Dubai Islamic Bank P.J.S.C.

Consolidated financial statements
for the year ended 31 December 2019

These audited consolidated financial statements are subject to Central bank of the UAE approval and adoption by shareholders at the Annual General Meeting.

Dear Shareholders,

Assalamu Alaikum wa Rehmatullah wa Barakatahu

It gives me great pleasure to inform you, our esteemed shareholders on the outstanding financial performance that has enabled Dubai Islamic Bank to become a powerhouse in Islamic Finance and one of the most profitable banks in the UAE today. Our net profit for 2019 crossed AED 5.1 billion, and our balance sheet has increased to nearly AED 232 billion, supported by Earning Assets growth which have risen to more than AED 184 billion in 2019. And it is because of these achievements that DIB's market share continues to rise, now nearly 8% in terms of total assets.

For the last few years, we have focused on driving the evolution of DIB. We have broken down barriers and stayed on top of our game by innovating, by daring to be different, and by constantly challenging the status quo. 2019 has been no different – it was another year of growth and success for DIB, and the market now considers our performance as a benchmark, not just for Islamic Finance, but for the entire banking sector. Another one of our priorities is our constant search for new growth opportunities – and our latest achievement is a prime testament to this ethos.

Having received the regulatory and shareholder approvals, we are proud to announce that the full acquisition of Noor Bank is now complete. This will not only expand our footprint regionally and globally, but will also open new avenues for growth, helping DIB to remain at the forefront of the Islamic economy. I am excited at the prospect of what this will deliver, and look forward to seeing this transformative deal further improve and enhance the banking experience for our customers.

Furthermore, Sharia-compliant banking is rapidly becoming more pronounced around the world, and DIB is playing a key role here in spreading the popularity of Islamic banking, educating the market on its benefits and dispelling the myth that Islamic banking is limited to Muslims. As one of the top two Shariah-compliant banks in the world, we are committed to encouraging the adoption of Islamic finance. Our dedication to helping Islamic markets has seen us take part and lead more than USD 30 billion of Sukuk and syndication transactions with our own portfolio of Sukuk investments growing to over AED 33 billion in 2019.

In 2020, we will continue to take these aspirations forward by implementing new programs and initiatives, finding innovative and technical solutions to solve daily banking dilemmas, whilst retaining our position as a leading, worldwide and innovative pioneer in Islamic Banking. We will also continue to embrace smart technology and adopt tech-savvy advances that bring simpler, faster and more transparent banking for everyone.

Lastly, on behalf of the Board and management of the Bank, I would like to thank our shareholders, customers, and employees for their continued support of DIB in its quest for excellence. I wish all of you a very prosperous and fruitful 2020.

Assalamu Alaikum wa Rehmatullah wa Barakatahu

H.E. Mohammed Ibrahim Al Shaibani
Chairman,
Dubai Islamic Bank PJSC

Dubai Islamic Bank P.J.S.C.

Report and consolidated financial statements
for the year ended 31 December 2019

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Dubai Islamic Bank PJSC
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Dubai Islamic Bank PJSC** ("the Bank"), **and its subsidiaries** (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 30 January 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Cont'd...

Independent Auditor's Report to the Shareholders of Dubai Islamic Bank PJSC (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment of carrying value of Islamic financing and investing assets as per IFRS 9	
The Group's Islamic financing and investing assets are carried on the consolidated statement of financial position at AED 157 billion as at 31 December 2019. The expected credit loss (ECL) allowance was AED 6 billion as at this date, which comprised an allowance of AED 2 billion against Stage 1 and 2 exposures and an allowance of AED 4 billion against exposures classified under Stage 3. The audit of the impairment of Islamic financing and investing assets is a key area of focus because of its size (representing 66 % of total assets) and due to the significance of the estimates and judgments used in classifying Islamic financing and investing assets into various stages, determining related allowance requirements and the complexity of the judgements, assumptions and estimates used in the Expected Credit Loss models. Refer to Note 5 to the consolidated financial statements for the accounting policy, Note 6 for critical judgements and estimates used by management and Note 48.2 for disclosures about credit risk. The Corporate portfolio of Islamic Financing and Investing assets is assessed individually for the significant increase in credit risk (SICR) and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging override as per the Group's policies. The measurement of ECL amounts for retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention, however, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period. Retail exposures are classified as impaired as soon as there is doubt about the borrower's ability to meet payment obligations to the Group in accordance with the original contractual terms.	We obtained a detailed understanding of the Group's Islamic financing and investing assets business processes and the accounting policies of IFRS 9 including the critical accounting estimates and judgments used. We have involved our subject matter experts to assist us in auditing the IFRS 9 ECL models as at 31 December 2019. We tested the design, implementation and operating effectiveness of the relevant controls which included testing: • System-based and manual controls over the timely recognition of impaired Islamic financing and investing assets and advances; • Controls over the ECL calculation models; • Controls over collateral valuation estimates; • Controls over governance and approval process related to impairment provisions and ECL Models including continuous reassessment by the management. We understood and evaluated the theoretical soundness of the ECL model by involving our subject matter experts to ensure its compliance with the minimum requirements of the standard. We tested the mathematical integrity of the ECL model by performing recalculations. We assessed the consistency of various inputs and assumptions used by the Group's management to determine impairment. For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Group's methodology to determine the allowance, assessed the reasonableness of the underlying assumptions and the sufficiency of the data used by the management. We assessed the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. For samples of exposures, we checked the appropriateness of the Group's staging.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment of carrying value of Islamic financing and investing assets as per IFRS 9 (continued)	
Impaired Islamic financing and investing assets are measured on the basis of the present value of expected future cash flows including observable market price or fair value of the collateral. The impairment loss is calculated based on the shortfall in the Islamic financing and investing assets carrying value compared to the net present value of future cash flows using original effective profit rate. The factors considered when determining impairment losses on individually assessed accounts include the customer's aggregate borrowings, risk rating, value of the collateral and probability of successful repossession and the costs involved to recover the debts.	For forward looking assumptions used by the Group's management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information. We selected samples of Islamic financing and investing assets and assessed the accuracy of the Exposure at Default (EAD), appropriateness of the Probability of Default (PD) and calculations of the Loss Given Default (LGD) used by management in their ECL calculations. For exposures determined to be individually impaired, we tested samples of Islamic financing and investing assets and examined management's estimate of future cash flows, assessed their reasonableness and assessed the resultant allowance calculations. Further, we challenged the estimates and assumptions used by management around the LGD calculation for individually impaired exposures by testing the enforceability and adequacy of valuation of underlying collaterals and estimated recovery on default. We also, assessed the accuracy of disclosures in the consolidated financial statements to determine if they were in compliance with the requirements of IFRSs.

Independent Auditor's Report to the Shareholders of Dubai Islamic Bank PJSC (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Valuation of investments properties and properties held for development and sale</td></tr>
<tr><td>The Group owns investment properties which are measured at cost less accumulated depreciation and impairment, except for certain investment properties that are financed by the Wakala deposits pool which are carried at fair value. The Group also holds properties held for development and sale, which are measured at the lower of cost or net realisable value. As at 31 December 2019, the Group's investment properties and properties held for sale amounted to AED 5.2 billion and AED 1.3 billion respectively.

The valuation of investments properties and properties held for development and sale is an area of significant estimation and judgment and is underpinned by a number of assumptions, in particular the estimation of property cost and the fair value of the investment properties held for sale. The Group appoints third party external valuers (the "Valuers") to fair value the Group's portfolio of investment properties and properties held for development and sale.

We focused on this area due to the significance of the balance at year end and the existence of significant judgments and estimates in arriving at the value of the properties and therefore consider this to be a key audit matter.

Refer to notes 13 and 14 for disclosures related to properties held for development and sale and investment properties.</td><td>Our audit procedures to address the key audit matter include, but are not limited to, the following:

• We have obtained a detailed understanding of the Group's investment properties and properties held for development and sale by understanding their business processes and the accounting policies and critical accounting estimates and judgments used.

• We assessed the design and implementation of controls over investment properties.

• We assessed the competency and capabilities of the external valuers and assessed their terms of engagement with the Group to determine if the scope of their work was sufficient.

• We agreed a sample of data provided by management of the Group to the accounting records of the Group.

• We tested, on a sample basis, the valuation reports of the investment properties and properties held for development and sale and challenged the appropriateness of the valuation methodology by utilising our internal specialists. We have also reviewed the assumptions and methods used by the management and their external valuers to assess whether the valuation of the properties are in accordance with the established standards for valuation of properties and suitable for use in determining the fair value for the purpose of assessment of impairment loss.

• We reperformed the mathematical accuracy of the valuations on a sample basis.

• We agreed the results of the valuation performed by the Valuers to the amount reported in the consolidated financial statements.

• Based on the outcome of our evaluation, we assessed the adequacy of impairment provisions held and sufficiency of disclosures in the consolidated financial statements.</td></tr>
</table>

Independent Auditor's Report to the Shareholders of Dubai Islamic Bank PJSC (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
IT systems and controls over financial reporting	
We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.	Our audit approach relies on automated controls and therefore the following procedures were designed to test access control over IT systems: We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications. We tested IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations. We examined computer generated information used in financial reports from relevant applications and key controls over their report logics. We performed testing on the key automated controls on significant IT systems relevant to business processes.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' report which we obtained prior to the date of this auditors' report and the Internal Sharia Supervisory Committee report which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report to the Shareholders of Dubai Islamic Bank PJSC (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. (2) of 2015, we report that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Bank has maintained proper books of account;
- the consolidated financial information included in the Directors' report is consistent with the Bank's books of account;
- note 11 to the consolidated financial statements of the Bank discloses its investments in shares during the financial year ended 31 December 2019;
- note 43 to the financial statements of the Bank discloses material related party transactions, the terms under which they were conducted and principles of managing conflict of interests;
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019; and
- note 31 to the consolidated financial statements discloses social contributions made during the financial year ended 31 December 2019.

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No. 872
12 February 2020
Dubai
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2019

	Note	**2019 AED'000**	2018 AED'000
ASSETS			
Cash and balances with central banks	*7*	**21,268,495**	22,545,526
Due from banks and financial institutions	*8*	**6,248,173**	8,297,032
Islamic financing and investing assets, net	*9*	**150,913,428**	144,738,585
Investments in Islamic sukuk measured at amortised cost	*10*	**33,243,858**	31,178,525
Other investments measured at fair value	*11*	**1,266,235**	1,687,824
Investments in associates and joint ventures	*12*	**1,976,718**	1,928,629
Properties held for development and sale	*13*	**1,336,876**	1,448,975
Investment properties	*14*	**5,208,533**	4,495,054
Receivables and other assets	*15*	**8,742,983**	6,047,770
Property and equipment	*16*	**1,590,335**	1,314,239
Total assets		**231,795,634**	223,682,159
LIABILITIES AND EQUITY			
LIABILITIES			
Customers' deposits	*18*	**164,418,417**	155,657,316
Due to banks and financial institutions	*19*	**9,146,747**	13,203,228
Sukuk issued	*20*	**14,851,945**	12,370,968
Payables and other liabilities	*21*	**8,319,559**	8,018,701
Zakat payable	*23*	**326,895**	305,202
Total liabilities		**197,063,563**	189,555,415
EQUITY			
Share capital	*24*	**6,589,585**	6,589,585
Tier 1 sukuk	*25*	**6,427,750**	7,346,000
Other reserves and treasury shares	*26*	**11,112,963**	10,860,963
Investments fair value reserve	*27*	**(1,174,698)**	(850,362)
Exchange translation reserve	*28*	**(1,094,745)**	(1,051,515)
Retained earnings		**10,131,960**	8,568,606
Equity attributable to owners of the Bank		**31,992,815**	31,463,277
Non-controlling interests	*17.3*	**2,739,256**	2,663,467
Total equity		**34,732,071**	34,126,744
Total liabilities and equity		**231,795,634**	223,682,159

H.E. Mohammad Ibrahim Al Shaibani **Chairman**	**Abdulla Ali Al Hamli** **Managing Director**	**Dr. Adnan Chilwan** **Group Chief Executive Officer**

The notes on pages 14 to 95 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss
for the year ended 31 December 2019

	Note	2019 AED'000	2018 AED'000
NET INCOME			
Income from Islamic financing and investing transactions	*31*	**10,723,145**	9,481,215
Commissions, fees and foreign exchange income	*32*	**1,482,606**	1,475,949
Income from other investments measured at fair value, net	*33*	**65,660**	45,085
Income from properties held for development and sale, net	*34*	**126,011**	123,804
Income from investment properties	*35*	**294,955**	155,522
Share of profit from associates and joint ventures	*12.4*	**58,355**	137,496
Other income	*36*	**933,623**	310,691
Total income		**13,684,355**	11,729,762
Less: depositors' and sukuk holders' share of profit	*37*	**(4,417,563)**	(3,528,057)
Net income		**9,266,792**	8,201,705
OPERATING EXPENSES			
Personnel expenses	*38*	**(1,586,883)**	(1,580,496)
General and administrative expenses	*39*	**(632,391)**	(607,804)
Depreciation of investment properties	*14.2*	**(36,960)**	(35,148)
Depreciation of property and equipment	*16*	**(102,180)**	(98,554)
Total operating expenses		**(2,358,414)**	(2,322,002)
Net operating income before net impairment charges and taxation		**6,908,378**	5,879,703
Impairment charges, net	*40*	**(1,763,501)**	(833,471)
Profit for the year before income tax expense		**5,144,877**	5,046,232
Income tax expense	*22.3*	**(42,266)**	(42,414)
Net profit for the year		**5,102,611**	5,003,818
Attributable to:			
Owners of the Bank		**5,014,391**	4,916,313
Non-controlling interests	*17.3*	**88,220**	87,505
Net profit for the year		**5,102,611**	5,003,818
Basic and diluted earnings per share (AED per share)	*41*	**0.69**	0.72

The notes on pages 14 to 95 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	2019 AED'000	2018 AED'000
Net profit for the year	**5,102,611**	5,003,818
Other comprehensive income / (loss) items		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations, net	**(43,230)**	(566,900)
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on other investments carried at FVTOCI, net	**(414,888)**	(236,091)
Other comprehensive loss for the year	**(458,118)**	(802,991)
Total comprehensive income for the year	**4,644,493**	4,200,827
Attributable to:		
Owners of the Bank	**4,560,020**	4,114,528
Non-controlling interests	**84,473**	86,299
Total comprehensive income for the year	**4,644,493**	4,200,827

The notes on pages 14 to 95 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2019

	Equity attributable to owners of the Bank								
	Share capital AED'000	Tier 1 sukuk AED'000	Other reserves and treasury shares AED'000	Investments fair value reserve AED'000	Exchange translation reserve AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2018	4,942,189	7,346,000	7,785,557	(615,389)	(484,615)	6,964,089	25,937,831	2,942,687	28,880,518
Cumulative effect of adopting IFRS 9 (note 5.26.3)	-	-	(381,861)	-	-	(296,559)	(678,420)	(364,665)	(1,043,085)
Balance at 1 January 2018 - restated	4,942,189	7,346,000	7,403,696	(615,389)	(484,615)	6,667,530	25,259,411	2,578,022	27,837,433
Net profit for the year	-	-	-	-	-	4,916,313	4,916,313	87,505	5,003,818
Other comprehensive loss for the year	-	-	-	(234,885)	(566,900)	-	(801,785)	(1,206)	(802,991)
Total comprehensive income / (loss) for the year	-	-	-	(234,885)	(566,900)	4,916,313	4,114,528	86,299	4,200,827
Transaction with owners directly in equity:									
Dividend paid (note 29)	-	-	-	-	-	(2,219,403)	(2,219,403)	(2,723)	(2,222,126)
Zakat (note 23)	-	-	-	-	-	(304,947)	(304,947)	(51)	(304,998)
Issue of right shares	1,647,396	-	3,465,406	-	-	(1,123)	5,111,679	-	5,111,679
Tier 1 sukuk profit distribution	-	-	-	-	-	(477,490)	(477,490)	-	(477,490)
Regulatory credit risk reserve	-	-	(8,139)	-	-	8,139	-	-	-
Board of Directors' remuneration	-	-	-	-	-	(20,501)	(20,501)	-	(20,501)
Others	-	-	-	-	-	-	-	1,920	1,920
Transfer on disposal of other investments carried at FVTOCI	-	-	-	(88)	-	88	-	-	-
Balance at 31 December 2018	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
Balance at 1 January 2019	**6,589,585**	**7,346,000**	**10,860,963**	**(850,362)**	**(1,051,515)**	**8,568,606**	**31,463,277**	**2,663,467**	**34,126,744**
Net profit for the year	-	-	-	-	-	**5,014,391**	**5,014,391**	**88,220**	**5,102,611**
Other comprehensive loss for the year	-	-	-	**(411,141)**	**(43,230)**	-	**(454,371)**	**(3,747)**	**(458,118)**
Total comprehensive income / (loss) for the year	-	-	-	**(411,141)**	**(43,230)**	**5,014,391**	**4,560,020**	**84,473**	**4,644,493**
Transaction with owners directly in equity:									
Dividend paid (note 29)	-	-	-	-	-	**(2,301,583)**	**(2,301,583)**	**(1,327)**	**(2,302,910)**
Zakat (note 23)	-	-	-	-	-	**(331,537)**	**(331,537)**	**(7,357)**	**(338,894)**
Issue of Tier 1 sukuk	-	**2,754,750**	-	-	-	-	**2,754,750**	-	**2,754,750**
Redemption of Tier 1 sukuk	-	**(3,673,000)**	-	-	-	-	**(3,673,000)**		**(3,673,000)**
Tier 1 sukuk profit distribution	-	-	-	-	-	**(448,795)**	**(448,795)**	-	**(448,795)**
Tier 1 sukuk issuance cost	-	-	-	-	-	**(10,317)**	**(10,317)**	-	**(10,317)**
Regulatory credit risk reserve	-	-	**252,000**	-	-	**(252,000)**	-	-	-
Board of Directors' remuneration	-	-	-	-	-	**(20,000)**	**(20,000)**	-	**(20,000)**
Transfer on disposal of other investments carried at FVTOCI	-	-	-	**86,805**	-	**(86,805)**	-	-	-
Balance at 31 December 2019	**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**

The notes on pages 14 to 95 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2019

	2019 AED'000	2018 AED'000
Operating activities		
Profit for the year before income tax expense	**5,144,877**	5,046,232
Adjustments for:		
Share of profit of associates and joint ventures	**(58,355)**	(137,496)
Gain from disposal of properties held for development and sale	**(126,011)**	(123,804)
Dividend income	**(65,760)**	(45,351)
Loss on disposal of other investments measured at fair value	**127**	306
Revaluation of investments at fair value through profit or loss	**-**	15
Gain on sale of investments in Islamic sukuk measured at amortised cost	**(328,295)**	(8,566)
Gain on disposal of property and equipment	**(145)**	(179)
Gain from investment properties	**(214,615)**	(64,338)
Depreciation of property and equipment	**102,180**	98,554
Depreciation of investment properties	**36,960**	35,148
Amortisation of sukuk discount	**3,122**	2,857
Provision for employees' end-of-service benefits	**45,334**	23,953
Impairment charge for the year, net	**1,763,501**	833,471
Operating cash flow before changes in operating assets and liabilities	**6,302,920**	5,660,802
Decrease in deposits and international murabahas with over three months maturity	**78,451**	71,319
Increase in Islamic financing and investing assets	**(8,424,619)**	(13,792,510)
(Increase) / decrease in receivables and other assets	**(2,596,333)**	542,915
Increase in customers' deposits	**9,348,963**	9,628,130
(Decrease) / increase in due to banks and other financial institutions	**(2,466,633)**	2,132,863
(Decrease) / increase in payables and other liabilities and zakat payable	**(269,035)**	310,699
Cash generated from operations	**1,973,714**	4,554,218
Employees' end-of-service benefits paid	**(15,932)**	(14,795)
Tax paid	**(58,380)**	(50,418)
Net cash generated from operating activities	**1,899,402**	4,489,005
Investing activities		
Net movement in investments in Islamic sukuk measured at amortised cost	**(1,879,825)**	(7,544,444)
Net movement in other investments measured at fair value	**67,340**	35,617
Dividend received	**65,760**	45,351
Additions to properties held for development and sale	**(375,707)**	(463,708)
Proceeds from disposal of properties held for development and sale	**461,344**	412,845
Additions to investment properties	**(315,946)**	(549,580)
Movement in investments in associates and joint ventures	**8,681**	(109,481)
Additions of property and equipment, net	**(401,021)**	(292,875)
Proceeds from disposal of property and equipment	**14,688**	3,918
Proceeds from disposal of investment properties	**-**	27,004
Net cash used in investing activities	**(2,354,686)**	(8,435,353)

The notes on pages 14 to 95 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)
for the year ended 31 December 2019

	2019 AED'000	2018 AED'000
Financing activities		
Dividend paid	**(2,302,910)**	(2,222,126)
Right shares issuance, net	**-**	5,111,679
Issuance of Tier 1 sukuk	**2,754,750**	-
Redemption of Tier 1 sukuk	**(3,673,000)**	-
Tier 1 sukuk profit distribution	**(448,795)**	(477,490)
Tier 1 sukuk issuance cost	**(10,317)**	-
Issuance of sukuk	**2,748,093**	3,740,869
Payment of sukuk	**(257,110)**	-
Net cash (used in) / generated from financing activities	**(1,189,289)**	6,152,932
Net (decrease) / increase in cash and cash equivalents	**(1,644,573)**	2,206,584
Cash and cash equivalents at the beginning of the year	**23,887,300**	21,728,434
Effect of exchange rate changes on the balance of cash held in foreign currencies	**(13,018)**	(47,718)
Cash and cash equivalents at the end of the year (note 42)	**22,229,709**	23,887,300

The notes on pages 14 to 95 form an integral part of these consolidated financial statements.

1. Legal status and principal activity

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 accompanying consolidated financial statements combine the activities of the Bank and its subsidiaries as disclosed in note 17.1 (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 17.1 to these consolidated financial statements.

The registered head office of the Bank is at P.O. Box 1080, Dubai, United Arab Emirates.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs applied on the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements. The application of these revised IFRS has not had any material effect on Group financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2 New and revised IFRSs in issue but not yet effective

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

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

3 Definitions

The following terms are used in the consolidated financial statements with the meaning specified:

3.1 Murabaha

A contract whereby the Group (the "Seller") sells an asset to its customer (the "Purchaser"), on a deferred payment basis, after purchasing the asset and gaining possession thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. Murabaha profit is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding. The Murabaha sale price is paid by the Purchaser to the Seller on an installment basis over the period of the Murabaha as stated in the contract.

3.2 Salam finance

A contract whereby the Group purchases a fixed quantity of a specified commodity and pays the full Salam price of the commodity in advance, whereas the customer delivers the quantity of the commodities in accordance with an agreed delivery schedule. The Group makes profit on Salam transactions, when the Salam commodities are received from the Salam customer and subsequently sold to a third party at profit. Salam profit is internally accounted for on a time-apportioned basis over the period of the Salam contract based on the value of the outstanding Salam commodities.

3.3 Istisna'a

A sale contract between two parties whereby the Group (the "Sani" or "Seller") undertakes to construct, for its customer (the "Mustasni" or "Purchaser"), a specific asset or property (being "Al-Masnoo") according to certain pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount. The work undertaken is not restricted to be accomplished by the Sani' alone and the whole or part of the construction/development can be undertaken by third parties under the control and responsibility of the Sani'. Under an Istisna'a contract the Group could be the Sani' or the Mustasni'. Istisna'a profit (difference between the sale price of Al-Masnoo to the customer and the Group total Istisna'a cost) is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding.

3.4 Ijarah

3.4.1 Ijarah Muntahiya Biltamleek

An agreement whereby the Group (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing/acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term/periods, payable on fixed or variable rental basis.

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Ijarah rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rental (which predominantly represent the cost of the leased asset).

3 Definitions (continued)

3.4 Ijarah (continued)

3.4.2 Forward Ijarah

Forward Ijarah (Ijarah Mausoofa Fiz Zimma) is an agreement whereby the Group (the "Lessor") agrees to provide, on a specified future date, a certain described asset on lease to its customer (the "Lessee") upon its completion and delivery by the developer, contractor or customer, from whom the Group has purchased the same, by way of Istisna.

The Forward Ijarah agreement specifies the description of the leased asset, duration of the lease term, and the basis for rental calculation and the timing of rental payment.

During the construction period, the Group pays to the developer/contractor one payment or multiple payments, Forward Ijarah profit during the construction period will be accounted for on a time-apportioned basis over the construction period on account of rentals. These profit amounts are received either during the construction period as advance rental payment or with the first or second rental payment after the commencement of the lease.

The lease rental under Forward Ijarah commences only upon the Lessee having received possession of the leased asset from the Lessor. The Lessee undertakes under the Forward Ijarah agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Forward Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

3.5 Musharaka

An agreement between the Group and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The Musharaka Capital may be contributed in cash or in kind, as valued at the time of entering into the Musharaka. The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement. In principle Musharaka profit is distributed on declaration/distribution by the managing partner. However, since the Musharaka profit is always reliably estimated, it is internally accounted for on a time-apportioned basis over the Musharaka tenure based on the Musharaka Capital outstanding. Whereas the loss, if any, is shared in proportion to their capital contribution ratios, provided in the absence of the managing partner's negligence, breach or default, the Group receives satisfactory evidence that such loss was due to force majeure and that the managing partner neither was able to predict the same nor could have prevented the negative consequences of the same on the Musharaka.

3.6 Mudaraba

A contract between two parties whereby one party is a fund provider (the "Rab Al Mal") who would provide a certain amount of funds (the "Mudaraba Capital"), to the other party (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity. In principle Mudaraba profit is distributed on declaration/distribution by the Mudarib. However, since the Mudaraba profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Mudaraba tenure based on the Mudaraba Capital outstanding. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal, provided the Rab Al Mal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences of the same on the Mudaraba. Under the Mudaraba contract the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

3 Definitions (continued)

3.7 Wakala

An agreement between two parties whereby one party is a fund provider (the "Muwakkil") who provides a certain amount of money (the "Wakala Capital") to an agent (the "Wakeel"), who invests the Wakala Capital in a Sharia'a compliant manner and according to the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle, wakala profit is distributed on declaration/distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Group may act either as Muwakkil or as Wakeel, as the case may be.

3.8 Sukuk

These comprise asset backed, Sharia'a compliant trust certificates.

4 Basis of preparation

4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB) and applicable requirements of the laws of the U.A.E., including the UAE Federal Law No 2 of 2015 ("UAE Companies Law of 2015") and the Decretal Federal Law No. (14) of 2018.

4.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies below.

4.3 Functional and reporting currency

The consolidated financial statements are presented in United Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

The principal accounting policies applied in preparation of these consolidated financial statements are set out below.

5 Significant accounting policies

5.1 Basis of consolidation

5.1.1 Business combinations

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.

5.1.2 Subsidiary

These consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group. Control is achieved when the Group has:

- power over the investee;
- exposure, or has rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group voting rights in an investee are sufficient to give it power, including:

- the size of the Group holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders and other parties;
- rights raising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary Profit or loss and each component of other comprehensive income are attributable to the owners of the Group and to the non-controlling interests.

Total comprehensive income of the subsidiaries is attributable to the owners of the group and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies.

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

5.1.2 Subsidiary (continued)

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to owners of the Group.

5.1.3 Foreign currencies

In preparing the consolidated financial statements, each individual Group entity's transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the consolidated statement of profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to the consolidated statement of profit or loss on settlement of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group foreign operations are translated into Arab Emirates Dirham, which is the Group presentation currency, using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group is reclassified to the consolidated statement of profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated statement of profit or loss.

Fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

5.1.4 Loss of control

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 (issued in 2010), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5.1.5 Special purpose vehicles (“SPVs”)

Special purpose vehicles are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of assets, or the execution of a specific Islamic financing transaction. An SPV is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPV’s risk and rewards, the Group concludes that it controls the SPV.

5.1.6 Fiduciary activities

The Group acts as trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the Group consolidated financial statements as they are not assets of the Group.

5.2 Financial instruments

5.2.1 Initial recognition

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

5.2.2 Initial measurement

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.

5.3 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

5 Significant accounting policies (continued)

5.3 Financial assets (continued)

5.3.1 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 or other comprehensive income 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.

5.3.2 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.

5.3.3 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.

5 Significant accounting policies (continued)

5.3 Financial assets (continued)

5.3.4 Amortised cost and effective profit rate method

The effective profit rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income over the relevant period. The effective profit rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financing and investing instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition.

Income is recognised in the consolidated statement of profit or loss on an effective profit rate basis for financing and investing instruments measured subsequently at amortised cost.

5.3.5 Financial assets 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.

5.3.6 Debt instruments at fair value through other comprehensive income (FVTOCI)

Debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit income and foreign exchange gains and losses are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The Group has not classified any debt instruments at FVOCI.

5.3.7 Financial assets 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 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.

5 Significant accounting policies (continued)

5.3 Financial assets (continued)

5.3.7 Financial assets at fair value through profit or loss (FVTPL) (continued)

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 consolidated statement of profit/loss. The net gain or loss recognised in the consolidated statement of profit or loss is included in the 'gain from other investments at fair value' line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 47.2.1 to these consolidated financial statements.

5.3.8 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Accordingly:

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in consolidated statement of profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated financial instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated statement of profit or loss.

5.3.9 Impairment of financial assets

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

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

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

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

No impairment loss is recognised on equity investments.

5 Significant accounting policies (continued)

5.3 Financial assets (continued)

5.3.9 Impairment of financial assets (continued)

Excepted credit loss impairment model

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

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

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

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, 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 financier would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

5 Significant accounting policies (continued)

5.3 Financial assets (continued)

5.3.9 Impairment of financial assets (continued)

Macroeconomic factors, forward looking information and multiple scenarios

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

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

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

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

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

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. The determination of the credit impairment remains unchanged in IFRS 9 consistent with IAS 39

5 Significant accounting policies (continued)

5.3 Financial assets (continued)

5.3.9 Impairment of financial assets (continued)

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.

Renegotiated financing facilities

The Bank sometimes makes concessions or modifications to the original terms of financing as a response to the customer'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 customer's present or expected financial difficulties and the Bank would not have agreed to them if the customer 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 profit have been made during the probation period.

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 customer 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 customer is past due 90 days or more on any material credit obligation to the Bank.

5 Significant accounting policies (continued)

5.3 Financial assets (continued)

5.3.9 Impairment of financial assets (continued)

Definition of default (continued)

In assessing whether a customer 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.

5.3.10 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised Islamic financing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated statement of profit or loss.

On derecognition of a financial asset that is investment in equity instrument and classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve in equity is not reclassified to the consolidated statement of profit or loss, but is transferred to retained earnings within equity.

5.3.11 Financial guarantees, letters of credit and undrawn financing commitments

The Bank issues financial guarantees, letters of credit and financing commitments in the normal course of business. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and an ECL provision.

Undrawn financing commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a financing with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

5.4 Offsetting

Financial assets and liabilities are offset and reported net in the consolidated financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group trading activity.

The Group is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented on a gross basis.

5 Significant accounting policies (continued)

5.5 Classification of financial liabilities and equity instruments

Liability and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

5.6 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are recognised and deducted directly in equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Bank’s own equity instruments.

Tier 1 sukuk are perpetual Mudaraba sukuk which are not redeemable by sukukholders and bear an entitlement to profit distributions that is non-cumulative and at the discretion of the Board of Directors. Accordingly tier 1 sukuk are presented as a component of equity instruments issued by the Group in equity.

Dividends on ordinary shares and profit distribution to tier 1 sukuk are recognised as a liability and deducted from equity when they are approved by the Group shareholders and Board of Directors, respectively. Dividends for the year that are approved after the reporting date are disclosed as an unadjusting event after the reporting date.

5.7 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 set out below.

5.7.1 Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective profit rate method.

The effective profit rate method is a method of calculating the amortised cost of a financial liability and of allocating customers’ share of profit over the relevant period. The effective profit rate is the rate that is used to calculate the present value of estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs through the expected life of the financial liability, or (where appropriate) a shorter period, to arrive at the net carrying amount on initial recognition.

Financial liabilities measured at amortised cost include due to banks and financial institutions, customers’ deposits, sukuk instruments, certain payables and other liabilities.

5.7.2 Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the consolidated statement of profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

5 Significant accounting policies (continued)

5.7 Financial liabilities (continued)

5.7.3 Financial guarantee

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

5.7.4 De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, if any, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss.

5.8 Islamic derivative financial instruments

An Islamic derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Group enters into a variety of Islamic derivative financial instruments to manage the exposure to profit and foreign exchange rate risks, including unilateral promise to buy/sell currencies and Islamic profit rate swap.

Islamic derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All Islamic derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Islamic derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right to setoff exists, and the parties intend to settle the cash flows on a net basis.

Islamic derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the Islamic derivative’s components using appropriate pricing or valuation models.

The method of recognising fair value gains and losses depends on whether Islamic derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of Islamic derivatives held for trading are recognised in consolidated statement of profit or loss.

5.9 Unilateral promises to buy/sell currencies (the “Promises”)

The Promises are stated at fair value. The fair value of a Promise is the equivalent of the unrealised gain or loss from marking to market the Promise using prevailing market rates. Promises with positive market value (unrealised gain) are included in other assets and Promises with negative market value (unrealised losses) are included in other liabilities in the consolidated statement of financial position.

5 Significant accounting policies (continued)

5.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances held with Central Banks, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

5.11 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group 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 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 consolidated statement of profit or loss in the period in which the investment is acquired.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting from the date on which the investment becomes an associate of joint venture. Under the equity method, an investment in associates and joint ventures is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group share of the profit or loss and other comprehensive income of the associates and joint ventures.

When the Group share of losses of associates and joint ventures exceeds the Group interest in that associates and joint ventures (which includes any long-term interests that, in substance, form part of the Group net investment in the associates and joint ventures), the Group discontinues recognizing 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 associates and joint ventures.

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 investment in associates and joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains its interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or 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. There is no remeasurement to fair value upon such changes in ownership interests.

5 Significant accounting policies (continued)

5.11 Investments in associates and joint ventures (continued)

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. 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.

When a Group 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 consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

5.12 Properties held for sale

Properties acquired or constructed with the intention of sale are classified as properties held for sale. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale.

Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress.

5.13 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, if any. Depreciation on investment in buildings is charged on a straight-line basis over 40 years.

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 consolidated 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.

5.14 Acceptances

Acceptances are recognised as financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

5 Significant accounting policies (continued)

5.15 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the consolidated statement of profit or loss in the period in which they are incurred.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

- Buildings 15-25 years;
- Furniture, office equipment and motor vehicles 3-5 years; and
- Information technology 3-5 years.

Freehold land is not depreciated. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss, if any. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, financing costs capitalised in accordance with the Group accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group policies.

5.16 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the present value of the estimated future cash flows are calculated using a profit rate that reflects current market assessments of the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated statement of profit or loss.

5 Significant accounting policies (continued)

5.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is reasonably certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

5.18 Employees' end of service benefits

Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

The Group provides end of service benefits for its expatriate employees in accordance with U.A.E. Labour Law.

The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

5.19 Directors' remuneration

Pursuant to Article 169 of the Federal Law No. 2 of 2015 and in accordance with the articles of association of the Bank, the Directors shall be entitled for remuneration which shall not exceed 10% of the net profits after deducting depreciation and the reserves.

5.20 Taxation

Provision is made for current and deferred taxes arising from operating results of overseas subsidiaries in accordance with the fiscal regulations of the respective countries in which the subsidiaries operate.

5.20.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

5 Significant accounting policies (continued)

5.20 Taxation (continued)

5.20.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

5.21 Zakat

Zakat for shareholders is computed based on “Net Invested Funds Method” which is in accordance with the advice of the Internal Sharia’a Supervisory Committee.

The Zakat for the shareholders is accounted for as follows:

5.21.1 Zakat accounted by the Bank on shareholders’ behalf

Zakat is accounted as per the Articles and Memorandum of Association of the Bank and is approved by the Bank Internal Sharia’a Supervisory Committee on the following basis:

- The portion of Zakat payable by the Bank on its shareholders’ behalf is calculated on ‘statutory reserve’, ‘general reserve’, ‘retained earnings’, ‘other comprehensive income’, exchange translation reserve’ and ‘provision for employees’ end of service benefits’;
- Zakat paid by investee companies directly are adjusted in shareholders Zakat, if the Bank only accounts for net profit after Zakat of investee;
- Zakat on depositors’ investment risk reserve is calculated and deducted from the investment risk reserve balance held with the bank and added to the Zakat payable balance; and
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the terms set by the Board of Directors.

5.21.2 Zakat payable by the shareholders

Zakat payable by the shareholders directly represents the differential/remaining Zakat after deducting the Zakat accounted by the Bank on shareholders’ behalf.

5 Significant accounting policies (continued)

5.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

5.22.1 Income from financial assets measured at amortised cost

Income from a financial asset measured at amortised cost is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Income from a financial asset measured at amortised cost is accrued/amortised on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that is used to calculate the present value of estimated future net cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

5.22.2 Fee and commission income

Fee and commission income is recognised when the related services are performed.

5.22.3 Dividend income

Dividend income from other investments at fair value in equities is recognised when the right to receive the dividend is established.

5.22.4 Income from cancellation of properties sale contract

Income from cancellation of properties sale contract (forfeiture income) is recognised in the consolidated statement of profit or loss when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil the contractual payment terms. This is deemed to take place when, despite rigorous follow-up with the defaulted customer, the customer continues to default on the contractual terms and an amount is taken under a settlement or pursuant to a decision issued by Dubai Real Estate Regulatory Authority.

5.22.5 Revenue from sale of properties, net

Revenue is recognized when (or as) the Group satisfies the performance obligation at an amount that reflects the consideration to which the Group is entitled in exchange for transferring goods or services to a customer. A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For performance obligations satisfied over time, the Group recognises revenue over time by selecting an appropriate method for measuring the progress towards complete satisfaction of that performance obligation.

5.22.6 Rental income

The Group policy for recognition of revenue from operating leases is described in note 5.24.1 below.

5 Significant accounting policies (continued)

5.22 Revenue recognition (continued)

5.22.7 Forfeited income

According to the Bank's Internal Sharia'a Supervisory Committee, the Group is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia'a principles, as interpreted by Internal Sharia'a Supervisory Committee, and to set aside such amount in a separate account used to pay for charitable causes and activities.

5.23 Depositors' share of profit calculation

Allocation of profits between depositors and shareholders is calculated according to the Bank's standard procedures and is approved by the Bank's Internal Sharia'a Supervisory Committee.

5.24 Lease

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

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for profit and lease payments, as well as the impact of lease modifications, amongst others.

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

5.25 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments. Refer to note 44 on Business Segment reporting.

5.26 Transition to IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except the comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

5 Significant accounting policies (continued)

5.26 Transition to IFRS 9 (continued)

5.26.1 Impact on components of statement of financial position balances from IAS 39 to IFRS 9

Explanations in respect of change in measurement of categories of financial assets in accordance with IFRS 9 as at 1 January 2018 primarily comprises the following:

- Islamic investing and financing assets – an opening adjustment to regulatory credit risk reserve of AED 265.3 million has resulted in decrease in carrying value from AED 133.3 billion at 31 December 2017 to AED 133.0 billion;
- Investment in Islamic Sukuk – an opening adjustment to regulatory credit risk reserve of AED 76.5 million has resulted in decrease in carrying value from AED 24.0 billion at 31 December 2017 to AED 23.9 billion; and
- Receivables and other assets – an opening retained earning adjustment of AED 296.6 million, regulatory credit risk reserve adjustment of AED 40.0 million and non-controlling interest adjustment of AED 364.6 million has resulted in decrease in carrying value from AED 7.3 billion to AED 6.6 billion.

All other categories of financial assets at amortized cost largely comprise short term receivables, hence have immaterial expected credit losses.

5.26.2 Reconciliation of impairment provision balance from IAS 39 to IFRS 9

The following table reconciles the closing impairment loss allowance for financial assets in accordance with IAS 39 and provisions for financing commitments and financial guarantee contracts in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at December 31 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at January 1, 2018.

	31 Dec 2017	**Re-measure-ment**	**1 Jan 2018**
	AED'000	**AED'000**	**AED'000**
Islamic financing and investing assets- at amortised cost	**5,732,668**	**265,361**	**5,998,029**
Investment in Islamic Sukuk – at amortised cost	**-**	**76,500**	**76,500**
	5,732,668	**341,861**	**6,074,529**
	=========	=========	=========

Refer note 5.26.1 for impact on provision for re-measurement of other receivables.

5.26.3 Reconciliation of other reserves and treasury shares, retained earnings and non-controlling interests

The impact from the adoption of IFRS 9 as at 1 January 2018 on shareholders capital and equity and non-controlling interest is as follows:

	Other reserves and treasury shares	**Retained earnings**	**Non-controlling interests**
	AED'000	**AED'000**	**AED'000**
Closing balance under IAS 39 (31 December 2017)	**7,785,557**	**6,964,089**	**2,942,687**
Impact on recognition of Expected Credit Losses			
Islamic financing and investing assets, sukuk and receivables - at amortised cost under IFRS 9	**(381,861)**	**(296,559)**	**(364,665)**
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**7,403,696**	**6,667,530**	**2,578,022**
	=========	=========	=========

6 Critical accounting judgements and key sources of estimation of uncertainty

While applying the accounting policies as stated in note 5, the management of the Group has made certain judgments. These judgments mainly have a significant effect on the carrying amounts of Islamic financing and investing assets, investment securities and the fair values of Islamic derivative financial instruments. The significant judgments made by the management in arriving at the carrying amounts of Islamic financing and investing assets, investment securities and fair values of Islamic derivative financial instruments are summarised as follows:

6.1 Significant increase in credit risk

As explained in note 5.3.9, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information.

6.2 Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

6.3 Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

6.4 Classification of investments

The classification and measurement of the financial assets depends on the management’s business model for managing its financial assets and on the contractual cash flow characteristics of the financial assets assessed. Management is satisfied that the Group investment in securities are appropriately classified and measured.

Financial assets that are measured at amortised cost are those assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit.

Financial assets that are measured at FVTOCI are investments in sharia compliant equity instruments and investment funds that are not held to benefit from changes in their fair value and are not held for trading. The management believes that designating these instruments as at FVTOCI provides a more meaningful presentation of its medium to long-term interest in its investments than holding the investments at fair value through profit and loss.

Financial assets that are measured at FVTPL are either held for trading or designated as FVTPL.

6 Critical accounting judgements and key sources of estimation of uncertainty (continued)

6.5 Impairment of associates and joint ventures

After application of equity method of accounting, the Group determines whether it is necessary to recognise for any additional impairment loss on the carrying value of the investment in associates and joint ventures by comparing their recoverable amounts with the higher of value in use or fair value less costs to sell with their carrying amounts.

In determining the value in use of the investment, the Group estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the associates, including the cash flows from the operations of the associates and the proceeds on the ultimate disposal of the investment; or
- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

6.6 Fair value of financial instruments

Certain assets and liabilities are measured at fair value for financial reporting purposes. The management has set up a valuation process, which involves finance and investment banking departments to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. Where level 1 inputs are not available, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as present value calculation rates, prepayment rates and default rate assumptions for 'asset-backed' securities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 47 to these consolidated financial statements.

6.7 Valuation of investment properties

The Group determines the fair value of its investment properties on the basis of market valuations prepared by independent professional valuers. The valuations are carried out on assumptions which are based on the market conditions existing at the reporting date. Therefore, any future change in the market conditions can have an impact on the fair values.

6.8 Determination of control over investee

Management applies its judgement to determine whether control indicators as set out in 5.1 exist to establish that the Group controls an investee.

7 Cash and balances with central banks

7.1 Analysis by category

	Note	**2019 AED'000**	2018 AED'000
Cash on hand		**1,670,001**	1,666,732
Balances with central banks:			
Balances and reserve requirements with central banks	*7.3*	**9,571,486**	7,864,674
International murabahas with the Central Bank of the U.A.E.		**10,027,008**	13,014,120
Total		**21,268,495**	22,545,526

Balances with Central Banks are in stage 1 at 31 December 2019 and 31 December 2018.

7.2 Analysis by geography

	2019 AED'000	2018 AED'000
Within the U.A.E.	**20,785,242**	22,071,987
Outside the U.A.E.	**483,253**	473,539
Total	**21,268,495**	22,545,526

7.3 Statutory cash reserve requirements

The reserve requirements are kept 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.

8 Due from banks and financial institutions

8.1 Analysis by category

	2019 AED'000	2018 AED'000
Current accounts	**1,328,685**	1,117,919
Wakala deposits	**436,826**	1,410,705
International murabahas - short term	**4,486,228**	5,768,408
Less: Provision for impairment	**(3,566)**	-
Total	**6,248,173**	8,297,032

8.2 Analysis by geography

	2019 AED'000	2018 AED'000
Within the U.A.E.	**4,915,056**	7,009,965
Outside the U.A.E.	**1,333,117**	1,287,067
Total	**6,248,173**	8,297,032

Due from banks and financial institutions are in stage 1 at 31 December 2019 and 31 December 2018.

9 Islamic financing and investing assets, net

9.1 Analysis by category

	Note	2019 AED'000	2018 AED'000
Islamic financing assets			
Vehicles murabahas		**8,800,363**	9,193,107
International murabahas - long term		**27,174,230**	23,925,516
Other murabahas		**4,448,037**	5,041,379
Total murabahas		**40,422,630**	38,160,002
Ijarahs		**52,258,699**	52,905,289
Home finance ijarah		**14,358,198**	13,274,482
Personal finance		**18,794,856**	17,779,746
Istisna'a		**1,090,330**	1,187,724
Islamic credit cards		**1,491,509**	1,201,860
		128,416,222	124,509,103
Less: deferred income		**(3,726,780)**	(3,677,805)
Less: contractors and consultants' istisna'a contracts		**(6,799)**	(8,430)
Total Islamic financing assets		**124,682,643**	120,822,868
Islamic investing assets			
Musharakas		**7,114,522**	7,806,122
Mudarabas		**11,134,451**	11,712,531
Wakalas		**14,062,495**	10,124,436
Total Islamic investing assets		**32,311,468**	29,643,089
Total Islamic financing and investing assets		**156,994,111**	150,465,957
Less: provisions for impairment	*9.3*	**(6,080,683)**	(5,727,372)
Total Islamic financing and investing assets, net		**150,913,428**	144,738,585
		=========	=========

9 Islamic financing and investing assets, net (continued)

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

As at 31 December 2019

	Gross book values (AED'000)				Expected credit loss (AED'000)			
	Stage 1	**Stage 2**	**Stage 3**	**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**
Total	**138,667,428**	**12,101,512**	**6,225,171**	**156,994,111**	**1,075,995**	**965,945**	**4,038,743**	**6,080,683**

As at 31 December 2018

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

9 Islamic financing and investing assets, net (continued)

9.3 Provision for impairment

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

2018	***Note***	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Balance at 1 January		1,810,964	-	3,921,704	5,732,668
Reversal on transition to IFRS 9	*5.26.2*	(1,810,964)	-	-	(1,810,964)
ECL recognized on adoption of IFRS 9		1,380,253	696,072	-	2,076,325
Balance at 1 January - restated		1,380,253	696,072	3,921,704	5,998,029
Impairment charge during the year	*40*	(348,732)	311,109	1,827,006	1,789,383
Write back/recoveries during the year	*40*	-	-	(869,492)	(869,492)
Write off		-	-	(1,165,634)	(1,165,634)
Exchange and other adjustments		(17,438)	(344)	(7,132)	(24,914)
Balance at 31 December		1,014,083	1,006,837	3,706,452	5,727,372

9 Islamic financing and investing assets, net (continued)

9.4 Collaterals and mitigations

The Group, in the ordinary course of providing finance, holds collateral as security to mitigate credit risk associated with Islamic financing and investing assets. The collaterals include mortgage on land and buildings and lien on deposits, equities and other fixed assets. The estimated value of collaterals for Islamic financing and investing assets which are mainly asset based financing, is as follows:

	2019 **AED'000**	2018 AED'000
Properties and mortgages	**45,104,459**	40,900,849
Deposits and shares	**5,392,812**	6,431,085
Movable assets	**18,811,214**	21,085,974
Government and financial guarantees	**5,362,327**	5,962,523

The estimated fair value of collaterals that the Group holds relating to facilities individually determined to be impaired at 31 December 2019 amounts to AED 4.4 billion (2018: AED 3.2 billion).

During the year ended 31 December 2019, the Group took possession of various underlying assets, primarily vehicles and residential mortgage properties. The Group has sold repossessed assets amounting to AED 38.0 million (2018: AED 17.4 million) and acquired the properties amounting to AED 95.9 million (2018: AED 281.9 million) which has been adjusted against the outstanding receivables.

9.5 Analysis by economic sector and geography

	Within the U.A.E. AED'000	**Outside the U.A.E. AED'000**	**Total AED'000**
2019			
Government	**6,277,755**	**2,852,836**	**9,130,591**
Financial institutions	**5,816,744**	**944,382**	**6,761,126**
Real estate	**32,289,495**	**511,083**	**32,800,578**
Contracting	**5,073,452**	**944,228**	**6,017,680**
Trade	**7,514,410**	**713,249**	**8,227,659**
Aviation	**17,488,595**	**-**	**17,488,595**
Services and others	**31,840,318**	**3,540,207**	**35,380,525**
Consumer financing	**26,134,291**	**501,520**	**26,635,811**
Consumer home finance	**14,283,393**	**268,153**	**14,551,546**
	146,718,453	**10,275,658**	**156,994,111**
Less: provision for impairment			**(6,080,683)**
Total			**150,913,428**
2018			
Government	5,745,492	1,521,827	7,267,319
Financial institutions	5,830,020	644,686	6,474,706
Real estate	28,581,368	261,913	28,843,281
Contracting	5,799,483	964,868	6,764,351
Trade	7,564,031	682,717	8,246,748
Aviation	18,770,762	113,493	18,884,255
Services and others	31,220,294	3,178,972	34,399,266
Consumer financing	25,396,744	541,421	25,938,165
Consumer home finance	13,357,669	290,197	13,647,866
	142,265,863	8,200,094	150,465,957
Less: provision for impairment			(5,727,372)
Total			144,738,585

10 Investments in Islamic sukuk measured at amortised cost

10.1 Analysis by geography

	2019 **AED'000**	2018 AED'000
Within the U.A.E.	**15,880,157**	14,593,400
Other G.C.C. Countries	**6,591,432**	6,249,685
Rest of the World	**10,871,848**	10,425,237
	33,343,437	31,268,322
Less: provision for impairment	**(99,579)**	(89,797)
Total	**33,243,858**	31,178,525

10.2 Analysis by economic sector

	2019 **AED'000**	2018 AED'000
Government	**21,058,832**	19,487,183
Financial institutions	**3,889,442**	3,368,507
Real estate	**3,278,733**	3,030,013
Aviation	**1,160,166**	1,739,988
Services and others	**3,956,264**	3,642,631
	33,343,437	31,268,322
Less: provision for impairment	**(99,579)**	(89,797)
Total	**33,243,858**	31,178,525

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

All Sukuks are classified in stage 1 at 31 December 2019 and 31 December 2018.

11 Other investments measured at fair value

11.1 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
As at 31 December 2019				
Investments measured at fair value through profit or loss				
Quoted equity instruments	**10**	**10**	**-**	**20**
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	**452,387**	**99,468**	**997**	**552,852**
Unquoted equity instruments and investment funds	**501,437**	**33,514**	**178,412**	**713,363**
	953,824	**132,982**	**179,409**	**1,266,215**
Total	**953,834**	**132,992**	**179,409**	**1,266,235**
As at 31 December 2018				
Investments measured at fair value through profit or loss				
Quoted equity instruments	-	-	-	-
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	598,516	118,058	1,133	717,707
Unquoted equity instruments and investment funds	685,243	51,342	233,532	970,117
	1,283,759	169,400	234,665	1,687,824
Total	1,283,759	169,400	234,665	1,687,824

During the year ended 31 December 2019, dividends received from investments measured at fair value through other comprehensive income amounting to AED 65.8 million (2018: AED 45.4 million) were recognised in the consolidated statement of profit or loss (note 33).

During the year ended 31 December 2019, the Group purchased shares worth AED 0.02 million measured at fair value (2018: AED 0.9 million).

11.2 Analysis by economic sector

	2019 AED'000	2018 AED'000
Services and others	**932,988**	1,093,534
Financial institutions	**199,175**	406,975
Real estate	**134,072**	187,315
Total	**1,266,235**	1,687,824

12 Investments in associates and joint ventures

12.1 Analysis of carrying value

	2019	2018
	AED'000	AED'000
Balance at 1 January	**1,928,629**	2,135,931
Additions	**-**	129,352
Dividend received	**(8,681)**	(19,871)
Share of profit	**58,355**	137,496
Exchange translation reserve	**(1,585)**	(454,279)
Balance at 31 December	**1,976,718**	1,928,629

12.2 Analysis by geography

	2019	2018
	AED'000	AED'000
Within the U.A.E.	**1,484,874**	1,463,775
Other G.C.C. Countries	**43,928**	46,142
Rest of the world	**447,916**	418,712
Total	**1,976,718**	1,928,629

12.3 Fair value of investment in associates and joint ventures

As at 31 December 2019, the cumulative fair value of the Group's listed associates is AED 231.4 million (2018: AED 186.2 million), and the carrying amount of the Group's interest in those associates is AED 356.1 million (2018: 330.4 million). All other investments in associates and joint ventures are not listed in active markets and the management considers the carrying amounts of these investments approximate their fair values.

12.4 Analysis of the Group's share of total comprehensive income of associates and joint ventures

	2019	2018
	AED'000	AED'000
The Group's share of profit for the year	**58,355**	137,496
The Group's share of other comprehensive income / (loss) for the year	**-**	-
The Group's share of total comprehensive income for the year	**58,355**	137,496

12.5 List of associates and joint ventures

	Name of associate or joint venture	**Principal activity**	**Place of incorporation**	**Percentage holding 2019**	**Percentage holding 2018**
1.	Bank of Khartoum	Banking	Sudan	**29.5%**	29.5%
2.	PT. Bank Panin Dubai Syariah Tbk	Banking	Indonesia	**38.3%**	38.3%
3.	Bosnia Bank International	Banking	Bosnia	**27.3%**	27.3%
4.	Liquidity Management Center	Brokerage services	Bahrain	**25.0%**	25.0%
5.	Ejar Cranes & Equipment L.L.C.	Equipment leasing	U.A.E.	**20.0%**	20.0%
6.	Solidere International Al Zorah Equity Investments Inc	Property development	Cayman Islands	**22.7%**	22.7%
7.	Al Bustan Center Company L.L.C.	Leasing apartments and shops	U.A.E.	**50.0%**	50.0%
8.	Arady Development LLC	Property development	U.A.E.	**50.0%**	50.0%

All of the above associates and joint ventures are accounted for using the equity accounting method in these consolidated financial statements.

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13 Properties held for development and sale

13.1 Movement in properties held for development and sale

	Note	Other real estate AED'000	Properties under construction AED'000	Land AED'000	Total AED'000
Balance at 1 January 2019		**261,132**	**360,663**	**827,180**	**1,448,975**
Additions		**-**	**374,502**	**1,205**	**375,707**
Disposals	*34*	**(14,786)**	**(320,547)**	**-**	**(335,333)**
Transfers	*14.2*	**(83)**	**(155,715)**	**-**	**(155,798)**
Reclassification		**68,396**	**(68,396)**	**-**	**-**
Foreign exchange effect		**3,325**	**-**	**-**	**3,325**
Balance at 31 December 2019		**317,984**	**190,507**	**828,385**	**1,336,876**
Balance at 1 January 2018		272,306	577,584	424,516	1,274,406
Additions		-	322,314	141,394	463,708
Disposals	*34*	(11,076)	(277,965)	-	(289,041)
Transfers		-	(261,270)	261,270	-
Foreign exchange effect		(98)	-	-	(98)
Balance at 31 December 2018		261,132	360,663	827,180	1,448,975

Properties held for sale represent properties in the U.A.E. and outside the U.A.E. that are registered in the name of the Group entities.

14 Investment properties

14.1 Analysis by category

	Note	**2019 AED'000**	2018 AED'000
Investment properties carried at cost	*14.2*	**4,920,055**	4,495,054
Investment properties carried at fair value		**288,478**	-
Balance at 31 December		**5,208,533**	4,495,054

14 Investment properties (continued)

14.2 Movement in investment properties at cost

	Other real estate AED'000	Investment properties under construction AED'000	Land AED'000	Total AED'000
Cost:				
Balance at 1 January 2019	**1,623,824**	**2,129,286**	**1,253,139**	**5,006,249**
Additions	**6,820**	**187,367**	**121,759**	**315,946**
Transfers	**250,648**	**-**	**-**	**250,648**
Reclassification	**(166,188)**	**-**	**-**	**(166,188)**
Foreign exchange effect	**(7,296)**	**-**	**-**	**(7,296)**
Balance at 31 December 2019	**1,707,808**	**2,316,653**	**1,374,898**	**5,399,359**
Accumulated depreciation and impairment:				
Balance at 1 January 2019	**435,306**	**-**	**75,888**	**511,194**
Depreciation charged for the year	**36,960**	**-**	**-**	**36,960**
Reclassification	**(92,325)**	**-**	**-**	**(92,325)**
Other impairment charges	**(3,844)**	**-**	**31,684**	**27,840**
Foreign exchange effect	**(4,365)**	**-**	**-**	**(4,365)**
Balance at 31 December 2019	**371,732**	**-**	**107,572**	**479,304**
Carrying amount at 31 December 2019	**1,336,076**	**2,316,653**	**1,267,326**	**4,920,055**
Cost:				
Balance at 1 January 2018	1,479,294	1,725,806	953,502	4,158,602
Additions	2,619	413,046	217,075	632,740
Transfers *	181,150	-	100,706	281,856
Disposals	(29,568)	-	(18,144)	(47,712)
Transfer to property, plant and equipment	(630)	-	-	(630)
Reclassification	9,566	(9,566)	-	-
Foreign exchange effect	(18,607)	-	-	(18,607)
Balance at 31 December 2018	1,623,824	2,129,286	1,253,139	5,006,249
Accumulated depreciation and impairment:				
Balance at 1 January 2018	435,818	1,741	150,889	588,448
Depreciation charged for the year	35,148	-	-	35,148
Disposals	(1,886)	-	-	(1,886)
Transfers	(168)	-	-	(168)
Reclassification	1,741	(1,741)	-	-
Others	(25,000)	-	(75,000)	(100,000)
Foreign exchange effect	(10,347)	-	-	(10,347)
Balance at 31 December 2018	435,306	-	75,889	511,195
Carrying amount at 31 December 2018	1,188,518	2,129,286	1,177,250	4,495,054

* Transfer to investment properties include properties acquired in settlement of Islamic financing and investing assets amounting to AED 95.9 million (2018: 281.9 million) and transfer from property held for development and sale amounting to AED 155.7 (2018: AED Nil) (refer note 13.1).

14 Investment properties (continued)

14.3 Analysis by geography

	Other real estate	Investment properties under construction	Land	Total
	AED'000	AED'000	AED'000	AED'000
2019				
Carrying amount at 31 December:				
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**
Total carrying amount	**1,647,936**	**2,316,653**	**1,243,944**	**5,208,533**
2018				
Carrying amount at 31 December:				
Within the U.A.E.	1,043,399	2,129,286	1,124,706	4,297,391
Outside the U.A.E.	145,119	-	52,544	197,663
Total carrying amount	1,188,518	2,129,286	1,177,250	4,495,054

Investment properties are generally financed by the common pool of the bank except certain investment properties amounting to AED 288.5 million (2018: AED Nil) which are financed by Wakala pool. Accordingly these investment properties are carried at fair value which is determined using unobservable market inputs (i.e., level 3).

Investment properties include properties with a book value of AED 393.1 million (2018: AED 276.9 million) that have been mortgaged by Group's entities as a security in respect of Islamic financing arrangements to another financial institution.

14.4 Fair value of investment properties

The fair value of the Group's investment properties as at 31 December 2019 is AED 5.7 billion (2018: AED 5.1 billion) based on unobservable market inputs (i.e. level 3).

The Group has carried out external valuations of these properties as at 31 December 2019. The valuations are carried out by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. The valuations were based on comparable transaction method and present value calculation of the estimated future cash flow model supported by existing lease and current market rents for similar properties in the same location adjusted to reflect the level of completion of construction of these properties. The profit rate, which is used to calculate the present value of the future cash flows, reflects current market assessments of the uncertainty and timing of the cash flows.

The valuations were based on an individual assessment, for each property type, of both the future earnings and the required yield. In assessing the future earnings of the properties, potential changes in rental levels from each contract's rent and expiry date is compared with estimated current market rent, as well as changes in occupancy rates and property costs.

15 Receivables and other assets

15.1 Analysis by category

	Note	**2019** **AED'000**	2018 AED'000
Receivables on sale of investment properties, net	*15.1.1*	**1,242,530**	1,364,632
Due from customers	*15.1.2*	**1,222,262**	1,235,542
Acceptances		**1,926,306**	874,402
Prepaid expenses		**89,238**	118,063
Fair value of Islamic derivatives	*45.1*	**856,146**	515,502
Deferred tax asset	*22.2*	**36,224**	19,445
Right of use asset		**277,451**	-
Others		**3,092,826**	1,920,184
Total		**8,742,983**	6,047,770

15.1.1 Receivables on sale of investment properties, net

The Bank and its subsidiary entered into sale and purchase agreements to sell investment properties in prior years. The salient terms and conditions of the sales and purchase agreements are as follows:

- The sales consideration of transactions of the Bank and its subsidiary was receivable on or before 31 December 2019. The arrangement has been extended to 31 December 2024 on the similar terms provided below;
- The sales consideration can be settled in cash or in kind or a combination of cash and in kind, at the discretion of the buyer. In case full settlement of consideration or part thereof is in kind, assets to be offered in lieu of the full sales consideration or part thereof must be of equal value to the amount due and payable under the agreement;
- The commitments on the remaining original purchase price for the plots of land remain with the Bank; and
- The exposure is classified in stage 2 and accordingly life time expected credit loss amounting to AED 436.0 million is held at 31 December 2019 (2018: AED 660.0 million).

15.1.2 Due from customers

Due from customers represent overdrawn current accounts and other accounts that do not meet the definition of Islamic financing and investing assets and are in stage 2 and 3 respectively. The balances are stated net of provision for impairment amounting to AED 630 million (2018: AED 646 million). The Group holds collaterals amounting to AED 913 million (2018: AED 1,062 million) against these accounts.

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16 Property and equipment

	Land and buildings AED'000	Furniture, equipment, and vehicles AED'000	Information technology AED'000	Capital work in progress AED'000	Total AED'000
Cost:					
Balance at 1 January 2019	**800,100**	**333,956**	**762,917**	**759,762**	**2,656,735**
Additions	**11,447**	**12,918**	**5,379**	**353,668**	**383,412**
Disposals	**(3,247)**	**(7,174)**	**(1,985)**	**(2,137)**	**(14,543)**
Transfers	**939,434**	**12,179**	**51,182**	**(1,002,795)**	**-**
Others	**7,268**	**-**	**-**	**-**	**7,268**
Exchange adjustments	**-**	**(12,198)**	**(5,591)**	**(1,270)**	**(19,059)**
Balance at 31 December 2019	**1,755,002**	**339,681**	**811,902**	**107,228**	**3,013,813**
Accumulated depreciation:					
Balance at 1 January 2019	**405,597**	**301,998**	**634,901**	**-**	**1,342,496**
Charge for the year	**39,430**	**17,268**	**45,482**	**-**	**102,180**
Disposals	**(216)**	**(6,509)**	**(1,834)**	**-**	**(8,559)**
Others	**5,638**	**(7,942)**	**-**	**-**	**(2,304)**
Exchange adjustments	**707**	**(6,440)**	**(4,602)**	**-**	**(10,335)**
Balance at 31 December 2019	**451,156**	**298,375**	**673,947**	**-**	**1,423,478**
Carrying amount					
Balance at 31 December 2019	**1,303,846**	**41,306**	**137,955**	**107,228**	**1,590,335**
Cost:					
Balance at 1 January 2018	776,997	352,506	713,886	564,282	2,407,671
Additions	19,646	11,591	5,331	253,810	290,378
Disposals	-	(3,777)	(344)	-	(4,121)
Written off	-	-	-	(1,038)	(1,038)
Transfers	3,439	(4,168)	57,610	(56,881)	-
Exchange adjustments	18	(22,196)	(13,566)	(411)	(36,155)
Balance at 31 December 2018	800,100	333,956	762,917	759,762	2,656,735
Accumulated depreciation:					
Balance at 1 January 2018	376,217	298,109	596,866	-	1,271,192
Charge for the year	29,231	21,110	48,213	-	98,554
Disposals	-	(3,459)	(344)	-	(3,803)
Exchange adjustments	149	(13,762)	(9,834)	-	(23,447)
Balance at 31 December 2018	405,597	301,998	634,901	-	1,342,496
Carrying amount					
Balance at 31 December 2018	394,503	31,958	128,016	759,762	1,314,239

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17 Subsidiaries

17.1 List of material subsidiaries

Below are material interest held by the Group directly or indirectly in subsidiaries:

	Name of subsidiary	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
				2019	2018
1.	Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	100.0%	100.0%
2.	Tamweel P.S.C	Financing	U.A.E	92.0%	92.0%
3.	DIB Bank Kenya	Banking	Kenya	100.0%	100.0%
4.	Dubai Islamic Financial Services L.L.C.	Brokerage services	U.A.E.	95.5%	95.5%
5.	Deyaar Development P.J.S.C.	Real estate development	U.A.E	44.9%	44.9%
6.	Dar al Shariah Financial & Legal Consultancy L.L.C.	Financial and legal advisory	U.A.E.	60.0%	60.0%
7.	Al Tanmyah Services L.L.C.	Labour services	U.A.E.	99.5%	99.5%
8.	Al Tatweer Al Hadith Real Estate	Real estate development	Egypt	100.0%	100.0%
9.	Al Tameer Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
10.	Al Tanmia Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
11.	Naseej Private Property Management Services	Property management	U.A.E.	99.0%	99.0%
12.	Dubai Islamic Bank Printing Press L.L.C.	Printing	U.A.E.	99.5%	99.5%
13.	Al Islami Real Estate Investments Ltd.	Investments	U.A.E.	100.0%	100.0%
14.	Dubai Islamic Trading Center L.L.C.	Trading in vehicles	U.A.E.	100.0%	100.0%
15.	Creek Union Limited FZ LLC	Investments	U.A.E	100.0%	100.0%
16.	Madinat Bader Properties Co. L.L.C.	Real Estate Development	U.A.E.	100.0%	100.0%

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

17 Subsidiaries (continued)

17.2 List of Special Purpose Vehicles ("SPV")

Below is the list of special purpose vehicles which were formed to manage specific transactions including funds, and are expected to be closed upon completion of the related transactions:

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

In addition to the registered ownership described above, the remaining equity in the entities 30, 31, 32 and 33 are also beneficially held by the Bank through nominee arrangements.

17.3 Non-controlling interests

Below are details of subsidiaries of the Group that have material non-controlling interests:

	Name of subsidiary	Proportion of ownership interests and voting rights held by the non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000
1	Tamweel P.S.C.	**8.0%**	8.0%	**14,870**	11,288	**201,472**	193,959
2	Deyaar Development P.J.S.C.	**55.1%**	55.1%	**71,609**	74,447	**2,534,863**	2,467,001
3	Others	**-**	-	**1,741**	1,770	**2,921**	2,507
	Total			**88,220**	87,505	**2,739,256**	2,663,467

17 Subsidiaries (continued)

17.4 Material non-controlling interests

Summarised financial information of material non-controlling interests before intragroup elimination is as follows:

17.4.1 Tamweel P.S.C

	31 December 2019 AED'000	31 December 2018 AED'000
Statement of financial position		
Islamic financing and investing assets, net	**1,937,855**	2,436,090
Receivable and other assets	**1,182,417**	1,088,911
Total assets	**3,120,272**	3,525,001
Due to banks and financial institutions	**185,000**	790,000
Payable and other liabilities	**70,658**	62,666
Total liabilities	**255,658**	852,666
Net assets	**2,864,614**	2,672,335

	2019 AED' 000	2018 AED' 000
Statement of comprehensive income		
Total revenue	**378,405**	251,009
Total operating expenses	**(90,903)**	(79,937)
Impairment charges	**(71,362)**	30,617
Depositors' share of profit	**(26,084)**	(56,546)
Net profit for the year	**190,056**	145,143
Other comprehensive income	**6,101**	(5,024)
Total comprehensive income	**196,157**	140,119
Statement of cash flows		
Net cash flows generated from operating activities	**26,579**	68,475
Net cash flows generated from investing activities	**5,508**	23,235
Net cash flows used in financing activities	**-**	(20,000)
Net cash flows generated during the year	**32,087**	71,710
Dividends paid to non-controlling interests	**-**	1,600

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17 Subsidiaries (continued)

17.4 Material non-controlling interests (continued)

17.4.2 Deyaar Development P.J.S.C

	31 December 2019 AED'000	31 December 2018 AED'000
Statement of financial position		
Investment in associates and joint ventures	**1,350,633**	1,321,368
Properties held for sale	**1,280,729**	1,407,543
Investment properties	**830,724**	340,122
Receivables and other assets	**1,659,163**	1,730,395
Other	**1,097,455**	1,382,947
Total assets	**6,218,704**	6,182,375
Due to banks and financial institutions	**981,305**	1,013,834
Payables and other liabilities	**702,696**	696,906
Total liabilities	**1,684,001**	1,710,740
Net assets	**4,534,703**	4,471,635

	2019 AED'000	2018 AED'000
Statement of comprehensive income		
Total income	**237,674**	224,897
Total expenses	**(153,511)**	(127,090)
Depositors' and sukukholders' share of profit	**(30,207)**	(24,329)
Share of profit from associates and joint ventures	**17,582**	61,512
Profit for the year	**71,538**	134,990
Other comprehensive income	**(8,470)**	(2,187)
Total comprehensive income	**63,068**	132,803
Statement of cash flows		
Net cash flows (used in) / generated from operating activities	**(106,575)**	116,526
Net cash flows used in investing activities	**(74,882)**	(160,578)
Net cash flows (used in) / generated from financing activities	**(29,712)**	323,365
Net cash flows generated during the year	**(211,169)**	279,313

* Adjustments were made to the above financial information to bring the subsidiary's accounting policies in line with those used by the Group.

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18 Customers' deposits

18.1 Analysis by category

	Note	**2019 AED'000**	2018 AED'000
Current accounts		**32,033,450**	33,323,139
Saving accounts		**22,043,412**	20,023,434
Investment deposits		**109,848,209**	101,796,429
Margin accounts		**382,754**	401,255
Depositors' investment risk reserve	*18.3*	**14,098**	9,640
Depositors' share of profit payable	*18.4*	**96,494**	103,419
Total		**164,418,417**	155,657,316

18.2 Analysis by geography

	2019 AED'000	2018 AED'000
Within the U.A.E.	**148,923,394**	143,246,121
Outside the U.A.E.	**15,495,023**	12,411,195
Total	**164,418,417**	155,657,316

18.3 Depositors' investment risk reserve

Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is payable to the depositors upon the approval of the Bank's Internal Sharia'a Supervisory Committee. Zakat on depositors' investment risk reserve is included under Zakat payable and is deducted from the depositors' investment risk reserve balance.

Movement of depositors' investment risk reserve is as follows:

	Note	**2019 AED'000**	2018 AED'000
Balance at 1 January		**9,640**	16,365
Zakat for the year	*23*	**(373)**	(255)
Net transfer from / (to) depositors' share of profit during the year	*18.4*	**4,831**	(6,470)
Balance at 31 December		**14,098**	9,640

18.4 Depositors' share of profit payable

		2019 AED'000	2018 AED'000
Balance at 1 January		**103,419**	110,214
Depositors' share of profit for the year	*37*	**623,786**	528,444
Net transfer (to) / from depositors' investment risk reserve	*18.3*	**(4,831)**	6,470
Less: amount paid during the year		**(625,880)**	(541,709)
Balance at 31 December		**96,494**	103,419

19 Due to banks and financial institutions

19.1 Analysis by category

	2019 **AED'000**	2018 AED'000
Current accounts with banks	**104,432**	91,423
Due to the Central Bank of the U.A.E	**-**	2,081,573
Investment deposits	**9,042,315**	11,030,232
Total	**9,146,747**	13,203,228

Investment deposits include deposits of AED 3.0 billion (2018: AED 3.8 billion) under collateralized commodity murabaha arrangement from banks and financial institutions (refer note 10).

19.2 Analysis by geography

	2019 **AED'000**	2018 AED'000
Within the U.A.E.	**6,360,958**	9,844,979
Outside the U.A.E.	**2,785,789**	3,358,249
Total	**9,146,747**	13,203,228

20 Sukuk issued

20.1 Analysis by issuance

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

	Expected annual profit rate	**Maturity**	**2019** **AED'000**	2018 AED'000
Listed sukuk - Irish Stock Exchange / Nasdaq Dubai				
Sukuk issued by the Bank	2.92%	June 2020	**2,754,750**	2,754,750
Sukuk issued by the Bank	3.60%	March 2021	**1,836,500**	1,836,500
Sukuk issued by the Bank	3.66%	February 2022	**3,673,000**	3,673,000
Sukuk issued by the Bank	3.63%	February 2023	**3,663,594**	3,660,594
Sukuk issued by the Bank	2.95%	February 2025	**2,748,093**	-
Private placement				
Sukuk issued by the Bank	3M Libor + 150 bps	December 2019	**-**	256,987
Sukuk issued by a subsidiary	6M Kibor + 50 bps	June 2027	**100,990**	106,135
Sukuk issued by a subsidiary	3M Kibor + 175 bps	December 2023	**75,018**	83,002
Total			**14,851,945**	12,370,968

20.2 Sukuk issued by the Bank

The terms of the Programme include transfer of certain identified assets (the "Co-Owned Assets") including original leased and musharakas assets, Sharia'a compliant authorised investments and any replaced assets of the Bank to DIB Sukuk Limited, Cayman Islands (the "Issuer"). These assets are under the control of the Bank and shall continue to be serviced by the Bank.

20 Sukuk issued (continued)

20.2 Sukuk issued by the Bank (continued)

The Issuer will pay the semi-annually distribution amount from returns received in respect of the Co-Owned Assets. Such proceeds are expected to be sufficient to cover the semi-annually distribution amount payable to the sukuk holders on the semi-annually distribution dates. Upon maturity of the sukuk, the Bank has undertaken to buy these assets at the exercise price from the Issuer.

These sukuk are expected to pay profit to the investors semi-annually based on relevant margin at the time of issuance.

20.3 Sukuks issued by a subsidiary

In June 2017, a subsidiary issued Sharia'a Compliant Trust Certificates of PKR 4,000 million at an expected profit rate equal to 6M Kibor plus 50 bps per annum. Realised profit on these certificates is payable semi-annually in arrears. The certificates are privately placed among the local banks and financial institution.

In December 2018, a subsidiary issued Sharia'a Compliant Trust Certificates of PKR 3,300 million at an expected profit rate equal to 3M Kibor plus 175 bps per annum. Realised profit on these certificates is payable monthly in arrears. The certificates are privately placed among the local banks and financial institution.

21 Payables and other liabilities

21.1 Analysis by category

	Note	**2019 AED'000**	2018 AED'000
Sundry deposits and amanat		**939,506**	2,094,924
Acceptances payable		**1,926,306**	874,402
Depositors' and sukuk holders' share of profit payable	*21.2*	**1,132,687**	883,948
Provision for employees' end-of-service benefits	*21.3*	**251,394**	221,992
Fair value of Islamic derivative liabilities	*45.1*	**742,931**	452,464
Provision for taxation	*22.1*	**5,647**	7,280
Lease liability		**277,451**	-
Others		**3,043,637**	3,483,691
Total		**8,319,559**	8,018,701

21.2 Depositors' and sukuk holders share of profit payable

		2019 AED'000	2018 AED'000
Balance at 1 January		**883,948**	624,801
Wakala and other investment deposits from banks and customers	37	**3,326,698**	2,569,701
Sukukholders' accrued/realised profit on sukuk issued	37	**467,079**	429,912
Paid during the year		**(3,545,038)**	(2,740,466)
Balance at 31 December		**1,132,687**	883,948

21 Payables and other liabilities (continued)

21.3 Provision for employees' end-of-service benefits

	Note	**2019 AED'000**	2018 AED'000
Balance at 1 January		**221,992**	212,833
Charged during the year	*38*	**45,334**	23,953
Paid during the year		**(15,932)**	(14,794)
Balance at 31 December		**251,394**	221,992

22 Taxation

22.1 Provision for taxation

		2019 AED'000	2018 AED'000
Balance at 1 January		**7,280**	6,428
Charged during the year	*22.3*	**56,830**	52,007
Paid during the year		**(58,380)**	(50,418)
Foreign exchange effect		**(83)**	(737)
Balance at 31 December		**5,647**	7,280

22.2 Deferred tax liability / (asset)

		2019 AED'000	2018 AED'000
Balance at 1 January		**(19,445)**	(9,973)
Charged during the year	*22.3*	**(14,564)**	(9,593)
Foreign exchange effect		**(2,215)**	121
Balance at 31 December		**(36,224)**	(19,445)

22.3 Income tax expense

		2019 AED'000	2018 AED'000
Current taxation	*22.1*	**56,830**	52,007
Deferred taxation	*22.2*	**(14,564)**	(9,593)
Total		**42,266**	42,414

Effective tax rate reconciliation is not material in relation to the consolidated financial statements as tax charge relates to overseas subsidiaries only.

23 Zakat payable

	Note	2019 AED'000	2018 AED'000
Zakat charged to equity attributable to shareholders of the Bank		**326,592**	304,947
Zakat accounted and paid by investees		**(70)**	-
Shareholders' Zakat for the year payable by the Bank		**326,522**	304,947
Zakat adjustment related to previous years		**5,015**	-
Net Zakat payable by the Bank on shareholders' behalf		**331,537**	304,947
Zakat on depositors' investment risk reserve	*18.3*	**373**	255
Zakat paid for previous years		**(5,015)**	-
Total Zakat payable		**326,895**	305,202
		=======	=======

24 Share capital

As at 31 December 2019, 6,589,585,179 authorised ordinary shares of AED 1 each (2018: 6,589,585,179 ordinary shares of AED 1 each) were fully issued and paid up.

On 21 February 2018, the shareholders approved the right issue of 1,647,396,295 shares of AED 1.0 each at a premium of AED 2.11 per share. In June 2018, the Bank completed the process of allocation of shares and the shares were listed on DFM after obtaining all regulatory approvals on 14 June 2018.

25 Tier 1 sukuk

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

During 2013, the Bank issued Shari'a compliant Tier 1 Sukuk through an SPV, DIB Tier 1 Sukuk Ltd, ("the Issuer") amounting to USD 1,000 million (AED 3,673 million) at a par value of USD 1,000 (AED 3,673) per sukuk. In January 2015, the Bank issued second series of Sharia compliant Tier 1 Sukuk through an SPV, DIB Tier 1 Sukuk II Ltd, ("the issuer") amounting to USD 1,000 million (AED 3,673 million) at a par value of USD 1,000 (AED 3,673) per sukuk. In January 2019, the Bank issued third series of Sharia compliant Tier 1 Sukuk through an SPV, DIB Tier 1 Sukuk III Ltd, ("the issuer") amounting to USD 750 million (AED 2,755 million) at a par value of USD 1,000 (AED 3,673) per sukuk.

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 callable by the Bank after the "First Call Date" or any profit payment date thereafter subject to certain redemption conditions.

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

25 Tier 1 sukuk (continued)

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.

26 Other reserves and treasury shares

26.1 Movements in other reserves and treasury shares

Movement of the other reserves and treasury shares during the years ended 31 December 2019 and 2018 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
2019						
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**
2018						
Balance at 1 January 2018	5,066,273	2,350,000	390,000	-	(20,716)	7,785,557
Effect of IFRS 9 adoption	-	-	(381,861)	-	-	(381,861)
	5,066,273	2,350,000	8,139	-	(20,716)	7,403,696
Right shares issuance	-	-	-	3,476,006	(10,600)	3,465,406
Transfer to statutory reserve	3,476,006	-	-	(3,476,006)	-	-
Transfer to retained earnings	-	-	(8,139)	-	-	(8,139)
Balance at 31 December 2018	8,542,279	2,350,000	-	-	(31,316)	10,860,963

26.2 Statutory reserve

Article 239 of the U.A.E. Federal Law No. (2) of 2015 and the Articles of Association of the Bank, require that 10% of the profit attributable to the shareholders is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

26.3 Regulatory credit risk reserve

Regulatory credit risk reserve is a non-distributable reserve held for regulatory general provision requirement.

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

Accordingly an amount of AED 252 million (2018: AED Nil) has been transferred from retained earnings to regulatory credit risk reserve, as regulatory general provision requirement of 1.5% of credit risk weighted assets exceeds aggregate expected credit losses of stage 1 and stage 2 of amortised cost assets.

26.4 General reserve

Transfer to general reserve is made based on the discretion of the Board of Directors and is subject to the approval of the Shareholders at the annual general meeting.

26 Other reserves and treasury shares (continued)

26.5 Treasury shares

The Group holds 13,633,477 treasury shares (2018: 13,633,477 shares) amounting to AED 31.3 million (2018: AED 31.3 million).

27 Investments fair value reserve

	2019 AED'000	2018 AED'000
Balance at 1 January	**(850,362)**	(615,389)
Fair value (loss) / gain on other investments at FVTOCI, net	**(411,141)**	(234,885)
Transfer to retained earnings on disposal of FVTOCI investments	**86,805**	(88)
Balance at 31 December	**(1,174,698)**	(850,362)

28 Exchange translation reserve

Exchange translation reserve relating to the translation of the results and net assets of the Bank's foreign operations from their functional currencies to the Bank's presentation currency (i.e. AED) are recognised directly in other comprehensive income and accumulated in the exchange translation reserve.

29 Dividends paid and proposed

The Board of Directors has proposed 35% cash dividend at their meeting held on 12 February 2020.

For the year ended 31 December 2018, the shareholders approved and paid a cash dividend of AED 0.35 per share (AED 2,302 million) at the Annual General Meeting held on 06 March 2019.

30 Contingent liabilities and commitments

Financing-related financial instruments include commitments to extend Islamic financing, standby letters of credit and guarantees which are designed to meet the requirements of the Group customers.

Commitments to extend Islamic financing represent contractual commitments to provide Islamic financing. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being utilised, the total contract amounts do not necessarily represent future cash requirements. Standby letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Analysis of contingent liabilities and commitments as at 31 December 2019 and 2018 is as follows:

	2019 AED'000	2018 AED'000
Contingent liabilities and commitments:		
Letters of guarantee	**12,937,122**	13,580,728
Letters of credit	**1,514,220**	1,851,911
Undrawn facilities commitments	**18,728,478**	17,818,629
Total contingent liabilities and commitments	**33,179,820**	33,251,268
Other commitments:		
Capital expenditure commitments	**715,193**	867,525
Total other commitments	**715,193**	867,525
Total contingent liabilities and commitments	**33,895,013**	34,118,793

31 Income from Islamic financing and investing transactions

	2019 AED'000	2018 AED'000
Income from Islamic financing and investing assets	**8,910,079**	7,968,306
Income from investments in Islamic sukuk	**1,472,126**	1,189,570
Income from international murabahas with the Central Bank	**250,464**	233,833
Income from investment and wakala deposits with financial institutions	**28,346**	23,657
Income from international murabahas with financial institutions	**62,130**	65,849
Total	**10,723,145**	9,481,215

Income from financing and investing assets is presented net of forfeited income of AED 7.2 million (2018: AED 7.8 million). During the year ended 31 December 2019, the Group has paid AED 13.4 million (2018: AED 5.1 million) for various social contribution purposes.

32 Commissions, fees and foreign exchange income

	2019 AED'000	2018 AED'000
Commission and fees	**1,203,915**	1,176,781
Foreign exchange income	**128,510**	122,378
Fair value gain of Islamic derivatives	**26,127**	23,960
Other commissions and fees	**124,054**	152,830
Total	**1,482,606**	1,475,949

33 Income from other investments measured at fair value, net

	2019 AED'000	2018 AED'000
Dividend income from investments measured at FVTOCI	**65,760**	45,351
Realised loss on disposal of investments measured at FVTPL	**(127)**	(306)
Dividend income from investments designated at FVTPL	**27**	55
Unrealised loss on revaluation of investments measured at FVTPL	**-**	(15)
Total	**65,660**	45,085

34 Income from properties held for development and sale, net

	Note	2019 AED'000	2018 AED'000
Sales proceeds		**461,344**	412,845
Less: cost of sale	*13.1*	**(335,333)**	(289,041)
Total		**126,011**	123,804

35 Income from investment properties

Income from investment properties represents the net rental income amounting to AED 80.3 million (2018: AED 91.2 million) recognised by the Group from its investment properties, fair value gain of AED 214.6 million (2018: AED Nil) on investment properties financed by Wakala deposits pool and gain on disposal of investment properties of AED Nil (2018: 64.3 million).

Notes to the consolidated financial statements
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36 Other income

	Note	**2019 AED'000**	2018 AED'000
Realised gain on disposal of investments in Islamic sukuk		**328,295**	8,566
Services income, net		**96,736**	85,845
Net gain on disposal of property and equipment		**145**	179
Other		**508,447**	216,101
Total		**933,623**	310,691

37 Depositors' and sukuk holders' share of profit

		2019 AED'000	2018 AED'000
Mudaraba investment and savings deposits from customers	*18.4*	**623,786**	528,444
Wakala and other investment deposits of banks and customers	*21.2*	**3,326,698**	2,569,701
Sukukholders' accrued/realised profit on sukuk issued	*21.2*	**467,079**	429,912
Total		**4,417,563**	3,528,057

38 Personnel expenses

		2019 AED'000	2018 AED'000
Salaries, wages and other benefits		**1,541,549**	1,556,543
Staff terminal benefits	*21.3*	**45,334**	23,953
Total		**1,586,883**	1,580,496

39 General and administrative expenses

	2019 AED'000	2018 AED'000
Premises and equipment maintenance costs	**98,287**	95,116
Administrative expenses	**106,703**	104,375
Rental charges under operating leases	**109,874**	117,793
Other operating expenses	**317,527**	290,520
Total	**632,391**	607,804

40 Impairment charges, net

		2019 AED'000	2018 AED'000
Provision for Islamic financing and investing assets charged	*9.3*	**2,095,297**	1,789,383
Provision for Islamic financing and investing assets released	*9.3*	**(434,522)**	(869,492)
Net charge / (release) for other assets and investment properties		**102,726**	(86,420)
		1,763,501	833,471

41 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the year 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 year as follows:

	2019	2018
	AED'000	AED'000
Profit for the year attributable to owners of the Bank	**5,014,391**	4,916,313
Profit attributable to Tier 1 sukukholders	**(448,795)**	(477,490)
Board of Directors' remuneration	**(20,000)**	(20,501)
	4,545,596	4,418,322
Weighted average number of shares outstanding during the year ('000)	**6,575,952**	6,118,017
Basic and diluted earnings per share (AED per share)	**0.69**	0.72

As of the reporting date, the diluted earnings per share is equal to the basic earnings per share as the Bank has not issued any financial instruments that should be taken into consideration when the diluted earnings per share is calculated.

42 Cash and cash equivalents

	Note	**2019**	2018
		AED'000	AED'000
Cash and balances with the central banks	*7.1*	**21,268,495**	22,545,526
Due from banks and financial institutions	*8.1*	**6,248,173**	8,297,032
Due to banks and financial institutions	*19.1*	**(9,146,747)**	(13,203,228)
		18,369,921	17,639,330
Less: balances and deposits with banks and financial institutions with original maturity over three months		**(49,924)**	(128,375)
Add: Due to banks and financial institutions over three months		**3,909,712**	6,376,345
Balance at 31 December		**22,229,709**	23,887,300

43 Related party transactions

43.1 Identification of related parties

Parties are considered to be related if one party has the ability to control or influence the other party in making financial or operating decisions.

The Bank enters into transactions with shareholders, associates, directors, key management personnel and their related concerns in the ordinary course of business at terms agreed between both parties.

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

43.2 Major shareholders

As at 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.

43.3 Significant balances and transactions

Proportion of various assets and liabilities with Investment Corporation of Dubai ("ICD") related entities, other than those that have been individually disclosed below are as follows. These entities are independently run commercial entities, and all financial transactions with the Bank on arm's length basis.

	2019	2018
	%	%
Islamic financing and investing assets	**7.0**	7.5
Customer deposits	**7.5**	9.2
Due to banks and financial institutions	**12.0**	8.3
Due from banks and financial institutions	**41.1**	30.8

43.4 Compensation of key management personnel

	2019	2018
	AED'000	AED'000
Salaries and other benefits	**84,331**	76,788
Employee terminal benefits	**1,750**	911
	=========	=========

43.5 Related parties balances

Significant balances of related parties included in the consolidated financial statement are as follows:

	Major shareholders AED'000	**Directors and key management personnel AED'000**	**Associates and joint ventures AED'000**	**Total AED'000**
2019				
Islamic financing and investing assets	**1,637,642**	**50,215**	**2,750**	**1,690,607**
Investment in Islamic 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**
Income from Islamic financing and investing	**63,161**	**2,392**	**235**	**65,788**
Depositors' share of profits	**87,486**	**6,203**	**1**	**93,690**
Income from investment in Islamic sukuk	**27,316**	**-**	**-**	**27,316**

43 Related party transactions (continued)

43.5 Related parties balances (continued)

	Major shareholders AED'000	Directors and key management personnel AED'000	Associates and joint ventures AED'000	Total AED'000
2018				
Islamic financing and investing assets	1,484,600	48,878	4,487	1,537,965
Investment in Islamic sukuk	1,498,303	-	-	1,498,303
Customers' deposits	4,262,887	131,988	15,499	4,410,374
Contingent liabilities and commitments	-	6	110	116
Income from Islamic financing and investing assets	71,725	1,775	355	73,855
Depositors' share of profits	132,867	2,811	1	135,679
Income from investment in Islamic sukuk	58,033	-	-	58,033

No impairment allowances have been recognised against Islamic financing and investing assets extended to related parties or contingent liabilities and commitments issued in favour of related parties during the years ended 31 December 2019 and 2018.

44 Segmental information

44.1 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 five major segments as follows:

- Consumer banking: Principally handling individual customers' deposits, providing consumer murabahas, salam, home finance, ijarah, credit cards and funds transfer facilities, priority banking and wealth management.
- Corporate banking: Principally handling financing, other credit facilities, deposits, 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 specialised financial instruments book to manage the above risks.
- Real estate development: Property development and other real estate investments by a subsidiary.
- Others: 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.

Notes to the consolidated financial statements for the year ended 31 December 2019

44 Segmental information (continued)

44.2 Segment profitability

The following table presents profit or loss and certain asset and liability information regarding the Group's business segments for the year ended 31 December:

	Consumer banking		Corporate banking		Treasury		Real estate development		Others		Total	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000
Net operating revenue	**3,192,253**	3,229,766	**3,452,230**	3,206,123	**1,190,607**	660,687	**225,050**	262,080	**1,206,652**	843,049	**9,266,792**	8,201,705
Operating expense	**(1,116,180)**	(1,128,012)	**(472,392)**	(489,961)	**(96,939)**	(76,463)	**(164,928)**	(157,085)	**(507,975)**	(470,481)	**(2,358,414)**	(2,322,002)
Impairment (loss)/release	**(708,524)**	(919,331)	**(903,065)**	(47,386)	**(109,753)**	10,940	**11,416**	29,995	**(53,575)**	92,311	**(1,763,501)**	(833,471)
Profit before income tax	**1,367,549**	1,182,423	**2,076,773**	2,668,776	**983,915**	595,164	**71,538**	134,990	**645,102**	464,879	**5,144,877**	5,046,232
Income tax expense											**(42,266)**	(42,414)
Profit for the year											**5,102,611**	5,003,818

44.3 Segment financial position

Following table presents assets and liabilities regarding the Group's business segments:

	Consumer banking		Corporate banking		Treasury		Real estate development		Others		Total	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000
Segment assets	**38,764,864**	36,577,206	**112,501,959**	107,308,095	**35,967,376**	33,636,724	**6,009,932**	5,836,167	**38,551,503**	40,323,967	**231,795,634**	223,682,159
Segment liabilities	**72,974,252**	68,866,623	**93,864,413**	89,828,168	**1,120,275**	828,067	**1,214,602**	1,306,539	**27,890,021**	28,726,018	**197,063,563**	189,555,415

44 Segmental information (continued)

44.4 Geographical information

Although the management of the Group is based primarily on business segments, the Group operates in two geographic markets: inside the U.A.E. which is designated as domestic and outside the U.A.E. which is designated as international.

The following table show the distribution of the Group's external gross income allocated based on the location of the operating centres for the years ended 31 December 2019 and 2018:

	Gross income from external customers	
	2019	2018
	AED'000	AED'000
Within the U.A.E.	**12,939,060**	11,124,153
Outside the U.A.E.	**745,295**	605,609
Total	**13,684,355**	11,729,762

Gross income from external customers geographical analysis is based on the Group's operating centres and subsidiaries and associates locations.

Revenue from major products and services are disclosed in notes 31 to 36 to the consolidated financial statements.

45 Islamic derivative financial instruments

45.1 Fair values of Islamic derivative financial instruments

The table below shows the positive and negative fair values of Islamic derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of an Islamic derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of Islamic derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

	Positive fair value (note 15.1) AED'000	Negative fair value (note 21.1) AED'000	Notional amount total AED'000	Notional amounts by term to maturity: Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year to 3 years AED'000	Over 3 to 5 years AED'000	Over 5 years AED'000
2019								
Islamic Derivatives held for trading:								
Unilateral promise to buy/sell currencies	**92,966**	**93,242**	**11,145,753**	**4,789,269**	**6,356,484**	**-**	**-**	**-**
Islamic profit rate swaps	**762,551**	**649,060**	**58,353,599**	**1,406,305**	**3,601,355**	**10,877,838**	**16,747,950**	**25,720,151**
Islamic currency (Call/Put) options	**629**	**629**	**5,498**	**-**	**5,498**	**-**	**-**	**-**
Total	**856,146**	**742,931**	**69,504,850**	**6,195,574**	**9,963,337**	**10,877,838**	**16,747,950**	**25,720,151**
2018								
Islamic Derivatives held for trading:								
Unilateral promise to buy/sell currencies	73,860	67,990	7,038,180	4,896,909	2,141,271	-	-	-
Islamic profit rate swaps	436,988	379,819	45,851,853	1,365,978	5,000,624	10,531,327	9,448,963	19,504,961
Islamic currency (Call/Put) options	4,654	4,655	557,652	-	557,652	-	-	-
Total	515,502	452,464	53,447,685	6,262,887	7,699,547	10,531,327	9,448,963	19,504,961

45 Islamic derivative financial instruments (continued)

45.2 Types of Islamic derivatives

45.2.1 Unilateral Promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the value dates, by exchanging the purchase/sale offers and acceptances between the relevant parties and delivering (exchanging) the relevant currencies on spot basis.

45.2.2 Islamic Swaps

Islamic Swaps are based on a Waa'd (promise) structure between two parties to buy a specified Sharia'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. Islamic swap structure comprises profit rate swap and currency swap. For Islamic profit rate swaps, counterparties generally exchange fixed and floating rate profit payments by executing the purchase/sale of commodity under "Murabaha Sale Agreement" in a single currency. For Islamic currency swaps, fixed or floating profit payments as well as cost of underlying commodity are exchanged in different currencies, by executing the purchase/sale of commodity under "Murabaha Sale Agreement".

46 Maturity analysis of assets and liabilities

The table below summarises the maturity profile of the Group's assets and liabilities analysed according to when they are expected to be recovered or settled.

2019	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	No maturity AED'000	Total AED'000
Assets:						
Cash and balances with central banks	**20,201,689**	**1,066,806**	**-**	**-**	**-**	**21,268,495**
Due from banks and financial institutions	**6,198,249**	**49,924**	**-**	**-**	**-**	**6,248,173**
Islamic financing and investing assets, net	**13,511,244**	**24,206,764**	**70,047,794**	**43,147,626**	**-**	**150,913,428**
Investments in Islamic sukuk measured at amortised cost	**929,282**	**1,473,037**	**14,205,691**	**16,635,848**	**-**	**33,243,858**
Other investments measured at fair value	**20**	**-**	**-**	**-**	**1,266,215**	**1,266,235**
Investments in associates and joint ventures	**-**	**-**	**-**	**-**	**1,976,718**	**1,976,718**
Properties held for development and sale	**-**	**-**	**-**	**-**	**1,336,876**	**1,336,876**
Investment properties	**-**	**-**	**-**	**-**	**5,208,533**	**5,208,533**
Receivables and other assets	**1,721,918**	**5,698,309**	**1,321,776**	**980**	**-**	**8,742,983**
Property and equipment	**-**	**-**	**-**	**-**	**1,590,335**	**1,590,335**
Total assets	**42,562,402**	**32,494,840**	**85,575,261**	**59,784,454**	**11,378,677**	**231,795,634**
Liabilities and equity:						
Customers' deposits	**60,168,409**	**74,475,755**	**29,772,061**	**2,192**	**-**	**164,418,417**
Due to banks and financial institutions	**4,897,131**	**2,754,508**	**1,495,108**	**-**	**-**	**9,146,747**
Sukuk issued	**-**	**2,754,750**	**11,996,205**	**100,990**	**-**	**14,851,945**
Payables and other liabilities	**4,734,494**	**2,404,560**	**1,164,799**	**15,706**	**-**	**8,319,559**
Zakat payable	**-**	**326,895**	**-**	**-**	**-**	**326,895**
Equity	**-**	**-**	**-**	**-**	**34,732,071**	**34,732,071**
Total liabilities and equity	**69,800,034**	**82,716,468**	**44,428,173**	**118,888**	**34,732,071**	**231,795,634**

46 Maturity analysis of assets and liabilities (continued)

2018	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	No maturity AED'000	Total AED'000
Assets:						
Cash and balances with central banks	22,182,263	363,263	-	-	-	22,545,526
Due from banks and financial institutions	8,168,657	-	128,375	-	-	8,297,032
Islamic financing and investing assets, net	11,395,578	21,251,368	72,656,833	39,434,806	-	144,738,585
Investments in Islamic Sukuk measured at amortised cost	954,745	1,391,857	11,046,175	17,785,748	-	31,178,525
Other investments measured at fair value	-	-	-	-	1,687,824	1,687,824
Investments in associates and joint ventures	-	-	-	-	1,928,629	1,928,629
Properties held for development and sale	-	-	-	-	1,448,975	1,448,975
Investment properties	-	-	-	-	4,495,054	4,495,054
Receivables and other assets	718,624	3,973,426	1,353,124	2,596	-	6,047,770
Property and equipment	-	-	-	-	1,314,239	1,314,239
Total assets	43,419,867	26,979,914	85,184,507	57,223,150	10,874,721	223,682,159
Liabilities and equity:						
Customers' deposits	55,119,843	66,354,387	34,027,310	155,776	-	155,657,316
Due to banks and financial institutions	6,826,883	5,665,336	711,009	-	-	13,203,228
Sukuk issued	-	257,110	11,924,721	189,137	-	12,370,968
Payables and other liabilities	4,638,854	2,146,949	1,232,898	-	-	8,018,701
Zakat payable	-	305,202	-	-	-	305,202
Equity	-	-	-	-	34,126,744	34,126,744
Total liabilities and equity	66,585,580	74,728,984	47,895,938	344,913	34,126,744	223,682,159

47 Financial assets and liabilities

47.1 Financial instruments classification

The table below sets out the Group classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2019 and 2018:

2019	Fair value through OCI AED'000	Fair value through profit or loss AED'000	Amortised cost AED'000	Carrying amount AED'000
Financial assets				
Cash and balances with central banks	**-**	**-**	**21,268,495**	**21,268,495**
Due from banks and financial institutions	**-**	**-**	**6,248,173**	**6,248,173**
Islamic financing and investing assets, net	**-**	**-**	**150,913,428**	**150,913,428**
Investment in Islamic sukuk measured at amortised cost	**-**	**-**	**33,243,858**	**33,243,858**
Other investments measured at fair value	**1,266,215**	**20**	**-**	**1,266,235**
Receivables and other assets	**-**	**856,146**	**7,814,873**	**8,671,019**
	1,266,215	**856,166**	**219,488,827**	**221,611,208**
Financial liabilities				
Customers' deposits	**-**	**-**	**164,418,417**	**164,418,417**
Due to banks and financial institutions	**-**	**-**	**9,146,747**	**9,146,747**
Sukuk issued	**-**	**-**	**14,851,945**	**14,851,945**
Payables and other liabilities	**-**	**742,931**	**7,763,209**	**8,506,140**
	-	**742,931**	**196,180,318**	**196,923,249**
2018				
Financial assets				
Cash and balances with central banks	-	-	22,545,526	22,545,526
Due from banks and financial institutions	-	-	8,297,032	8,297,032
Islamic financing and investing assets, net	-	-	144,738,585	144,738,585
Investment in Islamic sukuk measured at amortised cost	-	-	31,178,525	31,178,525
Other investments measured at fair value	1,687,824	-	-	1,687,824
Receivables and other assets	-	515,502	5,389,290	5,904,792
	1,687,824	515,502	212,148,958	214,352,284
Financial liabilities				
Customers' deposits	-	-	155,657,316	155,657,316
Due to banks and financial institutions	-	-	13,203,228	13,203,228
Sukuk issued	-	-	12,370,968	12,370,968
Payables and other liabilities	-	452,464	7,387,513	7,839,977
	-	452,464	188,619,025	189,071,489

47 Financial assets and liabilities (continued)

47.2 Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets and financial liabilities.

47.2.1 Fair value of the Group's financial assets and financial liabilities

All of the Group's financial assets and financial liabilities, which are reported at their fair value in these consolidated financial statements, are measured at fair value at the end of each reporting period. The fair value of financial assets and financial liabilities are determined as follows:

- Fair value of all quoted other investments measured at fair value through profit or loss and at fair value through other comprehensive income (note 11) are based on quoted price in an active market (unadjusted);
- Fair value of all unquoted other investments measured at fair value through other comprehensive income (note 11) are mainly based on net asset value of the investees on measurement dates. The net asset value is an unobservable input and the Group has determined that the reported net asset value represents the fair value at end of the reporting period; and
- Fair value of all Islamic derivatives financial instruments (Sharia compliant profit rate swap and unilateral promise to buy/sell currencies) is based on present value calculation of the estimated future cash flows. Future cash flows are estimated, based on forward (promise) profit rates and/or exchange rates (from observable yield curves and/or forward exchange rates at the end of each reporting period) and contract (based on promise) profit and/or forward (promise) rates, estimated at a rate that reflects the credit risk of various counterparties.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumption are required to reflect differences between the instruments.

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

2019	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Investments measured at fair value through profit or loss				
Quoted equity instruments	**20**	**-**	**-**	**20**
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	**552,852**	**-**	**-**	**552,852**
Unquoted equity instruments and investment funds	**-**	**-**	**713,363**	**713,363**
Other assets				
Islamic derivative assets	**-**	**856,146**	**-**	**856,146**
Financial assets measured at fair value	**552,852**	**856,146**	**713,363**	**2,122,361**
Other liabilities				
Islamic derivative liabilities	**-**	**742,931**	**-**	**742,931**

47 Financial assets and liabilities (continued)

47.2 Fair value of financial instruments (continued)

47.2.1 Fair value of the Group's financial assets and financial liabilities (continued)

2018	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments measured at fair value through profit or loss				
Quoted equity instruments	-	-	-	-
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	717,707	-	-	717,707
Unquoted equity instruments and investment funds	-	-	970,117	970,117
Other assets				
Islamic derivative assets	-	515,502	-	515,502
Financial assets measured at fair value	717,707	515,502	970,117	2,203,326
Other liabilities				
Islamic derivative liabilities	-	452,464	-	452,464

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

	2019 AED'000	2018 AED'000
Balance at 1 January	**970,117**	1,001,251
Losses in other comprehensive income	**(193,003)**	(38,889)
Disposals during the year	**(74,307)**	-
Others	**10,556**	7,755
Balance at 31 December	**713,363**	970,117

47 Financial assets and liabilities (continued)

47.2.3 Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities (other than cash which is stated at level 2) recognised in the consolidated financial statement approximate their fair values and is included in level 3.

	Carrying amount	Fair value			
2019	**AED'000**	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets:					
Investments in Islamic sukuk	**33,243,858**	**30,515,057**	**-**	**3,942,233**	**34,457,290**
Financial liabilities:					
Sukuk issued	**14,851,945**	**14,862,470**	**-**	**176,008**	**15,038,478**
2018					
Financial assets:					
Investments in Islamic sukuk	31,178,525	27,077,950	-	3,482,640	30,560,590
Financial liabilities:					
Sukuk issued	12,370,968	11,920,517	-	446,124	12,366,641

48 Financial risk management

48.1 Introduction

Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his responsibilities.

The Group is exposed to various risks including:
- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are monitored through strategic planning process.

48.1.1 Risk management structure

The Board of Directors, supported by the Board Risk Management Committee, Risk Management Committee of the management and Risk Management Department, is ultimately responsible for identifying, monitoring and controlling risks; additionally there are other independent bodies / functions also responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and policies.

Board Risk Management Committee

The Board Risk Management Committee has the overall responsibility for the development of the risk strategies, frameworks, policies and limits, and for recommending these strategies and policies to the Board of Directors. It is responsible for the fundamental risk issues, and manages and monitors relevant risk decisions.

48 Financial risk management (continued)

48.1 Introduction (continued)

48.1.1 Risk management structure (continued)

Risk Management Committee

The day-to-day monitoring of risk has been delegated to Risk Management Committee.

The Risk Management Committee has the overall responsibility to support the Board Risk Management Committee for the development and formulation of the risk strategies, frameworks, policies and limits. It is responsible for ensuring the compliance with all risk limits, monitoring risk exposures and implementing the regulatory guidelines issued by the regulatory bodies (e.g. The Central Bank of the U.A.E.).

Risk Management Department

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure risk remains within the acceptable range as approved by the Board Risk Management Committee and the Board of Directors. The department is responsible for credit administration, portfolio management, credit risk, market risk, operational risk and overall risk control.

Asset and Liability Management Committee

Asset and Liability Management Committee ("ALCO") is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal Audit Department

Risk management processes throughout the Group are audited periodically by the Internal Audit Department which examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit Department comments on the results of their assessments with management, and reports its findings and recommendations to the Board Audit Committee.

48.1.2 Risk measurement and reporting systems

The Group measures risks using qualitative as well as quantitative methods for credit, market, liquidity and operational risks. Further, the Group also uses quantitative analysis and methods to support revisions in business and risk strategies as and when required. These analysis and methods reflect both the expected loss likely to arise in normal course of business or unexpected losses in an unforeseen event based on simple statistical techniques and probabilities derived from historical experience. The Group also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Board of Directors and management. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

Information compiled from all the businesses is examined and processed in order to analyse the risk profile and identify early risks. This information is presented and explained to the management, management committees, the Risk Management Committee, and Board Risk Management Committee. Specialized reports are presented to the pertinent heads of business and are delivered with a frequency suited to the volatility of the risk. The report includes aggregate credit exposure, limit exceptions, liquidity, operational loss incidents and other risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the provision for impairment losses on a quarterly basis.

48 Financial risk management (continued)

48.1 Introduction (continued)

48.1.3 Model risk management

The Bank uses a number of quantitative models in many of its financial and business activities from underwriting a credit facility to reporting expected credit losses under IFRS 9.

To manage the model risks, the Bank has developed and implemented Model Governance Framework which contains Bank wide development, implementation and validation policies and practices. According to the framework, all internally or externally developed risk quantification models that directly affect the financial reporting on expected credit losses require validation periodically (internally or externally). Model Risk Management Committee (MRMC) is responsible for overseeing all model related development, implementation of framework and performance of the models. MRMC reports to Risk Management Committee of the Bank.

The Framework establishes a systematic approach to manage the development, implementation, approval, validation and ongoing use of models. It sets out an effective governance and management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to the Framework is approved by the Risk Management Committee upon recommendation of MRMC.

The Bank has an independent validation function that performs independent model validation. It provides Fit-for-Purpose, Conditional Approval or Not Fit-for-Purpose recommendation to MRMC to approve the use of the new risk quantification / valuation models. In addition to new model validation, the validation function also evaluates the performance of existing models through an annual validation process.

48.1.4 Risk mitigation

As part of its overall risk management, the Group uses various methods to manage exposures resulting from changes in credit risks, liquidity risks, market risks (including profit rate risk, foreign exchange risk, and equity price risk), and operational risks.

The Group seeks to manage its credit risk exposures through diversification of financing and investing activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. The Group actively uses collateral to reduce its credit risks.

In order to guard against liquidity risk, management has diversified funding sources and assets are managed with overall liquidity in consideration maintaining a healthy balance of liquid assets (i.e. cash and cash equivalents).

The market risks are managed on the basis of predetermined asset allocation across various asset categories and continuous appraisal of market conditions for movement and expectation of foreign currencies rate, bench mark profit rates and equity prices.

To manage all other risks, the Group has developed a detailed risk management framework to identify and apply resources to mitigate the risks.

48.1.5 Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group performance to developments affecting a particular industry or geographical location

48 Financial risk management (continued)

48.2 Credit risk

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk measurement

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. Whilst some of the models for assessment of Real Estate projects are internally developed, others for the Corporate, Contracting and SME businesses have been acquired from Moody's and subsequently optimized and calibrated to the Group's internal rating scale. The models are housed with the Moody's Risk Analyst rating tool.

The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of securities for facilities provided, which is a common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for Islamic financing and investing assets are:

- Mortgages over residential and commercial properties;
- Corporate guarantees;
- Charges over business assets such as premises, machinery, vehicles and inventory; and
- Charges over financial instruments such as deposits and equity investments.

Islamic derivative financial instruments

Credit risk arising from Islamic derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated financial position.

Credit-related commitments risks

The Bank makes available to its customers guarantees and letters of credit which require that the Bank makes payments in the event that the customer fails to fulfil certain obligations to other parties. This exposes the Group to a similar risk to Islamic financing and investing assets and these are mitigated by the same control processes and policies.

48 Financial risk management (continued)

48.2 Credit risk (continued)

48.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk by class of financial asset, including Islamic derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2019 AED'000	Gross maximum exposure 2018 AED'000
Balances with central banks	**19,598,494**	20,878,794
Due from banks and financial institutions	**6,251,739**	8,297,032
Islamic financing and investing assets	**156,994,111**	150,465,957
Investment in Islamic sukuk measured at amortised cost	**33,343,437**	31,268,322
Other investments measured at fair value	**1,266,235**	1,687,824
Receivables and other assets	**9,406,206**	6,646,455
	226,860,222	219,244,384
Contingent liabilities	**14,454,548**	15,432,639
Commitments	**19,440,465**	18,686,154
Total	**260,755,235**	253,363,177

48.2.2 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The Group's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	2019 AED'000	2018 AED'000
The U.A.E.	**228,699,898**	224,421,279
Other Gulf Cooperation Council (GCC) countries	**10,364,264**	9,647,147
Asia	**14,595,349**	13,405,831
Europe	**5,804,403**	4,416,400
Africa	**543,349**	467,606
Others	**747,972**	1,004,914
Total	**260,755,235**	253,363,177

48 Financial risk management (continued)

48.2 Credit risk (continued)

48.2.2 Risk concentrations of the maximum exposure to credit risk (continued)

An industry sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

	Gross Maximum Exposure 2019 AED'000	Gross Maximum Exposure 2018 AED'000
Government	**27,589,909**	23,494,616
Financial Institutions	**44,856,620**	46,141,576
Real estate	**51,764,791**	48,386,477
Contracting	**13,831,768**	14,233,003
Trade	**12,440,448**	11,136,355
Aviation	**19,808,739**	21,852,705
Services and others	**44,778,960**	44,742,199
Consumer financing	**30,874,518**	29,498,112
Consumer home finance	**14,809,482**	13,878,134
Total	**260,755,235**	253,363,177

48.2.3 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial Islamic financing and investing facilities, charges over real estate properties, inventory, leased assets and trade receivables, and
- For retail Islamic financing and investing facilities, charge over assets and mortgages over properties.

The Group also obtains guarantees from parent companies for Islamic financing and investing assets granted to their subsidiaries, but the benefits are not included in the above table.

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48 Financial risk management (continued)

48.2 Credit risk (continued)

48.2.4 Analysis of credit quality

2019	Balances with central banks and due from banks and financial institutions AED'000	Islamic financing and investing assets AED'000	Investments in Islamic sukuk and other investments at fair value AED'000	Receivables and other assets AED'000	Contingent liabilities and commitments AED'000	Total AED'000
Individually impaired	**-**	**6,225,171**	**-**	**707,057**	**-**	**6,932,228**
Non-impaired exposures						
Neither past due nor impaired	**25,850,233**	**147,221,209**	**34,609,672**	**8,358,167**	**33,895,013**	**249,934,294**
Past due by less than 30 days	**-**	**2,046,910**	**-**	**-**	**-**	**2,046,910**
Past due by more than 30 days but less than 90 days	**-**	**1,416,096**	**-**	**-**	**-**	**1,416,096**
Past due by more than 90 days	**-**	**84,725**	**-**	**340,982**	**-**	**425,707**
Gross amount	**25,850,233**	**150,768,940**	**34,609,672**	**8,699,149**	**33,895,013**	**253,823,007**
Total gross maximum exposure	**25,850,233**	**156,994,111**	**34,609,672**	**9,406,206**	**33,895,013**	**260,755,235**
Provisions for impairment	**(3,566)**	**(6,080,683)**	**(99,579)**	**(356,531)**	**-**	**(6,540,359)**
Net carrying amount	**25,846,667**	**150,913,428**	**34,510,093**	**9,049,675**	**33,895,013**	**254,214,876**
2018						
Individually impaired	-	5,030,370	-	1,069,895	-	6,100,265
Non-impaired exposures						
Neither past due nor impaired	29,175,826	142,005,402	32,956,146	5,576,560	34,118,793	243,832,727
Past due by less than 30 days	-	1,899,731	-	-	-	1,899,731
Past due by more than 30 days but less than 90 days	-	1,310,317	-	-	-	1,310,317
Past due by more than 90 days	-	220,137	-	-	-	220,137
Gross amount	29,175,826	145,435,587	32,956,146	5,576,560	34,118,793	247,262,912
Total gross maximum exposure	29,175,826	150,465,957	32,956,146	6,646,455	34,118,793	253,363,177
Provisions for impairment	-	(5,727,372)	(89,797)	(660,224)	-	(6,477,393)
Net carrying amount	29,175,826	144,738,585	32,866,349	5,986,231	34,118,793	246,885,784

48 Financial risk management (continued)

48.2 Credit risk (continued)

48.2.4 Analysis of credit quality (continued)

Credit risk exposure of the Group's financial assets for each internal risk rating

	Moody's equivalent grades	**Total 2019 AED'000**	Total 2018 AED'000
Low risk			
Risk rating class 1 to 3	*Aaa – A3*	**105,962,274**	107,497,972
Moderate risk			
Risk rating class 4 to 5	*Baa1 – Ba3*	**117,632,360**	109,157,850
Fair risk			
Risk rating classes 6 to 7	*B1 - Caa3*	**29,933,278**	30,459,297
Default			
Risk rating classes 8 to11	Ca - C	**7,227,323**	6,248,058
		260,755,235	253,363,177
		=========	=========

It is the Group policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of financing exposures across all lines of business, geographic regions and products. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group rating policy. The attributable risk ratings are assessed and updated regularly.

48 Financial risk management (continued)

48.3 Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Group maintains statutory deposits with the central banks. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

The high quality of the asset portfolio ensures its liquidity and coupled with the Group's own funds and stable customer deposits help form a stable funding source. Even under adverse conditions, the Group has access to the funds necessary to cover customer needs and meet its funding requirements.

The primary tool (in addition to other tools) for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands.

48.3.1 Liquidity risk management process

The Group liquidity risk management process, as carried out within the Group and monitored by a separate team in Group Treasury department, includes:

- Monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are financed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring financial position liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of Islamic financing and investing exposures maturities; and
- Monitoring liquidity ratios

48.3.2 Funding approach

Sources of liquidity are regularly reviewed by management to maintain a wide diversification by currency, geography, provider, product and term.

The Bank issued Tier 1 sukuk of AED 3,673 million (USD 1,000 million) each during the year ended 31 December 2013 and 31 December 2015 and AED 2,755 million (USD 750 million) during the year ended 31 December 2019 to diversify sources of funding to support business growth (note 25).

48 Financial risk management (continued)

48.3 Liquidity risk and funding management (continued)

48.3.3 Non-derivative cash flows

The table below summarises the maturity profile of the gross cash flows of the Group financial assets and liabilities as at 31 December 2019 and 2018. The amounts disclosed in the table are the contractual gross cash flows, whereas the Group manages the inherent liquidity risk based on expected gross cash flows.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, management expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

2019	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 Years AED'000	Total AED'000
Customers' deposits	**79,007,795**	**69,490,524**	**18,784,535**	**5,968**	**167,288,822**
Due to banks and other financial institutions	**3,643,219**	**2,995,802**	**2,573,263**	**-**	**9,212,284**
Sukuk issued	**-**	**2,788,266**	**13,231,779**	**179,243**	**16,199,288**
Payables and other liabilities	**3,365,945**	**3,562,161**	**1,164,799**	**15,706**	**8,108,611**
Zakat payable	**-**	**326,895**	**-**	**-**	**326,895**
Total liabilities	**86,016,959**	**79,163,648**	**35,754,376**	**200,917**	**201,135,900**

2018	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 Years AED'000	Total AED'000
Customers' deposits	68,569,499	79,407,021	9,557,776	159,677	157,693,973
Due to banks and other financial institutions	5,484,613	5,672,249	2,154,680	-	13,311,542
Sukuk issued	-	260,752	13,546,483	286,057	14,093,292
Payables and other liabilities	4,348,863	2,146,949	1,232,898	-	7,728,709
Zakat payable	-	305,202	-	-	305,202
Total liabilities	78,402,975	87,792,173	26,491,837	445,734	193,132,718

Assets available to meet all of the liabilities and to cover outstanding commitments include cash and balances with central banks, Islamic financing and investing assets, other investments at fair value and items in the course of collection.

48 Financial risk management (continued)

48.3 Liquidity risk and funding management (continued)

48.3.4 Contingent liabilities and commitments

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments:

	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
2019					
Contingent liabilities:					
Letters of guarantee	**11,286,923**	**1,228,202**	**371,727**	**50,270**	**12,937,122**
Letters of credit	**1,142,972**	**366,407**	**4,841**	**-**	**1,514,220**
	12,429,895	**1,594,609**	**376,568**	**50,270**	**14,451,342**
Capital expenditure commitments	**9,730**	**-**	**705,463**	**-**	**715,193**
Total	**12,439,625**	**1,594,609**	**1,082,031**	**50,270**	**15,166,535**
2018					
Contingent liabilities:					
Letters of guarantee	11,434,751	1,484,130	654,260	7,587	13,580,728
Letters of credit	724,993	1,027,808	99,110	-	1,851,911
	12,159,744	2,511,938	753,370	7,587	15,432,639
Capital expenditure commitments	-	-	867,525	-	867,525
Total	12,159,744	2,511,938	1,620,895	7,587	16,300,164

48.4 Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. The Group is exposed to diverse financial instruments including securities, foreign currencies, equities and commodities.

The Group pays considerable attention to market risk. The Group uses appropriate models, as per standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management; and
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on a timely basis.

The policies and procedures and the trading limits are set to ensure the implementation of the market risk policy in day-to-day operations. These are reviewed periodically to ensure they remain in line with the Group's general market risk policy. The Chief Risk Officer of the Bank ensures that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, the Bank is required to comply with the guidelines and regulations of the Central Bank of the U.A.E.

48 Financial risk management (continued)

48.4 Market risk (continued)

48.4.1 Profit margin risk

The Group is not significantly exposed to risk in terms of repricing of its customer deposits since, in accordance with Islamic Sharia'a, the Group does not provide contractual rates of return to its depositors or investment account holders. The return payable to depositors and investment account holders is based on the principle of the Mudaraba by which the depositors and investment account holders agree to share the profit or loss made by the Group's common and wakala asset pool over a given period.

48.4.2 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk through risk management strategies.

The effective profit rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in profit rates on the net income for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December 2019 and 2018.

Currency	**Increase in basis points**	**2019 AED'000**	2018 AED'000
Sensitivity of net profit income	**50**	**76,602**	103,051

48.4.3 Foreign exchange risk

The Group has significant income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Group presentation currency, the U.A.E. Dirham.

The table below summarises the Group exposure to foreign currency exchange rate risk at 31 December 2019 and 2018. Included in the table are the Group financial instruments at their carrying amounts, categorised by currency.

Notes to the consolidated financial statements
for the year ended 31 December 2019

48 Financial risk management (continued)

48.4 Market risk (continued)

48.4.3 Foreign exchange risk (continued)

2019	AED AED'000	USD AED'000	Other G.C.C. AED'000	GBP AED'000	Euro AED'000	Other AED'000	Total AED'000
Financial Assets:							
Cash and balances with the central banks	**20,171,339**	**613,433**	**74**	**135**	**260**	**483,254**	**21,268,495**
Due from banks and financial institutions	**1,635,462**	**3,732,142**	**474,845**	**38,301**	**51,017**	**316,406**	**6,248,173**
Islamic financing and investing assets, net	**108,789,637**	**36,420,858**	**1,267,118**	**-**	**-**	**4,435,815**	**150,913,428**
Investment in Islamic sukuk measured at amortised cost	**-**	**32,101,855**	**-**	**-**	**-**	**1,142,003**	**33,243,858**
Other investments at fair value	**542,996**	**594,831**	**109,905**	**-**	**-**	**18,503**	**1,266,235**
Receivables and other assets	**5,226,550**	**2,975,841**	**80,568**	**-**	**32,695**	**355,365**	**8,671,019**
Total	**136,365,984**	**76,438,960**	**1,932,510**	**38,436**	**83,972**	**6,751,346**	**221,611,208**
Financial Liabilities:							
Customers' deposits	**124,187,496**	**25,834,875**	**8,826,331**	**79,557**	**248,616**	**5,241,542**	**164,418,417**
Due to banks and other financial institutions	**3,697,530**	**5,200,135**	**3**	**8**	**27**	**249,044**	**9,146,747**
Sukuk issued	**-**	**14,675,936**	**-**	**-**	**-**	**176,009**	**14,851,945**
Payables and other liabilities	**6,139,106**	**1,828,861**	**189,452**	**1,614**	**66,512**	**280,595**	**8,506,140**
Total	**134,024,132**	**47,539,807**	**9,015,786**	**81,179**	**315,155**	**5,947,190**	**196,923,249**
Net on balance sheet	**2,341,852**	**28,899,153**	**(7,083,276)**	**(42,743)**	**(231,183)**	**804,156**	**24,687,959**
Unilateral promise to buy/sell currencies	**6,327,692**	**(9,901,210)**	**3,399,984**	**41,856**	**148,383**	**(12,666)**	**4,039**
Currency position - long/(short)	**8,669,544**	**18,997,943**	**(3,683,292)**	**(887)**	**(82,800)**	**791,490**	**24,691,998**

Notes to the consolidated financial statements
for the year ended 31 December 2019

48 Financial risk management (continued)

48.4 Market risk (continued)

48.4.3 Foreign exchange risk (continued)

2018	AED AED'000	USD AED'000	Other G.C.C. AED'000	GBP AED'000	Euro AED'000	Other AED'000	Total AED'000
Financial Assets:							
Cash and balances with central banks	21,394,566	677,421	-	-	-	473,539	22,545,526
Due from banks and financial institutions	6,646,321	1,230,936	107,023	6,670	45,572	260,510	8,297,032
Islamic financing and investing assets, net	105,553,606	33,875,485	1,190,589	-	-	4,118,905	144,738,585
Investment in Islamic sukuk measured at amortised cost	-	29,920,263	-	-	-	1,258,262	31,178,525
Other investments at fair value	725,103	816,957	129,257	-	-	16,507	1,687,824
Receivables and other assets	4,280,643	1,218,948	24,294	-	59,170	321,737	5,904,792
Total	138,600,239	67,740,010	1,451,163	6,670	104,742	6,449,460	214,352,284
Financial Liabilities:							
Customers' deposits	119,322,369	24,347,270	5,193,372	1,613,694	200,413	4,980,198	155,657,316
Due to banks and other financial institutions	5,202,653	7,646,502	-	11,706	28	342,339	13,203,228
Sukuk issued	-	12,181,831	-	-	-	189,137	12,370,968
Payables and other liabilities	5,888,914	1,671,641	153,064	39,802	18,055	273,436	8,044,912
Total	130,413,936	45,847,244	5,346,436	1,665,202	218,496	5,785,110	189,276,424
Net on balance sheet	8,186,303	21,892,766	(3,895,273)	(1,658,532)	(113,754)	664,350	25,075,860
Unilateral promise to buy/sell currencies	3,978,294	(6,205,769)	449,841	1,752,604	116,116	(93,867)	(2,781)
Currency position - long/(short)	12,164,597	15,686,997	(3,445,432)	94,072	2,362	570,483	25,073,079

48 Financial risk management (continued)

48.4 Market risk (continued)

48.4.3 Foreign exchange risk (continued)

Sensitivity analysis - impact of fluctuation of various currencies on net income and equity

The tables below indicate the extent to which the Group was exposed to currency risk at 31 December 2019 and 2018 on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against the AED with all other variables held constant on the consolidated statement of profit or loss (due to the changes in the fair values of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated available-for-sale equity instruments). A negative amount in the table reflects a potential net reduction in consolidated statement of profit or loss and equity, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

Currency	**Increase in currency rate in %**	**Effect on profit or loss 2019 AED'000**	Effect on profit or loss 2018 AED'000
US Dollar	**+2**	**379,959**	315,424
GBP	**+2**	**(18)**	1,881
EURO	**+2**	**(1,656)**	2,099

Currency	**Decrease in currency rate in %**	**Effect on profit or loss 2019 AED'000**	Effect on profit or loss 2018 AED '000
US Dollar	**-2**	**(379,959)**	(315,424)
GBP	**-2**	**18**	(1,881)
EURO	**-2**	**1,656**	(2,099)

48.4.4 Foreign investment

The Group has income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Group presentation currency, the U.A.E. Dirham.

The table below indicates the change in profit before tax and equity had the result for the year ended 31 December 2019 and 2018 been translated at exchange rates against the AED adjusted, with all other variables held constant, by the assumed changes below. The sensitivity analyses do not take account of actions by the Group that might be taken to mitigate the effect of such changes.

Currency	**Increase in currency rate in %**	**Effect on profit or loss 2019 AED'000**	**Effect on equity 2019 AED'000**	Effect on profit or loss 2018 AED'000	Effect on equity 2018 AED'000
Pak Rupees	**+5**	**4,303**	**26,645**	4,013	25,113
Egypt Sterling	**+5**	**309**	**5,502**	396	4,588

48 Financial risk management (continued)

48.4 Market risk (continued)

48.4.4 Foreign investment (continued)

Currency	**Decrease in currency rate in %**	**Effect on profit or loss 2019 AED'000**	**Effect on equity 2019 AED'000**	Effect on profit or loss 2018 AED'000	Effect on equity 2018 AED'000
Pak Rupees	**-5**	**(3,894)**	**(23,067)**	(3,631)	(21,685)
Egypt Sterling	**-5**	**(280)**	**(4,978)**	(358)	(4,151)

48.4.5 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as fair value through other comprehensive income (FVTOCI) at 31 December 2019 and 2018) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	**Change in market Indices %**	**Effect on other comprehensive income 2019 AED'000**	Effect on other comprehensive income 2018 AED'000
Dubai Financial Market	**± 5%**	**14,943**	8,737
Abu Dhabi Exchange	**± 5%**	**1,210**	509
Bahrain Stock Exchange	**± 5%**	**1,293**	1,212
Other	**± 5%**	**3,816**	3,301

An increase of 5% in fair value of Level 3 financial instruments due to change in unquoted market price / valuation of financial instruments as at the reporting date would have increased the net assets attributable to the Bank by AED 35.6 million (2018: AED 48.5 million)

48.5 Operational risk

Operational risk is the potential exposure to financial or other damage arising from inadequate or failed internal processes, people or systems.

The Group has developed a detailed operational risk framework. The framework clearly defines roles and responsibilities of individuals/units across different functions of the Group that are involved in performing various operational risk management tasks. Operational Risk Management Framework will ensure that operational risks within the Group are properly identified, monitored, managed and reported. Key elements of the framework include process mapping, setting up loss data base, setting up of KRIs, risk analysis and risk management reporting.

The Group is currently using operational risk tracking system, i.e. ORMS to track operational risk events across the Group. The system houses five years of operational loss data. The subject system is also capable to record KRI, RCSA and scenario based fraud risk self-assessment.

In addition to ORMS, the Bank is also implementing eGRC system (centralized governance framework) for all control activities.

48 Financial risk management (continued)

48.5 Operational risk (continued)

Each new product introduced is subject to a risk review and signoff process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product. Variations of existing products are also subject to a similar process. Business and support units are responsible for managing operations risk in their respective functional areas. They operate within the Group's operational risk management framework and ensure that risk is being managed within their respective business units. The day-to-day management of operations risk is through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedure to monitor transaction positions and documentation, as well as maintenance of key backup procedures and business contingency planning.

49 Capital management

49.1 Capital management objective

The Group objectives with managing capital, which is a broader concept than the 'equity' on the face of consolidated financial position are:

- To comply with the capital requirements set by the Central Bank of U.A.E.;
- To safeguard the Group ability to continue as a going concern and increase the returns for the shareholders; and
- To maintain a strong capital base to support the development of its business.

49.2 Regulatory capital

The Group lead regulator the Central Bank of U.A.E. 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 include deductions of deferred tax assets, investments in banking and financial entities, and the shortfall of provisions to expected losses, if any;
- Tier 1 capital, which 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.

Various limits are applied to elements of the capital base:

- Tier 2 capital cannot exceed 67% of tier 1 capital;
- Tier 1 capital must be a minimum of 7% of risk weighted assets; and
- Qualifying subordinated capital cannot exceed 50% of tier 1 capital.

The Group assets are risk weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, and commodity risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The Group is following the standardised approach for credit, market and operational risk, as permitted by the U.A.E. Central Bank and as per Pillar 1 of Basel 3.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates.

49 Capital management (continued)

49.2 Regulatory capital (continued)

No changes have been made to the objectives, policies and processes from the previous year. However, they are under constant review by the management.

During the years ended 31 December 2019 and 2018, the Bank complied in full with all its externally imposed capital requirements. The Bank was recognized as Domestic Systemically Important Bank (D-SIB) during the year ended 31 December 2018 and is accordingly required to keep an additional D-SIB buffer of 0.5% for year ended 31 December 2019.

During the years ended 31 December 2019 and 2018, all banks operating in the U.A.E. were required to maintain a capital adequacy ratio at 13.00% and 12.375% respectively excluding the D-SIB buffer.

The Bank is computing and reporting Basel III ratios in accordance with guidelines of the Central Bank of U.A.E.

Capital Adequacy Ratio (CAR) under Basel III in accordance with regulations of the Central Bank of the U.A.E. is as follows:

	2019 AED'000	2018 AED'000
Common Equity Tier 1 (CET1)		
Share capital	**6,589,585**	6,589,585
Other reserves	**10,860,963**	10,860,963
Retained earnings	**7,602,471**	6,267,023
Cumulative deferred exchange losses	**(1,094,745)**	(1,051,515)
Investment fair value reserve	**(1,174,698)**	(850,362)
Deferred tax assets	**(36,224)**	-
Total CET 1 Capital	**22,747,352**	21,815,694
Additional Tier 1 Capital		
Tier 1 Sukuk	**6,427,750**	6,978,700
Total Additional Tier 1 Capital	**6,427,750**	6,978,700
Total Tier 1 Capital	**29,175,102**	28,794,394
Tier 2 Capital		
Collective impairment allowance	**2,155,925**	2,021,725
Total Tier 2 Capital	**2,155,925**	2,021,725
Total capital base	**31,331,027**	30,816,119
Risk weighted assets		
Credit risk	**172,474,010**	161,737,978
Market risk	**2,158,934**	1,520,866
Operational risk	**14,922,142**	13,266,610
Total risk weighted assets	**189,555,086**	176,525,454
Capital Ratios		
Capital adequacy ratio	**16.5%**	17.5%
Tier 1 Capital ratio	**15.4%**	16.3%
Common Equity Tier 1 ratio	**12.0%**	12.4%

The capital adequacy ratio for the year 2019 has been calculated after considering the impact of the proposed dividend as required by Capital Supply Standard and the related guidance issued by Central Bank of the UAE.

50 Acquisition of Noor Bank

The Shareholders of the Bank, in their meeting held on 17 December 2019, approved acquisition of the Noor Bank through the issue of DIB shares to the shareholders of Noor Bank. The new shares will be issued at the approved share swap ratio of 1 new share of DIB for every 5.49 shares in Noor Bank resulting in issuance of 651,159,198 new shares of the Bank.

51 Comparative information

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

52 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 February 2020.