**	396,673
Mudarabat	**51,756**	73,105	**155,701**	203,186
Wakalat	**13,515**	9,193	**35,178**	27,807
Income from investing assets	**138,618**	210,964	**530,877**	627,666
Total income from Islamic financing and investing assets	**834,665**	803,346	**2,600,330**	2,371,767

16 Commissions, fees and foreign exchange income (unaudited)

	3 months ended 30 September		9 months ended 30 September	
	2011	2010	2011	2010
	AED'000	*AED'000*	*AED'000*	*AED'000*
Trade related commission and fees	**38,809**	40,630	**147,623**	136,788
Other commission and fees	**91,794**	95,421	**310,833**	281,593
Gains on unilateral promise to buy/sell currencies	**23,952**	7,184	**71,558**	77,711
Fair value changes of Islamic derivatives	**8,647**	685	**9,504**	2,183
Amortisation of cash flow hedging reserve	**—**	—	**8,964**	23,044
	163,202	143,920	**548,482**	521,319

17 Basic and diluted earnings per share (unaudited)

Basic and diluted earnings per share are calculated by dividing the profit for the period attributable to the equity holders of the parent by the weighted average number of shares outstanding during the period as follows:

	3 months ended 30 September		9 months ended 30 September	
	2011	**2010**	**2011**	**2010**
Profit for the period attributable to the equity holders of the Bank (AED'000)	**298,004**	269,583	**850,143**	770,947
Weighted average number of shares in issue throughout the period (000)	**3,797,054**	3,772,112	**3,797,054**	3,772,112
Basic and diluted earnings per share (AED)	**0.08**	0.07	**0.22**	0.20

The figures for basic and diluted earnings per share are the same as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

18 Related party transactions

The Bank enters into arms length transactions with Shareholders, directors, key management personnel and their related concerns in the ordinary course of business at commercial profit and commission rates. All facilities to related parties are performing facilities and are free of any provision for possible impairment.

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

The significant balances and transactions of related parties included in the condensed consolidated financial statements are as follows:

	Major shareholders	Directors and key management personnel	Associates	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
As at 30 September 2011 (unaudited)				
Islamic financing and investing assets	**612,167**	**35,901**	**399,000**	**1,047,068**
Customers' deposits	**4,903,656**	**24,128**	**58,709**	**4,986,493**
Contingent liabilities	**—**	**5**	**700**	**705**
For the period ended 30 September 2011 (unaudited)				
Income from financing and investing assets	**30,263**	**1,729**	**19,140**	**51,132**
Depositors' share of profits	**64,825**	**147**	**1,418**	**66,390**

	Major Shareholders	Directors and key management personnel	Associates	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
As at 31 December 2010 (audited)				
Islamic financing and investing assets	1,836,500	183,701	463,475	2,483,676
Customers' deposits	2,847,087	43,772	172,052	3,062,911
Contingent liabilities	—	303	700	1,003
For the period ended 30 September 2010 (unaudited)				
Income from financing and investing assets	42,593	7,823	9,705	60,121
Depositors' share of profits	36,331	970	—	37,301

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

	9 months ended 30 September (unaudited)	
	2011	**2010**
	AED'000	*AED'000*
Salaries and other benefits	**15,882**	23,092
End of service benefits	**1,785**	1,900

19 Cash and cash equivalents

	30 September (unaudited)	
	2011	**2010**
	AED'000	***AED'000***
Cash and balances with Central Banks	**17,817,441**	7,680,623
Due from banks and financial institutions	**1,538,520**	4,826,075
	19,355,961	12,506,698
Less: Balances and deposits with banks and financial institutions with original maturity over 3 months	**(10,526,721)**	—
	8,829,240	12,506,698

20 Segmental information

Operating segments are identified on the basis of internal reports about the components of the Bank that are regularly reviewed by the Bank's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For operating purposes, the Bank is organised into five major business segments as follows:

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

ii) Corporate and investment banking: Principally handling financing and other credit facilities and deposit and current accounts for corporate and institutional customers and investment banking services.

iii) Real estate: Property development and other real estate investments.

iv) Treasury: Principally responsible for managing bank's overall liquidity and market risk and provides treasury services to customers. Treasury also run its own Islamic debt and specialise financial instruments book to manage the above risks.

v) Others: Functions other than above core lines of businesses.

Transactions between segments are conducted at estimated profit rates which approximate to market rates on an arm's length basis.

Primary segment information—business segments

The following table presents income and profit information regarding the Bank's business segments:

	Retail and business Banking		Wholesale banking		Real estate		Treasury		Others		Total	
	30 September (unaudited)		30 September (unaudited)		30 September (unaudited)		30 September (unaudited)		30 September (unaudited)		30 September (unaudited)	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Net operating revenue	**1,459,013**	1,183,266	**940,096**	777,323	**(214,374)**	(245,078)	**339,805**	288,083	**162,867**	321,959	**2,687,407**	2,325,553
Share of profit/(loss) of associates	**—**	—	**22,802**	(31,585)	**(9,172)**	(70,765)	**—**	—	**—**	—	**13,630**	(102,350)
Operating expenses	**(790,890)**	(619,670)	**(183,310)**	(270,609)	**(26,328)**	(25,349)	**(15,832)**	(16,560)	**(77,999)**	(71,384)	**(1,094,359)**	(1,003,572)
Provision for impairment	**(223,851)**	(111,077)	**(487,846)**	(325,468)	**—**	—	**—**	—	**(6,566)**	(7,391)	**(718,263)**	(443,936)
Profit for the period before tax	**444,272**	452,519	**291,742**	149,661	**(249,874)**	(341,192)	**323,973**	271,523	**78,302**	243,184	**888,415**	775,695
Income tax											**(6,168)**	(2,865)
Profit for the period											**882,247**	772,830

The following is an analysis of the Bank's assets and liabilities by the Bank's business segment:

	Retail and business banking		Wholesale Banking		Real estate		Treasury		Others		Total	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010
	(unaudited) AED'000	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*
Segment assets	**23,825,911**	23,718,232	**33,020,634**	37,999,806	**4,792,948**	4,748,006	**12,008,704**	9,598,156	**19,820,660**	14,073,571	**93,468,857**	90,137,771
Segment liabilities and equity	**47,499,646**	46,862,730	**24,677,698**	21,079,548	**981,516**	547,096	**7,713,883**	8,925,308	**12,596,114**	12,723,089	**93,468,857**	90,137,771
Capital expenditure	**10,764**	27,991	**10,764**	27,991	**—**	—	**7,176**	18,661	**7,177**	18,660	**35,881**	93,303

Secondary segment information—geographical segments

Although the management of the Bank is based primarily on business segments, the Bank operates in two geographic markets: U.A.E. which is designated as domestic and outside the U.A.E. which is designated as international. The following table shows the distribution of the Bank's operating income by geographical segment for the period ended 30 September 2011 and 2010 (unaudited).

	30 September (unaudited)					
	Domestic		International		Total	
	2011	2010	2011	2010	2011	2010
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Gross income	**3,477,597**	3,120,561	**300,587**	153,822	**3,778,184**	3,274,383

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

	Domestic		International		Total	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010
	(unaudited) AED'000	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*
Total assets	**87,633,578**	84,110,228	**5,835,279**	6,027,543	**93,468,857**	90,137,771
Total liabilities and equity	**88,313,782**	84,757,343	**5,155,075**	5,380,428	**93,468,857**	90,137,771
Capital expenditure	**27,395**	78,869	**8,486**	14,434	**35,881**	93,303

21 Capital adequacy as per BASEL II guidelines

	30 September 2011	31 December 2010
	(unaudited) AED'000	*(audited) AED'000*
Tier 1 Capital		
Share capital	**3,797,054**	3,797,054
Statutory reserves	**2,731,879**	2,731,879
Donated land reserve	**276,139**	276,139
General reserves	**2,350,000**	2,350,000
Retained earnings	**756,661**	368,723
Non-controlling interest	**958,543**	942,434
	10,870,276	10,466,229
Less:		
Goodwill and intangibles	**(17,258)**	(17,258)
Cumulative deferred exchange losses	**(80,222)**	(79,279)
	10,772,796	10,369,692
Tier 2 Capital		
Hedging reserves	**770**	4,795
Investments fair value reserve	**(808,237)**	(243,166)
Collective impairment	**797,127**	764,689
Medium term wakala finance	**3,752,543**	3,752,543
Deductions for associates	**(569,014)**	(551,053)
Others	**(46,433)**	(45,897)
	3,126,756	3,681,911
Total capital base	**13,899,552**	14,051,603
Risk weighted assets		
Credit risk	**72,272,128**	73,395,388
Market risk	**1,689,569**	1,986,235
Operational risk	**3,772,256**	3,772,256
Total risk weighted assets	**77,733,953**	79,153,879
Capital Ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**17.9%**	17.8%
Tier 1 capital to total risk weighted assets after deductions for associates and others	**13.5%**	12.7%

The capital adequacy ratio was above the minimum requirement of 12% stipulated by U.A.E. Central Bank as at 30 September 2011 (31 December 2010: 12%).

22 Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of income for the nine months period ended 30 September 2011 and 2010.

23 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 October 2011.

DUBAI ISLAMIC BANK PJSC

Condensed consolidated statement of income (unaudited)
for the period ended 30 September 2011

		3 months ended 30 September		9 months ended 30 September	
		2011	2010	2011	2010
	Notes	*AED'000*	*AED'000*	*AED'000*	*AED'000*
INCOME					
Income from Islamic financing and investing assets	**15**	**834,665**	803,346	**2,600,330**	2,371,767
Income from investments in Islamic sukuk		**131,611**	94,320	**372,644**	283,967
Income from international murabahat and wakala, short term		**28,808**	8,422	**66,434**	25,480
Income from other investments		**6,983**	18,958	**36,635**	28,934
Commissions, fees and foreign exchange income	**16**	**163,202**	143,920	**548,482**	521,319
Income from investment properties		**19,295**	29,324	**47,804**	51,652
Profit on sale of properties		**6,025**	4,153	**12,751**	8,035
Other income		**22,602**	25,505	**93,104**	85,579
Total income		**1,213,191**	1,127,948	**3,778,184**	3,376,733
EXPENSES					
Personnel expenses		**(233,239)**	(204,293)	**(676,460)**	(603,078)
General and administrative expenses		**(130,499)**	(136,239)	**(401,780)**	(388,494)
Depreciation of investment properties		**(3,630)**	(3,446)	**(16,119)**	(12,000)
Impairment loss on financial assets, net		**(203,327)**	(123,831)	**(689,313)**	(432,625)
Impairment loss on non-financial assets, net		**(13,500)**	—	**(28,950)**	(11,311)
Total expenses		**(584,195)**	(467,809)	**(1,812,622)**	(1,447,508)
Profit before depositors' share and tax		**628,996**	660,139	**1,965,562**	1,929,225
Depositors' share of profits		**(328,543)**	(337,887)	**(1,090,777)**	(1,051,180)
Operating profit for the period		**300,453**	322,252	**874,785**	878,045
Share of profit/(loss) of associates		**6,274**	(51,858)	**13,630**	(102,350)
Profit for the period before tax		**306,727**	270,394	**888,415**	775,695
Income tax		**(1,559)**	(67)	**(6,168)**	(2,865)
Profit for the period		**305,168**	270,327	**882,247**	772,830
Attributable to:					
Equity holders of the parent		**298,004**	269,583	**850,143**	770,947
Non-controlling interest		**7,164**	744	**32,104**	1,883
Profit for the period		**305,168**	270,327	**882,247**	772,830
Basic and diluted earning per share attributable to the equity holders of the parent	**17**	**0.08**	0.07	**0.22**	0.20

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

DUBAI ISLAMIC BANK PJSC

Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 30 September 2011

	3 months ended 30 September		9 months ended 30 September	
	2011	**2010**	**2011**	**2010**
	AED'000	***AED'000***	***AED'000***	***AED'000***
Profit for the period	**305,168**	270,327	**882,247**	772,830
Other comprehensive (loss) /income items				
Fair value losses on available for sale investments	**—**	113,615	**—**	73,255
Reclassification of realised loss on disposal of available for sale in investments to profit or loss	**—**	(15,209)	**—**	(21,910)
Reclassification of cash flow hedging reserve to profit or loss	**—**	—	**(8,946)**	(23,045)
Fair value loss on other investments carried at FVTOCI	**(51,755)**	—	**(123,098)**	—
Currency translation differences of foreign operations	**(369)**	(2,562)	**(5,797)**	(13,685)
Other comprehensive (loss) / income for the period	**(52,124)**	95,844	**(137,841)**	14,615
Total comprehensive income for the period	**253,044**	366,171	**744,406**	787,445
Attributable to:				
Equity holders of the parent	**228,103**	365,427	**712,302**	785,562
Non-controlling interest	**24,941**	744	**32,104**	1,883
	253,044	366,171	**744,406**	787,445

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

DUBAI ISLAMIC BANK PJSC

Condensed consolidated statement of changes in equity
for the period ended 30 September 2011

	Share capital	Treasury shares	Total reserves	Investments fair value reserve	Hedging reserve	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total equity
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at 1 January 2010 (audited)	3,617,505	(70,901)	5,280,177	(723,713)	50,600	822,222	8,975,890	4,910	8,980,800
Profit for the period	—	—	—	—	—	770,947	770,947	1,883	772,830
Other comprehensive income for the period	—	—	(13,685)	51,345	(23,045)	—	14,615	—	14,615
Total comprehensive income for the period	—	—	(13,685)	51,345	(23,045)	770,947	785,562	1,883	787,445
Issuance of bonus shares	179,549	—	—	—	—	(179,549)	—	—	—
Dividend paid	—	—	—	—	—	(538,648)	(538,648)	(4,310)	(542,958)
Share based payments vested	—	—	—	—	—	478	478	—	478
Balance at 30 September 2010 (unaudited)	3,797,054	(70,901)	5,266,492	(672,368)	27,555	875,450	9,223,282	2,483	9,225,765
Balance at 1 January 2011 (audited)	3,797,054	—	5,266,477	(243,166)	10,656	748,428	9,579,449	947,008	10,526,457
Effect of the change in accounting policy for classification and measurement of financial assets—IFRS 9 (Note 2)	—	—	—	(441,973)	—	(36,070)	(478,043)	—	(478,043)
Balance at 1 January 2011 (restated)	3,797,054	—	5,266,477	(685,139)	10,656	712,358	9,101,406	947,008	10,048,414
Profit for the period	—	—	—	—	—	850,143	850,143	32,104	882,247
Reclassification of realized gain on disposal of investments carried at FVTOCI	—	—	—	15	—	(15)	—	—	—
Other comprehensive loss for the period	—	—	(5,797)	(123,098)	(8,946)	—	(137,841)	—	(137,841)
Total comprehensive income for the period	—	—	(5,797)	(123,083)	(8,946)	850,128	712,302	32,104	744,406
Dividend paid	—	—	—	—	—	(379,705)	(379,705)	(2,952)	(382,657)
Zakat paid	—	—	—	—	—	(425)	(425)	(13,391)	(13,816)
Balance at 30 September 2011 (unaudited)	**3,797,054**	**—**	**5,260,680**	**(808,222)**	**1,710**	**1,182,356**	**9,433,578**	**962,769**	**10,396,347**

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

DUBAI ISLAMIC BANK PJSC

Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 September 2011

	9 months ended 30 September	
	2011	2010
	AED'000	*AED'000*
Operating activities		
Profit for the period before tax	**888,415**	775,695
Adjustments for:		
Revaluation of investments at fair value through profit or loss	**(552)**	15,598
Dividend income	**(28,710)**	(23,869)
Share based payments	**—**	478
Impairment loss on financial assets, net	**689,313**	432,625
Impairment loss on non financial assets, net	**28,950**	11,311
Share of (profit)/ loss of associates	**(13,630)**	102,350
Depreciation of investment properties	**16,119**	12,000
Depreciation of property, plant and equipment	**89,150**	90,849
Gain on disposal of property, plant and equipment	**(189)**	(14)
Gain on disposal of properties held for sale	**(12,751)**	(8,035)
Gain on disposal of investment properties	**—**	(18,001)
Gain on sale of other investments	**(712)**	(19,858)
Property, plant and equipment written offs	**—**	3,416
Amortisation of hedging reserve	**(8,946)**	(23,044)
Amortisation of sukuk financing instruments issued by a subsidiary	**12,250**	—
Gain on buy back of sukuk financing instrument	**—**	(7,137)
Operating cash flow before changes in operating assets and liabilities	**1,658,707**	1,344,364
Decrease/(increase) in Islamic financing and investing assets	**3,777,225**	(737,306)
Increase in receivables and other assets	**(16,883)**	(55,828)
Net movement in deposits and international murabahat with over 3 month maturity	**(7,406,646)**	88,836
Increase / (decrease) in customers' deposits	**5,177,341**	(2,537,512)
(Decrease)/increase in due to banks and other financial institutions	**(1,428,587)**	554,264
Decrease in payables and other liabilities	**(141,766)**	(505,100)
Decrease in accrued zakat	**(146,336)**	(140,536)
Cash generated from / (used in) operations	**1,473,055**	(1,988,818)
Tax paid	**(1,605)**	(2,616)
Net cash generated from / (used in) operating activities	**1,471,450**	(1,991,434)
Investing activities		
Net movement in investments in Islamic sukuk	**(2,594,901)**	1,129,129
Net movement in other investments	**(38,766)**	(36,297)
Additions to properties under construction	**(22,390)**	(114,625)
Dividend received	**28,710**	23,869
Net movement in investments in associates	**—**	(2,655)
Dividends from associates	**10,658**	8,791
Proceeds from disposal of investment properties	**—**	22,504
Purchase of investment properties	**(77,753)**	—
Purchase of property, plant and equipment	**(35,881)**	(60,342)
Proceeds from disposal of property, plant and equipment	**1,061**	2,120
Proceeds from disposal of properties held for sale	**27,868**	17,750
Purchase of properties held for sale	**(9,070)**	(54)
Exchange differences arising on translation of foreign operations	**(32,770)**	21,731
Net cash (used in)/generated from investing activities	**(2,743,234)**	1,011,921
Financing activities		
Repayment of Sukuk financing instruments	**—**	(50,823)
Cash dividend paid	**(382,657)**	(538,648)
Non-controlling interests	**—**	(4,310)
Net cash used in financing activities	**(382,657)**	(593,781)
Decrease in cash and cash equivalents	**(1,654,441)**	(1,573.294)
Cash and cash equivalents at the beginning of the period	**10,483,681**	14,079,992
Cash and cash equivalents at the end of the period (Note 19)	**8,829,240**	12,506,698

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

1 General information

Dubai Islamic Bank (Public Joint Stock Company) (the "Bank") was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia'a principles. The Bank was subsequently registered as a Public Joint Stock Company in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended).

In addition to its main office in Dubai, the Bank operates through its branches in the United Arab Emirates (U.A.E.). The accompanying condensed consolidated financial statements combine the activities of the Bank's head office, its branches and subsidiaries.

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

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

2.1 Revised IFRS affecting amounts reported in the current period

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these condensed consolidated financial statements.

IFRS 9 *Financial instruments*	IFRS 9 prescribes the classification and measurement of financial assets and completes the first phase of the project to replace IAS 39 Financial instruments: Recognition and Measurement. The impact on the condensed consolidated financial statements is described below.

IFRS 9 Financial Instruments: Recognition and Measurement

The Bank has adopted IFRS 9 Financial Instruments (IFRS 9) in advance of its effective date. The Bank has chosen 1 January 2011 as its date of initial application (i.e. the date on which the Bank has assessed its existing financial assets). The Standard has been applied retrospectively and as permitted by IFRS 9, comparative amounts have not been restated.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

The financing instruments (i.e. Islamic Sukuks) are measured at amortized cost only if:

(i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss ("FVTPL"). Additionally, even if the asset meets the amoritsed cost criteria, the entity may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The Bank has elected not to designate any financing instruments (i.e. Islamic Sukuks) as FVTPL under the fair value option.

Only financial assets that are classified as measured at amortized cost are tested for impairment.

All Islamic derivatives are classified FVTPL, except if designated in an effective cash flow hedge or hedge of a foreign operation hedge accounting relationship. In accordance with IFRS 9, embedded derivatives within the scope of that Standard are not separately accounted for as financial assets.

Investments in equity instruments not held for trading are designated by the bank as at fair value through other comprehensive income ("FVTOCI") as the equity investments are not held for trading. If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income are recognised in other comprehensive income and are not subsequently reclassified to statement of income.

The management has reviewed and assessed all of the Bank's existing financial assets as at the date of initial application of IFRS 9. As a result:

- the Bank's investments in financing instruments meeting the required criteria are measured at amortized cost; and
- the Bank's equity investments that are not held for trading have been designated as at FVTOCI.

The change in accounting policy has been applied retrospectively, in accordance with the transitional provisions of IFRS 9, where no restatement of comparative figures was applied.

The impact of this change in accounting policy at the beginning of the current period (as at 1 January 2011) is as follows:

	Investments fair value reserve	Retained earnings
	AED'000	*AED'000*
Investment in AFS Islamic Sukuks		
• Reversal of related revaluation reserve	(4,784)	—
• Impact of funded income at effective profit rate in previous period	—	252
Other Equity Investments		
• FVTPL Equity Investments—cumulative fair value impacts earlier accounted in consolidated statement of income in earlier years	(14,658)	14,658
• Quoted AFS Investments—cumulative impairment losses accounted in consolidated statement of income in earlier years	(422,531)	422,531
• Unquoted Equity investments—re-measured at FVTOCI	—	(473,511)
	(441,973)	(36,070)

Had IFRS 9, not been adopted during the current period, the consolidated statement of income would have been impacted by a decrease in net profit by AED 29.14 million resulting from fair value changes in FVTPL investments.

Additional disclosures required, reflecting the revised classification and measurement of financial assets of the Bank as a result of adopting IFRS 9, are shown in Notes 7 and 8 to the condensed consolidated financial statements.

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

The following new and revised IFRSs have also been adopted in these condensed consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 1 relating to Limited Exemption from comparative IFRS 7 Disclosure for First-time adoption.
- Amendments to IAS 32 Financial Instruments: Presentation, relating to Classification of Right Issues.
- Amendment to IFRIC 14 relating to Prepayments of a Minimum Funding Requirement.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

2.3 New and revised IFRSs is in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 1 relating to Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	1 July 2011
• Amendments to IFRS 7 Financial Instruments: Disclosures, relating to Disclosures on Transfers of Financial Assets	1 July 2011
• IFRS 10 Consolidated Financial Statements	1 January 2013
• IFRS 11 Joint Arrangements	1 January 2013
• IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
• IFRS 13 Fair Value Measurement	1 January 2013
• Amendments to IAS 12 Income Taxes—Limited scope amendment (recovery of underlying assets	1 January 2012
• Amendments to IAS 1 Presentation of Financial Statements—Amendments to revise the way other comprehensive income is presented	1 July 2012
• Amendments to IAS 19 Employee Benefits—Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
• IAS 27 Consolidated and Separate Financial Statements—Reissued as IAS 27 Separate Financial Statements	1 January 2013
• IAS 28 Investments in Associates—Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013

Management anticipates that these amendments will be adopted in the Bank's consolidated financial statements in the initial period when they become effective. Management has not yet had an opportunity to consider the potential impact of the adoption of these amendments.

3 Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34. "*Interim Financial Reporting*" issued by the International Accounting Standards Board and also complies with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Bank's transactions are denominated.

These condensed consolidated financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Bank's consolidated financial statements for the year ended 31 December 2010. In addition, results for the period from 1 January 2011 to 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2010 except for adoption of the accounting policy related to classification and measurement of financial assets in accordance with IFRS 9 (Note 2).

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to investment securities and investment properties have been disclosed in the condensed consolidated financial statements.

3.2 Estimates

The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual amount may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Bank's accounting policies, and the key sources of estimates uncertainty were the same as those were applied to the consolidated financial statements as at and for the year ended 31 December 2010.

3.3 Financial risk management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2010.

3.4 Basis of consolidation

These condensed consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The condensed consolidated financial statements comprise the financial statements of the Bank and of the subsidiaries as disclosed in the annual audited financial statements for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

3.5 Investments in Islamic Sukuk

3.5.1 Investments in Islamic Sukuk—Per IFRS 9

Investments in Islamic Sukuk are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Investments in Islamic Sukuk meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective yield method less any impairment, with profit recognised on an effective yield basis in income from investments in Islamic Sukuk in the condensed consolidated statement of income.

Subsequent to initial recognition, the Bank is required to reclassify investments in Islamic Sukuk from amortised cost to fair value through profit or loss, if the objective of the business model changes so that the amortised cost criteria is no longer met.

The Bank may irrevocably elect at initial recognition to classify investment in Islamic Sukuk that meets the amortised cost criteria above as at fair value through profit or loss, if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost. At the reporting date, the Bank has elected not to designate any investments in Islamic Sukuk as FVTPL under the fair value option.

Held to maturity

Investments in Islamic Sukuk which have fixed or determinable payments with fixed maturities which the Bank has the intention and ability to hold to maturity, are classified as held to maturity. Held to maturity investments in

Islamic Sukuk are carried at amortised cost, using effective profit rate method less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective profit rate method.

If there is objective evidence that an impairment on held to maturity investments in Islamic Sukuk carried at amortised cost has been incurred, the amount of impairment loss recognised is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the investments original effective profit rate, with the resulting impairment loss, if any, in the condensed consolidated statement of income.

Available for sale investments

Investments in Islamic Sukuk not classified as "held to maturity" are classified as "available for sale" and are stated at fair value.

Available for sale investments in Islamic Sukuk are initially recognised at fair value plus any directly attributable transaction cost and are subsequently measured at fair value.

After initial recognition, investments in Islamic Sukuk which are classified as "available for sale" are remeasured at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and recorded in the cumulative changes in fair value with the exception of impairment losses, profit calculated using the effective yield method and foreign exchange gains and losses on monetary assets, which are recognised directly in the condensed consolidated statement of income.

Where the investment in Islamic Sukuk is disposed of or is determined to be impaired, the cumulative gain or loss previously in condensed consolidated statement of changes in equity in the cumulative changes in fair value is reclassified to condensed consolidated statement of income.

If available for sale investment is impaired, the difference between the acquisition cost (net if any principal repayment and amortisation) and the current fair value, less any previous impairment loss recognised in the condensed consolidated statement of income.

3.6 Other investments

3.6.1 Other investments classification- Per IFRS 9

Investments carried at fair value through profit or loss

Investments in equity instruments are classified as financial assets measured at FVTPL, unless the Bank designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition.

Financial assets measured at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in the condensed consolidated statement of income. The net gain or loss recognised is included in the net investment income in the condensed consolidated statement of income.

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

Investments carried at fair value through other comprehensive income

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate other investments as at fair value through other comprehensive income (FVTOCI). Designation at FVTOCI is not permitted if the equity investment is held for trading.

Other investments are held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair values. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the cumulative changes in fair value is not reclassified to the condensed consolidated statement of income, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in condensed consolidated statement of income when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investments.

Investments carried at fair value through profit or loss

Other investments are classified at fair value through profit or loss ("FVTPL") where the financial assets is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short- term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss arising on re-measurement in the condensed consolidated statement of income.

Available for sale investments

Investments not classified as "FVTPL" are classified as "available for sale" and are stated at fair value.

If available for sale investment is impaired, the difference between the acquisition cost and the current fair value, less any previous impairment loss recognised in the condensed consolidated statement of income is removed from equity and recognised in the condensed consolidated statement of income.

Once an impairment loss has been recognised on an available-for-sale financial asset, subsequent decline in the fair value of the instrument is recognised in the condensed consolidated statement of income when there is further objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised directly in equity.

Reclassification of other investments

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Derecognition of other investments

The Bank derecognises an investment security only when the contractual rights to the cash flows from the investment expire, or when it transfers the investment and substantially all the risks and rewards of ownership of the investment to another entity. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

3.7 Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation on investment in buildings is charged on a straight-line basis over 25 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the condensed consolidated statement of income in the period of retirement or disposal.

Transfers are made to investment properties when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

3.8 Assets held for sale

Assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable and the assets are available for immediate sale in its present condition. These are stated at the lower of carrying amount and fair value less costs to sell.

4 Cash and balances with Central Banks

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Cash in hand	**1,159,342**	1,374,754
Balances with the Central Banks:		
—Current accounts	**517,724**	2,664,847
—Reserve requirements	**4,608,116**	3,905,838
—International murabahat with Central Bank—short term	**11,532,259**	3,301,786
	17,817,441	11,247,225

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

Within the U.A.E.	**17,686,847**	11,114,569
Outside the U.A.E.	**130,594**	132,656
	17,817,441	11,247,225

5 Due from banks and financial institutions

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Current accounts	**368,313**	336,541
Investment deposits	**666,918**	751,880
International murabahat—short term	**503,289**	1,268,110
	1,538,520	2,356,531

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

Within the U.A.E.	**1,219,097**	2,019,539
Outside the U.A.E.	**319,423**	336,992
	1,538,520	2,356,531

6 Islamic financing and investing assets, net

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Financing Assets:		
Commodities murabahat	**4,374,254**	5,495,201
International murabahat—long term	**1,687,656**	1,661,426
Vehicles murabahat	**5,971,729**	6,546,265
Real estate murabahat	**4,937,292**	5,187,596
Total Murabahat	**16,970,931**	18,890,488
Istisna'a	**6,427,556**	7,289,783
Home finance ijara	**9,124,153**	12,225,198
Other ijara	**12,404,085**	10,032,307
Salam	**2,806,040**	1,399,132
Islamic credit cards	**448,269**	431,953
	48,181,034	50,268,861
Less: Deferred income	**(3,190,189)**	(3,834,249)
Contractors and consultants' Istisna'a contracts	**(285,319)**	(524,002)
Provisions for impairment	**(3,390,151)**	(2,824,393)
	41,315,375	43,086,217

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Investing Assets:		
Musharakat	**6,308,228**	9,717,533
Mudaraba	**3,693,818**	3,709,791
Wakalat	**1,641,578**	790,207
	11,643,624	14,217,531
Less: Provisions for impairment	**(242,314)**	(132,681)
	11,401,310	14,084,850
Islamic financing and investing assets, net	**52,716,685**	57,171,067

Provision for impairment

Movements in the provision for impairment are as follows:

	30 September 2011 (unaudited)			31 December 2010 (audited)		
	Financing	Investing	Total	Financing	Investing	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balance at beginning of the period/year	**2,824,393**	**132,681**	**2,957,074**	1,845,257	103,045	1,948,302
Acquisition of controlling interest	**—**	**—**	**—**	364,073	—	364,073
Charge for the period/year	**701,891**	**160,855**	**862,746**	834,493	94,470	928,963
Release to the statement of income	**(154,353)**	**(30,632)**	**(184,985)**	(217,206)	(58,321)	(275,527)
Write-offs during the period/year	**(1,766)**	**—**	**(1,766)**	(2,135)	(6,260)	(8,395)
Others	**19,986**	**(20,590)**	**(604)**	(89)	(253)	(342)
Balance at end of the period/year	**3,390,151**	**242,314**	**3,632,465**	2,824,393	132,681	2,957,074

7 Investments in Islamic sukuk

7.1 The analysis of the Bank's investment in Islamic Sukuk as at 30 September 2011 (classified in accordance with IFRS 9) is as follows:

	30 September 2011
	(unaudited) *AED'000*
Investment in Islamic Sukuk measured at amortised cost	
Within U.A.E.	**10,251,641**
Other G.C.C. Countries	**130,851**
Rest of the World	**390,129**
Total	**10,772,621**

7.2 The analysis of the Bank's investment in Islamic Sukuk as at 31 December 2010 (classified in accordance with IAS 39) is as follows:

	31 December 2010
	(audited) *AED'000*
Held to maturity—at amortised cost	
Within U.A.E.	6,567,730
Other G.C.C. Countries	136,705
Rest of the World	300,890
	7,005,325
Available for sale	
Within U.A.E.	1,195,151
Total	8,200,476

8 Other investments

8.1 The analysis of the other investments as at 30 September 2011 (classified in accordance with IFRS 9).

	30 September 2011
	(unaudited) *AED'000*
Investments carried at fair value through profit or loss	**50,811**
Investments carried at fair value through other comprehensive income	**1,167,369**
	1,218,180

The analysis of the other investments as at 30 September 2011 (classified in accordance with IFRS 9) by geography is as follows:

	30 September 2011 (unaudited)			
	Within U.A.E.	Other G.C.C. Countries	Rest of the World	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Investments carried at fair value through profit or loss				
Quoted equity instruments	**884**	**—**	**49,927**	**50,811**
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	**361,242**	**161,145**	**38,488**	**560,875**
Unquoted equity instruments	**130,693**	**61,685**	**58,854**	**251,232**
Unquoted investment funds	**122,822**	**6,035**	**226,405**	**355,262**
	614,757	**228,865**	**323,747**	**1,167,369**
Total	**615,641**	**228,865**	**373,674**	**1,218,180**

8.2 The analysis of the other investments as at 31 December 2010 (classified in accordance with IAS 39).

	31 December 2010
	(audited) *AED'000*
Investments carried at fair value through profit or loss	108,406
Available for sale investments	1,664,540
	1,772,946

The analysis of the other investments as at 31 December 2010 (classified in accordance with IAS 39) by geography is as follows:

	31 December 2010 (audited)			
	Within U.A.E.	Other G.C.C. Countries	Rest of World	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
Investments carried at fair value through profit or loss				
Quoted equity instruments	1,013	78,185	29,208	108,406
Available for sale investments				—
Quoted equity instruments	443,654	122,526	35,168	601,348
Unquoted equity instruments	223,148	124,430	191,624	539,202
Unquoted investment funds	157,855	9,182	356,953	523,990
	824,657	256,138	583,745	1,664,540
Total	825,670	334,323	612,953	1,772,946

9 Investment properties

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Land		
Within U.A.E.	**432,051**	1,171,398
Rest of the world	**51,733**	51,733
	483,784	1,223,131
Other real estate		
Within U.A.E.	**369,864**	353,121
Rest of the World	**534,598**	519,856
	904,462	872,977
Less: Accumulated depreciation	**(185,419)**	(173,197)
	719,043	699,780
	1,202,827	1,922,911

10 Assets held for sale

The Bank intends to dispose off certain investment properties with a carrying value of AED 784.86 million. These investment properties were reclassified during the period to assets held for sale. No impairment loss was recognised at the time of the reclassification as the carrying amount of these assets approximate to fair values less costs to sell.

11 Customers' deposits

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Current accounts	**16,593,342**	15,087,566
Saving accounts	**13,281,176**	10,047,003
Investment deposits	**38,518,637**	38,124,012
Margin accounts	**174,918**	188,102
Profit equalisation provision	**56,338**	387
	68,624,411	63,447,070

11 Customers' deposits (continued)

Customers deposits by geography are as follows:

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Within the U.A.E.	**66,360,162**	61,122,089
Outside the U.A.E.	**2,264,249**	2,324,981
	68,624,411	63,447,070

12 Sukuk financing instruments

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Sukuk financing instruments issued by the Bank	**2,357,075**	2,357,075
Sukuks financing instruments issued by a subsidiary	**1,812,825**	1,818,940
	4,169,900	4,176,015

13 Share capital

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Authorised capital:		
3,797,054,000 shares of AED 1 each (2010 : 3,797,054,000 shares of AED 1 each)	**3,797,054**	3,797,054
Issued and fully paid up:		
3,797,054,000 shares of AED 1 each (2010: 3,797,054,000 shares of AED 1 each)	**3,797,054**	3,797,054

14 Contingent liabilities and commitments

Financing-related financial instruments

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

Commitments to extend financing represent contractual commitments to provide islamic financing. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

The Bank has outstanding commitments and contingent liabilities under letters of credit and guarantees arising in the normal course of business, as follows:

	30 September 2011	31 December 2010
	(unaudited) *AED'000*	*(audited)* *AED'000*
Contingent liabilities:		
Letters of guarantee	**7,963,527**	8,774,047
Letters of credit	**2,022,997**	2,535,666
	9,986,524	11,309,713
Commitments:		
Capital expenditure commitments	**367,295**	388,932
Irrevocable undrawn facilities commitments	**11,191,428**	12,567,539
	11,558,723	12,956,471
Total contingent liabilities and commitments	**21,545,247**	24,266,184

15 Income from Islamic financing and investing assets (unaudited)

	3 months ended 30 September		9 months ended 30 September	
	2011	2010	2011	2010
	AED'000	*AED'000*	*AED'000*	*AED'000*
Financing assets:				
Commodities murabahat	**72,950**	105,450	**237,587**	319,196
International murabahat	**1,825**	2,673	**5,914**	7,759
Vehicles murabahat	**107,486**	121,837	**339,943**	366,835
Real estate murabahat	**52,485**	60,552	**169,710**	197,024
Total murabahat income	**234,746**	290,512	**753,154**	890,814
Istisna'a	**99,337**	115,567	**317,995**	349,149
Home finance ijara	**184,334**	46,547	**501,702**	126,857
Ijara	**105,201**	123,524	**314,695**	359,578
Salam	**72,429**	16,232	**181,907**	17,703
Income from financing assets	**696,047**	592,382	**2,069,453**	1,744,101
Investing assets:				
Musharakat	**73,347**	128,666	**339,998**	396,673
Mudarabat	**51,756**	73,105	**155,701**	203,186
Wakalat	**13,515**	9,193	**35,178**	27,807
Income from investing assets	**138,618**	210,964	**530,877**	627,666
Total income from Islamic financing and investing assets	**834,665**	803,346	**2,600,330**	2,371,767

16 Commissions, fees and foreign exchange income (unaudited)

	3 months ended 30 September		9 months ended 30 September	
	2011	2010	2011	2010
	AED'000	*AED'000*	*AED'000*	*AED'000*
Trade related commission and fees	**38,809**	40,630	**147,623**	136,788
Other commission and fees	**91,794**	95,421	**310,833**	281,593
Gains on unilateral promise to buy/sell currencies	**23,952**	7,184	**71,558**	77,711
Fair value changes of Islamic derivatives	**8,647**	685	**9,504**	2,183
Amortisation of cash flow hedging reserve	**—**	—	**8,964**	23,044
	163,202	143,920	**548,482**	521,319

17 Basic and diluted earnings per share (unaudited)

Basic and diluted earnings per share are calculated by dividing the profit for the period attributable to the equity holders of the parent by the weighted average number of shares outstanding during the period as follows:

	3 months ended 30 September		9 months ended 30 September	
	2011	2010	2011	2010
Profit for the period attributable to the equity holders of the Bank (AED'000)	**298,004**	269,583	**850,143**	770,947
Weighted average number of shares in issue throughout the period (000)	**3,797,054**	3,772,112	**3,797,054**	3,772,112
Basic and diluted earnings per share (AED)	**0.08**	0.07	**0.22**	0.20

The figures for basic and diluted earnings per share are the same as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

18 Related party transactions

The Bank enters into arms length transactions with Shareholders, directors, key management personnel and their related concerns in the ordinary course of business at commercial profit and commission rates. All facilities to related parties are performing facilities and are free of any provision for possible impairment.

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

The significant balances and transactions of related parties included in the condensed consolidated financial statements are as follows:

	Major shareholders	Directors and key management personnel	Associates	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
As at 30 September 2011 (unaudited)				
Islamic financing and investing assets	**612,167**	**35,901**	**399,000**	**1,047,068**
Customers' deposits	**4,903,656**	**24,128**	**58,709**	**4,986,493**
Contingent liabilities	**—**	**5**	**700**	**705**
For the period ended 30 September 2011 (unaudited)				
Income from financing and investing assets	**30,263**	**1,729**	**19,140**	**51,132**
Depositors' share of profits	**64,825**	**147**	**1,418**	**66,390**

	Major Shareholders	Directors and key management personnel	Associates	Total
	AED'000	*AED'000*	*AED'000*	*AED'000*
As at 31 December 2010 (audited)				
Islamic financing and investing assets	1,836,500	183,701	463,475	2,483,676
Customers' deposits	2,847,087	43,772	172,052	3,062,911
Contingent liabilities	—	303	700	1,003
For the period ended 30 September 2010 (unaudited)				
Income from financing and investing assets	42,593	7,823	9,705	60,121
Depositors' share of profits	36,331	970	—	37,301

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

	9 months ended 30 September (unaudited)	
	2011	2010
	AED'000	***AED'000***
Salaries and other benefits	**15,882**	23,092
End of service benefits	**1,785**	1,900

19 Cash and cash equivalents

	30 September (unaudited) 2011	2010
	AED'000	***AED'000***
Cash and balances with Central Banks	**17,817,441**	7,680,623
Due from banks and financial institutions	**1,538,520**	4,826,075
	19,355,961	12,506,698
Less: Balances and deposits with banks and financial institutions with original maturity over 3 months	**(10,526,721)**	—
	8,829,240	12,506,698

20 Segmental information

Operating segments are identified on the basis of internal reports about the components of the Bank that are regularly reviewed by the Bank's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For operating purposes, the Bank is organised into five major business segments as follows:

i)	Retail and business banking:	Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahats, ijarah, credit card and funds transfer facilities and trade finance facilities.
ii)	Corporate and investment banking:	Principally handling financing and other credit facilities and deposit and current accounts for corporate and institutional customers and investment banking services.
iii)	Real estate:	Property development and other real estate investments.
iv)	Treasury:	Principally responsible for managing bank's overall liquidity and market risk and provides treasury services to customers. Treasury also run its own Islamic debt and specialise financial instruments book to manage the above risks.
v)	Others:	Functions other than above core lines of businesses.

Transactions between segments are conducted at estimated profit rates which approximate to market rates on an arm's length basis.

Primary segment information—business segments

The following table presents income and profit information regarding the Bank's business segments:

	Retail and business Banking		Wholesale banking		Real estate		Treasury		Others		Total	
	30 September (unaudited)		30 September (unaudited)		30 September (unaudited)		30 September (unaudited)		30 September (unaudited)		30 September (unaudited)	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Net operating revenue	**1,459,013**	1,183,266	**940,096**	777,323	**(214,374)**	(245,078)	**339,805**	288,083	**162,867**	321,959	**2,687,407**	2,325,553
Share of profit/(loss) of associates	**—**	—	**22,802**	(31,585)	**(9,172)**	(70,765)	**—**	—	**—**	—	**13,630**	(102,350)
Operating expenses	**(790,890)**	(619,670)	**(183,310)**	(270,609)	**(26,328)**	(25,349)	**(15,832)**	(16,560)	**(77,999)**	(71,384)	**(1,094,359)**	(1,003,572)
Provision for impairment	**(223,851)**	(111,077)	**(487,846)**	(325,468)	**—**	—	**—**	—	**(6,566)**	(7,391)	**(718,263)**	(443,936)
Profit for the period before tax	**444,272**	452,519	**291,742**	149,661	**(249,874)**	(341,192)	**323,973**	271,523	**78,302**	243,184	**888,415**	775,695
Income tax											**(6,168)**	(2,865)
Profit for the period											**882,247**	772,830

The following is an analysis of the Bank's assets and liabilities by the Bank's business segment:

	Retail and business banking		Wholesale Banking		Real estate		Treasury		Others		Total	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010
	(unaudited) AED'000	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*
Segment assets	**23,825,911**	23,718,232	**33,020,634**	37,999,806	**4,792,948**	4,748,006	**12,008,704**	9,598,156	**19,820,660**	14,073,571	**93,468,857**	90,137,771
Segment liabilities and equity	**47,499,646**	46,862,730	**24,677,698**	21,079,548	**981,516**	547,096	**7,713,883**	8,925,308	**12,596,114**	12,723,089	**93,468,857**	90,137,771
Capital expenditure	**10,764**	27,991	**10,764**	27,991	**—**	—	**7,176**	18,661	**7,177**	18,660	**35,881**	93,303

Secondary segment information—geographical segments

Although the management of the Bank is based primarily on business segments, the Bank operates in two geographic markets: U.A.E. which is designated as domestic and outside the U.A.E. which is designated as international. The following table shows the distribution of the Bank's operating income by geographical segment for the period ended 30 September 2011 and 2010 (unaudited).

	30 September (unaudited)					
	Domestic		International		Total	
	2011	2010	2011	2010	2011	2010
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Gross income	**3,477,597**	3,120,561	**300,587**	153,822	**3,778,184**	3,274,383

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

	Domestic		International		Total	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010
	(unaudited) AED'000	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*	*(unaudited) AED'000*	*(audited) AED'000*
Total assets	**87,633,578**	84,110,228	**5,835,279**	6,027,543	**93,468,857**	90,137,771
Total liabilities and equity	**88,313,782**	84,757,343	**5,155,075**	5,380,428	**93,468,857**	90,137,771
Capital expenditure	**27,395**	78,869	**8,486**	14,434	**35,881**	93,303

21 Capital adequacy as per BASEL II guidelines

	30 September 2011	31 December 2010
	(unaudited) AED'000	*(audited) AED'000*
Tier 1 Capital		
Share capital	**3,797,054**	3,797,054
Statutory reserves	**2,731,879**	2,731,879
Donated land reserve	**276,139**	276,139
General reserves	**2,350,000**	2,350,000
Retained earnings	**756,661**	368,723
Non-controlling interest	**958,543**	942,434
	10,870,276	10,466,229
Less:		
Goodwill and intangibles	**(17,258)**	(17,258)
Cumulative deferred exchange losses	**(80,222)**	(79,279)
	10,772,796	10,369,692
Tier 2 Capital		
Hedging reserves	**770**	4,795
Investments fair value reserve	**(808,237)**	(243,166)
Collective impairment	**797,127**	764,689
Medium term wakala finance	**3,752,543**	3,752,543
Deductions for associates	**(569,014)**	(551,053)
Others	**(46,433)**	(45,897)
	3,126,756	3,681,911
Total capital base	**13,899,552**	14,051,603
Risk weighted assets		
Credit risk	**72,272,128**	73,395,388
Market risk	**1,689,569**	1,986,235
Operational risk	**3,772,256**	3,772,256
Total risk weighted assets	**77,733,953**	79,153,879
Capital Ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**17.9%**	17.8%
Tier 1 capital to total risk weighted assets after deductions for associates and others	**13.5%**	12.7%

The capital adequacy ratio was above the minimum requirement of 12% stipulated by U.A.E. Central Bank as at 30 September 2011 (31 December 2010: 12%).

22 Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of income for the nine months period ended 30 September 2011 and 2010.

23 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 October 2011.

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