

# **Dubai Islamic Bank P.J.S.C.**

**Review report and condensed consolidated  
interim financial information**

*for the six-month period ended 30 June 2020*

# Dubai Islamic Bank P.J.S.C.

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## **Review report and condensed consolidated interim financial information (Unaudited)** *for the six-month period ended 30 June 2020*

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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 interim statement of financial position of **Dubai Islamic Bank PJSC** (the “Bank”) and its subsidiaries (collectively referred as the “Group”), as at 30 June 2020, and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and fair presentation of this 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.

**Deloitte & Touche (M.E.)**



Musa Ramahi  
Registration No. 872  
Dubai  
United Arab Emirates  
22 July 2020

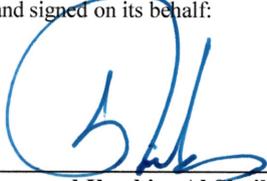
# Dubai Islamic Bank P.J.S.C.

## Condensed consolidated interim statement of financial position as at 30 June 2020

		(Unaudited) 30 June 2020 AED'000	(Audited) 31 December 2019 AED'000
<b>ASSETS</b>			
Cash and balances with central banks	5	27,525,750	21,268,495
Due from banks and financial institutions	6	8,002,809	6,248,173
Islamic financing and investing assets, net	7	200,298,149	150,913,428
Investments in Islamic sukuk	8	36,800,829	33,243,858
Other investments measured at fair value	9	1,586,880	1,266,235
Investments in associates and joint ventures		1,971,973	1,976,718
Properties held for development and sale		1,352,348	1,336,876
Investment properties	10	6,572,684	5,208,533
Receivables and other assets	11	9,004,328	8,742,983
Property and equipment		1,428,358	1,590,335
Intangible assets	29	253,102	-
<b>Total assets</b>		<b>294,797,210</b>	<b>231,795,634</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Customers' deposits	12	206,521,449	164,418,417
Due to banks and financial institutions	13	22,070,230	9,146,747
Sukuk issued	14	18,607,342	14,851,945
Payables and other liabilities		8,368,393	8,646,454
<b>Total liabilities</b>		<b>255,567,414</b>	<b>197,063,563</b>
<b>EQUITY</b>			
Share capital	15	7,240,744	6,589,585
Tier 1 sukuk	16	8,264,250	6,427,750
Other reserves and treasury shares	17	13,784,668	11,112,963
Investments fair value reserve		(1,281,263)	(1,174,698)
Exchange translation reserve		(1,211,576)	(1,094,745)
Retained earnings		9,707,130	10,131,960
<b>Equity attributable to owners of the Bank</b>		<b>36,503,953</b>	<b>31,992,815</b>
Non-controlling interests		2,725,843	2,739,256
<b>Total equity</b>		<b>39,229,796</b>	<b>34,732,071</b>
<b>Total liabilities and equity</b>		<b>294,797,210</b>	<b>231,795,634</b>

To the best of our knowledge, the condensed consolidated interim financial statements present fairly in all material respects the financial condition, financial performance and cash flows of the Group as of, and for, the periods presented therein.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on 22 July 2020 and signed on its behalf:

  
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 40 form an integral part of these condensed consolidated interim financial information.

# Dubai Islamic Bank P.J.S.C.

## Condensed consolidated interim statement of profit or loss (Unaudited) for the six-month period ended 30 June 2020

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
<b>NET INCOME</b>					
Income from Islamic financing and investing transactions		<b>2,619,671</b>	2,730,614	<b>5,536,598</b>	5,413,326
Commissions, fees and foreign exchange income		<b>459,853</b>	335,080	<b>873,287</b>	769,639
Income from other investments measured at fair value, net		<b>22,891</b>	42,518	<b>44,165</b>	62,512
Income from properties held for development and sale, net		<b>7,113</b>	21,050	<b>30,302</b>	47,562
Income from investment properties		<b>11,848</b>	239,532	<b>33,996</b>	257,058
Share of (loss)/profit from associates and joint ventures		<b>(806)</b>	53,611	<b>(1,058)</b>	67,311
Other income		<b>144,280</b>	152,229	<b>306,798</b>	364,143
<b>Total income</b>		<b>3,264,850</b>	3,574,634	<b>6,824,088</b>	6,981,551
Less: depositors' and sukuk holders' share of profit		<b>(972,595)</b>	(1,182,336)	<b>(2,100,777)</b>	(2,282,324)
<b>Net income</b>		<b>2,292,255</b>	2,392,298	<b>4,723,311</b>	4,699,227
<b>OPERATING EXPENSES</b>					
Personnel expenses		<b>(369,707)</b>	(401,470)	<b>(927,257)</b>	(805,875)
General and administrative expenses		<b>(212,675)</b>	(169,642)	<b>(447,209)</b>	(332,349)
Depreciation of investment properties		<b>(15,931)</b>	(9,661)	<b>(26,745)</b>	(18,829)
Depreciation of property and equipment		<b>(33,464)</b>	(20,758)	<b>(69,309)</b>	(43,717)
<b>Total operating expenses</b>		<b>(631,777)</b>	(601,531)	<b>(1,470,520)</b>	(1,200,770)
<b>Net operating income before impairment charges</b>		<b>1,660,478</b>	1,790,767	<b>3,252,791</b>	3,498,457
Impairment charges, net	19	<b>(636,716)</b>	(377,888)	<b>(2,119,627)</b>	(724,731)
Gain on bargain purchase	29	-	-	<b>1,014,654</b>	-
<b>Profit for the period before income tax expense</b>		<b>1,023,762</b>	1,412,879	<b>2,147,818</b>	2,773,726
Income tax expense		<b>(16,457)</b>	(15,200)	<b>(29,949)</b>	(20,760)
<b>Net profit for the period</b>		<b>1,007,305</b>	1,397,679	<b>2,117,869</b>	2,752,966
Attributable to:					
Owners of the Bank		<b>1,009,040</b>	1,382,825	<b>2,120,590</b>	2,719,119
Non-controlling interests		<b>(1,735)</b>	14,854	<b>(2,721)</b>	33,847
<b>Net profit for the period</b>		<b>1,007,305</b>	1,397,679	<b>2,117,869</b>	2,752,966
<b>Basic and diluted earnings per share (AED per share)</b>	20	<b>0.13</b>	0.21	<b>0.26</b>	0.38

The notes on pages 8 to 40 form an integral part of these condensed consolidated interim financial information.

# Dubai Islamic Bank P.J.S.C.

## Condensed consolidated interim statement of comprehensive income (Unaudited) for the six-month period ended 30 June 2020

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
<b>Net profit for the period</b>	<b>1,007,305</b>	1,397,679	<b>2,117,869</b>	2,752,966
<i>Other comprehensive income / (loss) items</i>				
<i>Item that will not be reclassified subsequently to profit or loss:</i>				
Fair value gain / (loss) on other investments carried at FVTOCI, net	<b>738</b>	(58,880)	<b>(63,084)</b>	(97,199)
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations, net	<b>34,161</b>	(58,820)	<b>(116,831)</b>	(53,457)
Fair value gain / (loss) on Sukuk investment	<b>27,584</b>	-	<b>(47,466)</b>	-
<b>Other comprehensive income / (loss) for the period</b>	<b>62,483</b>	(117,700)	<b>(227,381)</b>	(150,656)
<b>Total comprehensive income for the period</b>	<b>1,069,788</b>	1,279,979	<b>1,890,488</b>	2,602,310
Attributable to:				
Owners of the Bank	<b>1,072,347</b>	1,265,858	<b>1,897,194</b>	2,570,761
Non-controlling interests	<b>(2,559)</b>	14,121	<b>(6,706)</b>	31,549
<b>Total comprehensive income for the period</b>	<b>1,069,788</b>	1,279,979	<b>1,890,488</b>	2,602,310

The notes on pages 8 to 40 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 six-month period ended 30 June 2020

	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
<b>Balance at 1 January 2019</b>	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	-	-	-	-	-	2,719,119	2,719,119	33,847	2,752,966
Other comprehensive loss for the period	-	-	-	(94,901)	(53,457)	-	(148,358)	(2,298)	(150,656)
Total comprehensive (loss) / income for the period	-	-	-	(94,901)	(53,457)	2,719,119	2,570,761	31,549	2,602,310
Transaction with owners directly in equity:									
Dividend	-	-	-	-	-	(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	-	-	-	-	-	(238,745)	(238,745)	-	(238,745)
Tier 1 Sukuk issuance cost	-	-	-	-	-	(10,154)	(10,154)	-	(10,154)
Transfer on disposal of investments at FVTOCI	-	-	-	14,459	-	(14,459)	-	-	-
<b>Balance at 30 June 2019</b>	6,589,585	6,427,750	10,860,963	(930,804)	(1,104,972)	8,717,769	30,560,291	2,690,211	33,250,502
<b>Balance at 1 January 2020</b>	6,589,585	6,427,750	11,112,963	(1,174,698)	(1,094,745)	10,131,960	31,992,815	2,739,256	34,732,071
Net profit for the period	-	-	-	-	-	2,120,590	2,120,590	(2,721)	2,117,869
Other comprehensive loss for the period	-	-	-	(106,565)	(116,831)	-	(223,396)	(3,985)	(227,381)
Total comprehensive (loss) / income for the period	-	-	-	(106,565)	(116,831)	2,120,590	1,897,194	(6,706)	1,890,488
Transaction with owners directly in equity:									
Dividend (note 26)	-	-	-	-	-	(2,529,489)	(2,529,489)	-	(2,529,489)
Zakat	-	-	-	-	-	(128)	(128)	-	(128)
Issue of shares	651,159	-	2,923,705	-	-	-	3,574,864	-	3,574,864
Additional AT1 on business acquisition (note 29)	-	1,836,500	-	-	-	-	1,836,500	-	1,836,500
Tier 1 sukuk profit distribution	-	-	-	-	-	(267,440)	(267,440)	-	(267,440)
Tier 1 sukuk issuance cost	-	-	-	-	-	(188)	(188)	-	(188)
Regulatory credit risk reserve	-	-	(252,000)	-	-	252,000	-	-	-
Others	-	-	-	-	-	(175)	(175)	(6,707)	(6,882)
<b>Balance at 30 June 2020</b>	7,240,744	8,264,250	13,784,668	(1,281,263)	(1,211,576)	9,707,130	36,503,953	2,725,843	39,229,796

The notes on pages 8 to 40 form an integral part of these condensed consolidated interim financial information.

# Dubai Islamic Bank P.J.S.C.

## Condensed consolidated interim statement of cash flows (Unaudited) for the six-month period ended 30 June 2020

	Six-month period ended 30 June	
	2020 AED'000	2019 AED'000
<b>Operating activities</b>		
Profit for the period before income tax expense	2,147,818	2,773,726
<b>Adjustments for:</b>		
Share of (loss) / profit of associates and joint ventures	1,058	(67,311)
Income from properties	(30,302)	(262,177)
Dividend income	(43,776)	(62,599)
Loss on disposal of other investments	(389)	115
Revaluation of investments at fair value through profit or loss	(1)	-
Gain on sale of investments in Islamic sukuk	(149,430)	(101,789)
Depreciation of property and equipment	69,309	43,717
Gain on disposal of property and equipment	(6,259)	(97)
Depreciation of investment properties	26,745	18,829
Provision for employees' end-of-services benefit	18,517	28,405
Amortization of sukuk discount	2,153	1,564
Impairment charge for the period, net	2,119,627	724,731
Gain on bargain purchase	(1,014,654)	-
Amortization of intangible assets	37,207	-
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>3,177,623</b>	<b>3,097,114</b>
Decrease in deposits and international murabahas with over three months maturity	42,792	35,660
Increase in Islamic financing and investing assets	(21,173,320)	(6,732,543)
Decrease / (increase) in receivables and other assets	893,031	(2,528,333)
Increase in customers' deposits	7,219,960	1,884,992
Increase / (decrease) in due to banks and other financial institutions	10,176,697	(1,883,434)
(Decrease) / increase in payables and other liabilities	(1,898,059)	421,795
<b>Cash used in operations</b>	<b>(1,561,276)</b>	<b>(5,704,749)</b>
Employees' end-of-services benefit paid	(27,063)	(7,960)
Tax paid	(24,975)	(28,996)
<b>Net cash used in operating activities</b>	<b>(1,613,314)</b>	<b>(5,741,705)</b>
<b>Investing activities</b>		
Net movement in investments in Islamic sukuk measured at amortised cost	457,315	(1,140,743)
Additions to investment properties	(154,373)	(266,163)
Purchase of property and equipment, net	(70,848)	(106,763)
Purchase of properties held for development and sale	(65,837)	(229,994)
Proceeds from disposal of properties held for development and sale	80,598	261,400
Net movement in other investments measured at fair value	(43,566)	(4,531)
Dividend received	43,776	62,599
Net movement in investments in associates and joint ventures	7,788	7,181
<b>Net cash generated from / (used in) investing activities</b>	<b>254,853</b>	<b>(1,417,014)</b>

The notes on pages 8 to 40 form an integral part of these condensed consolidated interim financial information.

# Dubai Islamic Bank P.J.S.C.

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

for the six-month period ended 30 June 2020

	Six-month period ended 30 June	
	2020 AED'000	2019 AED'000
<b>Financing activities</b>		
Dividend paid	(2,529,489)	(2,302,910)
Tier 1 sukuk issuance	-	2,754,750
Tier 1 sukuk redemption	-	(3,673,000)
Proceeds from issuance of sukuk financing instruments	4,781,173	-
Repayment of sukuk financing instruments	(4,407,568)	-
Tier 1 sukuk profit distribution	(267,440)	(238,745)
Tier 1 sukuk issuance cost	(188)	(10,154)
<b>Net cash used in financing activities</b>	<b>(2,423,512)</b>	<b>(3,470,059)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,781,973)</b>	<b>(10,628,778)</b>
Cash and cash equivalents at the beginning of the period	22,229,709	23,887,300
Cash and cash equivalents from business combination	9,110,592	-
Effect of exchange rate changes on the balance of cash held in foreign currencies	(20,722)	(28,819)
<b>Cash and cash equivalents at the end of the period (note 21)</b>	<b>27,537,606</b>	<b>13,229,703</b>

The notes on pages 8 to 40 form an integral part of these condensed consolidated interim financial information.

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 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 28 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 28(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 2020, 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.

- Amendment to IFRS 3 Business Combinations relating to definition of a business.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors relating to definition of material.
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to profit interest rate benchmark reforms.
- Amendments to IFRS 16 Leases relating to COVID-19 related rent concessions.

#### 2.2 New and revised IFRSs in issue but not yet effective

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.

<b><u>New and revised IFRS</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the definition of material.	1 January 2022
IFRS 17 <i>Insurance Contract</i>	1 January 2022
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2011)</i> relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

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.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 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 2019. 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 2019.

#### 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 2019, except for the estimates and judgements related to COVID-19.

As stated in note 4.1, the identifiable assets acquired and the liabilities assumed in business combination are recognised at their fair value. In estimating the fair value of an asset or a liability, the Group used market-observable data to the extent it is available. Where Level 1 inputs were not available, the Group engaged third-party qualified valuers to perform the valuation. Such valuations are sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year.

### 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 2019.

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

#### 4.1 Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date i.e., when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of Islamic financing or equity instruments.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 4. Significant accounting policies (continued)

#### 4.2 Classification and measurement of financial instruments

##### 4.2.1 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.

##### 4.2.2 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.

##### 4.2.3 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.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 4. Significant accounting policies (continued)

#### 4.2 Classification and measurement of financial instruments (continued)

##### 4.2.4 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.

### 4.3 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 sukuku;
- 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.

#### Expected 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%.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 4. Significant accounting policies (continued)

#### 4.3 Impairment (continued)

##### Expected credit loss impairment model (continued)

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.

##### 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

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 4. Significant accounting policies (continued)

#### 4.3 Impairment (continued)

##### Macroeconomic factors, forward looking information and multiple scenarios (continued)

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.

##### 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.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 4. Significant accounting policies (continued)

#### 4.3 Impairment (continued)

##### 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.

##### 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.

##### COVID-19 and Expected Credit Loss (ECL)

The global outbreak of novel coronavirus (COVID 19) early 2020 is causing disruptions in normal lives and businesses in many ways. Global economy and banking systems have also been impacted significantly, both from business and accounting and reporting perspective. Governments and banks in many jurisdictions have introduced extraordinary measures to alleviate the financial and economic impact of COVID-19. The relief measures include a range of different payment moratoriums to customer, liquidity support and capital relief by regulators.

The Group has considered the extraordinary conditions and environment due to COVID 19, along with measures provided by the Central Bank of UAE under Targeted Economic Support Scheme (TESS) for determining ECL requirements as on the reporting date, as applicable. The Group has also considered guidelines issued by the International Accounting Standards Board (IASB) on 27 March 2020 and Basel Committee issued on 4 April 2020 on determination of expected credit losses.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 4. Significant accounting policies (continued)

#### 4.3 Impairment (continued)

##### COVID-19 and Expected Credit Loss (ECL) (continued)

In accordance with the Basel committee guidelines, the extraordinary support measures should be taken into account by banks when calculating ECLs. It also agreed on amendments to the transitional arrangements for the regulatory capital treatment of ECLs. This document sets out guidance on these issues.

Under IFRS 9, financial assets held under hold to collect and hold to collect and sales business models, are required to be moved from Stage 1 to Stage 2 if they have been the subject of a significant increase in credit risk since origination. A SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument.

##### Identifying whether a significant increase in credit risk (SICR) has occurred for IFRS 9

The Group continues to assess financing customers for other indicators of SICR, taking into account, whether or not, that the significant increase in credit risk is temporary, due to COVID-19, or long term and hence customer should move to stage 2.

The accounting impact of the one-time extension of credit facilities due to COVID-19 has been assessed and has been treated as per the requirements of IFRS 9 for modification of terms of arrangement.

##### Reasonableness of Forward Looking Information and probability weights

In view of the wide spread impact of COVID 19 on customer's change in credit profile and overall impact on forward looking macroeconomic indicators, any changes in ECL models and estimate will be subject to high degree of uncertainty.

The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. These economic variables and their associated impact on PD, EAD and LGD vary by customer models and financial instrument.

In light of the current uncertain economic environment, the Group has accounted for ECL based on management judgement considering a change in economic scenario highly biased towards the adverse, along with additional overlays on industry sectors which are likely to be affected adversely due to COVID 19. The impact of such uncertain economic environment is judgmental and the Group will continue to reassess its position and the related impact on a regular basis.

The Group has reviewed the potential impact of COVID-19 on inputs and assumptions for IFRS 9 ECL measurement on the basis of available information. In view of very fluid and developing considerations, ascertaining reliability and reasonableness of any forward looking information is challenging. Notwithstanding this, recognizing the likely impacts of the crises on market-credit environment, the Group has assessed the impact of an increased probability for the pessimistic scenario in ECL management. The probability of pessimistic scenario was increased from 20% to 70% while the probability of optimistic scenario was reduced to 0% from 20%.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Given the risk associated with uncertain macroeconomic conditions, the Group will continue to monitor the changes, including macroeconomic forecast, and consider adjustments to ECL appropriately.

The Group has an ECL overlay of AED 600 million as at 30 June 2020.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 4. Significant accounting policies (continued)

#### 4.4 Liquidity management under COVID-19

COVID 19 crises has also affected liquidity in global and regional markets. CBUAE proactively addressed the concern considering its pervasive impact on the overall economy by providing Zero Cost Funding to all eligible banks and easing out regulatory cash reserve requirements for banks. In order to allow Banks to utilize the released liquidity, the CBUAE reduced the liquidity ratios (LCR and ELAR) minimum threshold by 30%.

The Bank's ALCO and Liquidity Management Committee has been meeting on a regular basis with particular focus on liquidity management. The Bank has proactively considered exploring new options for expanding its liabilities base (changed tenors and currency) and focused on its capital market funding plan. The Bank is strengthening its liquidity buffers by timing disbursements to customers along with strict focus on enhancing deposit relationships across all customer segments.

#### 4.5 Other investments

##### 4.5.1 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.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 4. Significant accounting policies (continued)

#### 4.5 Other investments (continued)

##### 4.5.2 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.

#### 4.6 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.

#### 4.7 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.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 4. Significant accounting policies (continued)

#### 4.8 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's 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.

#### 4.9 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

*for the six-month period ended 30 June 2020*

### 4. Significant accounting policies (continued)

#### 4.10 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 2019.

#### 4.11 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. Investment in Islamic Sukuk are measured at fair value through other comprehensive income when the objective of the business model is achieved by both collecting contractual cash flows and selling the financial assets and the terms of the financial asset meet the SPPI criteria.

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020

### 5. Cash and balances with central banks

#### 5.1 Analysis by category

		Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Cash on hand		1,532,296	1,670,001
Balances with the central banks:			
Balances and reserve requirements with central banks	5.3	6,680,414	9,571,486
International Murabaha with the Central Bank of the U.A.E.		19,313,040	10,027,008
<b>Total</b>		<b>27,525,750</b>	<b>21,268,495</b>

#### 5.2 Analysis by geography

		Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Within the U.A.E.		27,001,058	20,785,242
Outside the U.A.E.		524,692	483,253
<b>Total</b>		<b>27,525,750</b>	<b>21,268,495</b>

#### 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 June 2020 AED'000	Audited 31 December 2019 AED'000
Within the U.A.E.		6,837,839	4,915,056
Outside the U.A.E.		1,164,970	1,333,117
<b>Total</b>		<b>8,002,809</b>	<b>6,248,173</b>

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020

### 7. Islamic financing and investing assets, net

#### 7.1 Analysis by category

	<i>Note</i>	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
<b>Islamic financing assets</b>			
Vehicles murabahas		8,996,874	8,800,363
International murabahas - long term		39,021,345	27,174,230
Other murabahas		19,652,018	4,448,037
<b>Total murabahas</b>		<b>67,670,237</b>	40,422,630
Ijaras		58,677,703	52,258,699
Home finance ijarah		19,892,281	14,358,198
Personal finance		20,244,834	18,794,856
Istisna'a		885,292	1,090,330
Islamic credit cards		1,866,488	1,491,509
		<b>169,236,835</b>	128,416,222
Less: deferred income		(3,878,388)	(3,726,780)
Less: contractors' and consultants' istisna'a contracts		(6,799)	(6,799)
<b>Total Islamic financing assets</b>		<b>165,351,648</b>	124,682,643
<b>Islamic investing assets</b>			
Musharakas		6,896,474	7,114,522
Mudarabas		12,226,176	11,134,451
Wakalas		22,919,929	14,062,495
<b>Total Islamic investing assets</b>		<b>42,042,579</b>	32,311,468
<b>Total Islamic financing and investing assets</b>		<b>207,394,227</b>	156,994,111
Less: provisions for impairment	7.3	(7,096,078)	(6,080,683)
<b>Total Islamic financing and investing assets, net</b>		<b>200,298,149</b>	150,913,428

## Dubai Islamic Bank P.J.S.C.

### Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020

#### 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 June 2020 (Unaudited)

	Gross exposure (AED'000)					Expected credit loss (AED'000)			
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	Total
Low	69,634,925	-	-	-	69,634,925	36,301	-	-	36,301
Moderate	99,013,088	7,564,433	-	-	106,577,521	863,794	316,700	-	1,180,494
Fair	14,743,915	7,241,938	-	-	21,985,853	325,308	893,773	-	1,219,081
Default	-	-	7,953,785	1,242,143	9,195,928	-	-	4,660,202	4,660,202
<b>Total</b>	<b>183,391,928</b>	<b>14,806,371</b>	<b>7,953,785</b>	<b>1,242,143</b>	<b>207,394,227</b>	<b>1,225,403</b>	<b>1,210,473</b>	<b>4,660,202</b>	<b>7,096,078</b>
	=====	=====	=====	=====	=====	=====	=====	=====	=====

As at 31 December 2019 (Audited)

	Gross exposure (AED'000)					Expected credit loss (AED'000)			
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	Total
Low	43,764,785	-	-	-	43,764,785	9,668	-	-	9,668
Moderate	81,014,810	5,793,870	-	-	86,808,680	850,024	330,841	-	1,180,865
Fair	13,887,833	6,307,642	-	-	20,195,475	216,303	635,104	-	851,407
Default	-	-	6,225,171	-	6,225,171	-	-	4,038,743	4,038,743
<b>Total</b>	<b>138,667,428</b>	<b>12,101,512</b>	<b>6,225,171</b>	<b>-</b>	<b>156,994,111</b>	<b>1,075,995</b>	<b>965,945</b>	<b>4,038,743</b>	<b>6,080,683</b>
	=====	=====	=====	=====	=====	=====	=====	=====	=====

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

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

#### 7.3 Provision for impairment

2020 (Unaudited)	Note	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
<b>Balance at 1 January</b>		<b>1,075,995</b>	<b>965,945</b>	<b>4,038,743</b>	<b>6,080,683</b>
Impairment charge during the period	19	149,408	271,199	1,934,990	2,355,597
Write back/recoveries during the period	19	-	-	(267,297)	(267,297)
Write off		-	-	(1,089,778)	(1,089,778)
Exchange and other adjustments		-	(26,671)	43,544	16,873
<b>Balance at 30 June</b>		<b>1,225,403</b>	<b>1,210,473</b>	<b>4,660,202</b>	<b>7,096,078</b>

2019 (Audited)		Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
<b>Balance at 1 January</b>		1,014,083	1,006,837	3,706,452	5,727,372
Impairment charge during the year		61,123	(40,646)	2,074,820	2,095,297
Write back/recoveries during the year		-	-	(434,522)	(434,522)
Write off		-	-	(1,311,317)	(1,311,317)
Exchange and other adjustments		789	(246)	3,310	3,853
<b>Balance at 31 December</b>		<b>1,075,995</b>	<b>965,945</b>	<b>4,038,743</b>	<b>6,080,683</b>

#### 7.4 Analysis by geography

	Note	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Within the U.A.E.		196,597,968	146,718,453
Outside the U.A.E.		10,796,259	10,275,658
<b>Total Islamic financing and investing assets</b>		<b>207,394,227</b>	<b>156,994,111</b>
Less: provisions for impairment	7.3	(7,096,078)	(6,080,683)
<b>Total Islamic financing and investing assets, net</b>		<b>200,298,149</b>	<b>150,913,428</b>

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 7.5 Targeted economic support scheme (TESS)

In order to effectively address economic repercussions and consequences of novel corona virus (COVID 19), the Central Bank of UAE announced a comprehensive TESS program. As part of the Program, the Central Bank provided all banks with Zero Cost Facility (ZCF). ZCF is collateralised liquidity facility to pass on the benefits to their clients. As at 30 June 2020, the Group has availed facilities amounting to AED 5,890 million. Refer note 13.

The program included provision of temporary relief to the customers from the payment of instalments on outstanding facilities for all affected private sector and retail banking customers.

As at 30 June 2020, below is the composition of instalment deferred by corporate and consumer banking:

	Total Instalments deferred AED'000	% of Deferred Instalments to total Outstanding	% of total customer exposures with TESS benefits to total outstanding	% of TESS customer exposures in stage 2 to Total TESS Exposure
<b>30 June 2020 (Unaudited)</b>				
Corporate banking	6,894,391	4.4%	19.8%	4.3%
Consumer banking	202,550	0.4%	10.4%	1.4%
<b>Total</b>	<b>7,096,941</b>	<b>3.4%</b>	<b>17.5%</b>	<b>3.9%</b>

The changes in exposures at default for TESS customers since availing TESS benefits is not material. Whilst the bank is maintaining COVID-19 overlay of AED 600 million, the amounts are yet to be allocated by customer and industry. The management believes that, whilst various customer and business sectors have shown modest recoveries during the period April till June 2020, actual impacts post lockdowns will crystalize in later part of the year along with reasonably supportable macroeconomic forecast to enable management to allocate the ECL COVID-19 overlay as appropriate.

### 8. Investments in Islamic sukuk

#### 8.1 Analysis by geography

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Within the U.A.E.	19,760,305	15,880,157
Other G.C.C. Countries	7,488,101	6,591,432
Rest of the world	9,652,215	10,871,848
	<b>36,900,621</b>	<b>33,343,437</b>
Less: provision for impairment	(99,792)	(99,579)
<b>Total</b>	<b>36,800,829</b>	<b>33,243,858</b>

Investments in Islamic sukuk measured at amortised cost within the U.A.E. include investments in bilateral governmental sukuk amounting to AED 5.8 billion as at 30 June 2020 (31 December 2019: AED 3.2 billion).

Investment in Sukuks classified at stage 1 at 30 June 2020 amounts to AED 36.9 billion (2019: AED 33.3 billion). The expected credit loss against these balances is AED 99.8 million (2019: AED 99.6 million).

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 9. Other investments measured at fair value

#### 9.1 Analysis by category and geography

	Within the U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
<b>30 June 2020 (Unaudited)</b>				
<b>Investments measured at fair value through profit or loss</b>				
Quoted equity instruments	-	-	-	-
<b>Investments measured at fair value through other comprehensive income</b>				
Quoted equity instruments	427,666	86,091	821	514,578
Unquoted equity instruments and funds	481,436	29,076	561,790	1,072,302
	<u>909,102</u>	<u>115,167</u>	<u>562,611</u>	<u>1,586,880</u>
<b>Total</b>	<u><u>909,102</u></u>	<u><u>115,167</u></u>	<u><u>562,611</u></u>	<u><u>1,586,880</u></u>
	Within the U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
<b>31 December 2019 (Audited)</b>				
<b>Investments measured at fair value through profit or loss</b>				
Quoted equity instruments	10	10	-	20
<b>Investments measured at fair value through other comprehensive income</b>				
Quoted equity instruments	452,387	99,468	997	552,852
Unquoted equity instruments and funds	501,437	33,514	178,412	713,363
	<u>953,824</u>	<u>132,982</u>	<u>179,409</u>	<u>1,266,215</u>
<b>Total</b>	<u><u>953,834</u></u>	<u><u>132,992</u></u>	<u><u>179,409</u></u>	<u><u>1,266,235</u></u>

### 10. Investment properties

#### 10.1 Analysis by category and geography

	Other real estate AED'000	Investment properties under construction AED'000	Land AED'000	Total AED'000
<b>30 June 2020 (Unaudited)</b>				
<b>Carrying Amount:</b>				
Within the U.A.E.	2,089,898	2,325,433	2,105,622	6,520,953
Outside the U.A.E.	-	-	51,731	51,731
<b>Total</b>	<u><u>2,089,898</u></u>	<u><u>2,325,433</u></u>	<u><u>2,157,353</u></u>	<u><u>6,572,684</u></u>
<b>31 December 2019 (Audited)</b>				
<b>Carrying Amount:</b>				
Within the U.A.E.	1,521,056	2,316,653	1,192,213	5,029,922
Outside the U.A.E.	126,880	-	51,731	178,611
<b>Total</b>	<u><u>1,647,936</u></u>	<u><u>2,316,653</u></u>	<u><u>1,243,944</u></u>	<u><u>5,208,533</u></u>

During the period ended 30 June 2020, certain investment properties which were carried under Wakala pool have been transferred to the common pool of the bank.

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 11. Receivables and other assets

As at 30 June 2020, other receivables include AED 962 million (2019: AED 1,242 million) and AED 631 million (2019: AED 681 million) at Stage 2 and Stage 3 respectively.

### 12. Customers' deposits

#### 12.1 Analysis by category

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Current accounts	53,386,548	32,033,450
Saving accounts	31,805,994	22,043,412
Investment deposits	120,843,022	109,848,209
Margin accounts	378,013	382,754
Depositors' investment risk reserve	14,039	14,098
Depositors' share of profit payable	93,833	96,494
<b>Total</b>	<b>206,521,449</b>	<b>164,418,417</b>

### 13. Due to banks and financial institutions

#### 13.1 Analysis by category

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Current accounts with banks	595,062	104,432
Due to the Central Bank of the U.A.E.	3,047,051	-
Zero Cost Facility from Central Bank of the U.A.E	5,890,000	-
Investment deposits	12,538,117	9,042,315
<b>Total</b>	<b>22,070,230</b>	<b>9,146,747</b>

Refer note 7.5 for details of Zero Cost Facility from Central Bank of the U.A.E.

### 14. Sukuk issued

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

	Expected annual profit rate	Maturity	2020 AED'000	2019 AED'000
<b>Listed sukuk - Irish Stock Exchange / Nasdaq Dubai</b>				
Sukuk issued by the Bank	2.92%	June 2020	-	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	3,665,123	3,663,594
Sukuk issued by the Bank	2.95%	February 2025	2,748,716	2,748,093
Sukuk issued by the Bank	2.95%	January 2026	4,781,173	-
Sukuk issued by a subsidiary	4.47%	April 2023	1,740,121	-
<b>Private placement</b>				
Sukuk issued by a subsidiary	6M Kibor + 50 bps	June 2027	93,491	100,990
Sukuk issued by a subsidiary	3M Kibor + 175 bps	December 2023	69,218	75,018
<b>Total</b>			<b>18,607,342</b>	<b>14,851,945</b>

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 15. Share capital

As at 30 June 2020, 7,240,744,377 authorised ordinary shares of AED 1 each (2019: 6,589,585,179 ordinary shares of AED 1 each) were fully issued and paid up.

During the period the Bank issued 651,159,198 new shares in consideration for acquisition of Noor Bank. Refer note 29.

### 16. Tier 1 sukuk

#### 16.1 Analysis by issuance

SPV (“the Issuer”)	Date of issuance	Discretionary profit rate	Callable period	Issuance amount Equivalent AED ‘000	
				(Unaudited) 30 June 2020	(Audited) 31 December 2019
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	2,754,750
Noor Tier 1 Sukuk Limited	May 2016	6.25% per annum paid semiannually	On or after June 2021	1,836,500	-
				<b>8,264,250</b>	<b>6,427,750</b>

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.

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 17. Other reserves and treasury shares

#### 17.1 Movements in other reserves and treasury shares

Movement of other reserves and treasury shares during the period / year ended 30 June 2020 and 31 December 2019 is as follows:

	Statutory reserve	General reserve	Regulatory credit risk reserve	Share premium	Treasury shares	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<b>2020 (Unaudited)</b>						
<b>Balance at 1 January 2020</b>	<b>8,542,279</b>	<b>2,350,000</b>	<b>252,000</b>	<b>-</b>	<b>(31,316)</b>	<b>11,112,963</b>
Issuance of shares	-	-	-	2,923,705	-	2,923,705
Transfer to retained earnings	-	-	(252,000)	-	-	(252,000)
<b>Balance at 30 June 2020</b>	<b>8,542,279</b>	<b>2,350,000</b>	<b>-</b>	<b>2,923,705</b>	<b>(31,316)</b>	<b>13,784,668</b>
	=====	=====	=====	=====	=====	=====
<b>2019 (Audited)</b>						
Balance at 1 January 2019	8,542,279	2,350,000	-	-	(31,316)	10,860,963
Transfer from retained earnings	-	-	252,000	-	-	252,000
Balance at 31 December 2019	8,542,279	2,350,000	252,000	-	(31,316)	11,112,963
	=====	=====	=====	=====	=====	=====

As of 30 June 2020, other reserves and treasury shares balance includes 13.6 million treasury shares (2019: 13.6 million treasury shares) amounting to AED 31.3 million (2019: AED 31.3 million).

### 18. Contingent liabilities and commitments

The analysis of contingent liabilities and commitments as at 30 June 2020 and 31 December 2019 is as follows:

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
<b>Contingent liabilities and commitments:</b>		
Letters of guarantee	14,999,346	12,937,122
Letters of credit	1,589,948	1,514,220
Irrevocable undrawn facilities commitments	19,512,141	18,728,478
<b>Total contingent liabilities and commitments</b>	<b>36,101,435</b>	<b>33,179,820</b>
<b>Other commitments:</b>		
Capital expenditure commitments	794,674	715,193
<b>Total other commitments</b>	<b>794,674</b>	<b>715,193</b>
<b>Total contingent liabilities and commitments</b>	<b>36,896,109</b>	<b>33,895,013</b>
	=====	=====

### 19. Impairment charges, net

Impairment charges include net impairment charge on Islamic financing and investing assets amounting to AED 2,088.3 million (refer note 7.3) (30 June 2019: AED 654.2 million) and net charge on other financial assets amounting to AED 81.7 million (30 June 2019: AED 81.3 million) and net release on non-financial assets amounting to AED 50.4 million (30 June 2019: AED 10.8 million).

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 20. 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 June		Six-month period ended 30 June	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Profit for the period attributable to the owners of the Bank	<b>1,009,040</b>	1,382,825	<b>2,120,590</b>	2,719,119
Profit attributable to tier 1 sukukholders	<b>(57,390)</b>	-	<b>(267,440)</b>	(238,745)
	<b>951,650</b>	1,382,825	<b>1,853,150</b>	2,480,374
Weighted average number of shares outstanding during the period ('000)	<b>7,227,111</b>	6,575,952	<b>7,202,066</b>	6,575,952
Basic and diluted earnings per share (AED per share)	<b>0.13</b>	0.21	<b>0.26</b>	0.38

### 21. Cash and cash equivalents

	Unaudited 30 June 2020 AED'000	Unaudited 30 June 2019 AED'000
Cash and balances with central banks	<b>27,525,750</b>	21,260,197
Due from banks and financial institutions	<b>8,002,809</b>	4,512,051
Due to banks and financial institutions	<b>(22,070,230)</b>	(16,942,741)
	<b>13,458,329</b>	8,829,507
Less: balances and deposits with banks and financial institutions with original maturity over three months	<b>(7,132)</b>	(92,715)
Add: Due to banks and financial institutions over three months	<b>14,086,409</b>	4,492,911
<b>Total</b>	<b>27,537,606</b>	13,229,703

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 22. Segmental information

#### 22.1 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. There has been no change in the reportable segments as a result of acquisition of Noor Bank.

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020

### 22. Segmental information (continued)

#### 22.2 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	
	Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June	
	2020 (Unaudited) AED'000	2019 (Unaudited) AED'000										
Net operating revenue	<b>2,055,411</b>	1,728,126	<b>1,732,249</b>	1,765,421	<b>601,240</b>	408,822	<b>119,205</b>	117,551	<b>215,206</b>	679,307	<b>4,723,311</b>	4,699,227
Operating expenses	<b>(731,338)</b>	(588,995)	<b>(287,107)</b>	(246,667)	<b>(64,846)</b>	(39,914)	<b>(98,262)</b>	(76,275)	<b>(288,967)</b>	(248,919)	<b>(1,470,520)</b>	(1,200,770)
Net operating income	<b>1,324,073</b>	1,139,131	<b>1,445,142</b>	1,518,754	<b>536,394</b>	368,908	<b>20,943</b>	41,276	<b>(73,761)</b>	430,388	<b>3,252,791</b>	3,498,457
Impairment charge for the period, net											<b>(2,119,627)</b>	(724,731)
Gain on bargain purchase											<b>1,014,654</b>	-
Profit for the period before income tax expense											<b>2,147,818</b>	2,773,726
Income tax expense											<b>(29,949)</b>	(20,760)
<b>Profit for the period</b>											<b>2,117,869</b>	2,752,966

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020

### 22. Segmental information (continued)

#### 22.3 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 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000										
Segment assets	<b>48,526,302</b>	38,764,864	<b>149,442,841</b>	112,501,959	<b>42,143,753</b>	35,967,376	<b>5,522,653</b>	6,009,932	<b>49,161,661</b>	38,551,503	<b>294,797,210</b>	231,795,634
Segment liabilities	<b>89,911,467</b>	72,974,252	<b>111,884,702</b>	93,864,413	<b>8,406,813</b>	1,120,275	<b>934,476</b>	1,214,602	<b>44,429,956</b>	27,890,021	<b>255,567,414</b>	197,063,563

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 23. 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 June 2020 and 31 December 2019, 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
<b>As at 30 June 2020 (Unaudited)</b>				
Islamic financing and investing assets	1,851,900	52,764	1,962	1,906,626
Investment in sukuk	163,449	-	-	163,449
Customers' deposits	2,317,825	140,451	9,480	2,467,756
Contingent liabilities and commitments	-	-	1,186	1,186
<b>As at 31 December 2019 (Audited)</b>				
Islamic financing and investing assets	1,637,642	50,215	2,750	1,690,607
Investment in sukuk	556,607	-	-	556,607
Customers' deposits	2,081,280	196,689	12,086	2,290,055
Contingent liabilities and commitments	-	-	1,186	1,186
<b>For the six-month period ended 30 June 2020 (Unaudited)</b>				
Income from Islamic financing transactions	24,867	1,270	78	26,215
Income from Islamic sukuk	9,287	-	-	9,287
Depositors' and sukuk holders' share of profits	22,710	1,801	-	24,511
<b>For the six-month period ended 30 June 2019 (Unaudited)</b>				
Income from Islamic financing transactions	32,037	1,188	131	33,356
Income from Islamic sukuk	16,366	-	-	16,366
Depositors' and sukuk holders' share of profits	57,962	2,893	1	60,856

- (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 six-month period ended 30 June 2020 (six-month period ended 30 June 2019: Nil).

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 22. Related party transactions (continued)

- (f) The compensation paid to / accrued for key management personnel of the Bank during the six-month period ended 30 June 2020 and 2019 was as follows:

	<b>Unaudited 30 June 2020 AED'000</b>	Unaudited 30 June 2019 AED'000
Salaries and other benefits	42,867	42,296
End of service benefits	592	1,227
	=====	=====

### 24. Fair value of financial instruments

#### 24.1 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 June 2020 (Unaudited)	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>Investments measured at fair value through profit or loss</b>				
Quoted equity instruments	-	-	-	-
<b>Investments carried at fair value through other comprehensive income</b>				
Quoted equity instruments	514,578	-	-	514,578
Unquoted equity instruments and funds	-	-	1,072,302	1,072,302
<b>Other assets</b>				
Islamic derivative assets	-	1,887,737	-	1,887,737
<b>Total financial assets measured at fair value</b>	<b>514,578</b>	<b>1,887,737</b>	<b>1,072,302</b>	<b>3,474,617</b>
	=====	=====	=====	=====
<b>Other liabilities</b>				
Islamic derivative and other liabilities	-	1,759,621	-	1,759,621
	=====	=====	=====	=====

## Dubai Islamic Bank P.J.S.C.

### Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

#### 24. Fair value of financial instruments (continued)

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

31 December 2019 (Audited)	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>Investments measured at fair value through profit or loss</b>				
Quoted equity instruments	20	-	-	20
<b>Investments carried at fair value through other comprehensive income</b>				
Quoted equity instruments	552,852	-	-	552,852
Unquoted equity instruments and funds	-	-	713,363	713,363
<b>Other assets</b>				
Islamic derivative assets	-	856,146	-	856,146
<b>Total financial assets measured at fair value</b>	<u>552,852</u>	<u>856,146</u>	<u>713,363</u>	<u>2,122,361</u>
<b>Other liabilities</b>				
Islamic derivative and other liabilities	-	742,931	-	742,931

There were no transfers between Level 1, 2 and 3 during the period ended 30 June 2020 and year ended 31 December 2019.

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

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
<b>Balance at 1 January</b>	<b>713,363</b>	970,117
Losses in other comprehensive income	(27,716)	(193,003)
Addition / (disposal) during the year	390,171	(74,307)
Others	(3,516)	10,556
<b>Balance at period end</b>	<u><b>1,072,302</b></u>	<u>713,363</u>

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 25. Capital adequacy ratio

The Group lead regulator, the Central Bank of U.A.E. (CBUAE), sets and monitors capital requirements for the Group as a whole. The Group and individual banking operations within the Bank are directly supervised by their respective local regulators.

The Group regulatory capital is analysed into following tiers:

- Common Equity Tier 1 (CET1), which includes fully paid up capital, statutory reserve, general reserve, retained earnings, exchange translation reserve and investment fair value reserve. Regulatory adjustments under Basel III, which includes deductions of deferred tax assets, investments in banking and financial entities and other threshold deductions;
- Tier 1 capital, includes CET1, with additional items that consist of Tier 1 capital instruments and certain non-controlling interests in subsidiaries; and
- Tier 2 capital, which includes collective impairment allowance and qualifying subordinated liabilities, if any.

The Bank was recognized as Domestic Systemically Important Bank (D-SIB) during the year ended 31 December 2018 and is accordingly required to keep a D-SIB buffer of 0.5% in addition to the CCB of 2.5%.

As per the Central Bank regulation for Basel III, the minimum capital requirement as at 30 June 2020 is 13.5% inclusive of capital conservation buffer of 2.5% and D-SIB buffer of 0.5%. However, effective from 15 March 2020 until 31 December 2021, banks are allowed to tap into the capital conservation buffer up to a maximum of 60% and to use 100% of their D-SIB buffer without supervisory consequences, as part of the measures adopted by the CBUAE to help banks deal with the COVID-19 crisis. Further, CBUAE has issued guidance on Accounting Provisions and Capital Requirements - Transitional Arrangement dated 22 April 2020. The Prudential Filter allows banks to add back increases in IFRS9 ECL provision, stage 1 and 2, from 31 December 2019 to the regulatory capital and transition over 5 years.

	<b>Unaudited 30 June 2020 AED'000</b>	Audited 31 December 2019 AED'000
<b>Capital base</b>		
Common Equity Tier 1	<b>28,345,960</b>	22,747,352
Additional Tier 1 capital	<b>7,594,878</b>	6,427,750
	<hr/>	<hr/>
Tier 1 Capital	<b>35,940,838</b>	29,175,102
Tier 2 Capital	<b>2,626,634</b>	2,155,925
	<hr/>	<hr/>
<b>Total capital base</b>	<b>38,567,472</b>	31,331,027
	<hr/>	<hr/>
<b>Risk weighted assets</b>		
Credit risk	<b>210,130,726</b>	172,474,010
Market risk	<b>2,351,050</b>	2,158,934
Operational risk	<b>18,195,582</b>	14,922,142
	<hr/>	<hr/>
<b>Total risk weighted assets</b>	<b>230,677,358</b>	189,555,086
	<hr/>	<hr/>
<b>Capital Ratios</b>		
Common equity Tier 1 capital ratio	<b>12.3%</b>	12.0%
Tier 1 capital ratio	<b>15.6%</b>	15.4%
Total capital ratio	<b>16.7%</b>	16.5%

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 26. Dividend

At the Annual General Meeting of the shareholders held on 15 March 2020, the shareholders approved a cash dividend of AED 0.35 per outstanding share amounting to AED 2,529.5 million for the year ended 31 December 2019.

### 27. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated interim statement of profit or loss for the six-month periods ended 30 June 2020 and 30 June 2019.

### 28. 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 June 2020	31 December 2019
1. Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	100.0%	100.0%
2. Noor Bank P.J.S.C.	Banking	U.A.E	99.99%	-
3. Tamweel P.S.C.	Financing	U.A.E	92.0%	92.0%
4. DIB Bank Kenya Ltd.	Banking	Kenya	100.0%	100.0%
5. Dubai Islamic Financial Services L.L.C.	Brokerage services	U.A.E.	95.5%	95.5%
6. Deyaar Development P.J.S.C.	Real estate development	U.A.E	44.9%	44.9%
7. Dar Al Sharia Islamic Finance Consultancy L.L.C.	Financial and legal advisory	U.A.E.	60.0%	60.0%
8. Al Tanmyah Services L.L.C.	Labour services	U.A.E.	99.5%	99.5%
9. Al Tatweer Al Hadith Real Estate	Real estate development	Egypt	100.0%	100.0%
10. Al Tameer Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
11. Al Tanmia Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
12. Naseej Private Property Management Services	Property Management	U.A.E.	99.0%	99.0%
13. Dubai Islamic Bank Printing Press L.L.C.	Printing	U.A.E.	99.5%	99.5%
14. Al Islami Real Estate Investments Ltd.	Investments	U.A.E.	100.0%	100.0%
15. Dubai Islamic Trading Center L.L.C	Trading in motor vehicles	U.A.E.	100.0%	100.0%
16. Creek Union Limited FZ LLC	Investments	U.A.E	100.0%	100.0%
17. Madinat Bader Properties Co. L.L.C	Real Estate Development	U.A.E	100.0%	100.0%
18. Premium Marketing Services L.L.C	Outsourcing and Marketing activities	U.A.E	100.0%	-
19. Noor BPO L.L.C	Outsourcing and Consultancy services	U.A.E	100.0%	-
20. Zawaya Realty L.L.C	Real Estate Management Services	U.A.E	100.0%	-

(b) In addition to the registered ownership described above, the remaining equity in the entities 5, 8, 12, and 13 are also beneficially held by the Bank through nominee arrangements.

## Dubai Islamic Bank P.J.S.C.

### Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

#### 28. 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 June 2020	31 December 2019
21. HoldInvest Real Estate Sarl	Investments	Luxembourg	100.0%	100.0%
22. France Invest Real Estate SAS	Investments	France	100.0%	100.0%
23. SARL Barbanniers	Investments	France	100.0%	100.0%
24. SCI le Sevine	Investments	France	100.0%	100.0%
25. Findi Real Estate SAS	Investments	France	100.0%	100.0%
26. PASR Einudzwanzigste Beteiligungsverwaltung GMBH	Investments	Austria	100.0%	100.0%
27. Al Islami German Holding Co. GMBH	Investments	Germany	100.0%	100.0%
28. Rhein Logistics GMBH	Investments	Germany	100.0%	100.0%
29. Jef Holdings BV	Investments	Netherlands	100.0%	100.0%
30. Al Islami Trade Finance FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
31. MESC Investment Company	Investments	Jordan	40.0%	40.0%
32. Levant One Investment Limited	Investments	U.A.E.	100.0%	100.0%
33. Petra Limited	Investments	Cayman Islands	100.0%	100.0%
34. Deyaar Investments LLC	Investments	U.A.E.	<b>Controlling Interest</b>	Controlling Interest
35. Deyaar Funds LLC	Investments	U.A.E.	<b>Controlling Interest</b>	Controlling Interest
36. Sequia Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
37. Blue Nile Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
38. DIB FM Ltd	Investments	Cayman Islands	100.0%	100.0%
39. Al Ameen	Investments	Cayman Islands	100.0%	100.0%
40. Noor Sukuk Company Limited	Investments	Cayman Islands	100.0%	100.0%
41. Noor Tier 1 Sukuk Limited	Investments	Cayman Islands	100.0%	100.0%
42. Noor Structured Certificates Ltd.	Investments	Cayman Islands	100.0%	100.0%
43. Noor Derivatives Limited	Investments	Cayman Islands	100.0%	100.0%

(d) In addition to the registered ownership described above, the remaining equity in the entities 34, 35, 36 and 37 are also beneficially held by the Bank through nominee arrangements.

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information

for the six-month period ended 30 June 2020

### 29. Business combination – Acquisition of Noor Bank

#### 29.1 Acquisition of Noor Bank

On 8 January 2020, the Bank acquired 99.999% shares of Noor Bank P.J.S.C. (“Noor Bank” or “the Entity”), an entity engaged in Islamic Sharia compliant banking services in the UAE. The Bank acquired shares of Noor Bank from its major shareholders thereby acquiring a controlling interest. The acquisition has been completed through a share swap transaction at an agreed swap ratio of 1 DIB share to 5.49 shares of Noor bank by issuing 651,159,198 new shares of the Bank.

#### 29.2 Purchase consideration and identifiable net assets acquired

The acquisition has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair value on the acquisition date. The fair value of assets and liabilities have been determined by an external expert.

The purchase consideration (also referred to as “purchase price”) of the acquisition have been allocated to the assets acquired assets and liabilities using their preliminary fair values at the acquisition date. The computation of the purchase consideration and its allocation to the net assets of the entity based on their respective fair values as of 8 January 2020 and the resulting bargain purchase is presented below. Gain on bargain purchase based on provisional purchase price allocation, represents the difference between purchase consideration and fair value of identifiable net assets.

The allocation of the purchase price may be modified within a period of twelve months from the date of business combination, as more information is obtained about the fair value of assets acquired and liabilities assumed, including alignment in business model, if needed.

The fair value of identifiable assets and liabilities of Noor Bank as at the acquisition date was as follows:

#### Assets acquired and liabilities assumed

Assets	AED' 000
Cash and balances with central banks	5,771,887
Due from banks and financial institutions	3,868,255
Islamic financing and investing assets	30,686,184
Investments in Islamic sukuk and equity instruments	4,328,624
Other investments	390,074
Investment properties	979,168
Receivables and other assets	1,145,841
Property and equipment	188,329
Intangible assets	287,000
<b>Total assets (a)</b>	<b>47,645,362</b>
<b>Liabilities</b>	
Customers' deposits	35,287,630
Due to banks and financial institutions	529,555
Sukuk issued	3,760,150
Payables and other liabilities	1,641,963
Tier 1 sukuk	1,836,500
<b>Total liabilities (b)</b>	<b>43,055,798</b>
<b>Fair value of net identifiable assets acquired (c) = (a) – (b)</b>	<b>4,589,564</b>
<b>Share of net identifiable assets acquired (d)</b>	<b>4,589,518</b>
<b>Consideration for the acquisition (e)</b>	<b>3,574,864</b>
<b>Negative goodwill on acquisition (d) – (e)</b>	<b>1,014,654</b>

# **Dubai Islamic Bank P.J.S.C.**

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## **Notes to the condensed consolidated interim financial information**

*for the six-month period ended 30 June 2020*

### **29. Business combination (continued)**

#### **29.2 Purchase consideration and net assets acquired (continued)**

The Group elected to recognize the non-controlling interests at its proportionate share of the acquired net identifiable assets.

The condensed consolidated interim statement of profit or loss includes revenue of AED 927 million and net profit of AED 80 million from Noor Bank.

### **30. 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.

### **31. 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 22 July 2020.