Noor Bank PJSC

Condensed consolidated interim financial statements for the nine month period ended 30 September 2019

Noor Bank PJSC

Condensed consolidated interim financial statements for the nine month period ended 30 September 2019

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax:+971 (0) 4 376 8899
www.deloitte.com

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Noor Bank PJSC
Dubai
United Arab Emirates

Introduction

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

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 12 February 2019. Furthermore, the condensed consolidated interim financial statements of the Group for the nine month period ended 30 September 2018 were reviewed by another auditor who expressed an unmodified conclusion on 24 December 2018.

Deloitte & Touche (M.E.)

Akbar Ahmad
Registration No. 1141
24 October 2019
Dubai
United Arab Emirates

Noor Bank PJSC

Condensed consolidated interim statement of financial position

As at 30 September 2019

	Note	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited)* AED'000
ASSETS			
Cash and balances with the UAE Central Bank	4	5,310,113	6,876,797
Due from banks	5	3,101,118	2,958,365
Investments in Islamic financing instruments	6	31,370,193	31,998,616
Investments in Sukuk and equity funds	7	4,927,954	7,114,349
Investment properties	8	1,003,157	1,007,023
Other assets	9	646,794	574,066
Property and equipment	10	183,106	189,982
Total assets		46,542,435	50,719,198
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	11	33,612,554	35,357,729
Due to banks	12	1,408,341	2,751,947
Sukuk financing instruments	13	3,673,150	3,673,150
Other liabilities	14	1,206,848	2,925,545
Total liabilities		39,900,893	44,708,371
EQUITY			
Share capital	15	3,574,895	3,574,895
Tier 1 Sukuk	16	1,836,500	1,836,500
Statutory reserve	17	347,148	346,914
Revaluation surplus on buildings	10	38,201	40,364
Fair value reserve on Sukuk at FVOCI		43,103	(40,096)
Retained earnings		801,695	252,250
Total equity		6,641,542	6,010,827
Total liabilities and equity		46,542,435	50,719,198

These condensed consolidated interim financial statements were approved by the Board of Directors on 24 October 2019 and signed on its behalf by:

Director | Chief Executive Officer | Chief Financial Officer

*Restated

Condensed consolidated interim statement of income (Unaudited)

for the nine month period ended 30 September 2019

	Note	Three month period ended 30 September 2019 (Unaudited) AED'000	Three month period ended 30 September 2018* (Unaudited) AED'000	Nine month period ended 30 September 2019 (Unaudited) AED'000	Nine month period ended 30 September 2018* (Unaudited) AED'000
Operating income					
Income from Islamic financing and Sukuk	18	507,278	514,684	1,600,695	1,427,650
Depositors' and Sukuk holders' share of profit	19	(219,267)	(189,218)	(677,715)	(475,817)
Net income from Islamic financing and Sukuk		288,011	325,466	922,980	951,833
Fee and other income, net of charges	20	195,348	155,320	592,290	514,567
Gain on Islamic investments	21	62,363	47,007	91,178	50,342
Total operating income		545,722	527,793	1,606,448	1,516,742
Operating expenses					
Staff costs		(127,234)	(130,222)	(393,554)	(378,249)
General and administration expenses		(37,429)	(44,088)	(110,706)	(129,025)
Depreciation		(8,379)	(8,272)	(24,127)	(24,845)
Total operating expenses		(173,042)	(182,582)	(528,387)	(532,119)
Operating profit before impairment charge and share of loss		372,680	345,211	1,078,061	984,623
Impairment charge on financial assets, net	22	(185,405)	(133,825)	(478,005)	(454,937)
Share of loss from joint venture	9	(1,997)	-	(4,871)	-
Profit for the period		185,278	211,386	595,185	529,686

**Restated*

Condensed consolidated interim statement of comprehensive income (Unaudited)

for the nine month period ended 30 September 2019

	Note	Three month period ended 30 September 2019 (Unaudited) AED'000	Three month period ended 30 September 2018* (Unaudited) AED'000	Nine month period ended 30 September 2019 (Unaudited) AED'000	Nine month period ended 30 September 2018* (Unaudited) AED'000
Profit for the period		185,278	211,386	595,185	529,686
Other comprehensive income/(loss):					
Items that may be subsequently reclassified to income statement:					
Fair value reserve on Sukuk at FVOCI					
- Net changes in fair value	7	11,664	6,174	127,799	(44,426)
- Net realised gain transferred to statement of income	21	(38,969)	(5,494)	(44,600)	(11,184)
Total other comprehensive income/(loss)		(27,305)	680	83,199	(55,610)
Total comprehensive income for the period		157,973	212,066	678,384	474,076

**Restated*

Condensed consolidated interim statement of changes in equity
for the nine month period ended 30 September 2019

	Share capital AED'000	Tier 1 sukuk AED '000	Statutory reserve AED'000	Revaluation surplus on buildings AED'000	Fair value reserve on Sukuk at FVOCI AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2018 (audited)	3,574,895	1,836,500	286,779	118,884	(7,250)	40,450	5,850,258
Cumulative effect of adoption of IFRS 9	-	-	-	-	19,749	(293,155)	(273,406)
Prior periods adjustment (Note 30)	-	-	-	(75,637)	-	75,637	-
Restated balance at 1 January 2018	3,574,895	1,836,500	286,779	43,247	12,499	(177,068)	5,576,852
Profit for the period*	-	-	-	-	-	529,686	529,686
Other comprehensive loss for the period	-	-	-	-	(55,610)	-	(55,610)
Total comprehensive income for the period	-	-	-	-	(55,610)	529,686	474,076
Other equity movements							
Tier 1 Sukuk profit distribution (Note 16)	-	-	-	-	-	(57,072)	(57,072)
Transfer from revaluation surplus on buildings to retained earnings	-	-	-	(2,163)	-	2,163	-
At 30 September 2018 (unaudited)*	3,574,895	1,836,500	286,779	41,084	(43,111)	297,709	5,993,856
Profit for the period*	-	-	-	-	-	71,658	71,658
Other comprehensive income for the period	-	-	-	-	3,015	-	3,015
	-	-	-	-	3,015	71,658	74,673
Other equity movements							
Tier 1 Sukuk profit distribution (Note 16)	-	-	-	-	-	(57,702)	(57,702)
Transfer to statutory reserve (Note 17)	-	-	60,135	-	-	(60,135)	-
Transfer from revaluation surplus on buildings to retained earnings	-	-	-	(720)	-	720	-
At 31 December 2018 (audited)*	3,574,895	1,836,500	346,914	40,364	(40,096)	252,250	6,010,827
At 1 January 2019	3,574,895	1,836,500	346,914	40,364	(40,096)	252,250	6,010,827
Profit for the period	-	-	-	-	-	595,185	595,185
Other comprehensive income for the period	-	-	-	-	83,199	-	83,199
Total comprehensive income for the period	-	-	-	-	83,199	595,185	678,384
Other equity movements	-	-	-	-	-	-	-
Tier 1 Sukuk profit distribution (Note 16)	-	-	-	-	-	(56,916)	(56,916)
Transfer from revaluation surplus on buildings to retained earnings	-	-	-	(2,163)	-	2,163	-
Transfer for acquisition of subsidiaries (Note 29)	-	-	234	-	-	9,013	9,247
At 30 September 2019 (unaudited)	3,574,895	1,836,500	347,148	38,201	43,103	801,695	6,641,542

**Restated*

The notes on pages 7 to 26 form an integral part of the condensed consolidated interim financial statements.

Noor Bank PJSC

Condensed consolidated interim statement of cash flows (Unaudited)

	Note	Nine month period ended 30 September 2019 (Unaudited) AED'000	2018* (Unaudited) AED'000
Operating activities			
Profit for the period		595,185	529,686
Adjustments for:			
Impairment charge on financial assets, net	22	478,005	454,937
Share of loss from joint venture		4,871	-
Gain on Islamic investments	21	(91,178)	(50,342)
Fees on conversion of financing instrument to equity funds		28,489	-
Depreciation of property and equipment and investment properties		24,127	24,845
Provision for employee's end of service benefits		19,007	5,039
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		-	3,534
Operating cash flows before changes in operating assets and liabilities		1,058,506	967,699
Changes in operating assets and liabilities:			
Statutory deposit with the UAE Central Bank	4	49,732	179,710
Certificate of deposits with Central Bank	4	(2,200,000)	-
Due from banks		1,160,065	(215,047)
Investments in Islamic financing instruments		(214,875)	(3,980,780)
Net proceeds from disposal of Islamic Sukuk at FVTPL		343,595	(234,268)
Other assets		(64,282)	260,947
Due to banks		(122,352)	727,944
Customer deposits	11	(1,745,175)	3,155,943
Payments of employees' end of service benefits		(12,609)	(5,419)
Other liabilities		(1,735,657)	714,556
Net cash (used in)/generated from operating activities		(3,483,052)	1,571,285
Investing activities			
Disposal/(investments in) of Sukuk at amortized cost and FVOCI		2,456,680	(1,975,020)
Investment in equity funds		(143,697)	-
Repayments from equity funds		48,229	-
Consideration paid on acquisition of subsidiaries	29	(4,070)	-
Additions to property and equipment		(13,385)	(47,344)
Net cash generated from/(used in) investing activities		2,343,757	(2,022,364)
Financing activities			
Issuance of Sukuk financing instrument		-	1,836,700
Tier 1 Sukuk profit distribution	16	(56,916)	(57,072)
Net cash (used in)/generated from financing activities		(56,916)	1,779,628
Net (decrease)/increase in cash and cash equivalents		(1,196,211)	1,328,549
Cash and cash equivalents at beginning of the period		3,538,509	4,067,565
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		-	(3,534)
Cash and cash equivalents at end of the period	4	2,342,298	5,392,580

Non-cash transactions: During the period ended 30 September 2019, provision for employees' end of service benefit was transferred from related parties and certain investments in Islamic financing instruments were settled by taking possession of the collaterals.

Restated.

The notes on pages 7 to 26 form an integral part of the condensed consolidated interim financial statements.

1 Incorporation and principal activities

Noor Bank PJSC (the "Bank") was incorporated on 26 March 2007 as a Public Joint Stock Company under UAE Federal Law No. (8) of 1984 (as amended) and is regulated by the Central Bank of the United Arab Emirates ("UAE"). The Bank has its registered office at Emaar Square, Building No. 1, Sheikh Zayed Road, P.O. Box 8822, Dubai, UAE. The Bank was registered with the Securities and Commodities Authority ("SCA") on 26 April 2007 and commenced its operations thereafter.

UAE Federal Law No. (2) of 2015 ("Companies Law") which is applicable to the Bank came into effect from 1 July 2015. The Bank is in compliance with the provisions of the Companies Law.

The principal activities of the Bank are carrying out banking, financing and investing activities through various Islamic financing instruments such as Murabahah, Mudarabah, Wakalah, Ijarah, Istisna' and Sukuk. The activities of the Bank are conducted in accordance with the Shari'a rules and principles as applied and interpreted by the Bank's Internal Shari'ah Supervision Committee ('ISSC') and in compliance with the provisions of the Memorandum and Articles of Association of the Bank.

On 1 September 2019, the Bank has acquired shares of the below three entities from Noor Investment Group LLC (Ultimate Parent Company). These entities are 100% subsidiaries of the Bank post the acquisition (Note 29):

Name of entity	Activity	Place of incorporation	Date of incorporation
Premium Marketing Services L.L.C	Outsourcing and Marketing services	Dubai, UAE	3 March 2008
Noor BPO L.L.C	Outsourcing and Consultancy services	Dubai, UAE	3 March 2008
Zawaya Realty L.L.C	Real Estate management services	Dubai, UAE	15 January 2014

The Bank has the following fully owned special purpose entities ("SPE"):

Name of entity	Activity	Place of incorporation	Date of incorporation
Noor Sukuk Company Limited (Note 13)	Special purpose entity	Cayman Islands	April 2015
Noor Tier 1 Sukuk Limited (Note 16)	Special purpose entity	Cayman Islands	August 2015
Noor Structured Certificates Ltd.*	Special purpose entity	Cayman Islands	July 2016
Noor Derivatives Limited**	Special purpose entity	Cayman Islands	April 2017

* An entity established to facilitate the issuance of Bank's structured Islamic certificates.

** An entity established to facilitate the Bank's Islamic derivative transactions.

The condensed consolidated interim financial statements for the period ended 30 September 2019 comprise the Bank, its subsidiaries and its SPEs (together referred to as the "Group").

Noor Investment Group LLC ("NIG"), the ultimate parent company, holds 95.58% of the shareholding in the Bank.

2 Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". These condensed consolidated interim financial statements do not include all the notes to the financial statements of the type normally included in annual consolidated financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standard Board (IASB).

In addition, the results for the nine month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for the fair value measurement of following items in the condensed consolidated interim statement of financial position:

- Financial assets classified as at fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVTPL');
- Buildings classified under property and equipment;
- Islamic derivatives.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in United Arab Emirates Dirham ("AED"), which is the functional currency of the Bank and its subsidiaries, being the currency of primary economic environment in which the entities operate. Except as indicated, the condensed consolidated interim financial statements have been rounded to the nearest thousand.

2.4 Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

2.5 Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the Group's audited consolidated financial statements for the year ended 31 December 2018 and corresponding interim reporting period except for the change in accounting policy as disclosed in Note 3 and Note 8. The condensed consolidated interim financial statements should therefore be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2018.

2.6 Seasonality of results

There is no material seasonality impact in the condensed consolidated interim financial statements.

3 Changes in accounting policies

New standards, amendments to published standards and interpretations effective for the Group's accounting period beginning on 1 January 2019

New standards and significant amendments to standards applicable to the Group	Effective date
IFRS 16, 'Leases' This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. The Group has adopted IFRS 16 as issued by the IASB with a transition date of 1 January 2019. The impact on the condensed consolidated interim financial statements of the Group from the adoption of the above new standard on 1 January 2019 is considered to be not material.	1 January 2019

There are no other relevant new standards and amendments that have been issued but are not effective as on 1 January 2019, that would be expected to have a material impact on the condensed consolidated interim financial statements of the Group.

4 Cash and balances with the UAE Central Bank

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Cash in hand	77,510	106,864
Balances with the UAE Central Bank		
- Current account	599,417	3,537,015
- Certificate of deposits	2,200,000	750,000
- Statutory deposit	2,433,186	2,482,918
	5,310,113	6,876,797

The statutory deposit with the UAE Central Bank is not available to finance the day to day operations of the Bank. Cash in hand, current account balance and statutory deposit with the UAE Central Bank are non-profit bearing. Certificate of deposits with the UAE Central Bank carried a profit rate of 1.94% - 2.45% per annum (31 December 2018: 2.2% per annum).

Cash and cash equivalents include the following for the purposes of the condensed consolidated interim statement of cash flows:

	30 September 2019 (Unaudited) AED'000	30 September 2018 (Unaudited) AED'000
Cash and balances with the UAE Central Bank	5,310,113	5,276,679
Due from banks (Note 5)	3,107,646	5,171,005
Due to banks (Note 12)	(1,408,341)	(2,265,916)
	7,009,418	8,181,768
Less: Statutory deposit with the UAE Central Bank	(2,433,186)	(2,632,877)
Less/Add: Balances having original maturity of more than three months:		
- Certificate of deposits with the UAE Central Bank	(2,200,000)	-
- Due from banks	(1,237,589)	(1,885,665)
- Due to banks	1,203,655	1,729,354
Cash and cash equivalents	2,342,298	5,392,580

5 Due from banks

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Current account with banks (Qard-e-Hasan)	491,375	361,543
Export bills - Murabahah	1,759,542	1,873,520
Deposits with banks – Murabahah and Wakalah	856,729	733,161
	3,107,646	2,968,224
Less: impairment loss allowance	(6,528)	(9,859)
	3,101,118	2,958,365

Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2019 (continued)

5 Due from banks (continued)

Carrying value of due from banks by stage classification under IFRS-9 as follows:

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Stage 1	2,740,351	2,785,018
Stage 2	367,295	183,206
	3,107,646	2,968,224

6 Investment in Islamic financing instruments

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Investments in Islamic financing instruments		
At amortized cost:		
Murabahah	23,558,428	24,792,829
Ijarah	9,861,386	9,231,937
Gross investments in Islamic financing instruments	33,419,814	34,024,766
Less: allowance for impairment	(2,330,307)	(2,303,729)
	31,089,507	31,721,037
At Fair value through profit & loss:		
Wakalah	257,340	254,233
Mudarabah	23,346	23,346
Total investments in Islamic financing instruments	31,370,193	31,998,616

Movement in allowance for impairment:

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
At beginning of the period/year	2,303,729	2,108,469
Charge for the period/year, net of recoveries/reversals	461,905	617,845
Written off during the period/year, net of write backs	(435,327)	(422,585)
At end of the period/year	2,330,307	2,303,729

Carrying value of Investments in Islamic financing instruments at amortised cost by stage:

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Stage 1	29,657,313	29,442,620
Stage 2	2,351,195	3,063,339
Stage 3	1,411,306	1,518,807
Investments in Islamic financing instruments - *At amortised cost*	33,419,814	34,024,766

7 Investments in Sukuk and equity funds

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Investments in Sukuk:		
At amortised cost	2,138,331	1,961,212
Less: impairment loss allowance	(1,402)	(2,158)
	2,136,929	1,959,054
At fair value through profit & loss	421,132	764,727
At fair value through other comprehensive income	1,920,367	4,390,568
	4,478,428	7,114,349
Investments in equity funds	449,526	-
Investments in Sukuk & equity funds	4,927,954	7,114,349

All the investments in Sukuk are classified as Stage 1 at 30 September 2019 and 31 December 2018. At 30 September 2019, the fair value of investments in Sukuk at amortised cost was AED 2,249 million (31 December 2018: AED 1,927 million).

For the nine month period ended 30 September 2019, the Group recognised net changes in fair value on investments in Sukuk at fair value through other comprehensive income of AED 128 million (30 September 2018: a net fair value loss of AED 44 million) in other comprehensive income under "fair value reserve on Sukuk at FVOCI".

At 30 September 2019, Sukuk with a market value of AED 957 million (31 December 2018: AED 1,651 million) have been pledged as collateral against investment deposits from financial institutions (Note 12).

At 30 September 2019, the Group held Sukuk with a market value of AED 1.9 billion (31 December 2018: AED 2.4 billion) in a fiduciary capacity on behalf of customers' without recourse to itself. Accordingly, these Sukuk are not included in the Group's condensed consolidated interim financial statements.

Investment in equity funds are classified at fair value to profit and loss (FVTPL) and comprise of the limited partner (LP) stakes obtained by the Bank in multiple geographically diverse equity funds in settlement of a financing facility.

8 Investment properties

	Land AED'000	**Buildings AED'000**	**Total AED'000**
Net book value			
At 1 January 2018 (restated)	978,124	95,400	1,073,524
Depreciation charge for the year	-	(5,021)	(5,021)
Impairment (charge)/reversal for the year	(63,901)	2,421	(61,480)
At 31 December 2018 (restated)	914,223	92,800	1,007,023
Depreciation charge for the period	-	(3,866)	(3,866)
At 30 September 2019	914,223	88,934	1,003,157

Investment properties are held to earn rentals and/or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and impairment loss, if any. Depreciation on investment properties is charged on a straight-line basis over 25 years. Freehold land is not depreciated.

8 Investment properties (continued)

Land comprises certain vacant plots granted by the Government of Dubai to the Bank at various locations in Dubai.

The Bank had a revaluation surplus within equity amounting to AED 76 million as the plots of land were initially recorded in property, plant and equipment. Subsequently these plots of land were reclassified to investment properties under the fair value method due to a change in use. These plots of land were incorrectly recorded in property, plant and equipment initially and should have been recorded under investment properties at the time of recognition (Note 30).

The Bank has decided to change its accounting policy for investment properties from the fair valuation model followed previously to the cost model to enable a fair presentation.

Consolidated statement of financial position	**As previously reported at 1 Jan 2018** AED'000	**Reclassification / Restatement** AED'000	**As restated at 1 January 2018** AED'000
Investment properties	1,178,947	(105,423)	1,073,524
Revaluation surplus	118,884	(75,637)	43,247
Retained earnings	40,450	75,637	116,087

Consolidated statement of financial position	**As previously reported at 31 December 2018** AED'000	**Reclassification / Restatement** AED'000	**As restated at 31 December 2018** AED'000
Investment properties	1,127,563	(120,540)	1,007,023
Revaluation surplus	116,001	(75,637)	40,364
Retained earnings	176,613	75,637	252,250

9 Other assets

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Due from related parties (Note 23)	70,092	55,707
Accrued income on investments in Islamic financing & Sukuk	293,823	292,333
Assets acquired in settlement of financing instruments	164,305	120,540
Islamic derivatives	1,097	11,135
Equity investments in related companies	26,500	26,530
Prepayments and advances	42,229	20,137
Investment in joint venture (Note below)	20,134	25,005
Investment in associate	-	1,500
Other	28,614	21,179
	646,794	574,066

Share of loss from the investment in joint venture of AED 4.9 million has been recorded in the statement of income for the nine month period ended 30 September 2019.

9 Other assets (continued)

Assets that are acquired from customers in settlement of investments in Islamic financing instruments were classified under Investment Properties in prior years and should have been classified under Other Assets accounted at cost less impairment. These have been reclassified from Investment properties to other assets (Note 30).

Consolidated statement of financial position	**As previously reported at 1 January 2018** AED'000	**Reclassification /Restatement** AED'000	**As restated at 1 January 2018** AED'000
Other assets	681,821	105,423	787,244

Consolidated statement of financial position	**As previously reported at 31 December 2018** AED'000	**Reclassification /Restatement** AED'000	**As previously reported at 31 December 2018** AED'000
Other assets	453,526	120,540	574,066

10 Property and equipment

The fair value of the Group's buildings was determined by an independent valuation expert in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS") as at 31 December 2017 and as updated on 31 December 2018. During the years ended 31 December 2018 and 31 December 2017, no revaluation gain/loss was recognised on buildings as the amount was not considered significant. The Group obtains the independent valuation on periodic basis and any resultant significant revaluation gain/loss on buildings is reflected in the annual consolidated financial statements at the year end.

11 Customer deposits

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Current accounts (Qard-e-Hasan)	8,932,089	9,857,939
Term accounts (Wakalah, Murabahah & Mudarabah)	17,322,521	17,936,303
Savings accounts (Mudarabah)	5,163,772	4,580,437
Escrow accounts (Qard-e-Hasan & Mudarabah)	2,024,065	2,792,392
Margin accounts (Qard-e-Hasan)	170,107	190,658
	33,612,554	35,357,729

12 Due to banks

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Investment deposits – (Wakalah & Murabahah)	1,368,938	2,663,683
Current accounts – (Qard-e-Hasan)	39,403	88,264
	1,408,341	2,751,947

At 30 September 2019, Sukuk with a market value of AED 957 million (31 December 2018: AED 1,651 million) have been pledged as collateral against investment deposits of AED 823 million (31 December 2018: AED 1,466 million) from financial institutions (Note 7).

13 Sukuk financing instruments

In April 2015, the Bank through its Shari'a compliant financing arrangement, established a Trust Certificate Issuance Programme for USD 3 billion (the "Programme"). The terms of the Programme include notional allocation of certain identified assets (the "Co-owned Assets") to Noor Sukuk Company Limited, Cayman Islands (the "Issuer or SPE"), a special purpose entity formed for the issuance of the Sukuk. In substance, these co-owned assets shall continue to remain under the control of the Bank and shall continue to be serviced by the Bank.

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

Issuer	**Expected annual profit rate**	**Issuance dated**	**Maturity date**	**30 September 2019 (Unaudited)** AED'000	**31 December 2018 (Audited)** AED'000
Noor Sukuk Company Limited	2.788%	April 2015	April 2020	1,836,450	1,836,450
Noor Sukuk Company Limited*	4.471%	April 2018	April 2023	1,836,700	1,836,700
				3,673,150	3,673,150

These Sukuk were listed on NASDAQ Dubai on the date of issuance and are expected to pay the profit to the Sukuk holders semi-annually.

*During the year ended 31 December 2018, the Bank acquired a profit rate swap to hedge the profit rate risk on the Sukuk.The net fair value losses as at 31 December 2018 amounting to AED 18.1 million have been included in Other Liabilities under Islamic derivatives. The profit rate swap has been settled during the period ended 30 September 2019.

14 Other liabilities

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Sundry customer balances (Note below)	-	1,826,155
Sundry disbursements payable	55,081	183,353
Managers cheques	174,768	199,839
Accrued expenses	176,609	223,145
Accrued depositors' share of profit	296,483	208,627
Impairment loss allowance for off-balance sheet items	56,286	45,724
Provision for employees' end of service benefits	47,708	41,310
Sundry collection accounts	27,529	18,501
Charity Disbursements	8,673	6,777
Islamic derivatives	22,297	28,745
Switch settlements payable, net	4,848	6,186
Due to related parties (Note 23)	16,285	13,002
Deferred income from Islamic financing	25,188	6,206
Other payables	295,093	117,975
	1,206,848	2,925,545

At 31 December 2018, sundry customer balance represented specific customer funds held in a non-profit bearing suspense account. These funds have been released during the period ended 30 September 2019 at the instructions of the Central Bank of UAE.

15 Share capital

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Authorised share capital:		
6,500 million shares (2018: 6,500 million shares) of AED 1 each	6,500,000	6,500,000
Issued and fully paid up share capital:		
3,574.9 million shares (2018: 3,574.9 million shares) of AED 1 each	3,574,895	3,574,895

16 Tier 1 Sukuk

In May 2016, the Bank issued a Shari'a compliant Tier 1 Sukuk through an SPE, Noor Tier 1 Sukuk Limited, (the "Issuer") amounting to USD 500 million (AED 1,836.5 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. These Sukuk are expected to pay profit semi-annually based on 5 year mid-swap rate + 4.91% at the time of issuance on 1st June and 1st December of each year (the "profit payment date"). The expected profit rate will be reset to a new fixed rate on the basis of the then prevailing 5 year mid-swap rate + 4.91% on 1 June 2021 (the "first reset date") and every 5 years thereafter. These Sukuk are listed on NASDAQ Dubai and callable by the Bank on 1st June 2021 (the "first call date") or any profit payment date thereafter subject to certain redemption conditions. The net proceeds of Tier 1 are invested by the Bank in its general business activities on a co-mingling basis.

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.

17 Statutory reserve

The UAE Federal Law No. (2) of 2015 and the Articles of the Bank, require that 10% of the net profit for the year should be transferred to a statutory reserve until such time as the balance in the reserve equals 50% of the issued share capital. Accordingly, an amount equal to 10% of the net profit for the year will be transferred to the statutory reserve at 31 December 2019 based on the results of the Bank for the year then ending. This reserve will not be available for distribution.

Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2019 (continued)

18 Income from Islamic financing and Sukuk

	Nine month period ended 30 September	
	2019 (Unaudited) AED'000	2018 (Unaudited) AED'000
Murabahah	1,118,341	1,028,577
Ijarah	256,178	223,275
Wakalah	19,339	8,545
	1,393,858	1,260,397
Profit income on Sukuk	173,944	161,439
Profit income on Certificate of deposits with UAE Central Bank	32,893	5,814
Total income from Islamic financing and sukuk	1,600,695	1,427,650

19 Depositors' and Sukuk holders' share of profit

	Nine month period ended 30 September	
	2019 (Unaudited) AED'000	2018 (Unaudited) AED'000
Term accounts	502,189	348,659
Saving & Escrow accounts	83,399	48,077
Sukuk holders' profit on sukuk issued	92,127	79,081
	677,715	475,817

20 Fee and other income, net of charges

	Nine month period ended 30 September	
	2019 (Unaudited) AED'000	2018 (Unaudited) AED'000
Facility syndication, processing and other fees	162,970	152,023
Transactional & deposit related fees	159,642	157,620
Net foreign exchange income	133,264	130,161
Trade services related fees	59,692	39,438
Fees from investment in equity funds	29,966	-
Other fees and commission	46,756	35,325
	592,290	514,567

21 Gain on Islamic investments

	Nine month period ended 30 September	
	2019 (Unaudited) AED'000	2018 (Unaudited) AED'000
Sukuk - At FVTPL	30,134	4,117
Islamic financing - At FVTPL	3,121	35,041
Sukuk - At FVOCI - realised gain	44,600	11,184
Equity funds at FVTPL	13,323	-
	91,178	50,342

22 Impairment charge on financial assets, net

	Nine month period ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)
Impairment charge/(reversals) on financial assets, financing commitments and financial guarantee contracts, net of reversals/recoveries:	AED'000	AED'000
Due from banks	(3,331)	2,426
Investments in Islamic financing and equity funds	477,195	459,829
Investments in Sukuk at amortised cost	(755)	(78)
Investments in Sukuk at FVOCI	(5,666)	1,758
Financing commitments and financial guarantee contracts	10,562	(8,998)
	478,005	454,937

23 Related party balances and transactions

The Group, in the normal course of business, enters into transactions with individuals and other business enterprises that fall within the definition of a related party as defined in IAS 24, 'Related party Disclosures' at commercial terms and profit rates. Other related parties include shareholders of the Bank and other entities controlled by the Board members of the Bank. Balances and transactions with related parties are as follows:

Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2019 (continued)

23 Related party balances and transactions (continued)

	The parent AED'000	Directors and key management personnel AED '000	Associate and other related parties AED'000	Total AED'000	The parent AED'000	Directors and key management personnel AED '000	Associate and other related parties AED'000	Total AED'000
Related party balances:		**30 September 2019**				**31 December 2018**		
Assets:								
Investments in Islamic financing instruments	-	121,986	-	**121,986**	-	87,116	-	**87,116**
Investments in Sukuk	-	-	416,445	**416,445**	-	-	341,207	**341,207**
Due from related parties	11,390	-	58,702	**70,092**	7,720	-	47,987	**55,707**
Accrued income from Islamic financing	-	1,802	-	**1,802**	-	1,049	-	**1,049**
Equity investments in related companies	-	-	26,500	**26,500**	-	-	26,530	**26,530**
Investment in associate	-	-	-	**-**	-	-	1,500	**1,500**
Investment in joint venture	-	-	20,134	**20,134**	-	-	25,005	**25,005**
Liabilities:								
Customer deposits	15,833	172,303	950,917	**1,139,053**	20,093	162,328	697,016	**879,437**
Due to related parties	-	-	16,285	**16,285**	-	-	13,002	**13,002**
Accrued depositors share of profit	-	2,783	11,755	**14,538**	-	2,884	3,306	**6,190**
Off-balance sheet:								
Contingent liabilities	-	10,747	1,903	**12,650**	-	46,329	1,443	**47,772**
Related party transactions:		**30 September 2019**				**30 September 2018**		
Income from Islamic financing and Sukuk	-	4,507	10,795	**15,302**	-	1,667	10,501	**12,168**
Depositors share of profit	-	3,483	17,757	**21,240**	-	2,310	11,078	**13,388**
Fee and other income	-	28	49,985	**50,013**	-	393	54,159	**54,552**
Remuneration	-	30,387	-	**30,387**	-	31,284	-	**31,284**

**Restated*

24 Contingencies and commitments

(a) Contingent liabilities

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Letters of credit	916,293	1,077,573
Guarantees	3,730,700	2,945,775
Undrawn credit commitments – Revocable	7,689,559	7,103,443
Undrawn credit commitments – Irrevocable	2,689,680	2,270,976
Commitment for private equity investment	214,769	-
	15,241,001	13,397,767

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as financings. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Undrawn credit commitments represent unused portions of authorisations to extend credit in the form of financing, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss for an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers' maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest, since it results from the possibility of unused portions of finance authorisations being drawn by the customer and, second, from these drawings subsequently not being paid as due. The Group monitors the term to maturity of the credit commitments because longer term commitments generally have a greater degree of credit risk than the shorter term commitments. The total outstanding contractual amount of the commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. Commitment for private equity investment includes future payment committed on investment in private equity funds.

(b) Capital commitments

At 30 September 2019, the Group has capital commitments of AED 6.6 million (31 December 2018: AED 18.7 million) mainly relating to purchase of furniture, fixtures, computer equipment and development/up-grading of software.

25 Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

25 Fair value hierarchy (continued)

- Level 1 - Quoted prices (unadjusted) in an active market for identical financial instruments.
- Level 2 - Valuation techniques based on observable inputs, 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 where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data 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 where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

The financial instruments and non-financial assets measured at fair value as per the hierarchy are disclosed in the table below:

	Level 1 AED '000	**Level 2** AED '000	**Level 3** AED '000
As at 30 September 2019			
Financial assets at fair value			
Investments in Sukuk			
- Classified at FVOCI	1,920,367	-	-
- Classified as FVTPL	421,132	-	-
Investments in Islamic financing instruments – At FVTPL	-	23,346	257,340
Equity investments in related companies	-	-	26,500
Investments in equity funds at FVTPL	-	-	464,816
Fair value of Islamic derivatives	-	1,097	-
	2,341,499	24,443	748,656
Financial liabilities at fair value			
Fair value of Islamic derivatives	-	22,297	-
As at 31 December 2018			
Financial assets at fair value			
Investments in Sukuk			
- Classified at FVOCI	4,390,568	-	-
- Classified as FVTPL	764,727	-	-
Investment in Islamic financing instruments - At FVTPL	-	23,346	254,233
Equity investments in related companies	-	-	26,530
Fair value of Islamic derivatives	-	11,135	-
	5,155,295	34,481	280,763
Financial liabilities at fair value			
Fair value of Islamic derivatives	-	28,745	-
Fair value of Sukuk financing instrument	-	1,854,778	-
	-	1,883,523	-

At 30 September 2019 and 31 December 2018, the carrying value of the Group's financial assets and liabilities measured at amortised cost approximate their fair values.

25 Fair value hierarchy (continued)

Movement of financing instruments at FVTPL based on the Level 3 hierarchy are as follows:

	2019 (Unaudited) AED'000	2018 (Audited) AED'000
At 1 January	280,763	26,530
Additions during the period/year	499,722	226,817
Disposal during the period/year	(48,259)	(25,694)
Change in fair value during the period/year	16,430	53,110
At 30 September/31 December	748,656	280,763

The different levels for fair values of non-financial assets have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For investment properties and buildings, the fair values have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 30 September 2019 and 31 December 2018, the difference between the carrying value and the fair value of the Group's properties, other assets and liabilities measured at amortized cost is not material.

26 Financial risk management

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

27 Capital management and capital adequacy as per Basel III requirement

The Group manages its capital considering both regulatory and economic capital. The Group calculates its risk asset ratio in accordance with requirements and guidelines established by the UAE Central Bank prescribing the ratio of total capital to total risk-weighted assets. This is in line with the assessment and reporting of capital adequacy ratio in accordance with the Basel III Accord.

The following are the minimum requirements:

	2019	2018
Common equity tier 1 ratio*	9.50%	8.875%
Tier 1 capital ratio*	11.00%	10.375%
Capital adequacy ratio*	13.00%	12.375%

* Including capital conservation buffer requirement of 2.5% (2018: 1.875%)

	30 September 2019 (Unaudited) AED'000	31 December 2018* (Audited) AED'000
CET 1 Capital		
Share capital	3,574,895	3,574,895
Statutory reserve	347,148	346,914
Retained earnings	801,695	252,250
Fair value reserve on Sukuk at FVOCI	43,103	(40,096)
	4,766,841	4,133,963
Additional Tier 1 (AT1) Capital		
Tier 1 sukuk	1,836,500	1,836,500
Total Tier 1 Capital	6,603,341	5,970,463
Tier 2 Capital		
General provision	454,491	447,372
Total Tier 2 Capital	454,491	447,372
Total regulatory capital	7,057,832	6,417,835
Risk weighted assets		
Credit risk	36,359,318	35,789,772
Market risk	852,298	533,052
Operational risk	3,388,757	3,388,757
Risk weighted assets	40,600,373	39,711,581
Common equity tier 1 ratio	11.74%	10.41%
Tier 1 capital ratio	16.26%	15.03%
Capital adequacy ratio	17.38%	16.16%

* Restated

28 Segmental reporting

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 makers in order to allocate resources to the segment and assess its performance. The Group's reportable segments are organized into three major segments as follows:

- Wholesale Banking – Principally handling financing/ trade facilities and deposit related services for medium and large sized corporate and institutional customers, treasury services and liquidity management
- Retail Banking – Principally serves individuals, high net worth customers and small sized businesses.
- Others – Others comprise of Central activities and Head office functions.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment operating income represents the profit earned by each segment without allocation of expenses and impairment charge on Islamic financing instruments.

Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2019 (continued)

28 Segmental reporting (continued)

	Wholesale Banking AED'000	Retail Banking AED '000	Others AED'000	Total AED'000	Wholesale Banking AED'000	Retail Banking AED '000	Others AED'000	Total AED'000
Nine months period ended		30 September 2019				30 September 2018		
Net Income from Islamic financing and Sukuk	451,563	351,623	119,794	**922,980**	471,634	340,262	139,937	**951,833**
Fees and other income and gain on Islamic investments	384,775	279,955	18,738	**683,468**	284,602	274,876	5,431	**564,909**
Total income	836,338	631,578	138,532	**1,606,448**	756,236	615,138	145,368	**1,516,742**
Total expenses				**(528,387)**				**(532,119)**
Operating profit before impairment charge on financial assets				**1,078,061**				**984,623**
Impairment charge on financial assets, net				**(478,005)**				**(454,937)**
Share of loss from joint venture				**(4,871)**				**-**
Profit for the period				**595,185**				**529,686**
As of		30 September 2019				31 December 2018		
Segment assets	34,638,056	10,736,917	1,167,462	**46,542,435**	38,082,002	11,509,633	1,127,563	**50,719,198**
Segment liabilities	25,119,796	14,781,097	-	**39,900,893**	31,424,865	13,283,506	-	**44,708,371**

**Restated*

29 Acquisition of subsidiaries

On 1 September 2019, Noor Investment Group LLC (Ultimate Parent Company) has transferred it's ownership of three subsidiaries to the Bank i.e. Premium Marketing Services LLC, Zawaya Realty LLC and Noor BPO LLC. The transfer has been considered as a common control transaction and in accordance with the Group's policy, has been accounted within equity. The results and cash flows of the subsidiary have been consolidated prospectively from the date of transfer, i.e. 1 September 2019 without restatement of statement of income and statement of financial position comparatives. Following are the details of assets and liabilities received as part of the transfer:

As of 1 September 2019 (Unaudited)	**Premium Marketing Services LLC** AED'000	**Zawaya Realty LLC** AED'000	**Noor BPO LLC** AED'000	**Total** AED'000
Total assets	457	11,430	5,024	16,911
Total liabilities	-	(2,064)	-	(2,064)
Net assets	457	9,366	5,024	14,847
Less: consideration paid	(270)	(300)	(3,500)	(4,070)
Transfer from other assets*	(30)	-	(1,500)	(1,530)
Net balance reflected in equity	157	9,066	24	9,247

** Represents bank's earlier investment in these entities prior to acquisition.*

30 Restatement

In accordance with the requirements of 'IAS 1 Presentation of Financial Statements' and 'IAS 8 Accounting policies, Changes in Estimates and Errors', the change in accounting policy and the prior period restatements have been corrected retrospectively and accordingly balances in the condensed consolidated interim financial statements have been restated as highlighted in Note 8 and Note 9.

There was no material impact of the restatements on the condensed consolidated interim statement of income and condensed consolidated interim statement of cash flows for the nine months period ended 30 September 2018.