

In the Name of Allah
The most Gracious and Merciful



Emirates Islamic Bank
(Public Joint Stock Company)

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

**FOR THE SIX MONTHS PERIOD
ENDED 30 JUNE 2017**

EMIRATES ISLAMIC BANK PJSC
GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

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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 2017 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

18 July 2017
Dubai, United Arab Emirates

EMIRATES ISLAMIC BANK PJSC
GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
ASSETS			
Cash and balances with U.A.E. Central Bank	3	13,216,250	11,662,802
Due from banks	4	8,702,177	7,755,193
Investments	5	1,476,453	1,479,214
Financing and investing receivables	6	35,364,439	36,342,568
Investment properties	7	468,953	474,830
Customer acceptances		687,840	776,050
Other assets		364,062	517,267
Property and equipment		220,197	220,265
TOTAL ASSETS		60,500,371	59,228,189
LIABILITIES			
Customers' accounts	8	41,808,588	41,131,007
Due to banks	9	4,083,118	1,807,918
Sukuk financing instruments	10	5,529,269	7,368,138
Customer acceptances		687,840	776,050
Payables and other liabilities		1,326,632	1,421,162
Zakat payable		-	35,139
TOTAL LIABILITIES		53,435,447	52,539,414
EQUITY			
Share capital	11	5,430,422	5,430,422
Statutory reserve		339,986	339,986
General reserve		245,765	245,765
Fair value reserve		8,765	19,404
Retained earnings		1,039,986	653,198
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		7,064,924	6,688,775
TOTAL LIABILITIES AND EQUITY		60,500,371	59,228,189
CONTINGENCIES AND COMMITMENTS		9,524,698	9,742,403

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 INCOME (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	Notes	For the three months period ended 30 June		For the six months period ended 30 June	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
INCOME					
Income from financing and investing activities		482,390	509,909	991,813	1,011,408
Income from investment securities		12,571	18,569	54,072	25,341
Income from Group Holding Company		33,983	43,952	62,976	89,251
Commission and fees income		125,188	130,995	240,234	256,386
Other income, net		52,092	36,392	81,985	69,737
TOTAL INCOME		706,224	739,817	1,431,080	1,452,123
EXPENSES					
Personnel expenses		(136,404)	(184,410)	(274,879)	(374,480)
General and administrative expenses		(96,749)	(95,099)	(191,993)	(197,242)
Depreciation of property and equipment		(9,822)	(6,398)	(21,690)	(12,487)
TOTAL EXPENSES		(242,975)	(285,907)	(488,562)	(584,209)
NET OPERATING PROFIT BEFORE ALLOWANCES FOR IMPAIRMENT AND DISTRIBUTIONS					
		463,249	453,910	942,518	867,914
Allowances for impairment, net of recoveries	13	(174,965)	(241,035)	(309,850)	(504,413)
NET OPERATING PROFIT		288,284	212,875	632,668	363,501
Customers' share of profit and distribution to sukuk holders		(122,608)	(120,767)	(245,880)	(226,200)
NET PROFIT FOR THE PERIOD		165,676	92,108	386,788	137,301
Earnings per share (AED)	14	0.031	0.024	0.071	0.035

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 2017

	For the three months period ended 30 June		For the six months period ended 30 June	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
NET PROFIT FOR THE PERIOD	165,676	92,108	386,788	137,301
<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	3,076	23,093	10,336	31,749
- Net amount transferred to income statement	(615)	(123)	(20,975)	4,131
Total	2,461	22,970	(10,639)	35,880
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	168,137	115,078	376,149	173,181

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 CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	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 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
As at 1 January 2017	5,430,422	339,986	245,765	19,404	653,198	6,688,775
Net profit for the period	-	-	-	-	386,788	386,788
Other comprehensive income for the period	-	-	-	(10,639)	-	(10,639)
Total comprehensive income for the period	-	-	-	(10,639)	386,788	376,149
As at 30 June 2017	5,430,422	339,986	245,765	8,765	1,039,986	7,064,924

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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 2017

	Note	For the six months period ended 30 June	
		2017 AED '000	2016 AED '000
OPERATING ACTIVITIES			
Net profit for the period		386,788	137,301
<i>Adjustments:</i>			
Allowances for impairment on financing and investing receivables		301,733	597,599
Allowances for impairment on investments		41,300	52,969
Dividend income		(6,500)	(2,075)
(Gain) / loss on sale of available-for-sale investments		(32,247)	3,178
Depreciation on investment properties		6,010	13,607
Depreciation on property and equipment		21,690	12,487
Operating profit before changes in operating assets and liabilities		718,774	815,066
Changes in balances with UAE Central Bank		(1,571,386)	(609,104)
Changes in due from banks		1,878,246	(118,478)
Changes in financing and investing receivables		715,548	(5,544,690)
Changes in other assets		153,205	36,968
Changes in customers' accounts		677,581	2,449,778
Changes in due to banks		(40,857)	149,871
Changes in other liabilities		(94,530)	(180,535)
Zakat paid		(35,139)	(33,483)
Net cash generated from / (used in) operating activities		2,401,442	(3,034,607)
INVESTING ACTIVITIES			
Purchase of investment securities		(305,050)	(1,162,362)
Proceeds from sale of investment securities		248,967	560,350
Dividend income received		6,500	1,911
Additions in investment properties		(133)	(32)
Changes in property and equipment		(21,622)	(32,475)
Net cash used in investing activities		(71,338)	(632,608)
FINANCING ACTIVITIES			
Repayment of Sukuk financing		(1,838,869)	2,754,375
Net cash (used in) / generated from financing activities		(1,838,869)	2,754,375
Net change in cash and cash equivalents		491,235	(912,840)
Cash and cash equivalents at the beginning of the period		6,822,904	3,168,627
Cash and cash equivalents at the end of the period	15	7,314,139	2,255,787

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 2017

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.

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 2017	31 December 2016
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.

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 2016. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2017 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 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

These Group condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 18 July 2017.

EMIRATES ISLAMIC BANK PJSC
NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

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 Group 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 2016.

d) Judgements and estimates

The preparation of the Group 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 Group 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 2016.

e) Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited Group consolidated financial statements for the year ended 31 December 2016.

3 CASH AND BALANCES WITH UAE CENTRAL BANK

	(Unaudited)	(Audited)
	30 June	31 December
	2017	2016
	AED '000	AED '000
Cash in hand	378,366	263,571
Balances with UAE Central Bank :		
Current accounts	3,992,668	1,375,258
Reserve requirements	4,073,811	4,014,785
Murabaha	4,771,405	6,009,188
	<u>13,216,250</u>	<u>11,662,802</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 2017

4 DUE FROM BANKS

	(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
Due from local banks		
Current accounts	65	64
Interbank placements with other banks	1,587,925	1,491,491
Murabaha with Group Holding Company	3,143,638	3,751,041
Receivables from Dubai Bank PJSC	1,218,080	1,179,398
	5,949,708	6,421,994
Due from foreign banks		
Interbank placements	36,725	-
Current accounts	2,715,744	1,333,199
	8,702,177	7,755,193

5 INVESTMENTS

	(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
Available-for-sale		
Equity shares	555,421	686,038
Funds	661,018	660,718
Sukuks	895,100	718,694
	2,111,539	2,065,450
Held-to-maturity		
Sukuks	119,248	211,061
	2,230,787	2,276,511
Less: Allowance for impairment	(754,334)	(797,297)
	1,476,453	1,479,214
Investment securities comprise:		
Quoted	902,980	864,765
Unquoted	573,473	614,449
	1,476,453	1,479,214
Held-to-maturity investments located:		
Within UAE	-	91,813
Outside UAE	12,623	12,623
	12,623	104,436
Available-for-sale investments located:		
Within UAE	346,233	334,363
Outside UAE	1,117,597	1,040,415
	1,463,830	1,374,778
	1,476,453	1,479,214
Movements in allowances for impairment:		
Balance as at 1 January	797,297	678,832
Allowances for impairment made during the period / year	41,300	128,140
Recoveries / write backs during the period / year	-	(3,771)
Write off during the period / year	(84,263)	(5,904)
Balance at the end of the period / year	754,334	797,297

EMIRATES ISLAMIC BANK PJSC
NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

6 FINANCING AND INVESTING RECEIVABLES

	(Unaudited)	(Audited)
	30 June	31 December
	2017	2016
	AED '000	AED '000
Murabaha	24,064,139	25,303,142
Ijarah	13,395,113	13,539,998
Istisna'a	2,071,890	1,934,104
Financing wakala	242,816	435,256
Mudarabah	211,161	91,150
Secured overdraft	167,202	189,240
Credit card receivables	1,088,724	1,101,315
	<u>41,241,045</u>	<u>42,594,205</u>
Less: Deferred income	(2,459,200)	(2,753,333)
Less: Allowances for impairment	(3,417,406)	(3,498,304)
	<u>35,364,439</u>	<u>36,342,568</u>
Total of impaired financing and investing receivables	<u>3,706,211</u>	<u>3,610,230</u>
By Segment :		
Retail banking	21,755,701	22,910,839
Corporate banking	13,608,738	13,431,729
	<u>35,364,439</u>	<u>36,342,568</u>
Analysis by economic activity		
Agriculture and related activities	37,358	32,605
Manufacturing	649,245	608,017
Construction	806,282	809,900
Trade	3,486,740	2,943,344
Transportation and communication	342,678	371,838
Services	3,958,916	3,442,875
Sovereign	-	241,308
Personal	23,108,135	24,661,438
Real estates	4,727,550	5,268,117
Financial institutions	1,102,959	1,343,677
Others	3,021,182	2,871,086
Total	<u>41,241,045</u>	<u>42,594,205</u>
Less: Deferred income	(2,459,200)	(2,753,333)
Less: Allowances for impairment	(3,417,406)	(3,498,304)
Net Carrying Value	<u>35,364,439</u>	<u>36,342,568</u>

EMIRATES ISLAMIC BANK PJSC
NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

6 FINANCING AND INVESTING RECEIVABLES (continued)

	(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
Movements in allowances for specific impairment:		
Balance as at 1 January	2,653,028	2,242,788
Allowances for impairment made during the period / year	594,533	1,808,826
Write backs during the period / year	(155,675)	(591,073)
Transfer from Dubai Bank PJSC	-	26,116
Write offs during the period / year	(382,631)	(833,629)
Balance as at the end of the period / year	2,709,255	2,653,028
Movements in allowances for collective impairment:		
Balance as at 1 January	845,276	693,339
(Writebacks) / Allowances for impairment made during the period / year	(137,125)	151,937
Balance as at the end of the period / year	708,151	845,276
Total	3,417,406	3,498,304

7 INVESTMENT PROPERTIES

	Land AED '000	Building AED '000	Work-in- progress AED '000	Total AED '000
Cost				
Balance as at 1 January 2017 (audited)	375,895	333,719	8,230	717,844
Additions	133	-	-	133
Balance as at 30 June 2017 (unaudited)	376,028	333,719	8,230	717,977
Accumulated depreciation				
Balance as at 1 January 2017 (audited)	-	(72,218)	-	(72,218)
Charge during the period	-	(6,010)	-	(6,010)
Total accumulated depreciation (unaudited)	-	(78,228)	-	(78,228)
Accumulated impairment				
Balance as at 1 January 2017 (audited)	(27,849)	(142,947)	-	(170,796)
Total accumulated impairment	(27,849)	(142,947)	-	(170,796)
Total accumulated depreciation and impairment as at 30 June 2017 (unaudited)	(27,849)	(221,175)	-	(249,024)
Net Book Value as at 30 June 17 (unaudited)	348,179	112,544	8,230	468,953

EMIRATES ISLAMIC BANK PJSC
NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

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 2016	375,513	800,099	8,230	1,183,842
Additions	382	-	-	382
Disposals	-	(466,380)	-	(466,380)
Balance as at 31 December 2016	375,895	333,719	8,230	717,844
Accumulated depreciation				
Balance as at 1 January 2016	-	(172,425)	-	(172,425)
Charge during the year	-	(23,415)	-	(23,415)
Relating to disposals	-	123,622	-	123,622
Total accumulated depreciation	-	(72,218)	-	(72,218)
Accumulated impairment				
Balance as at 1 January 2016	(27,849)	(177,632)	-	(205,481)
Reversal of impairment	-	34,685	-	34,685
Total accumulated impairment	(27,849)	(142,947)	-	(170,796)
Total accumulated depreciation and impairment as at 31 December 2016	(27,849)	(215,165)	-	(243,014)
Net Book Value as at 31 December 2016	348,046	118,554	8,230	474,830

All investment properties are located within the United Arab Emirates.

The fair value of investment properties as at 30 June 2017 is not materially different from their carrying value.

8 CUSTOMERS' ACCOUNTS

	(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
Current accounts	17,840,878	16,803,227
Saving accounts	10,734,245	10,179,886
Investment accounts	3,825,757	4,252,457
Wakala accounts	8,953,598	9,441,448
Margins	454,110	453,989
	41,808,588	41,131,007
Customers' accounts are concentrated as follows		
Resident customer accounts	41,237,499	40,703,736
Non-resident customer accounts	571,089	427,271
	41,808,588	41,131,007
By Segment:		
Retail banking	34,529,389	34,287,138
Corporate banking	7,279,199	6,843,869
	41,808,588	41,131,007

EMIRATES ISLAMIC BANK PJSC
NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

9 DUE TO BANKS

	(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
Current accounts	14,658	14,022
Overdrafts	2,152	1,605
Interbank obligations – Other banks	664,876	183,625
Wakala deposits from Group Holding Company	1,697,302	151,959
Other balances from Group Holding Company & its subsidiaries	1,704,130	1,456,707
	4,083,118	1,807,918
Due to banks are concentrated as follows:		
Due to local banks	3,669,052	1,622,688
Due to foreign banks	414,066	185,230
	4,083,118	1,807,918

10 SUKUK FINANCING INSTRUMENTS

The Group, through a Shari'a compliant sukuk financing arrangement raised tranches of US Dollar denominated medium term financing. Following are the details of all the sukuk financing arrangement in issue:

Amount (USD)	Listing	Profit rate (%)	Payment basis	Maturity
500,000,000	London Stock Exchange	4.140	Semi annual	January 2018
750,000,000	Irish Stock Exchange & Nasdaq	3.542	Semi annual	May 2021
250,000,000	Irish Stock Exchange & Nasdaq	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 sukuks. 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.

Following is the movement in Sukuk payable:

	(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
Balance as at 1 January	7,368,138	3,672,500
New issue	-	3,696,948
Sukuks matured	(1,836,250)	-
Premium amortization	(2,619)	(1,310)
Balance at end of period/ year	5,529,269	7,368,138

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10 SUKUK FINANCING INSTRUMENTS (continued)

As at 30 June 2017, the outstanding Sukuk payable is falling due as below:

	(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
2017	-	1,836,250
2018	1,836,250	1,836,250
2021	3,693,019	3,695,638
	<u>5,529,269</u>	<u>7,368,138</u>

During the period, a tranche of USD 500,000,000 (AED 1,826,250,000), listed at the London Stock Exchange, bearing a profit rate of 4.718 % matured and repaid in full.

11 SHARE CAPITAL

	(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
Authorized Share Capital		
10,000,000,000 (31 December 2016: 10,000,000,000) ordinary shares of AED 1 each (31 December 2016: AED 1 each)	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid up capital		
5,430,422,000 (31 December 2016: 5,430,422,000) ordinary shares of AED 1 each (31 December 2016: AED 1 each)	<u>5,430,422</u>	<u>5,430,422</u>

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	
	2017 AED '000	2016 AED '000
Net impairment of financing and investing receivables (note 6)	(301,733)	(597,599)
Net impairment of investments (note 5)	(41,300)	(52,969)
(Bad debt written off) / recovery - net	33,183	146,155
	<u>(309,850)</u>	<u>(504,413)</u>

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14 EARNINGS PER SHARE

The calculation of earnings per share is based on profit of AED 386,788,000 (30 June 2016: profit of AED 137,301,000), for the period divided by the weighted average of the number of shares outstanding during the period: 5,430,422,000 shares (30 June 2016: 3,930,422,000 shares).

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all diluted potential ordinary shares, if any.

The diluted and basic earnings per share were the same for the six months period ended 30 June 2017.

15 CASH AND CASH EQUIVALENTS

	(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
Cash in hand (note 3)	378,366	263,571
Current account with U.A.E Central Bank (note 3)	3,992,668	1,375,258
Murabaha with U.A.E Central Bank	-	2,750,143
Due from banks	6,829,382	4,004,152
Due to banks	(3,886,277)	(1,570,220)
	<u>7,314,139</u>	<u>6,822,904</u>

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 6.64% and 1.91% (31 December 2016: 5.77% and 2.00%) 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	
	2017	2016
Group condensed consolidated interim statement of income		
Income from Group Holding Company	62,976	89,251
Key management personnel compensations	(10,959)	(16,984)
Key management personnel compensations - retirements benefits	(66)	(118)

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16 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties are as follows:

	(Unaudited) 30 June 2017 AED '000	(Audited) 31 December 2016 AED '000
Group condensed consolidated interim statement of financial position		
Due from Group Holding Company & subsidiaries	3,143,638	3,751,041
Due to Group Holding Company & subsidiaries	(3,401,432)	(1,608,666)
Financing receivables - Ultimate Parent Company	183,650	183,650
Investment in Ultimate Parent Company	19,171	15,191
Deposits from Ultimate Parent Company	846,139	835,628
Due from Dubai Bank PJSC (note 4)	1,218,080	1,179,398
Financing receivables - Directors & affiliates	-	149
Financing receivables - Key management personnel & affiliates	24,721	41,260
Current and Investment accounts - Directors	(990)	(760)
Current and Investment accounts - Key management personnel & affiliates	(11,049)	(38,300)
Investment in Government of Dubai	-	207,873

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.

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 2017				
INVESTMENT SECURITIES				
Available-for-sale:				
Investment in funds	-	-	204,794	204,794
Investment in equities	7,880	-	356,056	363,936
Debt securities	895,100	-	-	895,100
TOTAL	902,980	-	560,850	1,463,830

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17 FINANCIAL ASSETS AND LIABILITIES (continued)

	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	(Audited) Total AED '000
31 December 2016				
INVESTMENT SECURITIES				
Available-for-sale:				
Investment in funds	-	-	207,993	207,993
Investment in equities	54,234	-	393,858	448,092
Debt securities	718,693	-	-	718,693
TOTAL	<u><u>772,927</u></u>	<u><u>-</u></u>	<u><u>601,851</u></u>	<u><u>1,374,778</u></u>

**(Unaudited)
Available
for sale
financial
assets
AED '000**

Reconciliation of financial assets, classified under level 3

Balance as at 1 January 2017	601,851
Settlements	(41,002)
Balance as at 30 June 2017	<u><u>560,849</u></u>

	(Audited)
Balance as at 1 January 2016	763,482
Settlements	(161,631)
Balance as at 31 December 2016	<u><u>601,851</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 2017, no transfers were made between Level 1 and Level 2.

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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		Retail		Treasury		Support		Total	
	(Unaudited) For the six months period ended 30 June 2017 AED'000	(Unaudited) 2016 AED'000	(Unaudited) For the six months period ended 30 June 2017 AED'000	(Unaudited) 2016 AED'000	(Unaudited) For the six months period ended 30 June 2017 AED'000	(Unaudited) 2016 AED'000	(Unaudited) For the six months period ended 30 June 2017 AED'000	(Unaudited) 2016 AED'000	(Unaudited) For the six months period ended 30 June 2017 AED'000	(Unaudited) 2016 AED'000
Group consolidated statement of income										
Segment income	225,192	212,209	780,833	749,294	(19,132)	164,497	83,423	-	1,070,316	1,126,000
Commission, fees & other income	97,523	87,985	242,290	239,587	71,846	(1,449)	(50,895)	-	360,764	326,123
Total income	322,715	300,194	1,023,123	988,881	52,714	163,048	32,528	-	1,431,080	1,452,123
General and administrative expenses	(45,937)	(42,317)	(318,777)	(425,193)	(4,514)	(4,508)	(119,335)	(112,191)	(488,563)	(584,209)
Total expenses	(45,937)	(42,317)	(318,777)	(425,193)	(4,514)	(4,508)	(119,335)	(112,191)	(488,563)	(584,209)
Net operating income										
Allowances for impairment, net of recoveries	80,721	(124,504)	(349,452)	(379,909)	(41,119)	-	-	-	(309,850)	(504,413)
Customers' share of profit and distribution to sukuk holders	(43,151)	(26,534)	(96,007)	(108,134)	(106,718)	(91,532)	(3)	-	(245,879)	(226,200)
NET PROFIT/ (LOSS) FOR THE YEAR	314,348	106,839	258,887	75,645	(99,637)	67,008	(86,810)	(112,191)	386,788	137,301

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18 OPERATING SEGMENTS (continued)

	Corporate		Retail		Treasury		Support		Total	
	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Group consolidated statement of financial position										
Assets										
Segment assets	<u>15,379,552</u>	<u>16,976,033</u>	<u>25,578,920</u>	<u>26,848,946</u>	<u>19,541,899</u>	<u>15,403,210</u>	<u>-</u>	<u>-</u>	<u>60,500,371</u>	<u>59,228,189</u>
Liabilities										
Segment liabilities	<u>8,354,979</u>	<u>7,899,837</u>	<u>35,702,935</u>	<u>35,371,278</u>	<u>9,377,535</u>	<u>9,268,299</u>	<u>7,064,922</u>	<u>6,688,775</u>	<u>60,500,371</u>	<u>59,228,189</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.