

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three and six months period ended 30 June 2019

Emirates Investment Bank P.J.S.C.

**Review report and condensed consolidated interim financial information
for the period from 1 January 2019 to 30 June 2019**

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Review report on condensed consolidated interim financial information to the shareholders of Emirates Investment Bank P.J.S.C

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Emirates Investment Bank P.J.S.C. (the "Bank") and its subsidiary (together referred to as the "Group") as at 30 June 2019 and the related condensed consolidated interim income statement and other comprehensive income for the three-month and six-month periods then ended, and the condensed consolidated interim statement of cash flows and the interim statement of changes in equity for the six-month period then ended and other explanatory information. The directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity." A review of condensed consolidated 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 information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
6 August 2019

A handwritten signature in blue ink, appearing to read 'ElBorno', is written over a light blue horizontal line.

Mohamed ElBorno
Registered Auditor Number 946
Place: Dubai, United Arab Emirates

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Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
ASSETS			
Cash and balances with UAE Central Bank		297,195	373,165
Due from banks, net	3	435,863	833,419
Loans and advances, net	4	1,045,868	1,330,201
Investments, net	5	1,589,681	1,437,582
Property and equipment		6,119	7,238
Other assets		50,614	35,276
TOTAL ASSETS		3,425,340	4,016,881
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	7	991,243	623,546
Customer deposits		1,870,599	2,881,278
Other liabilities		65,088	41,352
TOTAL LIABILITIES		2,926,930	3,546,176
EQUITY			
Share capital		70,000	70,000
Legal reserve		35,000	35,000
Special reserve		44,251	44,251
Credit impairment reserve		23,742	23,742
Cumulative changes in fair values		16,684	9,450
Retained earnings		308,505	288,034
Equity attributable to equity holders of the parent		498,182	470,477
Non-controlling interests		228	228
TOTAL EQUITY		498,410	470,705
TOTAL LIABILITIES AND EQUITY		3,425,340	4,016,881

The condensed consolidated interim financial information were approved by the Board of Directors 06 August 2019 and signed on its behalf by:



Omar Abdulla Al Futtaim
(Chairman)



Abdullah Al Turifi
(Director)

The accompanying notes from pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the three month and six month period ended 30 June 2019 (Unaudited)

	Notes	<i>Three month period ended</i>		<i>Six month period ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
		<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Interest income	8	17,733	21,952	37,552	38,759
Net income from investments	9	20,077	11,391	42,637	29,232
		37,810	33,343	80,189	67,991
Interest expense		(14,471)	(13,180)	(28,962)	(23,937)
INTEREST AND INVESTMENT INCOME, NET		23,339	20,163	51,227	44,054
Fee, commission and other income		13,568	14,692	23,143	31,650
Exchange gain, net		997	1,153	1,892	2,173
OPERATING INCOME		37,904	36,008	76,262	77,877
General and administrative expenses		(24,897)	(24,557)	(50,354)	(49,760)
Net impairment (loss)/ reversal on financial assets		(1,089)	362	(4,685)	(1,263)
OPERATING EXPENSES		(25,986)	(24,195)	(55,039)	(51,023)
PROFIT FOR THE PERIOD		11,918	11,813	21,223	26,854
Attributable to:					
Equity holders of the parent		11,918	11,491	21,223	25,957
Non-controlling interests		-	322	-	897
PROFIT FOR THE PERIOD		11,918	11,813	21,223	26,854
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (in AED)	10	17.03	16.42	30.32	37.08

The accompanying notes from pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three month and six month period ended 30 June 2019 (Unaudited)

	<i>Three month period ended</i>		<i>Six month period ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
PROFIT FOR THE PERIOD	11,918	11,813	21,223	26,854
<i>Other comprehensive income</i>				
<i>Items that will not be reclassified subsequently to income statement</i>				
Fair value reserve (equity instruments)				
net changes in fair value	(1,056)	1,403	(1,260)	1,468
Gain on sale of investment	27	-	113	-
<i>Items that may be reclassified subsequently to income statement</i>				
Fair value reserve (debt instruments)				
net changes in fair value	3,020	(1,562)	4,349	(4,868)
Expected credit losses on investment in debt instruments measured at fair value through other comprehensive income	151	353	4,032	450
Other comprehensive income/(loss) for the period	2,142	194	7,234	(2,950)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,060	12,007	28,457	23,904
Attributable to:				
Equity holders of the parent	14,060	11,685	28,457	23,007
Non-controlling interests	-	322	-	897
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,060	12,007	28,457	23,904

The accompanying notes from pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2019 (Unaudited)

	<i>Six month period ended</i>	
	<i>30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>AED'000</i>	<i>AED'000</i>
OPERATING ACTIVITIES		
Profit for the period	21,223	26,854
Adjustments for:		
Depreciation	1,210	1,350
Net impairment loss on financial assets	4,685	1,263
	<hr/>	<hr/>
Operating profit before changes in operating assets and liabilities	27,118	29,467
Change in UAE Central Bank statutory deposits	(14,489)	29,469
Change in due to bank with original maturity of over three months	(237,723)	31,637
Change in due from bank with original maturity of over three months	-	12,075
Change in loans and advances (net)	283,704	(491,505)
Change in investments (net)	(149,140)	281,150
Change in other assets	(16,090)	(10,772)
Change in customers' deposits	(1,010,679)	(239,907)
Change in other liabilities	23,736	(9,376)
	<hr/>	<hr/>
Net cash used in operating activities	(1,093,563)	(367,762)
	<hr/>	<hr/>
INVESTING ACTIVITY		
Purchase of property and equipment	(91)	(1,226)
	<hr/>	<hr/>
Net cash used in investing activity	(91)	(1,226)
	<hr/>	<hr/>
FINANCING ACTIVITY		
Funds used in non-controlling interests	-	(29,631)
	<hr/>	<hr/>
Net cash used in financing activity	-	(29,631)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,093,654)	(398,619)
Cash and cash equivalents at 1 January	636,596	397,319
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 JUNE	(457,058)	(1,300)
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise the following amounts in the statement of financial position with original maturities of three months or less:		
Cash and balances with the UAE Central Bank (excluding statutory deposits)	97,784	128,312
Due from banks	436,401	983,965
Due to banks	(991,243)	(1,113,577)
	<hr/>	<hr/>
	(457,058)	(1,300)
	<hr/> <hr/>	<hr/> <hr/>
Operational cash flows from interest and dividends		
Interest paid	27,469	28,066
Interest received (including interest from investments)	61,097	60,390
Dividends received	7,706	7,199

The accompanying notes from pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2019 (Unaudited)

	Share Capital AED'000 (Unaudited)	Legal reserve AED'000 (Unaudited)	Special reserve AED'000 (Unaudited)	Credit impairment reserve* AED '000 (Unaudited)	Cumulative changes in fair values AED'000 (Unaudited)	Retained earnings AED'000 (Unaudited)	Total AED'000 (Unaudited)	Non- controlling interests AED'000 (Unaudited)	Total AED'000 (Unaudited)
At 1 January 2019	70,000	35,000	44,251	23,742	9,450	288,034	470,477	228	470,705
Changes on initial application of IFRS 16 (Note 2.4)	-	-	-	-	-	(752)	(752)	-	(752)
Balance at 1 January 2019 after application of IFRS 16	70,000	35,000	44,251	23,742	9,450	287,282	469,725	228	469,953
Profit for the period	-	-	-	-	-	21,223	21,223	-	21,223
Other comprehensive income for the period	-	-	-	-	7,234	-	7,234	-	7,234
Total comprehensive income for the period	-	-	-	-	7,234	21,223	28,457	-	28,457
Balance at 30 June 2019	70,000	35,000	44,251	23,742	16,684	308,505	498,182	228	498,410

* The Bank has created a special reserve titled as 'credit impairment reserve' in lieu of the general provision required to be created in accordance with the "Circular No 28/2010" issued by the UAE Central Bank.

The accompanying notes from pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2019 (Unaudited)

	<i>Share Capital AED'000 (Unaudited)</i>	<i>Legal reserve AED'000 (Unaudited)</i>	<i>Special reserve AED'000 (Unaudited)</i>	<i>Credit impairment Reserve* AED '000 (Unaudited)</i>	<i>Cumulative changes in fair value AED'000 (Unaudited)</i>	<i>Retained Earnings AED'000 (Unaudited)</i>	<i>Total AED'000 (Unaudited)</i>	<i>Non- controlling interest AED'000 (Unaudited)</i>	<i>Total AED'000 (Unaudited)</i>
At 1 January 2018	70,000	35,000	40,556	-	18,359	257,658	421,573	147,412	568,985
Changes on initial application of IFRS 9	-	-	-	23,742	(4,799)	(2,883)	16,060	-	16,060
Balance at 1 January 2018	70,000	35,000	40,556	23,742	13,560	254,775	437,633	147,412	585,045
Profit for the period	-	-	-	-	-	25,957	25,957	897	26,854
Other comprehensive loss for the period	-	-	-	-	(2,950)	-	(2,950)	-	(2,950)
Total comprehensive income for the period	-	-	-	-	(2,950)	25,957	23,007	897	23,904
Movement in non-controlling interests	-	-	-	-	-	-	-	(29,631)	(29,631)
Balance at 30 June 2018	70,000	35,000	40,556	23,742	10,610	280,732	460,640	118,678	579,318

The accompanying notes from pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2019 (Unaudited)

1 INCORPORATION AND ACTIVITIES

Emirates Investment Bank P.J.S.C. (the “Bank”) was incorporated on 17 February 1976 in Dubai, United Arab Emirates by a decree of HH The Ruler of Dubai. In 1999, the Bank was registered under the UAE Commercial Companies Law No. (8) Of 1984 (as amended) as a Public Joint Stock Company. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No. 8 of 1984.

The Bank is engaged in the business of private banking and investment banking. The address of the Bank’s registered office is P. O. Box 5503, Dubai, United Arab Emirates.

The condensed consolidated interim financial information for the period ended 30 June 2019 comprise the financial statements of the Bank and its subsidiaries (together referred to as the “Group”).

The Bank is a subsidiary of Al Futtaim Private Company LLC, which holds 52.85% (2018:52.85%) of the shares in the Bank.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial information of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The condensed consolidated interim financial information do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2018.

In addition, results for the six months ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The accounting policies applied by the Group in the preparation of the condensed consolidated interim financial information 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 as disclosed in Note 2.4.

In preparing these condensed consolidated interim financial information, significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2018.

2.2 New and revised IFRS applied on the condensed consolidated interim financial information

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in this condensed consolidated interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior years.

- **IFRS 16, ‘Leases’** - This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting remains mainly unchanged. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The impact of the IFRS 16 on the condensed consolidated interim financial information of the Group have been disclosed in note 2.4.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and revised IFRS applied on the condensed consolidated interim financial information (continued)

- **Amendment to IFRS 9, ‘Financial instrument’** - The amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. The amendment also confirms that modifications in financial liabilities will result in the immediate recognition of a gain or loss.
- **IFRIC 23 Uncertainty over Income Tax Treatments** – The interpretation address the determination of taxable profit (tax loss) tax bases, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers
 - Whether tax treatments should be considered collectively
 - Assumptions for taxation authorities
 - The determination of taxable profit (tax loss), tax bases, unused tax losses, and tax rates
 - The effect of changes in facts and circumstances

2.3 New and revised IFRS in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • IFRS 17, ‘Insurance contracts’ - On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, ‘Insurance Contracts’. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. <p>The standard applies to annual periods beginning on or after 1 January 2021, with earlier application permitted if IFRS 15, ‘Revenue from contracts with customers’ and IFRS 9, ‘Financial instruments’ are also applied.</p> <p>IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (“CSM”) representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.</p>	<p>1 January 2022</p>
<ul style="list-style-type: none"> • Amendments to IFRS 3 – This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. 	<p>1 January 2020</p>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and revised IFRS in issue but not yet effective and not early adopted (continued)

- **Amendments to IAS 1 and IAS 8** - These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. 1 January 2020

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

2.4 Significant accounting policies

Hedge accounting

The Group designates certain hedging instruments, which include derivatives as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the consolidated income statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the consolidated income statement.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the consolidated income statement from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the consolidated statement of other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in consolidated income statement, is included in the other income line item.

Amounts previously recognised in the consolidated statement of other comprehensive income and accumulated in equity are reclassified to consolidated income statement in the periods when the hedged item affects in the recognition of a non-financial assets or a non-financial liability, the gains and losses previously recognised in consolidated statement of comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in the consolidated statement of other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

Leasing

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Changes in accounting policies

The Group has adopted IFRS 16 prospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.89%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

Changes in accounting policies (continued)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

The net impact on retained earnings on 1 January 2019 was a decrease of AED 752 thousand.

Policy applicable before 1 January 2019

Until the financial year ended 2018, leases of properties were classified as operating leases. Lease income from operating leases where the group was a lessor was recognised in income on a straight-line basis over the lease term. The respective leased assets were included in the balance sheet based on their nature.

3 DUE FROM BANKS, NET

	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Domestic	35,526	77,146
Regional	8,144	5,666
International	392,731	751,364
	<u>436,401</u>	<u>834,176</u>
Less: allowance for impairment (note 6)	(538)	(757)
	<u><u>435,863</u></u>	<u><u>833,419</u></u>

Part of the balances with banks amounting to AED 254,017 thousand (2018: AED 312,589 thousand) is pledged as collateral with banks against credit facilities. Refer note 7.1 for the detail of credit facilities as at reporting date.

4 LOANS AND ADVANCES, NET

	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Gross loans and advances	1,047,979	1,331,176
Less: allowance for impairment (note 6)	(1,531)	(902)
Less: interest in suspense	(580)	(73)
	<u>1,045,868</u>	<u>1,330,201</u>

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

5 INVESTMENTS, NET

	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
<i>Investment at fair value through profit or loss</i>		
<i>Debt instruments</i>		
Quoted	<u>5</u>	<u>39,065</u>
<i>Equity instruments</i>		
Quoted	44,230	88,539
Unquoted	<u>137,723</u>	<u>246,279</u>
	<u>181,953</u>	<u>334,818</u>
Total investments measured at fair value through profit or loss	<u>181,958</u>	<u>373,883</u>
<i>Investments at fair value through other comprehensive income</i>		
<i>Debt instruments</i>		
Quoted	637,772	223,068
Unquoted	<u>8,299</u>	<u>8,299</u>
	<u>646,071</u>	<u>231,367</u>
<i>Equity instruments</i>		
Quoted	<u>50,976</u>	<u>52,236</u>
Total investments measured at fair value through other comprehensive income	<u>697,047</u>	<u>283,603</u>
<i>Investments at amortized cost</i>		
<i>Debt instruments</i>		
Quoted	<u>716,429</u>	<u>785,667</u>
Total investments measured at amortised cost	<u>716,429</u>	<u>785,667</u>
Investment in bullion	<u>666</u>	<u>605</u>
Gross investments	<u>1,596,100</u>	<u>1,443,758</u>
Less: allowance for impairment (note 6)	<u>(6,419)</u>	<u>(6,176)</u>
Investments, net	<u><u>1,589,681</u></u>	<u><u>1,437,582</u></u>

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

5 INVESTMENTS, NET (continued)

	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
<i>Debt instruments:</i>		
Domestic	76,923	125,296
Regional	290,922	108,953
International	994,660	821,850
	1,362,505	1,056,099
<i>Equity instruments:</i>		
Domestic	58,262	61,096
Regional	1,145	1,649
International	173,522	324,309
	232,929	387,054
Investment in bullion	666	605
Gross investments	1,596,100	1,443,758
Less: allowance for impairment (note 6)	(6,419)	(6,176)
Investments, net	1,589,681	1,437,582

Part of the proprietary investment portfolio of the Group having a carrying value of AED 893,153 thousand (2018: AED 430,723 thousand) is pledged as collateral with banks against credit facilities. Refer note 7.1 for the detail of credit facilities as at reporting date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

5 INVESTMENTS, NET (continued)

As at 30 June 2019, the Group held the following investments measured as follows:

	<i>30 June</i>	<i>Investments carried at fair value</i>			<i>Investments</i>
	<i>2019</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>carried at</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>amortised cost</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>AED'000</i>
					<i>(Unaudited)</i>
Debt instruments:					
Domestic	76,923	33,186	-	8,299	35,438
Regional	290,922	276,124	-	-	14,798
International	994,660	328,468	-	-	666,192
Equity instruments:					
Domestic	58,262	32,011	5	26,246	-
Regional	1,145	1,145	-	-	-
International	173,522	43,156	130,366	-	-
Investment in bullion	666	666	-	-	-
Gross investments	1,596,100	714,756	130,371	34,545	716,428
Less: allowance for impairment (note 6)	(6,419)				
Investments, net	1,589,681				

As at 31 December 2018, the Group held the following investments measured as follows:

	<i>Total</i>	<i>Investments carried at fair value</i>			<i>Investments</i>
	<i>2018</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>carried at</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>amortised cost</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>AED'000</i>
					<i>(Audited)</i>
Debt instruments:					
Domestic	125,296	66,675	-	8,299	50,322
Regional	108,953	94,127	-	-	14,826
International	821,850	101,331	-	-	720,519
Equity instruments:					
Domestic	61,096	46,698	801	13,597	-
Regional	1,649	1,649	-	-	-
International	324,309	86,001	219,548	18,760	-
Investment in bullion	605	605	-	-	-
Gross investments	1,443,758	397,086	220,349	40,656	785,667
Less: allowance for impairment (note 6)	(6,176)				
Investments, net	1,437,582				

The fair value of debt instruments carried at amortised cost as at 30 June 2019, amounts to AED 717,783 thousand (31 December 2018: AED 770,348 thousand).

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

5 INVESTMENTS, NET (continued)

There were no transfers between the levels of the fair value hierarchy in the six month period ended 30 June 2019.

The following table shows a reconciliation of the opening and closing amounts of level 3 investments recorded at fair value:

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
At the beginning of the period/year	40,656	50,907
Remeasurement of impairment under IFRS 9	-	(10,000)
Transfer from Level 1	12,463	
Addition	162	
Disposal	(18,760)	-
Net unrealised gain/(loss) recognised in income statement	24	(251)
At the end of the period/year	<u>34,545</u>	<u>40,656</u>

The Group has assessed the sensitivity of the fair value measurement of investments under level 3 due to changes in inputs used. Based on the assessment, no major changes in the fair value of investments under level 3 are noted as at 30 June 2019. Such an assessment is performed on a quarterly basis by reviewing the changes in unobservable inputs which might result in higher or lower fair value measurement.

The Dubai Court of Cassation rendered a judgment on 9 June 2019 rejecting the Group's appeal in respect of an outstanding commercial paper with a gross outstanding value of AED 19.8 million. As a result, the Group plans to file a case in Dubai court against the obligors and, upon securing final judgments against them, the Group will be entitled to file a claim for payment with the insurance company and the management believe that the amount is recoverable.

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

6 ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Investments		
Movement in allowances for impairment losses		
Balance at 1 January	6,176	26,300
Impairment allowance adjusted against carrying value of investments	-	(10,000)
Initial application of IFRS 9	-	(12,298)
Impairment allowance for the period/year	243	2,174
	<u>6,419</u>	<u>6,176</u>
Loans and advances		
Movement in allowances for impairment losses		
Balance at 1 January	902	15,000
Initial application of IFRS 9	-	(14,543)
Impairment allowance for the period/year	629	445
	<u>1,531</u>	<u>902</u>
Due from banks		
Movement in allowances for impairment losses		
Balance at 1 January	757	-
Initial application of IFRS 9	-	3,099
Impairment allowance for the period/year	(219)	(2,342)
	<u>538</u>	<u>757</u>

Expected credit losses

The analysis of expected credit losses by stage for loans and advances, investment in debt instruments measured at amortised cost and due from banks is as follows:

	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Expected credit losses- Lifetime ECL (Stage 3)	4,654	3,000
Expected credit losses- 12-months ECL (Stage 1)	2,293	2,976
Expected credit losses- Lifetime ECL (Stage 2)	1,541	1,859
Expected credit losses	<u>3,834</u>	<u>4,835</u>
Total expected credit losses	<u>8,488</u>	<u>7,835</u>

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

7 DUE TO BANKS

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Term deposits	497,213	485,665
Repurchase agreements	493,581	137,723
Demand and call deposits	449	158
	991,243	623,546

7.1 Information on collateral

	Balance 30 June 2019 AED'000 (Unaudited)	Collateral value 30 June 2019 AED'000 (Unaudited)	Balance 31 December 2018 AED'000 (Audited)	Collateral value 31 December 2018 AED'000 (Audited)
Term deposits:				
Collateralized by investments	184,598	362,571	104,335	283,456
Collateralized by due from banks	228,615	254,017	281,330	312,589
	413,213	616,588	385,665	596,045
Repurchase agreements:				
Collateralized by debt instruments	493,581	530,582	137,723	147,267

The group has unsecured term deposits amounting to AED 84,000 thousand (2018: AED 100,000 thousand) as at the reporting date.

8 INTEREST INCOME

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	AED'000 (Unaudited)	AED'000 (Unaudited)	AED'000 (Unaudited)	AED'000 (Unaudited)
Loans and advances	16,586	20,731	35,261	36,415
Bank placements	1,147	1,221	2,291	2,344
	17,733	21,952	37,552	38,759

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

9 NET INCOME FROM INVESTMENTS

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2019 <i>AED'000</i> <i>(Unaudited)</i>	<i>2018</i> <i>AED'000</i> <i>(Unaudited)</i>	2019 <i>AED'000</i> <i>(Unaudited)</i>	<i>2018</i> <i>AED'000</i> <i>(Unaudited)</i>
Interest income on investments in debt instruments	12,875	11,763	22,182	26,342
Net income from interest rate swaps	(28)	-	(13)	-
Net realised gain on disposal of investments measured at amortised cost	-	-	-	2,563
Net gain/(loss) from investment securities measured as fair value through profit or loss	4,601	(3,088)	13,724	(5,024)
Dividend income	3,353	4,376	7,706	7,199
Loss on redemption of investments	(508)	(1,350)	(516)	(1,344)
Portfolio management fees paid to other financial institutions	(216)	(310)	(446)	(504)
	20,077	11,391	42,637	29,232

10 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share of AED 30.32 (30 June 2018: AED 37.08) is calculated by dividing the profit attributable to the equity holders of the parent of AED 21,223 thousand for the six month period ended 30 June 2019 (30 June 2018: AED 25,957 thousand) by the weighted average number of shares outstanding during the period of 700,000 of AED 100 each (30 June 2018: 700,000 shares of AED 100 each).

The figure for basic and diluted earnings per share is the same as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

11 SEGMENTAL ANALYSIS

For operating purposes, the Group is organised into two major business segments: (a) Investments, which is principally involved in managing the Group's own investment portfolio and provides treasury services; and (b) Banking Services, which principally manages clients' investment portfolios, provides credit facilities, accepts deposits from corporate and individual customers and provides advisory services on corporate finance and capital market transactions. These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds and an equitable allocation of expenses.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

11 SEGMENTAL ANALYSIS (continued)

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>Six months ended</i>		<i>Six months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	
<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Revenue *	42,647	31,981	57,892	68,570	100,539	100,551
Inter-segment adjustment	3,475	8,314	(3,475)	(8,314)	-	-
	46,122	40,295	54,417	60,256	100,539	100,551
Profit for the period	11,516	7,244	9,707	19,610	21,223	26,854

* Revenue comprises of interest income, net income from investments, fee commission and other income and exchange gain/ (loss) less net impairment loss on financial assets.

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	
Segment assets	2,354,538	2,666,262	1,070,802	1,350,619	3,425,340	4,016,881
Segment liabilities and equity	1,039,239	642,102	2,386,101	3,374,779	3,425,340	4,016,881

12 COMMITMENTS AND CONTINGENT LIABILITIES

Credit-related commitments and contingent liabilities

Credit-related commitments include commitments to extend credit, letters of credit, guarantees and acceptances which are designed to meet the requirements of the Group's customers.

Letters of credit, guarantees and acceptances commit the Group to make payments on behalf of customers, contingent upon the failure of the customers to perform under the terms of the contract.

The Group has the following credit related contingent liabilities and commitments:

	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Guarantees	47,137	46,908
Unutilised committed credit facilities*	48,777	148,338
	95,914	195,246

The Group has commitments of AED 35,480 thousand on account of investment in equity instruments (31 December 2018: AED 35,698 thousand).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

12 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Credit-related commitments and contingent liabilities (continued)

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

13 RELATED PARTY TRANSACTIONS

The Group enters into transactions in the ordinary course of business with related parties, defined as major shareholders, directors, key management personnel and their related companies. All loans and advances to related parties are performing advances and are free of any provision for possible loan losses. Pricing policies and terms of related parties' transactions are approved by the Group's management.

The significant balances outstanding in respect of related parties included in the condensed consolidated interim financial information are as follows:

	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
<i>Directors, their related parties and key management personnel:</i>		
Loans and advances	2,226	14,999
Investments	12,095	21,061
Customers' deposits	481,284	543,038
Commitments and contingencies	38,791	39,481
Other liabilities	9,304	1,936

The income and expenses in respect of related parties included in the condensed consolidated interim financial information are as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2019 AED'000 (Unaudited)</i>	<i>2018 AED'000 (Unaudited)</i>	<i>2019 AED'000 (Unaudited)</i>	<i>2018 AED'000 (Unaudited)</i>
<i>Directors, their related parties and key management personnel:</i>				
Interest income	37	1,813	92	5,667
Interest expense	(4,300)	(1,261)	(8,530)	(3,130)
Net realised gain on disposal of investments measured at amortised cost	-	-	-	2,563
Other income	701	519	1,443	1,189
General and administration expenses	(1,821)	(1,836)	(3,720)	(3,676)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

13 RELATED PARTY TRANSACTIONS (continued)

Outstanding balances at the period end arise in the normal course of business. For the period ended 30 June 2019, the Group has not recorded any impairment on amounts owed by related parties (2018: Nil).

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2019</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2018</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2019</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2018</i> <i>AED'000</i> <i>(Unaudited)</i>
Salaries and other benefits	2,565	2,937	5,509	5,848

14 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business the Group enters into transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. The purpose of derivative financial instruments in the Group's business is to mitigate the risks arising from default, currency and interest fluctuations and other market variables. The Group uses forward foreign exchange contracts and options to mitigate the currency risk on certain investments.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with the notional amounts. The notional amount, recorded gross is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period end and are neither indicative of the market risk nor credit risk.

30 June 2019

	<i>Positive fair value</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>Negative fair value</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>Notional amount</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>Notional amount by term to maturity</i>		
				<i>Less than 1 year</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>1 to 5 years</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>Over 5 years</i> <i>AED'000</i> <i>(Unaudited)</i>
Derivatives:						
Forward foreign exchange contracts	150	491	126,966	126,966	-	-
Foreign exchange option contracts	116	116	67,867	67,867	-	-
Interest rate swaps	79	17,029	255,274	-	-	255,274
	345	17,636	450,107	194,833	-	255,274

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

14 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

31 December 2018

	<i>Positive fair value AED'000 (Audited)</i>	<i>Negative fair value AED'000 (Audited)</i>	<i>Notional amount AED'000 (Audited)</i>	<i>Notional amount by term to maturity</i>		
				<i>Less than 1 year AED'000 (Audited)</i>	<i>1 to 5 years AED'000 (Audited)</i>	<i>Over 5 years AED'000 (Audited)</i>
Derivatives:						
Forward foreign exchange contracts	304	284	97,842	97,842	-	-
Foreign exchange option contracts	737	737	161,582	161,582	-	-
	<u>1,041</u>	<u>1,021</u>	<u>259,424</u>	<u>259,424</u>	<u>-</u>	<u>-</u>

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have an impact on the profit or loss of the Group. The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

Derivative product type***Forwards***

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in over-the-counter markets.

Options

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity or financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Swaps

Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counter-parties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal.

Fair value

The Derivatives are recorded at fair value by using the published price quotations in an active market or counterparty prices or valuation techniques using a valuation model that has been tested against the prices of actual market transactions and the Group's best estimate of the most appropriate model inputs.

Foreign exchange forward contracts, foreign exchange option contracts and interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favorable to the Group. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honors its obligation, but the counterparty fails to deliver the counter value.

Changes in counterparty credit risk have no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

All the derivative contracts are recorded at fair value under level 2 of the fair value hierarchy.

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (CONTINUED)

For the six month period ended 30 June 2019 (Unaudited)

15 FIDUCIARY ASSETS

	<i>30 June 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Balance of fiduciary assets	<u>4,766,846</u>	<u>5,676,901</u>

The Group provides custody services for its customers' assets. These assets are held by the Group in a fiduciary capacity and are, accordingly, not included in these condensed consolidated interim financial information as assets of the Group.