

In the Name of Allah
The most Gracious and Merciful



Emirates Islamic Bank
(Public Joint Stock Company)

Head Office
3rd Floor, Building 16,
Dubai Health Care City, Dubai
Tel.: +971 4 3160336
Fax: +971 4 3582659

P.O. Box: 6564, Dubai, United Arab Emirates
Website: www.emiratesislamic.ae

**GROUP CONDENSED
CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
(UNAUDITED)**

**FOR THE SIX MONTHS PERIOD
ENDED 30 JUNE 2016**

EMIRATES ISLAMIC BANK PJSC
GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF EMIRATES ISLAMIC BANK PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Emirates Islamic Bank PJSC (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated interim statement of financial position as at 30 June 2016 and the related consolidated interim statements of income and comprehensive income for the three month and six month periods then ended and consolidated interim statement of cash flows and changes in equity for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Ernst & Young



Signed by:
Joseph Murphy
Partner
Registration No. 492

17 July 2016
Dubai, United Arab Emirates

EMIRATES ISLAMIC BANK PJSC
GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

| | | (Unaudited) 30 June 2016 AED '000 | (Audited) 31 December 2015 AED '000 |
|---|-------|--|--|
| | Notes | | |
| ASSETS | | | |
| Cash and balances with U.A.E. Central Bank | 3 | 6,493,295 | 7,255,674 |
| Due from banks | 4 | 6,618,697 | 7,372,715 |
| Investments | 5 | 2,868,850 | 2,287,105 |
| Financing and investing receivables | 6 | 39,127,511 | 34,180,420 |
| Investment properties | 7 | 792,362 | 805,937 |
| Customer acceptances | | 564,005 | 563,379 |
| Other assets | | 533,207 | 570,011 |
| Property and equipment | | 186,925 | 166,937 |
| TOTAL ASSETS | | 57,184,852 | 53,202,178 |
| LIABILITIES | | | |
| Customers' accounts | 8 | 41,750,950 | 39,301,172 |
| Due to banks | 9 | 1,880,446 | 3,061,714 |
| Sukuk financing instruments | 10 | 6,426,875 | 3,672,500 |
| Customer acceptances | | 564,005 | 563,379 |
| Payables and other liabilities | | 1,294,644 | 1,475,179 |
| Zakat payable | | - | 33,483 |
| TOTAL LIABILITIES | | 51,916,920 | 48,107,427 |
| EQUITY | | | |
| Share capital | 11 | 3,930,422 | 3,930,422 |
| Statutory reserve | | 329,423 | 329,423 |
| General reserve | | 235,202 | 235,202 |
| Fair value reserve | | 31,753 | (4,127) |
| Retained earnings | | 741,132 | 603,831 |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP | | 5,267,932 | 5,094,751 |
| TOTAL LIABILITIES AND EQUITY | | 57,184,852 | 53,202,178 |
| CONTINGENCIES AND COMMITMENTS | | 9,847,044 | 8,613,314 |

Chairman

Chief Executive Officer

The attached notes 1 to 19 form an integral part of these Group condensed consolidated interim financial statements.

The independent auditors' report is set out on page 1.

EMIRATES ISLAMIC BANK PJSC
GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

| | | (Unaudited) 30 June 2016 AED '000 | (Audited) 31 December 2015 AED '000 |
|---|-------|--|--|
| | Notes | | |
| <u>ASSETS</u> | | | |
| Cash and balances with U.A.E. Central Bank | 3 | 6,493,295 | 7,255,674 |
| Due from banks | 4 | 6,618,697 | 7,372,715 |
| Investments | 5 | 2,868,850 | 2,287,105 |
| Financing and investing receivables | 6 | 39,127,511 | 34,180,420 |
| Investment properties | 7 | 792,362 | 805,937 |
| Customer acceptances | | 564,005 | 563,379 |
| Other assets | | 533,207 | 570,011 |
| Property and equipment | | 186,925 | 166,937 |
| TOTAL ASSETS | | <u>57,184,852</u> | <u>53,202,178</u> |
| <u>LIABILITIES</u> | | | |
| Customers' accounts | 8 | 41,750,950 | 39,301,172 |
| Due to banks | 9 | 1,880,446 | 3,061,714 |
| Sukuk financing instruments | 10 | 6,426,875 | 3,672,500 |
| Customer acceptances | | 564,005 | 563,379 |
| Payables and other liabilities | | 1,294,644 | 1,475,179 |
| Zakat payable | | - | 33,483 |
| TOTAL LIABILITIES | | <u>51,916,920</u> | <u>48,107,427</u> |
| <u>EQUITY</u> | | | |
| Share capital | 11 | 3,930,422 | 3,930,422 |
| Statutory reserve | | 329,423 | 329,423 |
| General reserve | | 235,202 | 235,202 |
| Fair value reserve | | 31,753 | (4,127) |
| Retained earnings | | 741,132 | 603,831 |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP | | <u>5,267,932</u> | <u>5,094,751</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>57,184,852</u> | <u>53,202,178</u> |
| CONTINGENCIES AND COMMITMENTS | | <u>9,847,044</u> | <u>8,613,314</u> |

Chairman

Chief Executive Officer

The attached notes 1 to 19 form an integral part of these Group condensed consolidated interim financial statements.

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EMIRATES ISLAMIC BANK PJSC
GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

| | Notes | For the three months period ended 30 June | | For the six months period ended 30 June | |
|--|-------|--|------------------|--|------------------|
| | | 2016 AED'000 | 2015 AED'000 | 2016 AED'000 | 2015 AED'000 |
| INCOME | | | | | |
| Income from financing and investing activities | | 509,909 | 428,316 | 1,011,408 | 815,895 |
| Income from investment securities | | 18,569 | 37,747 | 25,341 | 70,150 |
| Income from Group Holding Company | | 43,952 | 47,693 | 89,251 | 96,955 |
| Commission and fees income | | 130,995 | 115,995 | 256,386 | 222,928 |
| Other income/ (loss), net | | 36,392 | (950) | 69,737 | 159,904 |
| TOTAL INCOME | | 739,817 | 628,801 | 1,452,123 | 1,365,832 |
| EXPENSES | | | | | |
| Personnel expenses | | (184,410) | (158,624) | (374,480) | (292,418) |
| General and administrative expenses | | (95,099) | (69,002) | (197,242) | (141,933) |
| Depreciation of property and equipment | | (6,398) | (6,941) | (12,487) | (13,518) |
| TOTAL EXPENSES | | (285,907) | (234,567) | (584,209) | (447,869) |
| NET OPERATING PROFIT BEFORE ALLOWANCES FOR IMPAIRMENT AND DISTRIBUTIONS | | | | | |
| | | 453,910 | 394,234 | 867,914 | 917,963 |
| Allowances for impairment, net of recoveries | 13 | (241,035) | (65,632) | (504,413) | (324,863) |
| NET OPERATING PROFIT | | 212,875 | 328,602 | 363,501 | 593,100 |
| Customers' share of profit and distribution to sukuk holders | | (120,767) | (75,353) | (226,200) | (146,135) |
| NET PROFIT FOR THE PERIOD | | 92,108 | 253,249 | 137,301 | 446,965 |
| Earnings per share (AED) | 14 | 0.024 | 0.064 | 0.035 | 0.114 |

The attached notes 1 to 19 form an integral part of these Group condensed consolidated interim financial statements.

The independent auditors' report is set out on page 1.

EMIRATES ISLAMIC BANK PJSC
GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

| | For the three months period ended 30 June | | For the six months period ended 30 June | |
|---|--|-----------------|--|-----------------|
| | 2016 AED'000 | 2015 AED'000 | 2016 AED'000 | 2015 AED'000 |
| NET PROFIT FOR THE PERIOD | 92,108 | 253,249 | 137,301 | 446,965 |
| <i>Items that may be reclassified subsequently to Income statement:</i> | | | | |
| <i>Other comprehensive income</i> | | | | |
| Cumulative changes in fair value of available for sale investments | | | | |
| - Net change in fair value | 23,093 | (35,492) | 31,749 | (9,429) |
| - Net amount transferred to income statement | (123) | 15,148 | 4,131 | 11,467 |
| Total | 22,970 | (20,344) | 35,880 | 2,038 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 115,078 | 232,905 | 173,181 | 449,003 |

The attached notes 1 to 19 form an integral part of these Group condensed consolidated interim financial statements.

The independent auditors' report is set out on page 1.

EMIRATES ISLAMIC BANK PJSC
GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP | | | | | |
|---|--|--------------------------|------------------------|---------------------------|--------------------------|------------------|
| | Share capital | Statutory reserve | General reserve | Fair value reserve | Retained earnings | Total |
| | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 |
| As at 1 January 2015 | 3,930,422 | 265,355 | 171,134 | 10,591 | 124,771 | 4,502,273 |
| Net profit for the period | - | - | - | - | 446,965 | 446,965 |
| Other comprehensive income for the period | - | - | - | 2,038 | - | 2,038 |
| Total comprehensive income for the period | - | - | - | 2,038 | 446,965 | 449,003 |
| As at 30 June 2015 | 3,930,422 | 265,355 | 171,134 | 12,629 | 571,736 | 4,951,276 |
| As at 1 January 2016 | 3,930,422 | 329,423 | 235,202 | (4,127) | 603,831 | 5,094,751 |
| Net profit for the period | - | - | - | - | 137,301 | 137,301 |
| Other comprehensive income for the period | - | - | - | 35,880 | - | 35,880 |
| Total comprehensive income for the period | - | - | - | 35,880 | 137,301 | 173,181 |
| As at 30 June 2016 | 3,930,422 | 329,423 | 235,202 | 31,753 | 741,132 | 5,267,932 |

The attached notes 1 to 19 form an integral part of these Group condensed consolidated interim financial statements.
The independent auditors' report is set out on page 1.

EMIRATES ISLAMIC BANK PJSC
GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

| | Note | For the six months period ended 30 June | |
|--|------|---|--------------------|
| | | 2016 AED '000 | 2015 AED '000 |
| OPERATING ACTIVITIES | | | |
| Net profit for the period | | 137,301 | 446,965 |
| <i>Adjustments:</i> | | | |
| Allowances for impairment on financing and investing receivables | | 597,599 | 306,365 |
| Allowances for impairment on investments | | 52,969 | 22,316 |
| Reversal of allowance for impairment on investment properties | | - | (3,818) |
| Dividend income | | (2,075) | (8,832) |
| Loss/ (gain) on sale of available-for-sale investments | | 3,178 | (33,746) |
| Gain on sale of investment properties | | - | (140,164) |
| Depreciation on investment properties | | 13,607 | 13,852 |
| Depreciation on property and equipment | | 12,487 | 13,518 |
| Operating profit before changes in operating assets and liabilities | | 815,066 | 616,456 |
| Changes in balances with UAE Central Bank | | (609,104) | (2,888,447) |
| Changes in due from banks | | (118,478) | (419) |
| Changes in financing and investing receivables | | (5,544,690) | (4,718,115) |
| Changes in other assets | | 36,968 | 163,964 |
| Changes in customers' accounts | | 2,449,778 | 3,295,760 |
| Changes in due to banks | | 149,871 | 2,535 |
| Changes in sukuk financing arrangements | | 2,754,375 | - |
| Changes in other liabilities | | (180,535) | 499,612 |
| Zakat paid | | (33,483) | (16,826) |
| Net cash used in operating activities | | (280,232) | (3,045,480) |
| INVESTING ACTIVITIES | | | |
| Purchase of investment securities | | (1,162,362) | (1,315,549) |
| Proceeds from sale of investment securities | | 560,350 | 1,856,393 |
| Dividend income received | | 1,911 | 8,832 |
| Additions in investment properties | | (32) | (28,530) |
| Proceeds from sale of investment properties | | - | 535,237 |
| Changes in property and equipment | | (32,475) | (52,417) |
| Net cash (used in)/ generated from investing activities | | (632,608) | 1,003,966 |
| Net change in cash and cash equivalents | | (912,840) | (2,041,514) |
| Cash and cash equivalents at the beginning of the period | | 3,168,627 | 3,024,081 |
| Cash and cash equivalents at the end of the period | 15 | 2,255,787 | 982,567 |

The attached notes 1 to 19 form an integral part of these Group condensed consolidated interim financial statements.

The independent auditors' report is set out on page 1.

EMIRATES ISLAMIC BANK PJSC
NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

1 LEGAL STATUS AND ACTIVITIES

Emirates Islamic Bank PJSC (formerly Middle East Bank) (the “Bank”) was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with a limited liability in the Emirate of Dubai on 3rd of October 1975. The Bank was reregistered as a Public Joint Stock Company in July 1995 and is regulated by the Central Bank of United Arab Emirates. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Bank is currently assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on 30 June 2017.

At an extraordinary general meeting held on 10th of March 2004, a resolution was passed to transform the Bank’s activities to be in full compliance with the Sharia rules and principles. The entire process was completed on 9th of October 2004 (the “Transformation Date”) when the Bank obtained the UAE Central Bank and other UAE authorities’ approvals.

The Bank is a subsidiary of Emirates NBD PJSC, Dubai (the “Group Holding Company”). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai, a company in which the Government of Dubai is the major shareholder. The Bank is listed in the Dubai Financial Market.

In addition to its head office in Dubai, the Bank operates through 61 branches in the UAE. The Group condensed consolidated interim financial statements combine the activities of the Bank’s head office, its branches and the following subsidiaries (together referred to as “the Group”).

| | Date of incorporation & country | Principal activity | Ownership % | |
|--|---------------------------------|------------------------------|--------------|------------------|
| | | | 30 June 2016 | 31 December 2015 |
| Emirates Islamic Financial Brokerage Co. LLC | 26 April 2006, UAE | Financial brokerage services | 100% | 100% |
| EIB Sukuk Company Limited | 6 June 2007, Cayman Islands | Special Purpose Entity | 100% | 100% |
| EI Funding Limited | 15 May 2014, Cayman Islands | Special Purpose Entity | 100% | 100% |

The Bank provides full commercial and banking services and offers a variety of products through Islamic financing and investing instruments in accordance with Islamic Sharia.

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 17 July 2016.

The Bank’s registered office address is P.O. Box 6564, Dubai, United Arab Emirates.

2 BASIS OF PREPERATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, ‘Interim Financial Reporting’. They do not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2016 has had no effect on the condensed consolidated interim financial statements of the Group. In addition, results for the six months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

EMIRATES ISLAMIC BANK PJSC
NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

2 BASIS OF PREPARATION (continued)

b) Basis of measurement

The Group consolidated financial statements have been prepared under the historical cost convention except for financial assets available for sale which are measured at fair value.

The condensed consolidated interim financial statements are presented in United Arab Emirates Dirham (AED), which is the Group's functional currency. Except where indicated, financial information presented in AED has been rounded to the nearest thousand.

c) Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its most recent audited consolidated financial statements for the year ended 31 December 2015.

d) Judgements and estimates

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires the management to use certain estimates and judgments that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired financing receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the Group consolidated financial statements as at and for the year ended 31 December 2015.

e) Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2015.

3 CASH AND BALANCES WITH UAE CENTRAL BANK

| | (Unaudited) 30 June 2016 AED '000 | (Audited) 31 December 2015 AED '000 |
|---|--|--|
| Cash in hand | 319,701 | 330,963 |
| Balances with UAE Central Bank : | | |
| Current accounts | 759,286 | 1,067,039 |
| Reserve requirements | 4,010,857 | 3,351,933 |
| Murabaha | 1,403,451 | 2,505,739 |
| | <u>6,493,295</u> | <u>7,255,674</u> |

The reserve requirements which are kept with the Central Bank of the UAE in AED and US Dollar are not available for use in the Group's day to day operations and cannot be withdrawn without the Central Bank of the UAE's approval. The level of reserves required changes every month in accordance with the Central Bank of the UAE's directives.

EMIRATES ISLAMIC BANK PJSC
NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

4 DUE FROM BANKS

| | (Unaudited) 30 June 2016 AED '000 | (Audited) 31 December 2015 AED '000 |
|---|--|--|
| Due from local banks | | |
| Current accounts | 26 | 45 |
| Interbank placements with other banks | 49,431 | - |
| Murabaha with Group Holding Company | 4,410,132 | 5,477,265 |
| Receivables from Dubai Bank PJSC | 1,520,150 | 1,505,040 |
| Wakala deposit with Group Holding Company | 100,000 | 100,000 |
| | 6,079,739 | 7,082,350 |
| Due from foreign banks | | |
| Current accounts | 245,058 | 290,365 |
| Interbank placements | 293,900 | - |
| | 538,958 | 290,365 |
| | 6,618,697 | 7,372,715 |

5 INVESTMENTS

| | (Unaudited) 30 June 2016 AED '000 | (Audited) 31 December 2015 AED '000 |
|---|--|--|
| Available-for-sale | | |
| Equity shares | 687,786 | 692,616 |
| Funds | 661,176 | 702,246 |
| Sukuks | 2,027,379 | 1,351,027 |
| | 3,376,341 | 2,745,889 |
| Held-to-maturity | | |
| Sukuks | 218,406 | 220,048 |
| | 3,594,747 | 2,965,937 |
| Less: Allowance for impairment | (725,897) | (678,832) |
| | 2,868,850 | 2,287,105 |
| Investment securities comprise: | | |
| Quoted | 2,175,173 | 1,503,652 |
| Unquoted | 693,677 | 783,453 |
| | 2,868,850 | 2,287,105 |
| Held-to-maturity investments located: | | |
| Within UAE | 91,813 | 91,813 |
| Outside UAE | 19,968 | 19,971 |
| | 111,781 | 111,784 |
| Available-for-sale investments located: | | |
| Within UAE | 810,492 | 879,010 |
| Outside UAE | 1,946,577 | 1,296,311 |
| | 2,757,069 | 2,175,321 |
| | 2,868,850 | 2,287,105 |
| Movements in allowances for impairment: | | |
| Balance as at 1 January | 678,832 | 645,451 |
| Allowances for impairment made during the period / year | 56,740 | 77,553 |
| Recoveries / write backs during the period / year | (3,771) | (5,532) |
| Write off during the period / year | (5,904) | (38,640) |
| Balance at the end of the period / year | 725,897 | 678,832 |

EMIRATES ISLAMIC BANK PJSC
NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

6 FINANCING AND INVESTING RECEIVABLES

| | (Unaudited) 30 June 2016 AED '000 | (Audited) 31 December 2015 AED '000 |
|---|--|--|
| Murabaha | 26,394,211 | 24,469,111 |
| Ijarah | 15,121,208 | 12,237,722 |
| Istisna'a | 1,442,112 | 1,205,460 |
| Financing wakala | 758,174 | 667,397 |
| Mudarabah | 144,991 | 166,749 |
| Secured overdraft | 196,350 | 216,802 |
| Credit card receivables | 960,279 | 788,025 |
| | <u>45,017,325</u> | <u>39,751,266</u> |
| Less: Deferred income | (2,603,803) | (2,634,719) |
| Less: Allowances for impairment | (3,286,011) | (2,936,127) |
| | <u>39,127,511</u> | <u>34,180,420</u> |
| Total of impaired financing and investing receivables | <u>3,622,973</u> | <u>3,279,067</u> |
| By Segment : | | |
| Retail banking | 22,055,411 | 20,292,865 |
| Corporate banking | 17,072,100 | 13,887,555 |
| | <u>39,127,511</u> | <u>34,180,420</u> |
| Analysis by economic activity | | |
| Agriculture and related activities | 27,686 | 17,389 |
| Manufacturing | 733,823 | 805,834 |
| Construction | 1,012,143 | 1,109,370 |
| Trade | 3,258,273 | 2,625,818 |
| Transportation and communication | 396,131 | 223,177 |
| Services | 4,510,843 | 3,528,173 |
| Sovereign | 298,086 | 298,086 |
| Personal | 25,616,439 | 23,512,863 |
| Real estates | 5,185,400 | 4,546,980 |
| Financial institutions | 1,228,840 | 1,126,229 |
| Others | 2,749,661 | 1,957,347 |
| Total | <u>45,017,325</u> | <u>39,751,266</u> |
| Less: Deferred income | (2,603,803) | (2,634,719) |
| Less: Allowances for impairment | (3,286,011) | (2,936,127) |
| Net Carrying Value | <u>39,127,511</u> | <u>34,180,420</u> |

EMIRATES ISLAMIC BANK PJSC
NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

6 FINANCING AND INVESTING RECEIVABLES (continued)

| | (Unaudited) 30 June 2016 AED '000 | (Audited) 31 December 2015 AED '000 |
|---|--|--|
| Movements in allowances for specific impairment: | | |
| Balance as at 1 January | 2,242,788 | 2,002,979 |
| Allowances for impairment made during the period / year | 773,047 | 987,440 |
| Write backs during the period / year | (209,323) | (277,713) |
| Transfer from Dubai Bank PJSC | 26,116 | 78,446 |
| Write offs during the period / year | (273,831) | (548,364) |
| Balance as at the end of the period / year | 2,558,797 | 2,242,788 |
| Movements in allowances for collective impairment: | | |
| Balance as at 1 January | 693,339 | 661,164 |
| Allowances for impairment made during the period / year | 33,875 | 32,175 |
| Balance as at the end of the period / year | 727,214 | 693,339 |
| Total | 3,286,011 | 2,936,127 |

7 INVESTMENT PROPERTIES

| | Land AED '000 | Building AED '000 | Work-in- progress AED '000 | (Unaudited) Total AED '000 |
|---|------------------|----------------------|----------------------------------|----------------------------------|
| Cost | | | | |
| Balance as at 1 January 2016 | 375,513 | 800,099 | 8,230 | 1,183,842 |
| Additions | 32 | - | - | 32 |
| Balance as at 30 June 2016 | 375,545 | 800,099 | 8,230 | 1,183,874 |
| Accumulated depreciation | | | | |
| Balance as at 1 January 2016 | - | (172,425) | - | (172,425) |
| Charge during the period | - | (13,607) | - | (13,607) |
| Total accumulated depreciation | - | (186,032) | - | (186,032) |
| Accumulated impairment | | | | |
| Balance as at 1 January 2016 | (27,849) | (177,631) | - | (205,480) |
| Total accumulated impairment | (27,849) | (177,631) | - | (205,480) |
| Total accumulated depreciation and impairment as at 30 June 2016 | (27,849) | (363,663) | - | (391,512) |
| Net Book Value as at 30 June 2016 | 347,696 | 436,436 | 8,230 | 792,362 |

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7 INVESTMENT PROPERTIES (continued)

| | Land AED '000 | Building AED '000 | Work-in- progress AED '000 | (Audited) Total AED '000 |
|---|------------------|----------------------|----------------------------------|--------------------------------|
| Cost | | | | |
| Balance as at 1 January 2015 | 391,283 | 1,154,100 | 8,230 | 1,553,613 |
| Additions | - | 32,651 | - | 32,651 |
| Disposals | (15,770) | (386,652) | - | (402,422) |
| Balance as at 31 December 2015 | 375,513 | 800,099 | 8,230 | 1,183,842 |
| Accumulated depreciation | | | | |
| Balance as at 1 January 2015 | - | (152,317) | - | (152,317) |
| Charge during the year | - | (27,458) | - | (27,458) |
| Relating to disposals | - | 7,350 | - | 7,350 |
| Total accumulated depreciation | - | (172,425) | - | (172,425) |
| Accumulated impairment | | | | |
| Balance as at 1 January 2015 | (27,849) | (181,449) | - | (209,298) |
| Reversal of impairment | - | 3,818 | - | 3,818 |
| Total accumulated impairment | (27,849) | (177,631) | - | (205,480) |
| Total accumulated depreciation and impairment as at 31 December 2015 | (27,849) | (350,056) | - | (377,905) |
| Net Book Value as at 31 December 2015 | 347,664 | 450,043 | 8,230 | 805,937 |

All investment properties are located within the United Arab Emirates.

The fair value of investment properties as at 30 June 2016 is not materially different from their carrying value.

8 CUSTOMERS' ACCOUNTS

| | (Unaudited) 30 June 2016 AED '000 | (Audited) 31 December 2015 AED '000 |
|---|--|--|
| Current accounts | 17,713,383 | 16,105,255 |
| Saving accounts | 9,984,150 | 9,032,267 |
| Investment accounts | 4,948,420 | 5,301,657 |
| Wakala accounts | 8,727,825 | 8,524,228 |
| Margins | 377,172 | 337,765 |
| | 41,750,950 | 39,301,172 |
| Customers' accounts are concentrated as follows | | |
| Resident customer accounts | 41,419,338 | 38,836,547 |
| Non-resident customer accounts | 331,612 | 464,625 |
| | 41,750,950 | 39,301,172 |
| By Segment: | | |
| Retail banking | 35,360,121 | 33,974,095 |
| Corporate banking | 6,390,829 | 5,327,077 |
| | 41,750,950 | 39,301,172 |

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9 DUE TO BANKS

| | (Unaudited) 30 June 2016 AED '000 | (Audited) 31 December 2015 AED '000 |
|--|--|--|
| Current Accounts | 4,113 | 2,149 |
| Overdrafts | 2,124 | - |
| Interbank obligations – Other banks | 334,851 | 277,105 |
| Investment accounts | 1,545 | - |
| Wakala Deposits from Group Holding Company | 967,061 | 806,992 |
| Other balances from Group Holding Company & its subsidiaries | 570,752 | 1,975,468 |
| | 1,880,446 | 3,061,714 |
| Due to banks are concentrated as follows: | | |
| Due to local banks | 1,723,150 | 3,059,376 |
| Due to foreign banks | 157,296 | 2,338 |
| | 1,880,446 | 3,061,714 |

10 SUKUK FINANCING INSTRUMENTS

During the period, the Bank, through a Shari'a compliant sukuk financing arrangement raised a tranche of US Dollar denominated medium term financing amounting to USD 750,000,000. Following are the details of all the sukuk financing arrangement is issue:

| Amount (USD) | Listing | Profit rate (%) | Payment basis | Maturity |
|--------------|-----------------------|-----------------|---------------|--------------|
| 500,000,000 | London Stock Exchange | 4.718 | Semi annual | January 2017 |
| 500,000,000 | London Stock Exchange | 4.140 | Semi annual | January 2018 |
| 750,000,000 | Irish Stock Exchange | 3.542 | Semi annual | May 2021 |

The terms of the arrangement include transfer of certain identified assets (the "Co-Owned Assets") of the Bank to a Sukuk company, EIB Sukuk Company Limited (the "Issuer"), a special purpose entity formed for the issuance of the sukuk. In substance, the co-owned assets remain in control of the Bank. Accordingly these assets continue to be recognized by the Bank. In case of any default, the Group Holding Company has provided an undertaking to make good all losses to the sukuk holders. The assets are in the control of the Bank and shall continue to be serviced by the Bank.

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

11 SHARE CAPITAL

| | (Unaudited) 30 June 2016 AED '000 | (Audited) 31 December 2015 AED '000 |
|--|--|--|
| Authorized Share Capital | | |
| 5,000,000,000 (31 December 2015: 5,000,000,000) ordinary shares of AED 1 each (31 December 2015: AED 1 each) | 5,000,000 | 5,000,000 |
| Issued and fully paid up capital | | |
| 3,930,422,000 (31 December 2015: 3,930,422,000) ordinary shares of AED 1 each (31 December 2015: AED 1 each) | 3,930,422 | 3,930,422 |

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12 ASSET SECURITISATION

On 15 May 2014, EI Funding Limited (the “SPE”) was incorporated under Companies Law of Cayman Islands as a Special Purpose Entity. The principal activities of the company are to purchase portfolio of assets through issuance of notes. The securitization will result in a certificate pool that will be listed on the NASDAQ clearing system (off market) for private-purpose, over-the-counter dealing. The underlying Sharia structure has been approved by the Bank’s Sharia Supervisory Board.

The Group has transferred part of its investment portfolio to EI Funding Limited (incorporated under Cayman Islands laws). However, the Group retains control over the transferred assets and hence the Group continues to recognize these assets as financing and investment assets.

13 ALLOWANCE FOR IMPAIRMENT, NET OF RECOVERIES

| | (Unaudited) | |
|--|---------------------------------|------------------|
| | For the six months period ended | |
| | 30 June | |
| | 2016 | 2015 |
| | AED '000 | AED '000 |
| Net impairment of financing and investing receivables (note 6) | (597,599) | (306,365) |
| Net impairment of investments (note 5) | (52,969) | (22,316) |
| Net impairment of investment properties | - | 3,818 |
| (Bad debt written off) / recovery - net | 146,155 | - |
| | <u>(504,413)</u> | <u>(324,863)</u> |

14 EARNINGS PER SHARE

The calculation of earnings per share is based on profit of AED 137,301,000 (30 June 2015: profit of AED 446,965,000), for the period divided by the weighted average of the number of shares outstanding during the period: 3,930,422,000 shares (30 June 2015: 3,930,422,000 shares).

No figures for diluted earnings per share have been presented as the Group has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

15 CASH AND CASH EQUIVALENTS

| | (Unaudited) | (Audited) |
|--|------------------|------------------|
| | 30 June | 31 December |
| | 2016 | 2015 |
| | AED '000 | AED '000 |
| Cash in hand (note 3) | 319,701 | 330,963 |
| Current account with U.A.E Central Bank (note 3) | 759,286 | 1,067,039 |
| Murabaha with U.A.E Central Bank | - | 1,052,468 |
| Due from banks | 2,630,270 | 3,502,766 |
| Due to banks | (1,453,470) | (2,784,609) |
| | <u>2,255,787</u> | <u>3,168,627</u> |

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16 RELATED PARTY TRANSACTIONS

The ultimate parent of the Group is Investment Corporation of Dubai (55.6%), a company in which the Government of Dubai is the major shareholder.

Customer accounts and financing to Government related entities other than those that have been individually disclosed amounts to 8.06% and 3.95% (31 December 2015: 8.23% and 3.90%) of the total customers' accounts and financing receivables of the Group, respectively.

These entities are independently run business entities, and all the financial dealings with the Group are on normal commercial terms.

The Group has also entered into transactions with certain other related parties who are non-government related entities. Such transactions were also made on substantially the same terms, including profit rates and collaterals, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Related party transactions are as follows:

| | (Unaudited) | |
|---|---|-------------|
| | For the six months period ended 30 | |
| | June | |
| | 2016 | 2015 |
| Group condensed consolidated interim statement of income | | |
| Income from Group Holding Company | 89,251 | 96,955 |
| Key management personnel compensations | (16,984) | (16,232) |
| Key management personnel compensations - retirements benefits | (118) | (113) |

Balances with related parties are as follows:

| | (Unaudited) | (Audited) |
|---|--------------------|--------------------|
| | 30 June | 31 December |
| | 2016 | 2015 |
| | AED '000 | AED '000 |
| Group condensed consolidated interim statement of financial position | | |
| Due from Group Holding Company & subsidiaries | 2,972,319 | 2,794,805 |
| Financing receivables - Ultimate Parent Company | 184,028 | 184,011 |
| Investment in Ultimate Parent Company | 44,985 | 44,206 |
| Deposits from Ultimate Parent Company | 1,078,776 | 1,322,261 |
| Due from Dubai Bank PJSC (note 4) | 1,520,150 | 1,505,040 |
| Financing receivables - Directors & affiliates | 447 | 1,212 |
| Financing receivables - Key management personnel & affiliates | 21,947 | 26,040 |
| Current and Investment accounts - Directors | (1,411) | (830) |
| Current and Investment accounts - Key management personnel & affiliates | (22,125) | (23,314) |
| Financing receivables - Government Related Entities | 259,396 | 298,086 |

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

No impairment losses have been recorded against balances outstanding during the period with key management personnel and their immediate relations at the period end.

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17 FINANCIAL ASSETS AND LIABILITIES

Fair value of assets and liabilities

The table below analyses assets and liabilities measured at fair value on a recurring basis. The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in principal markets for identified assets or liabilities.
- Level 2: valuation using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

| | Quoted prices in active markets for identified assets Level 1 AED '000 | Significant other observable inputs Level 2 AED '000 | Significant unobservable inputs Level 3 AED '000 | (Unaudited) Total AED '000 |
|------------------------------|--|---|--|----------------------------------|
| 30 June 2016 | | | | |
| INVESTMENT SECURITIES | | | | |
| Available-for-sale: | | | | |
| Investment in funds | - | - | 241,850 | 241,850 |
| Investment in equities | 55,982 | - | 431,858 | 487,840 |
| Debt securities | 2,027,379 | - | - | 2,027,379 |
| TOTAL | 2,083,361 | - | 673,708 | 2,757,069 |
| (Audited) | | | | |
| 31 December 2015 | | | | |
| INVESTMENT SECURITIES | | | | |
| Available-for-sale: | | | | |
| Investment in funds | - | - | 274,884 | 274,884 |
| Investment in equities | 60,813 | - | 488,598 | 549,411 |
| Debt securities | 1,351,026 | - | - | 1,351,026 |
| TOTAL | 1,411,839 | - | 763,482 | 2,175,321 |

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17 FINANCIAL ASSETS AND LIABILITIES (continued)

| | (Unaudited) Available for sale financial assets AED '000 |
|---|---|
| Reconciliation of financial assets, classified under level 3 | |
| Balance as at 1 January 2016 | 763,482 |
| Settlements | (89,774) |
| FX Adjustment | - |
| Balance as at 30 June 2016 | <u><u>673,708</u></u> |
| | AED '000 |
| Balance as at 1 January 2015 | 844,045 |
| Settlements | (80,460) |
| FX Adjustment | (103) |
| Balance as at 31 December 2015 | <u><u>763,482</u></u> |

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favorable and unfavorable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental.

During the period ended 30 June 2016, no transfers were made between Level 1 and Level 2.

18 OPERATING SEGMENTS

The Group's activities comprise the following main business segments:

Corporate and Investments

Within this business segment, the Bank provides to corporate customers a range of products and services and accepts their deposits. This segment invests in investment securities, sukuks, funds and Real Estate sector.

Retail

Retail segment provides a wide range of products and services to individuals and small and medium enterprises and accepts their deposits.

Treasury

This segment mainly includes deposits and placements on Murabaha and Wakala basis with banks including Group Holding Company and the Central Bank of UAE.

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18 OPERATING SEGMENTS (continued)

| | Corporate & Investments | | Retail | | Treasury | | Total | |
|---|---|-----------------|---|------------------|---|----------------|---|------------------|
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | For the six months period ended 30 June | | For the six months period ended 30 June | | For the six months period ended 30 June | | For the six months period ended 30 June | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| Group condensed consolidated interim statement of income | | | | | | | | |
| Segment income | 353,513 | 294,741 | 676,902 | 545,122 | 95,585 | 100,559 | 1,126,000 | 940,422 |
| Inter segment wakala income/ (loss) | (141,304) | (112,508) | 72,392 | 72,395 | 68,912 | 40,113 | - | - |
| Commission, fees & other income | 87,985 | 253,618 | 239,587 | 170,997 | (1,449) | 795 | 326,123 | 425,410 |
| Total income | 300,194 | 435,851 | 988,881 | 788,514 | 163,048 | 141,467 | 1,452,123 | 1,365,832 |
| General and administrative expenses | (68,040) | (93,890) | (504,944) | (345,423) | (11,225) | (8,556) | (584,209) | (447,869) |
| Total expenses | (68,040) | (93,890) | (504,944) | (345,423) | (11,225) | (8,556) | (584,209) | (447,869) |
| Net operating income | 232,154 | 341,961 | 483,937 | 443,091 | 151,823 | 132,911 | 867,914 | 917,963 |
| Allowances for impairment, net of recoveries | (124,504) | (200,580) | (379,909) | (124,283) | - | - | (504,413) | (324,863) |
| | 107,650 | 141,381 | 104,028 | 318,808 | 151,823 | 132,911 | 363,501 | 593,100 |
| Customers' share of profit and distribution to sukuk holders | (26,534) | (14,385) | (108,134) | (49,429) | (91,532) | (82,321) | (226,200) | (146,135) |
| NET PROFIT/ (LOSS) FOR THE PERIOD | 81,116 | 126,996 | (4,106) | 269,379 | 60,291 | 50,590 | 137,301 | 446,965 |

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18 OPERATING SEGMENTS (continued)

| | Corporate & Investments | | Retail | | Treasury | | Total | |
|---|---|---|---|---|---|---|---|---|
| | (Unaudited) 30 June 2016 AED'000 | (Audited) 31 December 2015 AED'000 | (Unaudited) 30 June 2016 AED'000 | (Audited) 31 December 2015 AED'000 | (Unaudited) 30 June 2016 AED'000 | (Audited) 31 December 2015 AED'000 | (Unaudited) 30 June 2016 AED'000 | (Audited) 31 December 2015 AED'000 |
| Group condensed consolidated interim statement of financial position | | | | | | | | |
| Assets | | | | | | | | |
| Segment assets | 21,425,632 | 17,699,369 | 21,927,098 | 20,137,699 | 9,101,135 | 11,276,456 | 52,453,865 | 49,113,524 |
| Central Bank reserve requirements | 344,185 | 183,134 | 3,666,672 | 3,168,799 | - | - | 4,010,857 | 3,351,933 |
| | <u>21,769,817</u> | <u>17,882,503</u> | <u>25,593,770</u> | <u>23,306,498</u> | <u>9,101,135</u> | <u>11,276,456</u> | <u>56,464,722</u> | <u>52,465,457</u> |
| Unallocated assets | | | | | | | 720,130 | 736,721 |
| Total Assets | | | | | | | <u>57,184,852</u> | <u>53,202,178</u> |
| Liabilities | | | | | | | | |
| Segment liabilities | 6,949,712 | 5,993,156 | 35,451,533 | 34,038,678 | 8,393,882 | 6,734,214 | 50,795,127 | 46,766,048 |
| Unallocated liabilities | | | | | | | 6,389,725 | 6,436,130 |
| Total Liabilities and equity | | | | | | | <u>57,184,852</u> | <u>53,202,178</u> |

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19 INTERIM MEASUREMENT

The nature of the Group's business is such that income earned or expenses incurred are in a manner which is not impacted by any forms of seasonality. These condensed consolidated interim financial statements are prepared based on an accrual concept, which requires income and expenses for the period to be recorded as earned or incurred in the same period, not as received or paid throughout the period.