

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 NINE MONTHS PERIOD
ENDED 30 SEPTEMBER 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 September 2017 and the related consolidated interim statements of income and comprehensive income for the three months and nine months period then ended and consolidated interim statement of cash flows and changes in equity for the nine months 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.

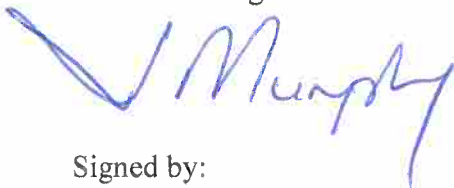
Scope of Review

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

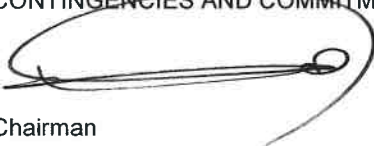



Signed by:
Joseph Murphy
Partner
Registration No. 492

29 October 2017

Dubai, United Arab Emirates

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30
SEPTEMBER 2017

		(Unaudited)	(Audited)
		30 September 2017	31 December 2016
ASSETS	Notes	AED '000	AED '000
Cash and balances with U.A.E Central Bank	3	11,608,659	11,662,802
Due from banks	4	9,662,825	7,755,193
Investments	5	1,683,880	1,479,214
Financing and investing receivables	6	35,330,542	36,342,568
Investment properties	7	465,948	474,830
Customer acceptances		437,949	776,050
Other assets		459,822	517,267
Property and equipment		217,023	220,265
TOTAL ASSETS		59,866,648	59,228,189
LIABILITIES			
Customers' accounts	8	40,769,844	41,131,007
Due to banks	9	4,679,319	1,807,918
Sukuk financing instruments	10	5,527,959	7,368,138
Customer acceptances		437,949	776,050
Payables and other liabilities		1,277,772	1,421,162
Zakat payable		-	35,139
TOTAL LIABILITIES		52,692,843	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		5,937	19,404
Retained earnings		1,151,695	653,198
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		7,173,805	6,688,775
TOTAL LIABILITIES AND EQUITY		59,866,648	59,228,189
CONTINGENCIES AND COMMITMENTS		9,605,504	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 on review of the Group condensed consolidated interim financial statements is set out on page 1.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

	Notes	For the three months period ended 30 September		For the nine months period ended 30 September	
		2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000
INCOME					
Income from financing and investing activities		478,867	521,355	1,470,680	1,532,763
Income from investment securities		47,568	30,561	101,640	55,902
Income from Group Holding Company		38,312	43,221	101,288	132,472
Commissions and fees income		117,173	111,321	357,407	367,707
Other income		56,787	123,928	138,772	193,665
TOTAL INCOME		738,707	830,386	2,169,787	2,282,509
EXPENSES					
Personnel expenses		(143,591)	(183,262)	(418,470)	(557,742)
General and administrative expenses		(95,249)	(76,280)	(287,242)	(273,522)
Depreciation of property and equipments		(10,430)	(6,665)	(32,120)	(19,152)
TOTAL EXPENSES		(249,270)	(266,207)	(737,832)	(850,416)
NET OPERATING PROFIT BEFORE ALLOWANCES FOR IMPAIRMENT AND DISTRIBUTIONS		489,437	564,179	1,431,955	1,432,093
Allowances for impairment, net of recoveries	13	(251,463)	(489,358)	(561,313)	(993,771)
Allowances for impairment on non-financial assets, net of recoveries		-	34,685	-	34,685
Total allowance for impairment, net of recoveries		(251,463)	(454,673)	(561,313)	(959,086)
NET OPERATING PROFIT		237,974	109,506	870,642	473,007
Customers' share of profit and distribution to sukuk holders		(126,265)	(140,323)	(372,145)	(366,523)
NET PROFIT/(LOSS) FOR THE PERIOD		111,709	(30,817)	498,497	106,484
Earnings per share(AED)	14	0.021	(0.008)	0.092	0.027

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.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000
NET PROFIT / (LOSS) FOR THE PERIOD	111,709	(30,817)	498,497	106,484
Items that may be reclassified subsequently to Income statement:				
Other comprehensive income	-	-	-	-
Cumulative changes in fair value of available-for-sale investments	-	-	-	-
-Net change in fair value	(1,471)	9,967	8,865	41,716
-Net amount transferred to income statement	(1,357)	(15,107)	(22,332)	(10,976)
Total	(2,828)	(5,140)	(13,467)	30,740
Total comprehensive income for the period	108,881	(35,957)	485,030	137,224

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

The independent auditors' report on review of the Group condensed consolidated interim financial statements is set out on page 1.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Fair value reserve AED '000	Retained Earnings AED '000	Total 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	-	-	-	-	106,484	106,484
Other comprehensive income for the period	-	-	-	30,740	-	30,740
Total comprehensive income for the period	-	-	-	30,740	106,484	137,224
As at 30 September 2016	3,930,422	329,423	235,202	26,613	710,315	5,231,975
As at 1 January 2017	5,430,422	339,986	245,765	19,404	653,198	6,688,775
Net profit for the period	-	-	-	-	498,497	498,497
Other comprehensive income for the period	-	-	-	(13,467)	-	(13,467)
Total comprehensive income for the period	5,430,422	339,986	245,765	(13,467)	498,497	485,030
As at 30 September 2017	5,430,422	339,986	245,765	5,937	1,151,695	7,173,805

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GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

	Note	For the nine months period ended 30 September	
		2017	2016
<u>OPERATING ACTIVITIES</u>		AED '000	AED '000
Net profit for the period		498,497	106,484
Adjustments:			
Allowances for impairment on financing receivables		588,208	1,055,629
Allowances for impairment on investments		41,272	98,169
Reversal of allowance for impairment on sale of investment properties		-	(34,685)
Dividend income		(6,500)	(3,575)
Depreciation on investment properties		9,016	20,410
Gain on sale of available for sale investments		(71,666)	(11,019)
Gain on sale of investment properties		-	(91,546)
Depreciation on property and equipment		32,120	19,152
Operating profit before changes in operating assets and liabilities		1,090,947	1,159,019
Changes in balances with UAE Central Bank		814,423	(1,503,978)
Changes in due from banks		1,896,425	160,939
Changes in financing and investing receivables		423,818	(4,241,631)
Changes in other assets		57,445	(292,226)
Changes in customers' accounts		(361,163)	1,973,534
Changes in due to banks		(239,450)	2,560,041
Changes in other liabilities		(143,390)	(146,319)
Zakat paid		(35,139)	(33,483)
Net cash generated from/(used in) operating activities		3,503,916	(364,104)
<u>INVESTING ACTIVITIES</u>			
Purchase of investment securities		(693,055)	(1,421,281)
Proceeds from sale of investment securities		505,316	1,724,839
Dividend income received		6,500	3,575
Additions in investment properties		(134)	(92)
Proceeds from sale of investment properties		-	434,304
Changes in property and equipment		(28,878)	(54,930)
Net cash (used in) / generated from investing activities		(210,251)	686,415
<u>FINANCING ACTIVITY</u>			
Changes in Sukuk financing		(1,840,179)	3,696,948
Net cash (used in) / generated from financing activity		(1,840,179)	3,696,948
Net change in cash and cash equivalents		1,453,486	4,019,259
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	8,276,390	7,187,886

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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 66 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 September 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 nine months period ended 30 September 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 29 October 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) 30 September 2017 AED '000	(Audited) 31 December 2016 AED '000
Cash in hand	312,335	263,571
Balances with UAE Central Bank :		
Current accounts	(215,313)	1,375,258
Reserve requirements	3,995,830	4,014,785
Murabaha	7,515,807	6,009,188
	11,608,659	11,662,802

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

4 DUE FROM BANKS

	(Unaudited)	(Audited)
	30 September	31 December
	2017	2016
	AED '000	AED '000
Due from local banks		
Current accounts	69	64
Interbank placements with other banks	1,842,763	1,491,491
Murabaha with Group Holding Company	3,455,644	3,751,041
Receivables from Dubai Bank PJSC	1,218,507	1,179,398
	6,516,983	6,421,994
Due from foreign banks		
Current accounts	3,145,842	1,333,199
	9,662,825	7,755,193

5 INVESTMENTS

	(Unaudited) 30 September 2017 AED '000	(Audited) 31 December 2016 AED '000
Available-for-sale		
Equity shares	624,399	686,038
Funds	515,563	660,718
Sukuks	1,087,174	718,694
	2,227,136	2,065,450
Held-to-maturity		
Sukuks	110,067	211,061
	2,337,203	2,276,511
Less: Allowance for impairment	(653,323)	(797,297)
	1,683,880	1,479,214
Investment securities comprise:		
Quoted	1,163,072	864,765
Unquoted	520,808	614,449
	1,683,880	1,479,214
Held-to-maturity investments located:		
Within UAE	-	91,813
Outside UAE	3,442	12,623
	3,442	104,436
Available-for-sale investments located:		
Within UAE	289,532	334,363
Outside UAE	1,390,906	1,040,415
	1,680,438	1,374,778
	1,683,880	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	41,272	128,140
Recoveries / write backs during the period / year	-	(3,771)
Write off during the period / year	(185,246)	(5,904)
Balance at the end of the period / year	653,323	797,297

6 FINANCING AND INVESTING RECEIVABLES

	(Unaudited) 30 September 2017 AED '000	(Audited) 31 December 2016 AED '000
Murabaha	23,760,432	25,303,142
Ijarah	13,392,105	13,539,998
Istisna'a	2,265,485	1,934,104
Financing wakala	249,001	435,256
Mudarabah	218,803	91,150
Secured overdrafts	164,424	189,240
Credit card receivables	1,190,662	1,101,315
	41,240,912	42,594,205
Less: Deferred income	(2,360,409)	(2,753,333)
Less: Allowances for impairment	(3,549,961)	(3,498,304)
	35,330,542	36,342,568
Total of impaired financing and investing receivables	3,664,660	3,610,230
By Segment :		
Retail banking	21,380,558	22,910,839
Corporate banking	13,949,984	13,431,729
	35,330,542	36,342,568
Analysis by economic activity		
Agriculture and related activities	42,108	32,605
Manufacturing	706,427	608,017
Construction	791,223	809,900
Trade	3,690,234	2,943,344
Transportation and communication	310,365	371,838
Services	4,026,499	3,442,875
Sovereign	-	241,308
Personal	22,741,441	24,661,438
Real estates	4,501,850	5,268,117
Financial institutions	1,233,107	1,343,677
Others	3,197,658	2,871,086
Total	41,240,912	42,594,205
Less: Deferred income	(2,360,409)	(2,753,333)
Less: Allowances for impairment	(3,549,961)	(3,498,304)
Net Carrying Value	35,330,542	36,342,568

6 FINANCING AND INVESTING RECEIVABLES (CONTINUED)

	(Unaudited)	(Audited)
	30 September 2017	31 December 2016
	AED '000	AED '000
<u>Movement in allowances for specific impairment</u>		
Balance at 1 January	2,653,028	2,242,788
Allowances for impairment made during the period/ year	945,172	1,808,826
Write backs during the period/ year	(221,790)	(591,073)
Transfer from Dubai Bank PJSC	-	26,116
Write offs during the period/year	(536,551)	(833,629)
Balance as at the end of the period/year	2,839,859	2,653,028
<u>Movement in allowances for collective impairment</u>		
Balance at 1 January	845,276	693,339
(Writebacks) / Allowances for impairment made during the period / year	(135,174)	151,937
Balance at the end of the period/ year	710,102	845,276
Total	3,549,961	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	134	-	-	134
Balance as at 30 September 2017 (unaudited)	376,029	333,719	8,230	717,978
Accumulated depreciation				
Balance as at 1 January 2017 (audited)	-	(72,218)	-	(72,218)
Charge during the period	-	(9,016)	-	(9,016)
Total accumulated depreciation (unaudited)	-	(81,234)	-	(81,,234)
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 September 2017 (unaudited)	(27,849)	(224,181)	-	(252,030)
Net Book Value as at 30 September 17 (unaudited)	348,180	109,538	8,230	465,948

7 INVESTMENT PROPERTIES (CONTINUED)

	Land	Building	Work-in-progress	(Audited) Total
	AED '000	AED '000	AED '000	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 September 2017 is not materially different from their carrying value.

8 CUSTOMER ACCOUNTS

	(Unaudited) 30 September 2017 AED '000	(Audited) 31 December 2016 AED '000
Current accounts	17,614,064	16,803,227
Saving accounts	10,485,233	10,179,886
Investment accounts	3,700,075	4,252,457
Wakala accounts	8,521,556	9,441,448
Margins	448,916	453,989
	40,769,844	41,131,007
Customers' accounts are concentrated as follows:		
Resident customer accounts	40,071,822	40,703,736
Non-Resident customer accounts	698,022	427,271
	40,769,844	41,131,007
By Segment:		
Retail banking	33,594,534	34,287,138
Corporate banking	7,175,310	6,843,869
	40,769,844	41,131,007

9 DUE TO BANKS

	(Unaudited) 30 September 2017 AED '000	(Audited) 31 December 2016 AED '000
Current accounts	19,339	14,022
Overdrafts	2,783	1,605
InterBank obligations- Other Banks	296,660	183,625
Wakala deposits- with Group Holding Company	2,649,992	151,959
Other balances from Group Holding Company & its subsidiaries	1,710,545	1,456,707
Total	4,679,319	1,807,918
Due to banks are concentrated as follows:		
Due to local banks	4,657,197	1,622,688
Due to foreign banks	22,122	185,230
	4,679,319	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)	(Audited)
	30 September	31 December
	2017	2016
	AED '000	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	(3,929)	(1,310)
Balance at end of period/ year	5,527,959	7,368,138

10 SUKUK FINANCING INSTRUMENTS (continued)

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

	(Unaudited)	(Audited)
	30 September 2017 AED '000	31 December 2016 AED '000
2017	-	1,836,250
2018	1,836,250	1,836,250
2021	3,691,709	3,695,638
	5,527,959	7,368,138

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)	(Audited)
	30 September 2017 AED '000	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)	10,000,000	10,000,000
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)	5,430,422	5,430,422

Shareholders of the Bank in the extra ordinary general meeting held on 5 October 2016 approved the increase in authorized share capital by AED 5,000,000,000 and paid up share capital by AED 1,500,000,000 through rights issue. Rights issue was completed in December 2016.

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 nine months period ended 30 September	
	2017	2016
	AED '000	AED '000
Net impairment of financing and investing receivables (note 6)	(588,208)	(1,055,630)
Net impairment of investments (note 5)	(41,272)	(98,169)
(Bad debt written off) / recovery – net	68,167	160,028
	(561,313)	(993,771)

14 EARNINGS PER SHARE

The calculation of earnings per share is based on profit of AED 498,497,000 (30 September 2016: profit of AED 106,484,000), for the period divided by the weighted average of the number of shares outstanding during the period: 5,430,422,000 shares (30 September 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 nine months period ended 30 September 2017.

15 CASH AND CASH EQUIVALENTS

	(Unaudited)	(Audited)
	30 September	31 December
	2017	2016
	AED '000	AED '000
Cash in hand (note 3)	312,335	263,571
Current account with U.A.E Central Bank (note 3)	(215,313)	1,375,258
Murabaha with U.A.E Central Bank	5,052,230	2,750,143
Due from banks	7,808,209	4,004,152
Due to banks	(4,681,071)	(1,570,220)
	8,276,390	6,822,904

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 7.32% and 1.35% (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 nine months period ended 30 September	
	2017	2016
Group condensed consolidated interim statement of income		
Income from Group Holding Company	101,288	132,472
Key management personnel compensations	(14,552)	(20,776)
Key management personnel compensations - retirements benefits	(110)	(282)
Gain on sale of investment properties to the Group Holding Company	-	91,546

16 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties are as follows:

	(Unaudited)	(Audited)
	30 September	31 December
	2017	2016
	AED '000	AED '000
Group condensed consolidated interim statement of financial position		
Due from Group Holding Company & subsidiaries	3,455,644	3,751,041
Due to Group Holding Company & subsidiaries	(4,360,537)	(1,608,666)
Financing receivables - Ultimate Parent Company	183,650	183,650
Investment in Ultimate Parent Company	-	15,191
Deposits from Ultimate Parent Company	849,973	835,628
Due from Dubai Bank PJSC (note 4)	1,218,507	1,179,398
Financing receivables - Directors & affiliates	-	149
Financing receivables - Key management personnel & affiliates	23,648	41,260
Current and Investment accounts - Directors	(897)	(760)
Current and Investment accounts - Key management personnel & affiliates	(5,476)	(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 September 2017				
INVESTMENT SECURITIES				
Available-for-sale:				
Investment in funds	-	-	161,307	161,307
Investment in equities	75,899		356,057	431,956
Debt securities	1,087,174	-	-	1,087,174
TOTAL	1,163,073	-	517,364	1,680,437

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	772,927	-	601,851	1,374,778

	(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	(84,487)
Balance as at 30 September 2017	517,364

	(Audited)
Balance as at 1 January 2016	763,482
Settlements	(161,631)
Balance as at 31 December 2016	601,851

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 September 2017, 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.

18 OPERATING SEGMENTS (continued)

	Corporate & Investments		Retail		Treasury		Support		Total	
	(Unaudited) For the nine months period ended 30 September 2017 AED'000	(Unaudited) For the nine months period ended 30 September 2016 AED'000	(Unaudited) For the nine months period ended 30 September 2017 AED'000	(Unaudited) For the nine months period ended 30 September 2016 AED'000	(Unaudited) For the nine months period ended 30 September 2017 AED'000	(Unaudited) For the nine months period ended 30 September 2016 AED'000	(Unaudited) For the nine months period ended 30 September 2017 AED'000	(Unaudited) For the nine months period ended 30 September 2016 AED'000	(Unaudited) For the nine months period ended 30 September 2017 AED'000	(Unaudited) For the nine months period ended 30 September 2016 AED'000
Group consolidated statement of income										
Segment income	456,655	488,494	965,835	1,090,377	170,544	142,266	2,643	-	1,595,677	1,721,137
Inter segment Wakala (loss)/income	(124,650)	(205,726)	202,169	101,033	(190,414)	104,693	112,895	-	-	-
Commission, fees & other income	124,899	223,230	386,585	339,858	142,479	(1,716)	(79,853)	-	574,110	561,372
Total income	456,904	505,998	1,554,589	1,531,268	122,609	245,243	35,685	-	2,169,787	2,282,509
General and administrative expenses	(69,626)	(82,973)	(481,095)	(589,534)	(8,769)	(6,501)	(178,342)	(171,408)	(737,832)	(850,416)
Total expenses	(69,626)	(82,973)	(481,095)	(589,534)	(8,769)	(6,501)	(178,342)	(171,408)	(737,832)	(850,416)
Net operating income	387,278	423,025	1,073,494	941,734	113,840	238,742	(142,657)	(171,408)	1,431,955	1,432,093
Allowances for impairment, net of recoveries	16,214	(278,746)	(555,153)	(680,340)	(22,374)	-	-	-	(561,313)	(959,086)
	403,492	144,279	518,341	261,394	91,466	238,742	(142,657)	(171,408)	870,642	473,007
Customers' share of profit and distribution to sukuk holders	(65,711)	(44,098)	(148,244)	(163,271)	(158,190)	(159,154)	-	-	(372,145)	(366,523)
NET PROFIT/ (LOSS) FOR THE YEAR	337,781	100,181	370,097	98,123	(66,724)	79,588	(142,657)	(171,408)	498,497	106,484

18 OPERATING SEGMENTS (continued)

	Corporate		Retail		Treasury		Support		Total	
	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Group consolidated statement of financial position										
Assets										
Segment assets	15,486,917	16,976,033	25,134,340	26,848,946	18,773,909	15,403,210	471,482	-	59,866,648	59,228,189
Liabilities										
Segment liabilities	7,076,176	7,899,837	35,465,697	35,371,278	10,071,882	9,268,299	7,252,893	6,688,775	59,866,648	59,228,189

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.