

In the Name of Allah  
The most Gracious and Merciful



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

**FOR THE THREE MONTHS PERIOD  
ENDED 31 MARCH 2019**

# EMIRATES ISLAMIC BANK PJSC

## GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors**  
**Emirates Islamic Bank PJSC**  
**Dubai**  
**United Arab Emirates**

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **Emirates Islamic Bank PJSC, Dubai, United Arab Emirates** (the “Bank”) and its **Subsidiaries** (together referred to as the “Group”) as at 31 March 2019 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of review*

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

### *Conclusion*

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

### *Other matter*

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 15 January 2019. Furthermore, the condensed consolidated interim financial information of the Group for the three months period ended 31 March 2018 were reviewed by another auditor who expressed an unmodified conclusion on 17 April 2018.

**Deloitte & Touche (M.E.)**



Akbar Ahmad  
Registration No.: 1141  
16 April 2019  
Dubai  
United Arab Emirates

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
 AS AT 31 MARCH 2019 (UNAUDITED)

	Notes	Unaudited 31 March 2019 AED 000	Audited 31 December 2018 AED 000
<b>ASSETS</b>			
Cash and deposits with Central Bank	4	14,549,838	14,606,997
Due from banks	5	4,137,965	3,818,689
Investment securities	6	3,575,058	2,521,108
Financing receivables	7	36,407,763	36,171,910
Customer acceptances		557,844	263,395
Investment properties		476,140	479,210
Property and equipment		447,685	209,081
Other assets	8	398,752	309,017
<b>TOTAL ASSETS</b>		<b>60,551,045</b>	<b>58,379,407</b>
<b>LIABILITIES</b>			
Due to banks		3,418,479	4,143,466
Customer deposits		43,449,527	41,609,691
Sukuk payable	9	3,683,851	3,685,160
Customer acceptances		557,844	263,395
Other liabilities	10	1,783,409	1,466,533
<b>TOTAL LIABILITIES</b>		<b>52,893,110</b>	<b>51,168,245</b>
<b>EQUITY</b>			
Issued capital		5,430,422	5,430,422
Legal and statutory reserve		502,612	502,612
Other reserves		408,390	414,320
Fair value reserve		7,362	(28,332)
Retained earnings		1,309,149	892,140
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>		<b>7,657,935</b>	<b>7,211,162</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>60,551,045</b>	<b>58,379,407</b>

The attached notes 1 to 21 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 THREE MONTHS PERIOD ENDED 31 MARCH 2019 (UNAUDITED)**

		Unaudited three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
	Notes		
Income from financing receivables and investment products		602,004	512,139
Distribution on deposits and profit paid to Sukuk holders		(158,139)	(121,149)
<b>Net income from financing and investment products</b>		<b>443,865</b>	<b>390,990</b>
Fee and commission income		180,034	173,705
Fee and commission expense		(56,085)	(45,572)
<b>Net fee and commission income</b>		<b>123,949</b>	<b>128,133</b>
Other operating income	11	95,658	70,731
<b>Total operating income</b>		<b>663,472</b>	<b>589,854</b>
General and administrative expenses	12	(270,107)	(279,041)
<b>Operating profit before impairment</b>		<b>393,365</b>	<b>310,813</b>
Net impairment on financial assets		17,714	(82,538)
Net impairment on non-financial assets		-	(19,701)
<b>Total net impairment</b>	13	<b>17,714</b>	<b>(102,239)</b>
<b>Net profit for the period</b>		<b>411,079</b>	<b>208,574</b>
<b>Earnings per share</b>	15	<b>0.076</b>	<b>0.038</b>

The attached notes 1 to 21 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 COMPREHENSIVE INCOME  
 FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019 (UNAUDITED)

	Unaudited three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
Net profit for the period	411,079	208,574
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to Income statement:</b>		
Fair value reserve (Sukuk instruments):		
- Net change in fair value	35,730	(13,915)
- Net amount transferred to income statement	(36)	(1,568)
Other comprehensive income/(loss) for the period	35,694	(15,483)
<b>Total comprehensive income for the period</b>	<b>446,773</b>	<b>193,091</b>

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**GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
 FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019 (UNAUDITED)**

	Notes	Unaudited three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
<b><u>OPERATING ACTIVITIES</u></b>			
Net profit for the period		411,079	208,574
Adjustment for non cash items	18	(18,495)	120,803
<b>Operating profit before changes in operating assets and liabilities</b>		<b>392,584</b>	<b>329,377</b>
(Increase)/decrease in murabaha with Central Bank maturing after three months		(2,259,404)	(4,584,874)
(Increase)/decrease in amounts due from banks maturing after three months		(783,290)	1,873,972
Increase/(decrease) in amounts due to banks maturing after three months		(121,277)	384,732
(Increase)/decrease in other assets		(89,736)	(17,189)
Increase/(decrease) in other liabilities		73,795	100,881
Increase/(decrease) in customer deposits		1,839,836	1,550,055
(Increase)/decrease in financing receivables		(210,869)	(840,957)
<b>Net cash flows from/(used in) operating activities</b>		<b>(1,158,361)</b>	<b>(1,204,003)</b>
<b><u>INVESTING ACTIVITIES</u></b>			
(Increase)/decrease in investment securities		(1,010,753)	(381,254)
Dividend income received		13,334	6,941
(Increase)/decrease in Investment Properties		-	(6,631)
(Increase)/decrease of property and equipment		(22,692)	(6,593)
<b>Net cash flows from/(used in) investing activities</b>		<b>(1,020,111)</b>	<b>(387,537)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Repayment of sukuk payable	9	-	(1,836,250)
<b>Net cash flows from /(used in) financing activities</b>		<b>-</b>	<b>(1,836,250)</b>
<b>Increase/(decrease) in cash and cash equivalents (refer Note 18)</b>		<b>(2,178,472)</b>	<b>(3,427,790)</b>

The attached notes 1 to 21 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.

## EMIRATES ISLAMIC BANK PJSC

**GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019 (UNAUDITED)**

	ATTRIBUTABLE TO EQUITY 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 2019	5,430,422	502,612	414,320	(28,332)	892,140	7,211,162
Profit for the period	-	-	-	-	411,079	411,079
Other comprehensive income for the period	-	-	-	35,694	-	35,694
Transfer to retained earnings***	-	-	(5,930)	-	5,930	-
Balance as at 31 March 2019	5,430,422	502,612	408,390	7,362	1,309,149	7,657,935
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
Profit for the period	-	-	-	-	208,574	208,574
Other comprehensive loss for the period	-	-	-	(15,483)	-	(15,483)
Balance as at 31 March 2018	5,430,422	410,186	320,368	(19,422)	418,358	6,559,912

Note: No allocation to legal and statutory and other reserves has been made for the three months period ended 31 March 2019 as this will be effected at the year end.

\*\*Please refer to Group's consolidated financial statements for the year ended 31 December 2018 for details on IFRS 9 transition impact.

\*\*\*Transfer to retained earnings pertains to accumulated actuarial gains on accrued employee benefits

The attached notes 1 to 21 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 3 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 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 58 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”).

	Date of incorporation & country	Principal activity	Ownership %	
			31 March 2019	31 December 2018
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 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, including those pertaining to financial assets, cash and cash equivalents, Islamic financing and investing assets and investment properties, 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 2018, 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 2018. In addition, results for the three months period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2019.

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 2018.

### 3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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 2018, except the following accounting policies which are applicable from 1 January 2019:

#### **IFRS 16 Leases**

The Group has adopted IFRS 16 'Leases', issued in January 2016, with the date of initial application of 1 January 2019. IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

#### Lessee accounting

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for profit and lease payments, as well as the impact of lease modifications, amongst others.

The Group has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The Group has assessed that the impact of IFRS 16 is not material on retained earnings as at the reporting date and has presented right of use assets within 'Property and equipment' and lease liabilities within 'Other liabilities' in the consolidated statement of financial position.

**4 CASH AND DEPOSITS WITH CENTRAL BANK**

	Unaudited 31 March 2019 AED 000	Audited 31 December 2018 AED 000
Cash	630,460	329,989
Statutory and other deposits with Central Bank	3,968,369	3,984,130
Current accounts	943,264	1,908,650
Murabaha with Central Bank	9,007,745	8,384,228
	14,549,838	14,606,997

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

**5 DUE FROM BANKS**

	Unaudited 31 March 2019 AED 000	Audited 31 December 2018 AED 000
Due from banks in UAE	2,602,523	3,034,792
Due from foreign banks	1,537,917	785,937
Less: Allowances for impairment (Expected credit loss)	(2,475)	(2,040)
	4,137,965	3,818,689

**6 INVESTMENT SECURITIES**

	Domestic*	Regional**	International***	Total
	AED 000	AED 000	AED 000	AED 000
<u>Unaudited 31 March 2019</u>				
<u>DESIGNATED AS AT FVTPL</u>				
Equity	90,971	193,662	-	284,633
Others	376	77,382	123,537	201,295
	91,347	271,044	123,537	485,928
<u>MEASURED AT AMORTISED COST</u>				
Government Sukuk	64,418	331,183	55,088	450,689
Corporate Sukuk	-	370,536	-	370,536
	64,418	701,719	55,088	821,225
Less: Allowances for impairment (ECL)				(2,560)
				818,665
<u>MEASURED AT FVOCI - SUKUK INSTRUMENTS</u>				
Government Sukuk	-	78,149	59,482	137,631
Corporate Sukuk	1,935,887	172,564	31,208	2,139,659
	1,935,887	250,713	90,690	2,277,290
Less: Allowances for impairment (ECL)				(6,825)
				2,270,465
Gross Investment securities	2,091,652	1,223,476	269,315	3,584,443
Net Investment securities				3,575,058

\*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)**

<u>Audited 31 December 2018</u>	Domestic*	Regional**	International ***	Total
	AED 000	AED 000	AED 000	AED 000
<u>DESIGNATED AS AT FVTPL</u>				
Equity	96,471	193,165	-	289,636
Others	382	70,350	121,285	192,017
	96,853	263,515	121,285	481,653
<u>MEASURED AT AMORTISED COST</u>				
Government Sukuk	64,509	171,694	-	236,203
Corporate Sukuk	-	293,803	-	293,803
	64,509	465,497	-	530,006
Less: Allowances for impairment				(3,759)
				526,247
<u>MEASURED AT FVOCI - SUKUK INSTRUMENTS</u>				
Government Sukuk	-	-	59,719	59,719
Corporate Sukuk	1,263,004	165,085	31,278	1,459,367
	1,263,004	165,085	90,997	1,519,086
Less: Allowances for impairment				(5,878)
				1,513,208
Gross Investment securities	1,424,366	894,097	212,282	2,530,745
Net Investment securities				2,521,108

\*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**

	Unaudited 31 March 2019 AED 000	Audited 31 December 2018 AED 000
<b><u>At Amortised Cost</u></b>		
Murabaha	26,112,208	26,120,859
Credit cards receivable	1,327,459	1,334,475
Wakala	332,493	217,051
Istissna'a	1,616,454	1,612,589
Ijara	12,961,210	12,941,648
Others	126,273	126,400
Total financing receivables	42,476,097	42,353,022
Less: Deferred income	(2,240,757)	(2,198,340)
Less: Allowances for impairment	(3,827,577)	(3,982,772)
Net financing receivables	36,407,763	36,171,910
Total of impaired Islamic financing receivables	3,440,513	3,304,803

Ijara assets amounting to AED 2.2 billion [2018: 2.2 billion] and Murabaha assets amounting to AED 1.4 billion [2018: 1.4 billion] were securitised for the purpose of issuance of Sukuk liability (refer Note 9).

**7 FINANCING RECEIVABLES (CONTINUED)**

	Unaudited 31 March 2019 AED 000	Audited 31 December 2018 AED 000
<u>Analysis by economic activity</u>		
Manufacturing	1,695,067	1,482,423
Construction	945,077	955,167
Trade	6,374,349	6,476,340
Transport and communication	261,148	272,742
Services	1,218,857	1,250,137
Sovereign	686,605	617,952
Personal	23,626,972	23,216,193
Real estate	4,097,971	4,237,764
Hotels and restaurants	25,119	77,777
Management of companies and enterprises	110,484	95,674
Financial institutions and investment companies	1,478,628	2,026,387
Others	1,955,820	1,644,466
Total financing receivables	42,476,097	42,353,022
Less: Deferred income	(2,240,757)	(2,198,340)
Less: Allowances for impairment	(3,827,577)	(3,982,772)
	36,407,763	36,171,910

**8 OTHER ASSETS**

	Unaudited 31 March 2019 AED 000	Audited 31 December 2018 AED 000
Profit receivable	105,414	93,382
Prepayments and other advances	52,109	38,508
Sundry financing and other receivables	21,985	7,032
Deferred sales commission	22,932	23,538
Goods available-for-sale	80,464	76,919
Others	115,848	69,638
	398,752	309,017

**9 SUKUK PAYABLE**

- a) During 2016, the Group issued sukuk amounting to AED 3.7 billion to raise US Dollar denominated medium term finance via a Sharia'a compliant sukuk financing arrangement. As at March 2019, 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 31 March 2019 AED 000	Audited 31 December 2018 AED 000
Balance as at 1 January	3,685,160	5,526,649
Repayments	-	(1,836,250)
Other movements	(1,309)	(5,239)
Balance at end of period / year	3,683,851	3,685,160

As at 31 March 2019, the outstanding sukuk payable totaling AED 3,684 million (31 December 2018: AED 3,685 million) is falling due as below:

	Unaudited 31 March 2019 AED millions	Audited 31 December 2018 AED millions
2021	3,684	3,685
	3,684	3,685

- 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 31 March 2019 AED 000	Audited 31 December 2018 AED 000
Profit payable to depositors	180,358	116,558
Staff related liabilities	112,575	154,521
Managers' cheques	206,151	174,597
Trade and other payables	109,925	91,155
Zakat payable	-	50,051
Others	1,174,400	879,651
	<b>1,783,409</b>	<b>1,466,533</b>

**11 OTHER OPERATING INCOME**

	Unaudited three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
Dividend income on equity investments measured at FVTPL	13,334	6,941
Gain from sale of investment securities measured at FVOCI	36	1,568
Gain / (loss) from investment securities designated at fair value through profit or loss	4,525	2,254
Rental income (net of depreciation)	1,464	2,862
Foreign exchange income*	65,271	45,369
Other income (net)	11,028	11,737
	<b>95,658</b>	<b>70,731</b>

\*Foreign exchange income comprises translation gain and gain on dealings with customers.

**12 GENERAL AND ADMINISTRATIVE EXPENSES**

	Unaudited three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
Staff cost	153,561	155,411
Occupancy cost	8,973	25,164
Equipment & supplies	3,054	6,865
Recharges to Group companies	58,540	58,729
Communication cost	7,995	5,976
Marketing related expenses	4,142	3,174
Depreciation	25,128	11,248
Others	8,714	12,474
	<u>270,107</u>	<u>279,041</u>

**13 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS AND NON FINANCIAL ASSETS**

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

	Unaudited three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
Net impairment of due from banks	436	(4,322)
Net impairment of investment securities	(252)	(2,240)
Net impairment of financing receivables	(24,984)	101,618
Bad debt written off / (recovery) - net	7,086	(12,518)
Total impairment on financial assets	(17,714)	82,538
Net impairment of non-financial assets (Investment properties)	-	19,701
Net impairment for the period	<u>(17,714)</u>	<u>102,239</u>

**14 COMMITMENTS AND CONTINGENCIES**

The Group's commitments and contingencies are as follows:

	Unaudited 31 March 2019 AED 000	Audited 31 December 2018 AED 000
Letters of credit	485,841	580,593
Guarantees	5,015,658	5,111,081
Liability on risk participations	-	9,549
Irrevocable financing commitments*	1,043,570	962,800
	<u>6,545,069</u>	<u>6,664,023</u>

\*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 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 three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
Profit for the period	411,079	208,574
Weighted average number of equity shares in issue ('000)	5,430,422	5,430,422
Basic Earnings per share* (AED)	<u>0.076</u>	<u>0.038</u>

\*The diluted and basic Earnings per share were the same for the three months period ended 31 March 2019.

## 16 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.

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 NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
**16 OPERATING SEGMENTS (CONTINUED)**Unaudited 31 March 2019

	Corporate banking AED 000	Consumer banking AED 000	Treasury AED 000	Others AED 000	Total AED 000
Net income from financing and investing products	63,442	305,555	30,960	43,908	443,865
Net fees, commission & other income	38,113	152,008	90,345	(60,859)	219,607
Total operating Income	101,555	457,563	121,305	(16,951)	663,472
General administrative and other expenses	(22,564)	(171,539)	(7,130)	(68,874)	(270,107)
Net impairment loss	113,348	(74,477)	1,343	(22,500)	17,714
Net profit for the period	192,339	211,547	115,518	(108,325)	411,079
Segment Assets	17,294,938	26,624,940	11,293,756	5,337,411	60,551,045
Segment Liabilities and Equity	5,176,072	40,276,656	2,579,234	12,519,083	60,551,045

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NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019 (UNAUDITED)

**16 OPERATING SEGMENTS (CONTINUED)**

<u>Unaudited 31 March 2018</u>	Corporate banking AED 000	Consumer banking AED 000	Treasury AED 000	Others AED 000	Total AED 000
Net income from financing and investing products	68,916	280,091	14,818	27,165	390,990
Net fees, commission & other income	33,271	154,795	49,217	(38,419)	198,864
Total operating Income	102,187	434,886	64,035	(11,254)	589,854
General administrative and other expenses	(22,169)	(180,689)	(3,211)	(72,972)	(279,041)
Net impairment loss	(35,311)	(60,374)	6,563	(13,117)	(102,239)
Net profit for the period	44,707	193,823	67,387	(97,343)	208,574
Segment Assets	14,282,428	25,003,177	14,351,944	4,139,618	57,777,167
Segment Liabilities and Equity	7,512,600	38,094,076	1,949,303	10,221,188	57,777,167

## 17 RELATED PARTY TRANSACTIONS

The Group is owned by Emirates NBD (99.9%), which is partially owned by the Investment Corporation of Dubai (55.75%). 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 17.3 % and 2.4 % (2018: 16.2 % and 2.4%) respectively, of the total customer's 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.

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 balances and transactions are carried out on normal commercial terms and are as follows:

	Unaudited 31 March 2019 AED 000	Audited 31 December 2018 AED 000
<b><u>Financing and other receivables</u></b>		
To parent and related companies	1,455,635	1,424,450
To key management personnel & affiliates	3,766	21,617
	<u>1,459,401</u>	<u>1,446,067</u>
<b><u>Customer deposits and other payables</u></b>		
From ultimate parent company	(400,010)	(780,227)
From parent and related companies	(1,479,205)	(1,233,864)
From directors and related companies	(116)	(191)
From key management personnel & affiliates	(2,063)	(5,560)
	<u>(1,881,394)</u>	<u>(2,019,842)</u>
Investment in ultimate parent company	187,067	154,049

**17 RELATED PARTY TRANSACTIONS (CONTINUED)**

	Unaudited three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
<u>Group Consolidated Statement of Income</u>		
Income from Group Holding Company	12,925	18,230
Recharges to group companies	58,540	58,729

The total amount of compensation paid to key management personnel of the Group during the period was as follows:

	Unaudited three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
<u>Key management compensation</u>		
Short term employee benefits	13,450	14,991
Post employment benefits	143	137

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



**18 NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
CASH FLOWS**

	Unaudited three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
(a) Analysis of changes in cash and cash equivalents during the Period		
Balance at beginning of period	4,390,245	11,481,457
Net cash inflow/(outflow)	(2,178,472)	(3,427,790)
Balance at end of period	<u>2,211,773</u>	<u>8,053,667</u>
(b) Analysis of cash and cash equivalents		
Cash and deposits with Central Banks	14,549,838	14,610,158
Due from banks	4,140,440	5,773,346
Due to banks	(3,418,479)	(2,330,679)
	<u>15,271,799</u>	<u>18,052,825</u>
Less : deposits with Central Banks for regulatory purposes	(3,968,369)	(4,047,836)
Less : murabaha with Central Bank maturing after three months	(8,456,252)	(6,718,908)
Less : amounts due from banks maturing after three months	(785,329)	-
Add : amounts due to banks maturing after three months	149,924	767,586
	<u>2,211,773</u>	<u>8,053,667</u>

## 18 NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

	Unaudited three months period ended 31 March 2019 AED 000	Unaudited three months period ended 31 March 2018 AED 000
(c) Adjustment for non cash and other items		
Impairment loss on due from banks	436	(4,322)
Impairment loss on investment securities	(252)	(2,240)
Impairment loss on financing receivables	(24,984)	101,618
Dividend income	(13,334)	(6,941)
Depreciation / impairment on property and equipment / Investment property	28,198	33,997
Unrealized (gain)/loss on investments	(7,250)	-
Sukuk premium amortization	(1,309)	(1,309)
	<u>(18,495)</u>	<u>120,803</u>

## 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).

<u>Unaudited 31 March 2019</u>	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
<b><u>Investment Securities</u></b>				
FVOCI - Sukuk instruments	2,270,465	-	-	2,270,465
Designated at FVTPL	7,186	327	478,415	485,928
	<u>2,277,651</u>	<u>327</u>	<u>478,415</u>	<u>2,756,393</u>
Audited 31 December 2018	<u>1,519,904</u>	<u>327</u>	<u>474,630</u>	<u>1,994,861</u>

**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.

	Designated at FVTPL AED 000
Balance as at 1 January 2019	474,630
Total gains or losses:	
- in profit or loss	3,785
Balance as at 31 March 2019 (Unaudited)	478,415
Balance as at 31 December 2018 (Audited)	474,630

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. Favourable and unfavourable 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 31 March 2019 no financial assets measured at FVOCI were transferred from Level 1 to Level 2 or from Level 2 to Level 1 (2018: AED Nil).

For comparative information please refer to the Group's consolidated financial statements for the year ended 31 December 2018.

**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 2018.

**Amounts arising from ECL**

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.

**i) Islamic financing receivables, undrawn irrevocable commitments and financial guarantee contracts issued**

	Unaudited three months period ended 31 March 2019 AED 000 ECL	Unaudited three months period ended 31 March 2018 AED 000 ECL
Balance as at 1 January	3,982,772	4,442,516
Allowances for impairment made during the period	85,147	321,700
Write back /recoveries made during the period	(110,131)	(220,082)
Amounts written off during the period	(109,701)	(631,886)
Exchange and other adjustments	(20,510)	3,906
Closing balance	3,827,577	3,916,154

**21 COMPARATIVE FIGURES**

Comparative figures have been reclassified wherever necessary to conform to the presentation adopted in the current year.

Further, during the quarter ended 31 March 2019, an amount of AED 1.2 billion have been reclassified from financing receivables to due from banks.