Dubai Islamic Bank P.J.S.C.

Review report and condensed consolidated interim financial information

for the nine-month period ended 30 September 2019

Dubai Islamic Bank P.J.S.C.

Review report and condensed consolidated interim financial information (Unaudited)
for the nine-month period ended 30 September 2019

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Dubai Islamic Bank PJSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Dubai Islamic Bank PJSC** (the "Bank") **and its subsidiaries** (collectively referred as the "Group"), as at 30 September 2019, and the related condensed consolidated statement of profit or loss, statements comprehensive income, statement of changes in equity and statement of cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 condensed consolidated interim financial information is not prepared, in all material respects in accordance with IAS 34.

Other Matter

The consolidated statement of financial position as at 31 December 2018 was audited by another auditor who expressed an unmodified opinion on 30 January 2019. The condensed consolidated interim financial information for the period ended 30 September 2018 were reviewed by another auditor who expressed an unmodified conclusion on those information on 10 October 2018.

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No. 872
Dubai
United Arab Emirates
15 October 2019

Dubai Islamic Bank P.J.S.C.

Condensed consolidated interim statement of financial position
as at 30 September 2019

	Note	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
ASSETS			
Cash and balances with central banks	*5*	**20,073,250**	22,545,526
Due from banks and financial institutions	*6*	**4,225,777**	8,297,032
Islamic financing and investing assets, net	*7*	**151,691,200**	144,738,585
Investments in Islamic sukuk measured at amortised cost	*8*	**34,062,122**	31,178,525
Other investments measured at fair value	*9*	**1,459,149**	1,687,824
Investments in associates and joint ventures		**1,959,372**	1,928,629
Properties held for development and sale		**1,320,017**	1,448,975
Investment properties	*10*	**5,053,533**	4,495,054
Receivables and other assets	*11*	**8,570,040**	6,047,770
Property and equipment		**1,548,264**	1,314,239
Total assets		**229,962,724**	223,682,159
LIABILITIES AND EQUITY			
LIABILITIES			
Customers' deposits	*12*	**162,950,908**	155,657,316
Due to banks and financial institutions		**12,179,928**	13,203,228
Sukuk issued	*13*	**12,355,464**	12,370,968
Payables and other liabilities		**8,246,554**	8,323,903
Total liabilities		**195,732,854**	189,555,415
EQUITY			
Share capital	*14*	**6,589,585**	6,589,585
Tier 1 sukuk	*15*	**6,427,750**	7,346,000
Other reserves and treasury shares	*16*	**10,972,963**	10,860,963
Investments fair value reserve		**(990,545)**	(850,362)
Exchange translation reserve		**(1,102,715)**	(1,051,515)
Retained earnings		**9,628,778**	8,568,606
Equity attributable to owners of the Bank		**31,525,816**	31,463,277
Non-controlling interests		**2,704,054**	2,663,467
Total equity		**34,229,870**	34,126,744
Total liabilities and equity		**229,962,724**	223,682,159

H.E. Mohammad Ibrahim Al Shaibani
Chairman

Abdulla Ali Al Hamli
Managing Director

Dr. Adnan Chilwan
Group Chief Executive Officer

The notes on pages 8 to 36 form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of profit or loss (Unaudited)
for the nine-month period ended 30 September 2019

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
NET INCOME					
Income from Islamic financing and investing transactions		**2,686,839**	2,479,220	**8,100,165**	6,893,905
Commissions, fees and foreign exchange income		**336,034**	330,676	**1,105,673**	1,112,040
Income from other investments measured at fair value, net		**3,157**	574	**65,669**	29,874
Income from properties held for development and sale, net		**44,275**	23,940	**91,837**	97,575
Income from investment properties		**20,825**	19,119	**277,883**	63,014
Share of profit from associates and joint ventures		**(1,315)**	11,578	**65,996**	117,137
Other income		**178,591**	90,003	**542,734**	218,364
Total income		**3,268,406**	2,955,110	**10,249,957**	8,531,909
Less: depositors' and sukuk holders' share of profit		**(1,090,885)**	(936,418)	**(3,373,209)**	(2,476,751)
Net income		**2,177,521**	2,018,692	**6,876,748**	6,055,158
OPERATING EXPENSES					
Personnel expenses		**(396,131)**	(398,144)	**(1,202,006)**	(1,201,100)
General and administrative expenses		**(143,843)**	(134,248)	**(476,192)**	(440,210)
Depreciation of investment properties		**(8,983)**	(7,379)	**(27,812)**	(26,827)
Depreciation of property and equipment		**(21,549)**	(27,123)	**(65,266)**	(85,882)
Total operating expenses		**(570,506)**	(566,894)	**(1,771,276)**	(1,754,019)
Net operating income before impairment charges		**1,607,015**	1,451,798	**5,105,472**	4,301,139
Impairment charges, net	*18*	**(331,546)**	(177,909)	**(1,056,277)**	(569,716)
Profit for the period before income tax expense		**1,275,469**	1,273,889	**4,049,195**	3,731,423
Income tax expense		**(13,674)**	(13,131)	**(34,434)**	(30,136)
Net profit for the period		**1,261,795**	1,260,758	**4,014,761**	3,701,287
Attributable to:					
Owners of the Bank		**1,247,569**	1,234,487	**3,966,688**	3,619,101
Non-controlling interests		**14,226**	26,271	**48,073**	82,186
Net profit for the period		**1,261,795**	1,260,758	**4,014,761**	3,701,287
Basic and diluted earnings per share (AED per share)	*19*	**0.16**	0.15	**0.53**	0.53

The notes on pages 8 to 36 form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income (Unaudited)

for the nine-month period ended 30 September 2019

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019	2018	**2019**	2018
	AED'000	AED'000	***AED'000***	AED'000
Net profit for the period	**1,261,795**	1,260,758	**4,014,761**	3,701,287
Other comprehensive income / (loss) items				
Item that will not be reclassified subsequently to profit or loss:				
Fair value loss on other investments carried at FVTOCI, net	**(74,470)**	(107,536)	**(171,669)**	(176,349)
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations, net	**2,257**	(30,294)	**(51,200)**	(447,018)
Other comprehensive loss for the period	**(72,213)**	(137,830)	**(222,869)**	(623,367)
Total comprehensive income for the period	**1,189,582**	1,122,928	**3,791,892**	3,077,920
Attributable to:				
Owners of the Bank	**1,175,739**	1,097,713	**3,746,500**	2,996,926
Non-controlling interests	**13,843**	25,215	**45,392**	80,994
Total comprehensive income for the period	**1,189,582**	1,122,928	**3,791,892**	3,077,920

The notes on pages 8 to 36 form an integral part of these condensed consolidated interim financial information.

Dubai Islamic Bank P.J.S.C.

Condensed consolidated interim statement of changes in equity (Unaudited)

for the nine-month period ended 30 September 2019

	Equity attributable to owners of the Bank								
	Share capital AED'000	Tier 1 sukuk AED'000	Other reserves and treasury shares AED'000	Investments fair value reserve AED'000	Exchange translation reserve AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2018	4,942,189	7,346,000	7,785,557	(615,389)	(484,615)	6,964,089	25,937,831	2,942,687	28,880,518
Cumulative effect of adopting IFRS 9	-	-	(381,861)	-	-	(296,559)	(678,420)	(364,665)	(1,043,085)
Balance at 1 January 2018 - restated	4,942,189	7,346,000	7,403,696	(615,389)	(484,615)	6,667,530	25,259,411	2,578,022	27,837,433
Net profit for the period	-	-	-	-	-	3,619,101	3,619,101	82,186	3,701,287
Other comprehensive loss for the period	-	-	-	(175,157)	(447,018)	-	(622,175)	(1,192)	(623,367)
Total comprehensive income / (loss) for the period	-	-	-	(175,157)	(447,018)	3,619,101	2,996,926	80,994	3,077,920
Transaction with owners directly in equity:									
Dividend paid (note 25)	-	-	-	-	-	(2,219,403)	(2,219,403)	(2,723)	(2,222,126)
Zakat	-	-	-	-	-	-	-	(51)	(51)
Issue of right shares	1,647,396	-	3,465,406	-	-	(1,043)	5,111,759	-	5,111,759
Transfer on disposal of investments at FVTOCI	-	-	-	(88)	-	88	-	-	-
Tier 1 sukuk profit distribution	-	-	-	-	-	(477,490)	(477,490)	-	(477,490)
Regulatory credit risk reserve	-	-	(8,139)	-	-	8,139	-	-	-
Others	-	-	-	-	-	-	-	1,920	1,920
Board of Directors' remuneration						(501)	(501)		(501)
Balance at 30 September 2018	6,589,585	7,346,000	10,860,963	(790,634)	(931,633)	7,596,421	30,670,702	2,658,162	33,328,864
Balance at 1 January 2019	**6,589,585**	**7,346,000**	**10,860,963**	**(850,362)**	**(1,051,515)**	**8,568,606**	**31,463,277**	**2,663,467**	**34,126,744**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**3,966,688**	**3,966,688**	**48,073**	**4,014,761**
Other comprehensive loss for the period	**-**	**-**	**-**	**(168,988)**	**(51,200)**	**-**	**(220,188)**	**(2,681)**	**(222,869)**
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(168,988)**	**(51,200)**	**3,966,688**	**3,746,500**	**45,392**	**3,791,892**
Transaction with owners directly in equity:									
Dividend (note 25)	**-**	**-**	**-**	**-**	**-**	**(2,301,583)**	**(2,301,583)**	**(1,327)**	**(2,302,910)**
Zakat	**-**	**-**	**-**	**-**	**-**	**(5,015)**	**(5,015)**	**(3,478)**	**(8,493)**
Tier 1 Sukuk issuance	**-**	**2,754,750**	**-**	**-**	**-**	**-**	**2,754,750**	**-**	**2,754,750**
Tier 1 Sukuk redemption	**-**	**(3,673,000)**	**-**	**-**	**-**	**-**	**(3,673,000)**	**-**	**(3,673,000)**
Tier 1 sukuk profit distribution	**-**	**-**	**-**	**-**	**-**	**(448,795)**	**(448,795)**	**-**	**(448,795)**
Tier 1 Sukuk issuance cost	**-**	**-**	**-**	**-**	**-**	**(10,318)**	**(10,318)**	**-**	**(10,318)**
Regulatory credit risk reserve (note 7.3)	**-**	**-**	**112,000**	**-**	**-**	**(112,000)**	**-**	**-**	**-**
Transfer on disposal of investments at FVTOCI	**-**	**-**	**-**	**28,805**	**-**	**(28,805)**	**-**	**-**	**-**
Balance at 30 September 2019	**6,589,585**	**6,427,750**	**10,972,963**	**(990,545)**	**(1,102,715)**	**9,628,778**	**31,525,816**	**2,704,054**	**34,229,870**

The notes on pages 8 to 36 form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (Unaudited)

for the nine-month period ended 30 September 2019

	Nine-month period ended 30 September	
	2019	2018
	AED'000	AED'000
Operating activities		
Profit for the period before income tax expense	**4,049,195**	3,731,423
Adjustments for:		
Share of profit of associates and joint ventures	**(65,996)**	(117,137)
Income from properties	**(306,452)**	(97,575)
Dividend income	**(65,760)**	(29,979)
Loss on disposal of investment property	**-**	678
Loss / (gain) on disposal of other investments	**110**	223
Revaluation of investments at fair value through profit or loss	**9**	(67)
Gain on sale of investments in Islamic sukuks	**(101,807)**	(21,154)
Depreciation of property and equipment	**65,266**	85,882
Gain on disposal of property and equipment	**(172)**	(55)
Depreciation of investment properties	**27,812**	26,827
Provision for employees' end-of-services benefit	**36,973**	18,418
Amortization of sukuk discount	**2,359**	2,062
Impairment charge for the period, net	**1,056,277**	569,716
Operating cash flow before changes in operating assets and liabilities	**4,697,814**	4,169,262
Decrease in deposits and international murabahas with over three months maturity	**57,056**	-
Increase in Islamic financing and investing assets	**(8,460,527)**	(10,894,297)
Increase in receivables and other assets	**(2,608,326)**	(242,559)
Increase in customers' deposits	**7,871,602**	14,055,510
(Decrease) / increase in due to banks and other financial institutions	**(1,621,436)**	1,009,005
Decrease in payables and other liabilities	**(74,788)**	(491,385)
Cash (used in) / generated from operations	**(138,605)**	7,605,536
Employees' end-of-services benefit paid	**(12,424)**	(12,552)
Tax paid	**(42,245)**	(36,984)
Net cash (used in) / generated from operating activities	**(193,274)**	7,556,000
Investing activities		
Net movement in investments in Islamic sukuk measured at amortised cost	**(2,927,746)**	(6,666,616)
Additions to investment properties	**(305,414)**	(451,264)
Proceeds from sale of investment properties	**-**	27,004
Purchase of property and equipment, net	**(313,046)**	(222,256)
Purchase of properties held for development and sale	**(148,678)**	(283,603)
Proceeds from disposal of properties held for development and sale	**381,629**	386,690
Net movement in other investments measured at fair value	**57,494**	43,131
Dividend received	**65,760**	29,979
Proceeds from disposal of property and equipment	**8,211**	-
Net movement in investments in associates and joint ventures	**7,181**	(58,839)
Net cash used in investing activities	**(3,174,609)**	(7,195,774)

The notes on pages 8 to 36 form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (Unaudited) (continued)

for the nine-month period ended 30 September 2019

	Nine-month period ended 30 September	
	2019	2018
	AED'000	AED'000
Financing activities		
Dividend paid	**(2,302,910)**	(2,222,126)
Tier 1 sukuk issuance	**2,754,750**	-
Tier 1 sukuk redemption	**(3,673,000)**	-
Tier 1 sukuk profit distribution	**(448,795)**	(477,490)
Issuance of sukuk	**-**	3,657,867
Proceeds from issuance of right shares, net	**-**	5,112,802
Tier 1 sukuk issuance cost	**(10,318)**	-
Share issuance cost	**-**	(1,043)
Net cash (used in) / generated from financing activities	**(3,680,273)**	6,070,010
Net (decrease) / increase in cash and cash equivalents	**(7,048,156)**	6,430,236
Cash and cash equivalents at the beginning of the period	**23,887,300**	21,728,434
Effect of exchange rate changes on the balance of cash held in foreign currencies	**(36,455)**	(14,057)
Cash and cash equivalents at the end of the period (note 20)	**16,802,689**	28,144,613

The notes on pages 8 to 36 form an integral part of these condensed consolidated interim financial information.

1. General information

Dubai Islamic Bank (Public Joint Stock Company) ("the Bank") was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia'a principles. It was subsequently registered under the Commercial Companies Law number 8 of 1984 (as amended) as a Public Joint Stock Company. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984.

This condensed consolidated interim financial information combine the activities of the Bank and its subsidiaries as disclosed in Note 27 to these condensed consolidated interim financial information (together referred to as the "Group").

The Bank is listed on the Dubai Financial Market (Ticker: "DIB").

The Group is primarily engaged in corporate, retail and investment banking activities and carries out its operations through its local branches and overseas subsidiaries. The principal activities of the Group entities are described in note 27(a) to these condensed consolidated interim financial statements.

The registered head office of the Bank is at P.O. Box 1080, Dubai, United Arab Emirates ("U.A.E.").

2. Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 New and revised IFRS applied with no material effect on the condensed consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements. The application of these revised IFRS 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.

The Group has adopted IFRS 16 'Leases', issued in January 2016, with the date of initial application of 1 January 2019. IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

- The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

- The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

- The Group has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

The Group has applied IFRS 16 by a modified retrospective approach due to which the comparative information is not restated.

- Annual Improvements to IFRS Standards 2015 - 2017 Cycle amending IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

- IFRIC 23 Uncertainty over Income Tax Treatments – The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.1 New and revised IFRS applied with no material effect on the condensed consolidated financial statements (continued)

- Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- Amendments to IAS 19 Employee Benefits regarding plan amendments, curtailments or settlements.

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

2.2 New and revised IFRSs in issue but not yet effective

New and revised IFRS	Effective for annual periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* regarding the definition of material.	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2022
IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2022.	

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Bank in the period of initial application.

3. Basis of preparation

3.1 Statement of compliance

These condensed consolidated interim financial information are prepared in accordance with International Accounting Standard 34. "*Interim Financial Reporting*" issued by the International Accounting Standards Board and applicable requirements of the laws of the U.A.E. UAE Federal Law No 2 of 2015 ("UAE Companies Law of 2015") and the Decretal Federal Law No. (14) of 2018.

These condensed consolidated interim financial information do not include all the information required for a complete set of IFRS consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual audited consolidated financial statements as at and for the year ended 31 December 2018.

3.2 Judgments and estimates

The preparation of these condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, equity, income and expense. Actual amount may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimates uncertainty were the same as those which were applied to the audited consolidated financial statements as at and for the year ended 31 December 2018.

4. Significant accounting policies

The accounting policies used in the preparation of these condensed consolidated financial information are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2018.

Summary of significant accounting policies applied in the preparation of these condensed consolidated interim financial information are as follows:

4.1 Classification and measurement of financial instruments

4.1.1 Recognition and initial measurement

Financial assets and liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

4. Significant accounting policies (continued)

4.1 Classification and measurement of financial instruments (continued)

4.1.2 Classification of financial assets

Balances with central banks, due from banks and financial institutions, Islamic financing and investing assets, investments in Islamic sukuk and certain items in receivables and other assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss on initial recognition):

- 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.

All other financial assets are subsequently measured at fair value.

4.1.3 Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The expected frequency, value and timing of sales are also important aspects of the Bank’s assessment.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank’s original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchases financial assets going forward.

Financial assets that are held for sale or managed and whose performance is evaluated on a fair value basis are measured at FVTOCI because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

4.1.4 Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic financing arrangement. Contractual cash flows are consistent with a basic financing arrangement if they represent cash flows that are solely payments of principal and profit on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs (e.g. liquidity risk and administrative costs), as well as profit rate margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

4. Significant accounting policies (continued)

4.2 Impairment

Financial assets that are measured at amortised cost are assessed for impairment at each reporting date.

The Bank applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are measured at amortised cost:

- Islamic financing and investing assets and investment in Islamic sukuks;
- Off-balance sheet instruments issued;
- Financial guarantee contracts issued;
- Due from banks and financial institutions;
- Balances with Central Banks; and
- Other financial assets.

Financial assets migrate through three stages based on the change in credit risk since initial recognition.

No impairment loss is recognised on equity investments.

Excepted credit loss impairment model

The Expected Credit Loss (ECL) model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded. The 12 months ECL is calculated as the portion of life time ECL that represents the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12 month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective profit rate.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. The PD and LGD are estimated over the lifetime of the instrument and the expected cash shortfalls are discounted by an approximation to the original effective profit rate.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets, with the PD set at 100%.

When estimating ECL for undrawn commitments, the Bank estimates the expected portion of the commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financing is drawn down. The expected cash shortfalls are discounted at an approximation to the expected effective profit rate on the financing.

The Bank’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted rate relevant to the exposure.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

4. Significant accounting policies (continued)

4.2 Impairment (continued)

Measurement of ECL

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective profit rate. A cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive. IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank has developed methodologies and models taking into account the relative size, quality and complexity of the portfolios.

These parameters are generally derived from internally developed statistical models and other historical data and are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

- The probability of default (PD) is an estimate of the likelihood of default over a given time horizon;
- The exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date; and
- The loss given default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Macroeconomic factors, forward looking information and multiple scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted financing are expected to be recovered, including the probability that the financing will cure and the value of collateral or the amount that might be received for selling the asset.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- Average oil prices
- Non-oil Economic Composite Index (ECI) of UAE
- Economic composite index of UAE
- Real estate prices of Dubai and Abu Dhabi
- Dubai hotel room occupancy

Macroeconomic factors and forward looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

4. Significant accounting policies (continued)

4.2 Impairment (continued)

Assessment of significant increase in credit risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures.

The group of assets are moved from stage 1 to stage 2 if:

- the probability of default changes beyond the Bank's established threshold related to the initial recognition;
- an instrument is past due beyond 30 days; and
- an instrument's credit risk is considered higher based on qualitative criteria of the Bank.

The instruments moved to stage 2 from stage 1 remain in the stage until they perform for a sustained period as per Bank's policy. Movement from stage 2 to stage 3 are based on whether the financial assets are credit impaired at the reporting date.

Experienced credit judgement

The Bank's ECL allowance methodology requires the use of experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

When measuring ECL, the Bank considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options.

Default definition followed by the Bank for impairment assessment remains in line with the guidelines of IFRS 9, without any recourse to the assumptions, and consistent with regulatory requirements.

Expected life

When measuring expected credit loss, the Bank considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options.

Definition of default

The Bank considers a financial asset to be in default when:

- it is established that due to financial or non-financial reasons the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due 90 days or more on any material credit obligation to the Bank.

In assessing whether a borrower is in default, the Bank considers indicators that are:
- (i) qualitative - e.g. material breaches of covenant;
- (ii) quantitative - e.g. overdue status and non-payment on another obligation of the same customer / customer group to the banks; and
- (iii) based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financing exposure is in default and their significance may vary over time to reflect changes in circumstances.

4. Significant accounting policies (continued)

4.2 Impairment (continued)

Renegotiated financing facilities

The Bank sometimes makes concessions or modifications to the original terms of financing as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a financing forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants or that a customer may not be in a position to honour contractual commitments. Forbearance may involve extending the payment arrangements and the agreement of new financing conditions. Once the terms have been renegotiated, any impairment is measured using the original effective profit rate as calculated before the modification of terms. It is the Bank's policy to monitor forborne financing to help ensure that future payments continue to be likely to occur. Classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a financing, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the financing has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the financing to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The probation period of one year has passed from the date the forborne contract was considered performing; and
- Regular payments of more than an insignificant amount of principal or interest have been made during the probation period.

4.3 Other investments

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

Investments in sharia compliant equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets (other than equity instruments) that do not meet the amortised cost criteria are measured at FVTPL. In addition, financial assets (other than equity instruments) that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. Financial assets (other than equity instruments) may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any financial assets (other than equity instruments) as at FVTPL.

Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets (other than equity instruments) that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the condensed consolidated interim statement of profit or loss.

Dividend income on investments in equity instruments at FVTPL is recognised in the condensed consolidated interim statement of profit or loss when the Group's right to receive the dividends is established. Dividends on investment in equity instruments at FVOCI is recognised in condensed consolidated interim statement of profit or loss when the Group's right to receive the dividends is established unless the dividends clearly represent a recovery of part of the cost of the investment.

4. Significant accounting policies (continued)

4.3 Other investments (continued)

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

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in sharia compliant 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; or
- 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 an Islamic derivative that is not designated and effective as an Islamic hedging instrument or a financial guarantee.

FVTOCI assets 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. The cumulative gain or loss will not be reclassified to profit or loss on disposals.

4.4 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective profit rate method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantees issued by the Group, and commitments issued by the Group to provide a facility at below-market profit rate are measured in accordance with the specific accounting policies.

4.5 Investment properties

Investment properties are properties held to earn rentals and / or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost less accumulated depreciation and impairment loss. Depreciation on investment in buildings is charged on a straight-line basis over 40 years. These properties are financed by common pool of the bank.

Investment properties that are financed by Wakala deposits pool are carried at fair value which are linked directly to the fair value of, or returns from these investment properties. The Group has elected the fair value model for these investment properties. Fair value of the investment properties is determined on the basis of valuation undertaken periodically by an independent valuer who holds a recognised and relevant qualification and has recent experience in the location and category of the investment properties being valued. Gains and losses arising from changes in the fair value are recognised in the statement of profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the condensed consolidated interim statement of profit or loss in the period in which the property is derecognised.

Transfers to investment properties are made 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 from investment properties are made when, and only when, there is change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

4. Significant accounting policies (continued)

4.6 Investments in associates and joint ventures

The results and assets and liabilities of associates and joint ventures are incorporated in these condensed consolidated interim financial information using the equity method of accounting. Under the equity method, an investment in associates and joint ventures is initially recognised in the condensed consolidated interim statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates and joint ventures. When the Group's share of losses of associates and joint ventures exceeds the Group's interest in that associates and joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates and joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture.

When a Group's entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture is recognised in the Group' condensed consolidated interim financial information only to the extent of interests in the associate or joint venture that are not related to the Group.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of associates and joint ventures recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group'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 the condensed consolidated interim statement of profit or loss in the period in which the investment is acquired.

The requirements of International Financial Reporting Standards are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associate and joint venture.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate or a joint venture. The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associate.

Upon disposal of associates and joint ventures that results in the Group losing significant influence over that associates and joint ventures, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associates and joint ventures attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates and joint ventures. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associates and joint ventures on the same basis as would be required if that associates and joint ventures had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associates and joint ventures would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associates and joint ventures.

4.7 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2018.

4. Significant accounting policies (continued)

4.8 Investments in Islamic Sukuk

Investments in Islamic Sukuk are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Investments in Islamic Sukuk meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective yield basis less any impairment, with profit recognised on an effective yield basis in income from investments in Islamic Sukuk in the condensed consolidated interim statement of profit or loss.

5. Cash and balances with central banks

5.1 Analysis by category

	Note	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Cash on hand		**1,656,133**	1,666,732
Balances with the central banks:			
Balances and reserve requirements with central banks	*5.3*	**8,000,249**	7,864,674
International Murabaha with the Central Bank of the U.A.E.		**10,416,868**	13,014,120
Total		**20,073,250**	22,545,526

5.2 Analysis by geography

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Within the U.A.E.	**19,679,892**	22,071,987
Outside the U.A.E.	**393,358**	473,539
Total	**20,073,250**	22,545,526

5.3 Statutory cash reserve requirements

The reserve requirements are maintained with the Central Banks of the U.A.E., Pakistan and Kenya in the respective local currencies and US Dollar. These reserves are not available for use in the Group'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.

6. Due from banks and financial institutions

6.1 Analysis by geography

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Within the U.A.E.	**3,072,870**	7,009,965
Outside the U.A.E.	**1,152,907**	1,287,067
Total	**4,225,777**	8,297,032

7. Islamic financing and investing assets, net

7.1 Analysis by category

	Note	**Unaudited 30 September 2019 AED'000**	Audited 31 December 2018 AED'000
Islamic financing assets			
Vehicles murabahas		**8,925,332**	9,193,107
International murabahas - long term		**27,403,001**	23,925,516
Other murabahas		**4,741,787**	5,041,379
Total murabahas		**41,070,120**	38,160,002
Ijaras		**52,647,384**	52,905,289
Home finance ijarah		**13,979,407**	13,274,482
Personal finance		**18,640,401**	17,779,746
Istisna'a		**1,040,191**	1,187,724
Islamic credit cards		**1,425,011**	1,201,860
		128,802,514	124,509,103
Less: deferred income		**(3,739,307)**	(3,677,805)
Less: contractors' and consultants' istisna'a contracts		**(7,499)**	(8,430)
Total Islamic financing assets		**125,055,708**	120,822,868
Islamic investing assets			
Musharakas		**7,033,124**	7,806,122
Mudarabas		**12,159,129**	11,712,531
Wakalas		**13,426,464**	10,124,436
Total Islamic investing assets		**32,618,717**	29,643,089
Total Islamic financing and investing assets		**157,674,425**	150,465,957
Less: provisions for impairment	*7.3*	**(5,983,225)**	(5,727,372)
Total Islamic financing and investing assets, net		**151,691,200**	144,738,585

7. Islamic financing and investing assets, net (continued)

7.2 Carrying value of exposure by internal risk rating category and by stage

As at 30 September 2019 (Unaudited)

	Gross exposure (AED'000)				Expected credit loss (AED'000)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low	**44,577,294**	**-**	**-**	**44,577,294**	**6,944**	**-**	**-**	**6,944**
Moderate	**81,528,300**	**3,296,575**	**-**	**84,824,875**	**969,147**	**206,970**	**-**	**1,176,117**
Fair	**16,298,997**	**6,228,876**	**-**	**22,527,873**	**236,610**	**597,939**	**-**	**834,549**
Default	**-**	**-**	**5,744,383**	**5,744,383**	**-**	**-**	**3,965,615**	**3,965,615**
Total	**142,404,591**	**9,525,451**	**5,744,383**	**157,674,425**	**1,212,701**	**804,909**	**3,965,615**	**5,983,225**

As at 31 December 2018 (Audited)

	Gross exposure (AED'000)				Expected credit loss (AED'000)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low	43,505,321	-	-	43,505,321	7,338	-	-	7,338
Moderate	77,090,046	4,576,803	-	81,666,849	871,351	294,077	-	1,165,428
Fair	11,653,006	8,610,411	-	20,263,417	135,394	712,760	-	848,154
Default	-	-	5,030,370	5,030,370	-	-	3,706,452	3,706,452
Total	132,248,373	13,187,214	5,030,370	150,465,957	1,014,083	1,006,837	3,706,452	5,727,372

7. Islamic financing and investing assets, net (continued)

7.3 Provision for impairment

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Balance at the beginning of the period / year	**5,727,372**	5,732,668
Cumulative effect of adopting IFRS 9	**-**	265,361
Balance at the beginning of the period / year (restated)	**5,727,372**	5,998,029
Impairment charge during the period / year	**1,281,869**	1,789,383
Recoveries during the period / year	**(322,072)**	(869,492)
Write off	**(699,006)**	(1,165,634)
Exchange and other adjustments	**(4,938)**	(24,914)
Balance at the end of the period / year	**5,983,225**	5,727,372

Regulatory Credit Risk Reserve

In accordance with Guidance Note to Banks for the Implementation of IFRS 9, issued by Central Bank of UAE (CBUAE), in case where provision for impairment required under CBUAE guidance exceed provisions for impairment raised in IFRS 9, the excess amount is required to be transferred to a non-distributable regulatory credit risk reserve.

Accordingly an amount of AED 112 million, has been transferred from retained earnings to regulatory credit risk reserve, as regulatory general provision requirement of 1.5% of credit risk weighted assets exceeds aggregate expected credit losses of stage 1 and stage 2 of amortised cost assets.

7.4 Analysis by geography

	Note	**Unaudited 30 September 2019 AED'000**	Audited 31 December 2018 AED'000
Within the U.A.E.		**148,612,770**	142,265,863
Outside the U.A.E.		**9,061,655**	8,200,094
Total Islamic financing and investing assets		**157,674,425**	150,465,957
Less: provisions for impairment	*7.3*	**(5,983,225)**	(5,727,372)
Total Islamic financing and investing assets, net		**151,691,200**	144,738,585

8. Investments in Islamic sukuk measured at amortised cost

8.1 Analysis by geography

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Within the U.A.E.	**15,156,324**	14,593,400
Other G.C.C. Countries	**6,475,759**	6,249,685
Rest of the world	**12,530,150**	10,425,237
	34,162,233	31,268,322
Less: provision for impairment	**(100,111)**	(89,797)
Total	**34,062,122**	31,178,525

Investments in Islamic sukuk measured at amortised cost within the U.A.E. include investments in bilateral governmental sukuk amounting to AED 3.2 billion as at 30 September 2019 (31 December 2018: AED 3.2 billion).

All Sukuks are classified at stage 1 at 30 September 2019. The expected credit loss against these balances is AED 100.1 million (2018: AED 89.7 million).

9. Other investments measured at fair value

9.1 Analysis by category and geography

30 September 2019 (Unaudited)	**Within the U.A.E. AED'000**	**Other G.C.C. countries AED'000**	**Rest of the world AED'000**	**Total AED'000**
Investments measured at fair value through profit or loss				
Quoted equity instruments	**184**	**-**	**-**	**184**
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	**493,603**	**99,419**	**848**	**593,870**
Unquoted equity instruments and funds	**640,840**	**33,327**	**190,928**	**865,095**
	1,134,443	**132,746**	**191,776**	**1,458,965**
Total	**1,134,627**	**132,746**	**191,776**	**1,459,149**

31 December 2018 (Audited)	**Within the U.A.E. AED'000**	**Other G.C.C. countries AED'000**	**Rest of the world AED'000**	**Total AED'000**
Investments measured at fair value through profit or loss				
Quoted equity instruments	-	-	-	-
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	598,516	118,058	1,133	717,707
Unquoted equity instruments and funds	685,243	51,342	233,532	970,117
	1,283,759	169,400	234,665	1,687,824
Total	1,283,759	169,400	234,665	1,687,824

10. Investment properties

10.1 Analysis by category and geography

30 September 2019 (Unaudited)	Other real estate AED'000	Investment properties under construction AED'000	Land AED'000	Total AED'000
Carrying Amount:				
Within the U.A.E.	**1,177,158**	**2,291,025**	**1,386,743**	**4,854,926**
Outside the U.A.E.	**146,876**	**-**	**51,731**	**198,607**
Total	**1,324,034**	**2,291,025**	**1,438,474**	**5,053,533**
31 December 2018 (Audited)				
Carrying Amount:				
Within the U.A.E.	1,043,399	2,129,286	1,124,706	4,297,391
Outside the U.A.E.	145,119	-	52,544	197,663
Total	1,188,518	2,129,286	1,177,250	4,495,054

Investment properties are generally financed by the common pool of the bank except certain investment properties amounting to AED 285.9 million (2018: AED Nil) which are financed by Wakala pool. Accordingly these investment properties are carried at fair value which is determined using unobservable market inputs (i.e., level 3).

11. Receivables and other assets

As at 30 September 2019, other receivables include AED 1,364 million (2018: AED 1,364 million) and AED 683 million (2018: AED 646 million) at Stage 2 and Stage 3 respectively.

12. Customers' deposits

12.1 Analysis by category

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Current accounts	**28,473,426**	33,323,139
Saving accounts	**21,831,316**	20,023,434
Investment deposits	**112,207,224**	101,796,429
Margin accounts	**328,012**	401,255
Depositors' investment risk reserve	**14,441**	9,640
Depositors' share of profit payable	**96,489**	103,419
Total	**162,950,908**	155,657,316

13. Sukuk issued

The analysis of the Sukuk instruments issued by the Group is as follows:

	Expected annual profit rate	Maturity	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Sukuk issued by the Bank	2.92%	June 2020	**2,754,750**	2,754,750
Sukuk issued by the Bank	3.60%	March 2021	**1,836,500**	1,836,500
Sukuk issued by the Bank	3.66%	February 2022	**3,673,000**	3,673,000
Sukuk issued by the Bank	3.63%	February 2023	**3,662,857**	3,660,594
Sukuk issued by the Bank	3M Libor + 150 bps	December 2019	**257,082**	256,987
Sukuk issued by a subsidiary	6M Kibor + 50 bps	June 2027	**96,942**	106,135
Sukuk issued by a subsidiary	3M Kibor + 175 bps	December 2023	**74,333**	83,002
Total			**12,355,464**	12,370,968

14. Share capital

As at 30 September 2019, 6,589,585,179 authorised ordinary shares of AED 1 each (2018: 6,589,585,179 ordinary shares of AED 1 each) were fully issued and paid up.

15. Tier 1 sukuk

15.1 Analysis by issuance

SPV ("the Issuer")	Date of issuance	Discretionary profit rate	Callable period	Issuance amount Equivalent AED '000 (Unaudited) 30 September 2019	(Audited) 31 December 2018
DIB Tier 1 Sukuk Limited	March 2013	6.25% per annum paid semi-annually	On or after March 2019	**-**	3,673,000
DIB Tier 1 Sukuk (2) Limited	January 2015	6.75% per annum paid semi-annually	On or after January 2021	**3,673,000**	3,673,000
DIB Tier 1 Sukuk (3) Limited	January 2019	6.25% per annum paid semi-annually	On or after January 2025	**2,754,750**	-
				6,427,750	7,346,000

Tier 1 sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank, subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 sukuk are listed on the Irish Stock Exchange and Dubai Financial Market / Nasdaq Dubai and are callable by the Bank after the "First Call Date" or any profit payment date thereafter subject to certain redemption conditions.

The net proceeds of the Tier 1 sukuk are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted co-mingling basis, in general business activities carried out through the Mudaraba Common pool.

At the Issuer's sole discretion, it may elect not to make any Mudaraba profit distributions expected and the event is not considered an event of default. In such event, the Mudaraba profit will not be accumulated but forfeited to the issuer. If the Issuer makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on ordinary shares issued by the Bank, or (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire ordinary shares issued by the Bank.

16. Other reserves and treasury shares

16.1 Movements in other reserves and treasury shares

Movement of other reserves and treasury shares during the period / year ended 30 September 2019 and 31 December 2018 is as follows:

	Statutory reserve AED'000	General reserve AED'000	Regulatory credit risk reserve AED'000	Share premium AED'000	Treasury shares AED'000	Total AED'000
2019						
Balance at 1 January 2019	**8,542,279**	**2,350,000**	**-**	**-**	**(31,316)**	**10,860,963**
Transfer from retained earnings	**-**	**-**	**112,000**	**-**		**112,000**
Balance at 30 September 2019	**8,542,279**	**2,350,000**	**112,000**		**(31,316)**	**10,972,963**
2018						
Balance at 1 January 2018	5,066,273	2,350,000	390,000	-	(20,716)	7,785,557
Effect of IFRS 9 adoption	-	-	(381,861)	-	-	(381,861)
Balance at 1 January 2018 – restated	5,066,273	2,350,000	8,139	-	(20,716)	7,403,696
Right shares issuance	-	-	-	3,476,006	(10,600)	3,465,406
Transfer to statutory reserve	3,476,006	-	-	(3,476,006)	-	-
Transfer to retained earnings	-	-	(8,139)	-	-	(8,139)
Balance at 31 December 2018	8,542,279	2,350,000	-	-	(31,316)	10,860,963

As of 30 September 2019, other reserves and treasury shares balance includes 13.6 million treasury shares (2018: 13.6 million treasury shares) amounting to AED 31.3 million (2018: AED 31.3 million).

17. Contingent liabilities and commitments

The analysis of contingent liabilities and commitments as at 30 September 2019 and 31 December 2018 is as follows:

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Contingent liabilities and commitments:		
Letters of guarantee	**13,538,425**	13,580,728
Letters of credit	**1,524,377**	1,851,911
Irrevocable undrawn facilities commitments	**18,542,536**	17,818,629
Total contingent liabilities and commitments	**33,605,338**	33,251,268
Other commitments:		
Capital expenditure commitments	**598,826**	867,525
Total other commitments	**598,826**	867,525
Total contingent liabilities and commitments	**34,204,164**	34,118,793

18. Impairment charges, net

Impairment charges include net impairment charge on Islamic financing and investing assets amounting to AED 960.1 million (refer note 7.3) (30 September 2018: AED 659.4 million) and net charge on other financial assets amounting to AED 92.0 million (30 September 2018: AED 10.3 million) and net charge on non-financial assets amounting to AED 4.2 million (30 September 2018: net release of AED 100.0 million).

19. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the period attributable to owners of the Bank, net of directors' remuneration and profit attributable to Tier 1 sukukholders by the weighted average number of shares outstanding during the period as follows:

	Three-month period ended 30 September		**Nine-month period ended 30 September**	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
Profit for the period attributable to the owners of the Bank	**1,247,569**	1,234,487	**3,966,688**	3,619,101
Board of Directors' remuneration paid	**-**	-	**-**	(501)
Profit attributable to tier 1 sukukholders	**(210,050)**	(238,745)	**(448,795)**	(477,490)
	1,037,519	995,742	**3,517,893**	3,141,110
Weighted average number of shares outstanding during the period ('000)	**6,575,952**	6,575,952	**6,575,952**	5,963,694
Basic and diluted earnings per share (AED per share)	**0.16**	0.15	**0.53**	0.53

20. Cash and cash equivalents

	Unaudited 30 September 2019 AED'000	Unaudited 30 September 2018 AED'000
Cash and balances with central banks	**20,073,250**	25,047,595
Due from banks and financial institutions	**4,225,777**	7,333,098
Due to banks and financial institutions	**(12,179,928)**	(9,288,873)
	12,119,099	23,091,820
Less: balances and deposits with banks and financial institutions with original maturity over three months	**(71,319)**	(199,694)
Add: Due to banks and financial institutions over three months	**4,754,909**	5,252,487
Total	**16,802,689**	28,144,613

21. Segmental information

21.1 Reportable segments

Reportable segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's reportable segments are organised into below major segments as follows:

- Consumer banking:	Principally handling individual customers' deposits, providing consumer murabahas, salam, home finance, ijarah, credit cards and funds transfer facilities and trade finance facilities.
- Corporate banking:	Principally handling financing, other credit facilities, deposit, current accounts, cash management and risk management products for corporate and institutional customers.
- Treasury:	Principally responsible for managing the Bank's overall liquidity and market risk and provides treasury services to customers. Treasury also runs its own Islamic sukuk and specialises financial instruments book to manage the above risks.
- Real estate development:	Property development and other real estate investments by subsidiaries.
- Other:	Functions other than above core lines of businesses including investment banking services.

The accounting policies of the above reportable segments are the same as the Group's accounting policies.

21. Segmental information (continued)

21.2 Segment profitability

The following table presents summarised condensed consolidated interim statement of profit or loss related to Group's reportable segments:

	Consumer banking		Corporate banking		Treasury		Real estate development		Other		Total	
	Nine-month period ended 30 September		Nine-month period ended 30 September		Nine-month period ended 30 September		Nine-month period ended 30 September		Nine-month period ended 30 September		Nine-month period ended 30 September	
	2019 (Unaudited) AED'000	2018 (Unaudited) AED'000	**2019 (Unaudited) AED'000**	2018 (Unaudited) AED'000	**2019 (Unaudited) AED'000**	2018 (Unaudited) AED'000	**2019 (Unaudited) AED'000**	2018 (Unaudited) AED'000	**2019 (Unaudited) AED'000**	2018 (Unaudited) AED'000	**2019 (Unaudited) AED'000**	2018 (Unaudited) AED'000
Net operating revenue	**2,366,795**	2,431,640	**2,712,809**	2,332,743	**666,397**	500,915	**185,902**	217,300	**944,845**	572,560	**6,876,748**	6,055,158
Operating expenses	**(845,977)**	(876,188)	**(369,392)**	(374,255)	**(67,297)**	(57,172)	**(120,138)**	(117,972)	**(368,472)**	(328,432)	**(1,771,276)**	(1,754,019)
Net operating income	**1,520,818**	1,555,452	**2,343,417**	1,958,488	**599,100**	443,743	**65,764**	99,328	**576,373**	244,128	**5,105,472**	4,301,139
Impairment (charge) / reversal for the period, net	**(521,591)**	(657,492)	**(492,506)**	16,660	**(4,416)**	(30,005)	**(7,591)**	26,530	**(30,173)**	74,591	**(1,056,277)**	(569,716)
Profit for the period before income tax expense	**999,227**	897,960	**1,850,911**	1,975,148	**594,684**	413,738	**58,173**	125,858	**546,200**	318,719	**4,049,195**	3,731,423
Income tax expense											**(34,434)**	(30,136)
Profit for the period											**4,014,761**	3,701,287

21. Segmental information (continued)

21.3 Segment financial position

The following table presents assets and liabilities regarding the Group's reportable segments:

	Consumer banking		Corporate banking		Treasury		Real Estate Development		Other		Total	
	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000	**30 September 2019 (Unaudited) AED'000**	31 December 2018 (Audited) AED'000	**30 September 2019 (Unaudited) AED'000**	31 December 2018 (Audited) AED'000	**30 September 2019 (Unaudited) AED'000**	31 December 2018 (Audited) AED'000	**30 September 2019 (Unaudited) AED'000**	31 December 2018 (Audited) AED'000	**30 September 2019 (Unaudited) AED'000**	31 December 2018 (Audited) AED'000
Segment assets	**38,129,386**	36,577,206	**113,628,081**	107,308,095	**37,147,889**	33,636,724	**6,028,848**	5,836,167	**35,028,520**	40,323,967	**229,962,724**	223,682,159
Segment liabilities	**71,669,414**	68,866,623	**93,845,041**	89,828,168	**881,415**	828,067	**1,299,402**	1,306,539	**28,037,582**	28,726,018	**195,732,854**	189,555,415

22. Related party transactions

(a) The Group enters into transactions with shareholders, directors, key management personnel, their related concerns and the Group's associates and joint ventures in the ordinary course of business at terms agreed between both parties.

(b) As at 30 September 2019 and 31 December 2018, the major shareholder of the Bank is Investment Corporation of Dubai ("ICD"), a company in which the Government of Dubai is the majority shareholder.

(c) Balances and transactions between the Bank and its subsidiaries, which are related parties of the Group, have been fully eliminated upon consolidation and they are not disclosed in this note.

(d) The significant balances and transactions with related parties included in these condensed consolidated interim financial information are as follows:

	Major shareholders AED'000	Directors and key management personnel AED'000	Associates and joint ventures AED'000	Total AED'000
As at 30 September 2019 (Unaudited)				
Islamic financing and investing assets	**1,637,642**	**46,560**	**3,144**	**1,687,346**
Investment in sukuk	**558,019**	**-**	**-**	**558,019**
Customers' deposits	**2,674,151**	**205,411**	**7,721**	**2,887,283**
Contingent liabilities and commitments	**-**	**-**	**1,186**	**1,186**
As at 31 December 2018 (Audited)				
Islamic financing and investing assets	1,484,600	48,878	4,487	1,537,965
Investment in sukuk	1,498,303	-	-	1,498,303
Customers' deposits	4,262,887	131,988	15,499	4,410,374
Contingent liabilities and commitments	-	6	110	116
For the nine-month period ended 30 September 2019 (Unaudited)				
Income from Islamic financing transactions	**47,737**	**1,773**	**186**	**49,696**
Income from Islamic sukuk	**21,886**	**-**	**-**	**21,886**
Depositors' and sukuk holders' share of profits	**73,008**	**4,635**	**1**	**77,644**
For the nine-month period ended 30 September 2018 (Unaudited)				
Income from Islamic financing transactions	55,341	1,053	277	56,671
Income from Islamic sukuk	45,088	-	-	45,088
Depositors' and sukuk holders' share of profits	97,144	1,946	-	99,090

(e) No specific impairment allowances have been recognised against Islamic financing and investing assets extended to related parties or contingent liabilities and commitments issued in favour of the Group's related parties during the nine-month period ended 30 September 2019 (nine-month period ended 30 September 2018: Nil).

22. Related party transactions (continued)

(f) The compensation paid to / accrued for key management personnel of the Bank during the nine-month period ended 30 September 2019 and 2018 was as follows:

	Unaudited 30 September 2019 AED'000	Unaudited 30 September 2018 AED'000
Salaries and other benefits	**63,316**	57,466
End of service benefits	**1,439**	699
	=======	=======

23. Fair value of financial instruments

23.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The table below summarises the Group's financial instruments' fair value according to fair value hierarchy:

30 September 2019 (Unaudited)	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Investments measured at fair value through profit or loss				
Quoted equity instruments	**184**	**-**	**-**	**184**
Investments carried at fair value through other comprehensive income				
Quoted equity instruments	**593,870**	**-**	**-**	**593,870**
Unquoted equity instruments and funds	**-**	**-**	**865,095**	**865,095**
Other assets				
Islamic derivative assets	**-**	**919,709**	**-**	**919,709**
Total financial assets measured at fair value	**594,054**	**919,709**	**865,095**	**2,378,858**
	========	========	========	========
Other liabilities				
Islamic derivative and other liabilities	**-**	**412,782**	**808**	**413,590**
	========	========	========	========

23. Fair value of financial instruments (continued)

23.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

31 December 2018 (Audited)	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments measured at fair value through profit or loss				
Quoted equity instruments	-	-	-	-
Investments carried at fair value through other comprehensive income				
Quoted equity instruments	717,707	-	-	717,707
Unquoted equity instruments and funds	-	-	970,117	970,117
Other assets				
Islamic derivative assets	-	515,502	-	515,502
Total financial assets measured at fair value	717,707	515,502	970,117	2,203,326
Other liabilities				
Islamic derivative and other liabilities	-	452,464	204,935	657,399

There were no transfers between Level 1, 2 and 3 during the period ended 30 September 2019 and year ended 31 December 2018.

23.2 Reconciliation of Level 3 fair value measurement of financial assets measured at fair value through other comprehensive income

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Balance at 1 January	**970,117**	1,001,251
Losses in other comprehensive income	**(49,895)**	(38,889)
Added during the year	**-**	7,755
Settlements and other movements during the period / year	**(55,127)**	-
Balance at period end	**865,095**	970,117

24. Capital adequacy ratio

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Capital base		
Common Equity Tier 1	**24,956,896**	21,815,694
Additional Tier 1 capital	**6,427,750**	6,978,700
Tier 1 Capital	**31,384,646**	28,794,394
Tier 2 Capital	**2,165,032**	2,021,725
Total capital base	**33,549,678**	30,816,119
Risk weighted assets		
Credit risk	**173,202,538**	161,737,978
Market risk	**2,404,417**	1,520,866
Operational risk	**14,487,532**	13,266,610
Total risk weighted assets	**190,094,487**	176,525,454
Capital Ratios		
Common equity Tier 1 capital ratio	**13.1%**	12.4%
Tier 1 capital ratio	**16.5%**	16.3%
Total capital ratio	**17.6%**	17.5%

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

25. Dividend

At the Annual General Meeting of the shareholders held on 06 March 2019, the shareholders approved a cash dividend of AED 0.35 per outstanding share amounting to AED 2,301.6 million for the year ended 31 December 2018.

26. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated interim statement of profit or loss for the nine-month periods ended 30 September 2019 and 30 September 2018.

27. Subsidiaries

(a) The Group's material interest held directly or indirectly in the subsidiaries is as follows:

	Name of subsidiary	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
				30 September 2019	31 December 2018
1.	Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	**100.0%**	100.0%
2.	Tamweel P.S.C.	Financing	U.A.E	**92.0%**	92.0%
3.	DIB Bank Kenya Ltd.	Banking	Kenya	**100.0%**	100.0%
4.	Dubai Islamic Financial Services L.L.C.	Brokerage services	U.A.E.	**95.5%**	95.5%
5.	Deyaar Development P.J.S.C.	Real estate development	U.A.E	**44.9%**	44.9%
6.	Dar Al Sharia Islamic Finance 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.	Al Tatweer Al Hadith Real Estate	Real estate development	Egypt	**100.0%**	100.0%
9.	Al Tameer Modern Real Estate Investment	Real estate development	Egypt	**100.0%**	100.0%
10.	Al Tanmia Modern Real Estate Investment	Real estate development	Egypt	**100.0%**	100.0%
11.	Naseej Private Property Management Services	Property Management	U.A.E.	**99.0%**	99.0%
12.	Dubai Islamic Bank Printing Press L.L.C.	Printing	U.A.E.	**99.5%**	99.5%
13.	Al Islami Real Estate Investments Ltd.	Investments	U.A.E.	**100.0%**	100.0%
14.	Dubai Islamic Trading Center L.L.C	Trading in motor vehicles	U.A.E.	**100.0%**	100.0%
15.	Madinat Bader Properties Co. L.L.C	Real Estate Development	U.A.E	**100.0%**	100.0%

(b) In addition to the registered ownership described above, the remaining equity in the entities 4, 7, 11, and 12 are also beneficially held by the Bank through nominee arrangements.

27. Subsidiaries (continued)

(c) The following Special Purpose Vehicles ("SPV") were formed to manage specific transactions including funds, and are expected to be closed upon their completion.

	Name of SPV	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
				30 September 2019	31 December 2018
16.	HoldInvest Real Estate Sarl	Investments	Luxembourg	**100.0%**	100.0%
17.	France Invest Real Estate SAS	Investments	France	**100.0%**	100.0%
18.	SARL Barbanniers	Investments	France	**100.0%**	100.0%
19.	SCI le Sevine	Investments	France	**100.0%**	100.0%
20.	Findi Real Estate SAS	Investments	France	**100.0%**	100.0%
21.	PASR Einudzwanzigste Beteiligunsverwaltung GMBH	Investments	Austria	**100.0%**	100.0%
22.	Al Islami German Holding Co. GMBH	Investments	Germany	**100.0%**	100.0%
23.	Rhein Logistics GMBH	Investments	Germany	**100.0%**	100.0%
24.	Jef Holdings BV	Investments	Netherlands	**100.0%**	100.0%
25.	Al Islami Trade Finance FZ L.L.C.	Investments	U.A.E.	**100.0%**	100.0%
26.	Gulf Atlantic FZ L.L.C.	Investments	U.A.E.	**100.0%**	100.0%
27.	Al Islami Oceanic Shipping Co FZ L.L.C.	Investments	U.A.E.	**100.0%**	100.0%
28.	MESC Investment Company	Investments	Jordan	**40.0%**	40.0%
29.	Levant One Investment Limited	Investments	U.A.E.	**100.0%**	100.0%
30.	Petra Limited	Investments	Cayman Islands	**100.0%**	100.0%
31.	Sequia Investments L.L.C.	Investments	U.A.E.	**99.0%**	99.0%
32.	Blue Nile Investments L.L.C.	Investments	U.A.E.	**99.0%**	99.0%
33.	DIB FM Ltd	Investments	Cayman Islands	**100.0%**	100.0%
34.	Al Ameen	Investments	Cayman Islands	**100.0%**	100.0%

(d) In addition to the registered ownership described above, the remaining equity in the entities 31 and 32 are also beneficially held by the Bank through nominee arrangements.

28. Comparative information

Certain comparative amounts in condensed consolidated interim statement of profit or loss and notes to the condensed consolidated interim financial information have been adjusted to conform the current presentation.

29. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information were approved by the Board of Directors and authorized for issue on 15 October 2019.