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 2018

EMIRATES ISLAMIC BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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 2018 and the related consolidated interim statements of income and comprehensive income for the three month and nine month periods then ended and consolidated interim statement of cash flows and changes in equity for the nine 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

29 October 2018
Dubai, United Arab Emirates

الإمارات الإسلامي
EMIRATES ISLAMIC

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018 (UNAUDITED)

	Notes	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
ASSETS			
Cash and deposits with Central Bank	4	12,511,219	13,258,584
Due from banks	5	6,907,856	11,182,044
Investment securities	6	2,531,735	1,808,550
Financing receivables	7	36,263,879	33,835,397
Investment properties		481,995	462,942
Customer acceptances		561,825	617,349
Property and equipment		210,485	213,296
Other assets	8	348,686	503,202
TOTAL ASSETS		**59,817,680**	**61,881,364**
LIABILITIES			
Due to banks		4,704,673	5,286,185
Customer deposits		42,352,298	41,822,450
Sukuk payable	9	3,686,470	5,526,649
Customer acceptances		561,825	617,349
Other liabilities	10	1,506,342	1,319,545
TOTAL LIABILITIES		**52,811,608**	**54,572,178**
EQUITY			
Issued capital		5,430,422	5,430,422
Legal and statutory reserve		410,186	410,186
Other reserves		320,368	320,368
Fair value reserve		(21,564)	(7,405)
Retained earnings		866,660	1,155,615
TOTAL EQUITY ATTRIBUTABLE TO EQUITY OF THE GROUP		**7,006,072**	**7,309,186**
TOTAL LIABILITIES AND EQUITY		**59,817,680**	**61,881,364**

The attached notes 1 to 20 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.

Chairman

Chief Executive Officer

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018 (UNAUDITED)

	Notes	Unaudited three months period ended 30 September 2018 AED 000	Unaudited three months period ended 30 September 2017 AED 000	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
Income from financing and investment products		528,239	517,179	1,541,070	1,571,968
Distribution on deposits and profit paid to Sukuk holders		(127,378)	(126,265)	(368,003)	(372,145)
Net income from financing and investment products		**400,861**	**390,914**	**1,173,067**	**1,199,823**
Fee and commission income		158,251	134,969	461,197	410,675
Fee and commission expense		(37,673)	(17,796)	(80,555)	(53,268)
Net fee and commission income		**120,578**	**117,173**	**380,642**	**357,407**
Net gain / (loss) on Investment securities		22,089	47,568	62,195	101,640
Other operating income	11	79,038	56,787	223,761	138,772
Total operating income		**622,566**	**612,442**	**1,839,665**	**1,797,642**
General and administrative expenses	12	(277,104)	(249,270)	(845,769)	(737,832)
Operating profit before impairment		**345,462**	**363,172**	**993,896**	**1,059,810**
Net impairment loss on financial assets	13	(118,879)	(251,463)	(242,319)	(561,313)
Net impairment loss on non-financial assets	13	(55,000)	-	(94,701)	-
Total net impairment loss		**(173,879)**	**(251,463)**	**(337,020)**	**(561,313)**
Net profit for the period		**171,583**	**111,709**	**656,876**	**498,497**
Earnings per share	15	0.032	0.021	0.121	0.092

The attached notes 1 to 20 form an integral part of these Group condensed consolidated interim financial statements.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018 (UNAUDITED)

	Unaudited three months period ended 30 September 2018 AED 000	Unaudited three months period ended 30 September 2017 AED 000	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
Net profit for the period	171,583	111,709	656,876	498,497
Other comprehensive income				
Items that may be reclassified subsequently to Income statement:				
Cumulative changes in fair value of investments				
- Net change in fair value	15,616	(1,471)	(12,151)	8,865
- Net amount transferred to income statement	(2,111)	(1,357)	(5,474)	(22,332)
Other comprehensive income /(loss) for the period	13,505	(2,828)	(17,625)	(13,467)
Total comprehensive income for the period	**185,088**	**108,881**	**639,251**	**485,030**

The attached notes 1 to 20 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 CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018 (UNAUDITED)

	Notes	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
OPERATING ACTIVITIES			
Net profit for the period		656,876	498,497
Adjustment for non-cash items (refer Note 16)		564,314	595,021
Operating profit before changes in operating assets and liabilities		**1,221,190**	**1,093,518**
(Increase)/decrease in cash and deposits with Central Bank maturing after three months		(2,923,096)	814,423
Decrease in amounts due from banks maturing after three months		1,873,972	1,896,425
Increase/(decrease) in amounts due to banks maturing after three months		189,875	(239,450)
(Increase)/decrease in financing receivables		(3,745,270)	423,818
Decrease in other assets		154,516	57,445
Increase/(decrease) in other liabilities		182,868	(178,529)
Increase/(decrease) in customer deposits		529,848	(361,163)
Net cash flows from/(used in) operating activities		**(2,516,097)**	**3,506,487**

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018 (UNAUDITED)

	Notes	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
INVESTING ACTIVITIES			
(Increase) in investment securities		(793,528)	(187,739)
(Increase) in investment properties		(122,946)	(134)
(Increase)of property and equipment		(30,118)	(28,878)
Net cash flows from/(used in) investing activities		**(946,592)**	**(216,751)**
FINANCING ACTIVITIES			
Repayment of sukuk payable	9	(1,836,250)	(1,836,250)
Net cash flows (used in) financing activities		**(1,836,250)**	**(1,836,250)**
Increase/(decrease) in cash and cash equivalents (refer Note 16)	16	**(5,298,939)**	**1,453,486**

The attached notes 1 to 20 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
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018 (UNAUDITED)

	ATTRIBUTABLE TO EQUITY AND NOTE HOLDERS OF THE GROUP					
	Issued Capital	**Legal and Statutory reserve**	**Other reserves**	**Fair value reserve**	**Retained earnings**	**Total**
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2018	5,430,422	410,186	320,368	(7,405)	1,155,615	7,309,186
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	3,466	(945,831)	(942,365)
Restated balance at 1 January 2018	5,430,422	410,186	320,368	(3,939)	209,784	6,366,821
Net profit for the period	-	-	-	-	656,876	656,876
Other comprehensive income for the period	-	-	-	(17,625)	-	(17,625)
Balance as at 30 September 2018	5,430,422	410,186	320,368	(21,564)	866,660	7,006,072
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)
Balance as at 30 September 2017	5,430,422	339,986	245,765	5,937	1,151,695	7,173,805

Note: No allocation to legal and statutory and other reserves has been made for the nine months period ended 30 September 2018 as this will be effected at the year end.

The attached notes 1 to 20 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.

1 CORPORATE INFORMATION

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 10 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 9 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 Bank PJSC, Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai (the "Ultimate Parent Company"), a company in which the Government of Dubai is the major shareholder.

The Bank is listed in the Dubai Financial Market (TICKER: "EIB"). The Bank's website is http://www.emiratesislamic.ae. In addition to its head office in Dubai, the Bank operates through 61 branches in the UAE. The Group condensed consolidated interim financial statements comprise financial statements of the Bank and its following subsidiaries (together referred to as "the Group").

			Ownership %	
	Date of incorporation & country	**Principal activity**	**30 September 2018**	**31 December 2017**
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 PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The accounting policies applied by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those applied by the Group in the annual consolidated financial statements for the year ended 31 December 2017, except for changes in accounting policies explained in Note 3.

These condensed consolidated interim financial statements 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 Group's financial statements as at and for the year ended 31 December 2017. In addition, results for the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2018.

In preparing these condensed consolidated interim financial statements, significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2017 except for the new judgments and estimates explained in Note 3.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

3.1 Changes in accounting policies

The Group has consistently applied the accounting policies as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2017, except the following accounting policies which are applicable from 1 January 2018:

(a) IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represents a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

(i) Classification of financial assets and financial liabilities

Financial assets

On initial recognition, a financial asset is classified as measured: at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit and Loss (FVTPL).

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

A Sukuk instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment:

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and profit:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and profit (continued)

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of profit rate.

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Derecognition:

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

(ii) Impairment

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are sukuk instruments;
- financial guarantee contracts issued; and
- financing commitments issued.
- No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn financing commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(ii) Impairment (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and sukuk financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(ii) Impairment (continued)

Write-off
Financing and investing receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(iii) Financial guarantees and commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified financing or fails to make payment when due, in accordance with the terms of a sukuk instrument. The financial guarantee liability is carried at amortised cost when payment under the contract has become probable.

'Financing commitments' are firm irrevocable commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or irrevocable commitments to provide credit are initially measured at fair value and their initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

(iv) Financing and investing receivables

Financing and investing receivables' captions in the statement of financial position include:

- Financing and investing receivables measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective profit rate method.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a financing receivable or due from banks, and the underlying asset is not recognised in the Group's financial statements.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(v) Investment securities

The investment securities' caption in the statement of financial position includes:

- Sukuk investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective profit rate method;
- Equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- Sukuk securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For sukuk securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

- Profit revenue using the effective profit rate method
- ECL and reversals, and
- Foreign exchange gains and losses.

When financing receivables measured at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(vi) Derivatives and hedging

IFRS 9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation. As a result the 80-125% range under IAS 39 is replaced by an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship.

IFRS 9 also introduces rebalancing of hedging relationships, whereby, if a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio under IFRS 9, but the risk management objective for that designated hedging relationship remains the same, the Bank shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Gains and losses arising from changes in the fair value of derivatives that are not the hedging instrument in a qualifying hedge are recognised as they arise in profit or loss. Gains and losses are recorded in Income from trading activities except for gains and losses on those derivatives that are managed together with financial instruments designated at fair value; these gains and losses are included in Other operating income.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(vi) Derivatives and hedging (continued)

The group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and are thus treated as continuing hedges.

(vii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore not comparable to the information presented for period under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation or previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

Further information and details on the changes and implications resulting from the adoption of IFRS 9 are disclosed in Note 3.3 and Note 20.

(b) IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures, which was updated to reflect the differences between IFRS 9 and IAS 39, was also adopted by the Bank together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 3.3, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 3.3 and Note 20.

Reconciliations from opening to closing ECL allowances are presented in Note 20.

IFRS 7 also requires additional disclosures for hedge accounting for entities opting to continue to apply the hedge accounting requirements of IAS 39.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(c) IFRS 15 Revenue from contracts with customers

This standard on revenue recognition replaces IAS 11, ‘Construction contracts’, and IAS 18,’Revenue’ and related interpretations.

IFRS 15 is more prescriptive, provides detailed guidance on revenue recognition and reduces the use of judgment in applying revenue recognition policies and practices as compared to the replaced IFRS and related interpretations.

Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The Group has assessed that the impact of IFRS 15 is not material on the condensed consolidated interim financial statements of the Group as at the reporting date.

3.2 Changes in estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make judgement, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The Group has consistently applied the estimates and judgements as applied for the annual consolidated financial statements for the year ended 31 December 2017, except for the below mentioned estimates and judgements which are applicable from 1 January 2018.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Changes to judgements made in applying accounting policies that have most significant effects on the amounts recognized in the condensed consolidated interim financial statements of the period ended 30 September 2018 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments which impact:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.

- Calculation of expected credit loss: changes to the assumptions and estimation uncertainties that have a significant impact on expected credit losses for the period ended 30 September 2018 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.2 Changes in estimates and judgements (continued)

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

The Group assessment of significant increases in credit risk is being performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. The Group has established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition.
2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.
4. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the Group's expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

The Group estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.2 Changes in estimates and judgements (continued)

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology (continued)

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios (continued)

The Group base case scenario will be based on macroeconomic forecasts published by the Group's internal economist group. Upside and downside scenarios will be set relative to the Group base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios will be probability-weighted according to the Group best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

Definition of default

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life

When measuring ECL, the Group must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Governance

In addition to the existing risk management framework, the Group has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance, Risk Management and Economics and will be responsible for reviewing and approving key inputs and assumptions used in the Group expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in the Group financial statements.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.3 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

Except for the financial statement captions listed in the table below, there have been no changes in the carrying amounts of assets and liabilities on application of IFRS 9 as at 1 January 2018.

	Classification under IAS 39 (31 December 2017)					Classification under IFRS 9 (1 January 2018)			
	Financing receivables	Held to maturity	Available for sale	FVTPL	**Balance**	Amortized cost	FVOCI	FVTPL	**Balance**
	AED 000								
Financial assets									
Cash and deposits with Central Bank	13,258,584	-	-	-	**13,258,584**	13,258,584	-	-	**13,258,584**
Due from banks	11,182,044	-	-	-	**11,182,044**	11,177,577	-	-	**11,177,577**
Investment securities:									
Measured at amortised cost	-	-	621,240	-	**621,240**	616,573	-	-	**616,573**
Measured at FVOCI – Sukuk instruments	-	9,181	628,723	-	**637,904**	-	631,936	-	**631,936**
Measured at FVOCI – equity instruments	-	-	549,515	-	**549,515**	-	-	519,501	**519,501**
Measured at FVOCI – Sukuk	-	(109)	-	-	**(109)**	-	-	-	**-**
Financing and investing receivables	33,835,397	-	-	-	**33,835,397**	32,938,039	-	-	**32,938,039**

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.3 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

The following table analyses the impact, net of tax, on reserves and retained earnings arising as a result of the transition to IFRS 9. The impact relates to the fair value reserve and retained earnings. There is no impact on other components of equity.

	AED 000
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	(7,405)
Reclassification of investment securities (sukuk) from available-for-sale to amortized cost	3,151
Reclassification of investment securities (sukuk) from HTM to FVOCI	(5,968)
Reclassification of equity securities(sukuk and equity) from available-for-sale to FVTPL	5,599
Recognition of expected credit losses under IFRS 9 for sukuk financial assets at FVOCI	684
Opening balance under IFRS 9 (1 January 2018)	**(3,939)**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	1,155,615
Reclassification of investment securities (sukuk and equity) from available-for-sale to FVTPL	(35,504)
Recognition of expected credit losses under IFRS 9 (including lease receivables, financing commitments and financial guarantee contracts	(910,327)
Opening balance under IFRS 9 (1 January 2018)	**209,784**

The following table reconciles the closing balance of financial assets under IAS 39 to the opening balance of financial assets under IFRS 9 on 1 January 2018.

	31 December 2017 (IAS 39)	Remeasurement / Reclassification of financial assets	Remeasurement of impairment and other movements	**1 January 2018 (IFRS 9)**
	---AED 000---			
Cash and deposits with Central Bank	**13,258,584**	-	-	**13,258,584**
Due from Banks	**11,182,044**	-	(4,467)	**11,177,577**
Investment securities:				
Equity securities AFS / FVTPL	**549,515**	(30,014)	-	**519,501**
Sukuk investments at AFS / FVOCI	**628,723**	684	(684)	**628,723**
Sukuk investments at HTM / FVOCI	**9,181**	(5,968)	-	**3,213**
Sukuk investments at HTM / FVTPL	**(109)**	109	-	**-**
Sukuk investments at AFS/ Amortised Cost	**621,240**	3,151	(7,818)	**616,573**
Financing and investing receivables	**33,835,397**	-	(897,358)	**32,938,039**
Total	60,084,575	**(32,038)**	**(910,327)**	**59,142,210**

4 CASH AND DEPOSITS WITH CENTRAL BANK

	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Cash	285,343	367,632
Statutory and other deposits with Central Bank	4,112,303	4,054,455
Current accounts	1,120,511	1,758,279
Murabaha with Central Bank	6,993,062	7,078,218
	12,511,219	13,258,584

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 periodically in accordance with the directives of the Central Banks.

5 DUE FROM BANKS

	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Due from banks in UAE	3,952,525	7,606,582
Due from foreign banks	2,955,683	3,575,462
Less: Allowances for impairment	(352)	-
	6,907,856	11,182,044

6 INVESTMENT SECURITIES

30 September 2018	Domestic* AED 000	Regional** AED 000	International *** AED 000	Total AED 000
DESIGNATED AS AT FVTPL				
Equity	90,807	191,264	6,299	288,370
Others	453	70,320	120,808	191,581
	91,260	261,584	127,107	479,951
MEASURED AT AMORTISED COST				
Government sukuk	64,600	128,538	-	193,138
Corporate sukuk	-	341,341	-	341,341
	64,600	469,879	-	534,479
MEASURED AT FVOCI - SUKUK INSTRUMENTS				
Government sukuk	-	-	58,115	58,115
Corporate sukuk	1,273,000	165,840	30,852	1,469,692
	1,273,000	165,840	88,967	1,527,807
Total Investment securities	1,428,860	897,303	216,074	2,542,237
Less: Allowances for impairment	-	-	-	(10,502)
Net Investment securities	1,428,860	897,303	216,074	2,531,735

The difference between period end fair value and carrying amount of investments reclassified between the investment categories due to transition is not material.

The group does not have any investment in Abraaj Group.

*Domestic: These are securities issued within UAE.
**Regional: These are securities issued within Middle East.
***International: These are securities issued outside the Middle East region.

6 INVESTMENT SECURITIES (CONTINUED)

Audited 31 December 2017	Domestic* AED 000	Regional** AED 000	International *** AED 000	Total AED 000
HELD TO MATURITY				
Corporate sukuk	-	9,072	-	9,072
	-	9,072	-	9,072
AVAILABLE-FOR-SALE				
Government sukuk	64,142	128,064	62,033	254,239
Corporate sukuk	372,261	303,322	320,141	995,724
Equity	102,000	278,875	8,330	389,205
Others	-	46,413	113,897	160,310
	538,403	756,674	504,401	1,799,478
Net Investment securities	538,403	765,746	504,401	1,808,550

The difference between period end fair value and amortized cost of investment reclassified on transition is insignificant.

*Domestic: These are securities issued within UAE.
**Regional: These are securities issued within Middle East.
***International: These are securities issued outside the Middle East region.

7 FINANCING RECEIVABLES

At Amortised Cost	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Murabaha	25,948,484	22,934,212
Ijara	12,839,901	13,178,245
Istissna'a	1,771,161	1,897,264
Wakala	368,552	244,467
Credit card receivables	1,333,342	1,208,251
Others	213,032	287,741
Total financing receivables	42,474,472	39,750,180
Less: Deferred income	(2,215,956)	(2,369,625)
Less: Allowances for impairment (Note 20)	(3,994,637)	(3,545,158)
	36,263,879	33,835,397
Total of impaired financing receivables	3,342,652	3,844,070

Ijara assets amounting to AED 2.2 billion [2017: 4.8 billion] and Murabaha assets amounting to AED 1.4 billion [2017: 2.2 billion] were securitised for the purpose of issuance of Sukuk liability (refer note 9).

7 FINANCING RECEIVABLES (CONTINUED)

Analysis by economic activity	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Manufacturing	1,496,889	1,259,863
Construction	930,283	1,103,406
Trade	6,270,882	5,361,620
Transport and communication	295,479	327,487
Services	1,106,211	1,118,480
Sovereign	556,733	103,968
Personal	23,813,224	22,574,864
Real estate	4,447,503	4,994,914
Hotels and restaurants	77,214	70,689
Management of companies and enterprises	153,366	185,477
Financial institutions and investment companies	1,836,121	1,264,739
Others	1,490,567	1,384,673
Total financing receivables	42,474,472	39,750,180
Less: Deferred income	(2,215,956)	(2,369,625)
Less: Allowances for impairment	(3,994,637)	(3,545,158)
	36,263,879	33,835,397

The group does not have any exposure in Abraaj Group.

8 OTHER ASSETS

	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Islamic profit receivable	21,540	9,926
Prepayments and other advances	27,562	52,189
Sundry debtors and other receivables	12,080	15,306
Deferred sales commission	23,036	27,251
Goods available-for-sale	74,013	274,741
Others	190,455	123,789
	348,686	503,202

9 SUKUK PAYABLE

a) During 2012, the Group issued sukuk amounting to AED 3.7 billion. Further sukuk issuance of AED 3.7 billion was made during the year 2016 to raise US Dollar denominated medium term finance via a Sharia'a compliant sukuk financing arrangement. As at September 2018, the total outstanding sukuk payable is AED 3.7 billion.

Following are the details of all the sukuk financing arrangement in issue.

Issue Date	Amount (USD)	Listing	Profit rate (%)	Payment basis	Maturity
May 2016	750,000,000	Irish Stock Exchange & Nasdaq	3.542	Semi annual	May 2021
August 2016	250,000,000	Irish Stock Exchange & Nasdaq	3.542	Semi annual	May 2021

The Bank transferred certain identified Ijara and Murabaha assets totaling to AED 3.7 billion (the "co-owned assets") to its subsidiary, EIB Sukuk company limited – (the "Issuer"), a special purpose vehicle formed for the issuance of these sukuk. This medium term finance is carried at amortised cost.

In substance, the co-owned assets remain in control of the Group; accordingly, these assets continue to be recognised by the Group. In case of any default, the Group has provided an undertaking to make good all losses to the sukuk holders. The assets are in the control of the Group and shall continue to be serviced by the Group.

The Issuer will pay a 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 Group has undertaken to repurchase the assets at the exercise price.

	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Balance as at 1 January	5,526,649	7,368,138
Repayments	(1,836,250)	(1,836,250)
Other movements	(3,929)	(5,239)
Balance at end of period	3,686,470	5,526,649

As at 30 September 2018, the outstanding Sukuk payable totaling AED 3,688 million (31 December 2017: AED 5,527 million) is falling due as below:

	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
2018	-	1,836,250
2021	3,686,470	3,690,399
	3,686,470	5,526,649

b) On 15 May 2015, 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 Bank 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 the investment assets.

10 OTHER LIABILITIES

	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Profit payable to Islamic depositors	149,455	120,376
Staff related liabilities	149,922	151,684
Managers' cheques	135,643	157,068
Trade and other payables	80,229	72,544
Zakat payable	-	52,181
Others	991,093	765,692
	1,506,342	1,319,545

11 OTHER OPERATING INCOME

	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
Rental income	7,981	15,339
Foreign exchange income	158,951	109,317
Other income (net)	56,829	14,116
	223,761	138,772

12 GENERAL AND ADMINISTRATIVE EXPENSES

	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
Staff cost	475,790	418,470
Occupancy cost	78,290	78,052
Equipment & supplies	20,781	18,782
Information technology cost	4,011	2,830
Communication cost	17,478	24,471
Service, legal and professional fees	2,274	7,303
Marketing related expenses	13,816	9,342
Depreciation	32,929	32,120
Others	200,400	146,462
	845,769	737,832

13 NET IMPAIRMENT LOSS ON FINANCIAL AND NON-FINANCIAL ASSETS

The charge to the income statement for the net impairment loss on financial and non-financial assets is made up as follows:

	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
Net impairment of due from banks / other assets	(4,116)	-
Net impairment of investment securities	2,000	41,272
Net impairment of financing receivables	423,947	588,208
Net impairment of customer acceptances	(4,517)	-
Bad debt written off / (recovery) - net	(174,995)	(68,167)
Total impairment loss on financial assets	242,319	561,313
Net impairment of non-financial assets (Investment properties)	94,701	-
Net impairment loss for the period	337,020	561,313

14 COMMITMENTS AND CONTINGENCIES

At 30 September 2018, the Group's commitments and contingencies are as follows:

	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Letters of credit	625,496	909,585
Guarantees	5,509,255	5,820,978
Liability on risk participations	21,267	119,992
Irrevocable financing commitments*	4,206,926	3,713,058
	10,362,944	10,563,613

*Irrevocable financing commitments represent a contractual commitment to permit draw downs on a facility within a defined period subject to conditions precedent and termination clauses. Since commitments may expire without being drawn down, and as conditions precedent to draw down have to be fulfilled the total contract amounts do not necessarily represent exact future cash requirements.

15 EARNINGS PER SHARE

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders (further adjusted for profit expense on Tier I capital notes) of the Bank by the weighted average number of ordinary shares outstanding during the period. 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.

	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
Net profit attributable to equity holders	656,876	498,497
Weighted average number of equity shares in issue ('000)	5,430,422	5,430,422
Basic Earnings per share* (AED)	0.121	0.092

*The diluted and basic Earnings per share were the same for the nine months period ended 30 September 2018.

16 CASH AND CASH EQUIVALENTS

	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
(a) Analysis of changes in cash and cash equivalents during the Period		
Balance at beginning of period	11,481,457	6,822,904
Net cash inflow/(outflow)	(5,298,939)	1,453,486
Balance at end of period	6,182,518	8,276,390
(b) Analysis of cash and cash equivalents		
Cash and deposits with Central Bank	12,511,219	11,608,659
Due from banks	6,908,208	9,662,825
Due to banks	(4,704,673)	(4,679,319)
	14,714,754	16,592,165
Less : deposits with Central Bank for regulatory purposes	(4,112,303)	(3,995,830)
Less : certificates of deposits with Central Bank maturing after three months	(4,992,662)	(2,463,577)
Less : amounts due from banks maturing after three months	-	(1,854,616)
Add : amounts due to banks maturing after three months	572,729	(1,752)
	6,182,518	8,276,390

	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
(c) Adjustment for non-cash items		
Impairment loss on cash and deposits with central bank	(4,116)	-
Impairment loss on due from banks	-	-
Impairment loss on investment securities	2,000	41,272
Impairment loss on financing receivables and customer acceptances	419,430	588,208
Unrealised foreign exchange gain	-	-
Depreciation / impairment on property and equipment / Investment property	136,822	41,136
Unrealized gain/(loss) on investments	10,178	(71,666)
Sukuk premium amortization	-	(3,929)
	564,314	595,021

17 OPERATING SEGMENTS

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

Corporate banking

Within this business segment, the Bank provides to corporate customers a range of products and services and accepts their deposits.

Consumer banking

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

Treasury

Treasury activities comprises of managing the Group's portfolio of investments, funds management, and interbank treasury operations.

Others

Other operations of the Group include operations and support functions.

17 OPERATING SEGMENTS (CONTINUED)

30 September 2018	Corporate banking AED 000	Consumer banking AED 000	Treasury AED 000	Others AED 000	Total AED 000
Net Funded income from financing and investment products net of distribution to depositors	192,983	882,553	59,408	95,031	1,229,975
Net Fees, commission & other income	110,732	488,013	157,757	(146,812)	609,690
Total Operating Income	303,715	1,370,566	217,165	(51,781)	1,839,665
General administrative and other expenses	(64,289)	(549,784)	(9,939)	(221,757)	(845,769)
Net impairment loss on financial and non-financial assets	(54,361)	(275,204)	2,006	(9,461)	(337,020)
NET PROFIT/ (LOSS) FOR THE PERIOD	185,065	545,578	209,232	(282,999)	656,876
Segment Assets	16,316,361	25,915,416	13,150,194	4,435,709	59,817,680
Segment Liabilities and Equity	6,483,113	38,425,710	3,913,382	10,995,475	59,817,680

17 OPERATING SEGMENTS (CONTINUED)

30 September 2017	Corporate banking	Consumer banking	Treasury	Others	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Net Funded income from financing and investment products net of distribution to depositors	266,294	1,019,760	(178,060)	115,538	1,223,532
Net Fees, commission & other income	124,899	386,585	142,479	(79,853)	574,110
Total Operating Income	391,193	1,406,345	(35,581)	35,685	1,797,642
General administrative and other expenses	(69,626)	(481,095)	(8,769)	(178,342)	(737,832)
Net impairment loss on financial asset	16,214	(555,153)	(22,374)	-	(561,313)
NET PROFIT/ (LOSS) FOR THE PERIOD	337,781	370,097	(66,724)	(142,657)	498,497
Segment Assets	15,486,917	25,134,340	18,773,909	471,482	59,866,648
Segment Liabilities and Equity	7,076,176	35,465,697	10,071,882	7,252,893	59,866,648

18 RELATED PARTY TRANSACTIONS

The Group is owned by Emirates NBD (99.9%), which is partially owned by the Investment Corporation of Dubai (55.8%). The Government of Dubai is the major shareholder in Investment Corporation of Dubai.

Customer accounts from and financing to Government related entities other than those that have been individually disclosed amount to 18.44 % and 3.28 % (2017: 14 % and 2.4%) of the total customers deposits 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.

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.

Related party transactions are as follows:

	Unaudited 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Financing receivables and investments		
Financing receivables - Ultimate Parent Company	-	75,620
Investment in Ultimate Parent Company	150,160	30,414
Financing receivables - Directors & affiliates	-	375
Financing receivables - Key management personnel & affiliates	21,151	22,095
	171,311	128,504
Due to/ from Group holding company and subsidiaries		
Due from Group Holding Company & subsidiaries	1,400,554	3,884,569
Due to Group Holding Company & subsidiaries	(3,872,201)	(4,809,040)
Due from Dubai Bank PJSC	-	1,281,607
	(2,471,647)	357,136
Customer accounts and deposits		
Deposits from Ultimate Parent Company	(1,084,925)	(965,043)
Current and Investment accounts - Directors	(2,128)	(375)
Current and Investment accounts - Key management personnel & affiliates	(6,201)	(5,989)
	(1,093,254)	(971,407)

18 RELATED PARTY TRANSACTIONS (continued)

	Unaudited nine months period ended 30 September 2018 AED 000	Unaudited nine months period ended 30 September 2017 AED 000
Group Consolidated Statement of Income	-	-
Income from Group Holding Company	50,925	101,288
Key management compensation:		
Key management personnel compensations	(22,319)	(14,552)
Key management personnel compensations - retirements benefits	(456)	(110)

19 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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).

Unaudited 30 September 2018	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Investment Securities				
FVOCI - sukuk instruments				
Government sukuk	58,115	-	-	58,115
Corporate sukuk	1,463,003	-	-	1,463,003
	1,521,118	-	-	1,521,118
FVOCI - equity instruments				
Designated at FVTPL				
Equity	9,310	-	279,060	288,370
Others	453	238	190,890	191,581
	9,763	**238**	**469,950**	**479,951**

19 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

Reconciliation of financial assets, classified under level 3	Designated at fair value through profit or loss AED 000
Balance as at 1 January 2018	516,367
Revaluation gain/(loss) recognized in profit or loss	(13,178)
Other adjustments	(33,239)
Balance as at 30 September 2018	469,950

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 un-favorable 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 2018 no financial assets measured at FVOCI were transferred from Level 1 to Level 2 or from Level 2 to Level 1 (2017: AED Nil).

Audited 31 December 2017	Level 1	Level 2	Level 3	Total
	AED 000	AED 000	AED 000	AED 000
Investment Securities				
AVAILABLE-FOR-SALE				
Corporate sukuk	-	-	160,310	160,310
Equity	33,148	-	356,057	389,205
Others	1,249,963	-	-	1,249,963
	1,283,111	-	516,367	1,799,478

	(Audited) Designated at fair value through profit AED 000
Balance as at 1 January 2017	601,851
Impact of IFRS 9 at 1 January 2018	-
Balance as at 1 January 2018	-
Settlements	(85,484)
	516,367

20 RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2017.

Amounts arising from ECL

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument as a result of the adoption of IFRS 9: Financial instruments.

Financing receivables, undrawn irrevocable commitments and financial guarantee contracts issued

	Unaudited 30 September 2018	Unaudited 30 September 2017		
AED 000	**ECL**	**Specific**	**Collective**	**Total**
Balance at 1 January (as per IAS 39)	3,545,158	2,653,028	845,276	3,498,304
Opening adjustments under IFRS 9	897,358	-	-	-
Balance at 1 January (Adjusted opening as per IFRS 9)	**4,442,516**	2,653,028	845,276	3,498,304
Allowances for impairment made during the period	1,116,885	945,172	(135,174)	809,998
Write back / recoveries made during the period	(761,102)	(221,790)	-	(221,790)
Amounts written off during the period	(1,150,801)	(536,551)	-	(536,551)
Transfers during the period	347,139	-	-	-
Closing balance	**3,994,637**	**2,839,859**	**710,102**	**3,549,961**