

Emirates Investment Bank P.J.S.C.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

30 September 2018 (UNAUDITED)

**Review report and condensed consolidated interim financial information
for the period from 01 January 2018 to 30 September 2018**

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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 subsidiaries (together referred to as "the Group") as at 30 September 2018 and the related condensed consolidated interim income statement, statement of other comprehensive income for the three month and nine month period then ended, statement of cash flows and statement of changes in equity for the nine-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
04 November 2018

A handwritten signature in blue ink that reads 'Douglas O'Mahony'.

Douglas O'Mahony
Registered Auditor Number 834
Place: Dubai, United Arab Emirates

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Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	<i>Notes</i>	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
ASSETS			
Cash and balances with UAE Central Bank		381,421	458,553
Due from banks	3	869,740	1,221,921
Loans and advances, net	4	1,643,068	1,074,302
Investments, net	5	1,561,200	2,110,994
Property and equipment		7,663	7,624
Other assets		57,984	31,371
TOTAL ASSETS		4,521,076	4,904,765
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	7	1,192,449	1,163,475
Customer deposits		2,824,110	3,131,840
Other liabilities		38,763	40,465
TOTAL LIABILITIES		4,055,322	4,335,780
EQUITY			
Share capital		70,000	70,000
Legal reserve		35,000	35,000
Special reserve		40,556	40,556
Credit impairment reserve		23,742	-
Cumulative changes in fair values		10,440	18,359
Retained earnings		285,788	257,658
Equity attributable to equity holders of the parent		465,526	421,573
Non-controlling interests		228	147,412
TOTAL EQUITY		465,754	568,985
TOTAL LIABILITIES & EQUITY		4,521,076	4,904,765

The condensed consolidated interim financial information were approved by the Board of Directors on 4 November 2018 and signed on its behalf by:


Omar Abdulla Al Futaim
(Chairman)


Khaled Sifri
(Chief Executive Officer)

The accompanying notes from pages 8 to 32 form an integral part of these condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the nine month period ended 30 September 2018 (Unaudited)

	Notes	<i>Three month period ended</i>		<i>Nine month period ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
		<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Interest income	8	24,141	17,405	62,900	52,303
Net income from investments	9	13,100	22,016	42,332	63,240
		<u>37,241</u>	<u>39,421</u>	<u>105,232</u>	<u>115,543</u>
Interest expense		(15,908)	(9,829)	(39,845)	(27,536)
INTEREST AND INVESTMENT INCOME, NET		21,333	29,592	65,387	88,007
Fee, commission and other income		8,548	10,621	40,198	44,236
Exchange gain, net		631	2,172	2,804	27
OPERATING INCOME		30,512	42,385	108,389	132,270
General and administrative expenses		(23,844)	(23,451)	(73,604)	(70,147)
Net impairment (loss)/ reversal on financial assets		(753)	8	(2,016)	(17,748)
OPERATING EXPENSES		(24,597)	(23,443)	(75,620)	(87,895)
PROFIT FOR THE PERIOD		5,915	18,942	32,769	44,375
Attributable to:					
Equity holders of the parent		5,056	18,155	31,013	42,434
Non-controlling interests		859	787	1,756	1,941
PROFIT FOR THE PERIOD		5,915	18,942	32,769	44,375
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (in AED)	10	7.22	25.94	44.30	60.62

The accompanying notes from pages 8 to 32 form an integral part of these condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the nine month period ended 30 September 2018 (Unaudited)

	<u>Three month period ended</u> <u>30 September</u>		<u>Nine month period ended</u> <u>30 September</u>	
	<u>2018</u> <u>AED'000</u>	<u>2017</u> <u>AED'000</u>	<u>2018</u> <u>AED'000</u>	<u>2017</u> <u>AED'000</u>
PROFIT FOR THE PERIOD	5,915	18,942	32,769	44,375
<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	(1,538)	-	(70)	-
Gain on sale of investment	97	-	97	-
<i>Items that may be reclassified subsequently to income statement</i>				
Fair value reserve (debt instruments)				
net changes in fair value	1,307	-	(3,561)	-
Expected credit losses on investment in debt instruments measured at fair value through other comprehensive income	(36)	-	414	-
Fair value reserve (available-for-sale investments)				
net changes in fair value	-	3,934	-	15,767
net amount transferred to income statement	-	(2,254)	-	(2,965)
Other comprehensive (loss)/ income for the period	(170)	1,680	(3,120)	12,802
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,745	20,622	29,649	57,177
Attributable to:				
Equity holders of the parent	4,886	19,835	27,893	55,236
Non-controlling interests	859	787	1,756	1,941
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,745	20,622	29,649	57,177

The accompanying notes from pages 8 to 32 form an integral part of these condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2018 (Unaudited)

	<i>Nine month period ended</i>	
	<i>30 September</i>	
	<i>2018</i>	<i>2017</i>
	<i>AED'000</i>	<i>AED'000</i>
OPERATING ACTIVITIES		
Profit for the period	32,769	44,375
Adjustments for:		
Depreciation	1,979	1,436
Net impairment loss on financial assets	2,016	17,748
	<hr/>	<hr/>
Operating profit before changes in operating assets and liabilities	36,764	63,559
Change in UAE Central Bank statutory deposits	54,706	(16,902)
Change in due to bank with original maturity of over three months	172,860	-
Change in due from bank with original maturity of over three months	65,440	141,004
Change in loans and advances (net)	(554,615)	(120,041)
Change in investments (net)	547,557	(22,637)
Change in other assets	(26,613)	(9,098)
Change in customers' deposits	(307,730)	(89,821)
Change in other liabilities	(1,702)	(26,053)
	<hr/>	<hr/>
Net cash used in operating activities	(13,333)	(79,989)
INVESTING ACTIVITY		
Purchase of property and equipment	(2,018)	(2,062)
	<hr/>	<hr/>
Net cash used in investing activity	(2,018)	(2,062)
	<hr/>	<hr/>
FINANCING ACTIVITY		
Funds (used in)/ generated from non-controlling interests	(148,940)	47,276
	<hr/>	<hr/>
Net cash (used in)/ from financing activity	(148,940)	47,276
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(164,291)	(34,775)
Cash and cash equivalents at 1 January	397,319	523,533
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 September	233,028	488,758
	<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)	159,318	82,490
Due from banks	870,730	1,078,768
Due to banks	(797,020)	(672,500)
	<hr/>	<hr/>
	233,028	488,758
	<hr/> <hr/>	<hr/> <hr/>
Operational cash flows from interest and dividends		
Interest paid	39,560	31,566
Interest received (including interest from investments)	91,718	90,837
Dividends received	9,941	13,508

The accompanying notes from pages 8 to 32 form an integral part of these condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2018 (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 value AED'000 (Unaudited)	Retained earnings AED'000 (Unaudited)	Total AED'000 (Unaudited)	Non- controlling interest AED'000 (Unaudited)	Total AED'000 (Unaudited)
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 (Note 2.4)	-	-	-	23,742	(4,799)	(2,883)	16,060	-	16,060
Restated 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	-	-	-	-	-	31,013	31,013	1,756	32,769
Other comprehensive loss for the period	-	-	-	-	(3,120)	-	(3,120)	-	(3,120)
Total comprehensive income for the period	-	-	-	-	(3,120)	31,013	27,893	1,756	29,649
Movement in non- controlling interests	-	-	-	-	-	-	-	(148,940)	(148,940)
Balance at 30 September 2018	70,000	35,000	40,556	23,742	10,440	285,788	465,526	228	465,754

* 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.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2018 (Unaudited)

	Share capital AED'000 (Unaudited)	Legal reserve AED'000 (Unaudited)	Special reserve AED'000 (Unaudited)	Cumulative changes in fair value AED'000 (Unaudited)	Retained earnings AED'000 (Unaudited)	Total AED'000 (Unaudited)	Non-controlling interest AED'000 (Unaudited)	Total AED'000 (Unaudited)
At 1 January 2017	70,000	35,000	35,154	14,458	209,036	363,648	103,997	467,645
Profit for the period	-	-	-	-	42,434	42,434	1,941	44,375
Other comprehensive income for the period	-	-	-	12,802	-	12,802	-	12,802
Total comprehensive income for the period	-	-	-	12,802	42,434	55,236	1,941	57,177
Movement in non-controlling interests	-	-	-	-	-	-	47,276	47,276
Balance at 30 September 2017	70,000	35,000	35,154	27,260	251,470	418,884	153,214	572,098

The accompanying notes from pages 8 to 32 form an integral part of these condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (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 September 2018 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% (2017: 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 Bank 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 2017.

In addition, results for the three or nine months ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 2017, except for changes in accounting policies 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 2017 except for the new judgements and estimates explained in Note 2.5.

2.2 New and revised IFRS applied with no material effect 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 2018, have been adopted in these financial statements. The application of these revised IFRSs, except where stated, has not had any material impact on the amounts reported for the current and prior years.

- **IFRS 15, 'Revenue from contracts with customers'** The standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus 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 recognises revenue to depict the transfer of 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 cohesive 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.
- **Amendment to IFRS 15, 'Revenue from contracts with customers'** The amendments comprise clarifications on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and revised IFRS applied with no material effect on the condensed consolidated interim financial information (continued)

• **IFRIC 22, Foreign currency transactions and advance consideration**

The interpretation considers how to determine the date of transaction when applying the standard on applying the date of transactions, IAS 21. The date of transaction determines the exchange rate to be used on initial recognition to be used on an initial recognition of a related asset, expense or income. The interpretation provides guidance for when a single payment / receipt is made, as well as for situations where multiple payments / receipts are made.

- **IFRS 9, 'Financial instruments'** The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The impact of the IFRS 9 on the consolidated financial statements of the Group has been disclosed in note 2.4.

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
• 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 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.	1 January 2019

For lessors, the accounting stays 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (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)

	Effective for annual periods beginning on or after
New and revised IFRS	1 January 2019
<ul style="list-style-type: none">• 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.	1 January 2019
<ul style="list-style-type: none">• 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:<ul style="list-style-type: none">-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.	1 January 2019

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

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:

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements. The Group has not early adopted any of the elements of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition have been recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures reflect those disclosures made in the prior period.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Significant accounting policies (continued)****IFRS 9 Financial Instruments (continued)**

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

(a) Classification and measurement of financial assets in accordance with IAS 39 and IFRS 9 at 1 January 2018:

Financial Assets	Previous classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39 AED'000	Carrying amount under IFRS 9 AED'000
Cash and balances with the UAE Central Bank	Amortised cost	Amortised cost	458,553	458,553
Due from banks	Amortised cost	Amortised cost	1,221,921	1,218,822
Loans and advances	Loans and receivables	Amortised cost	1,074,302	1,088,845
Investment in debt instruments	Available-for-sale	FVOCI	1,619,804	471,387
	Held-to-maturity	Amortised cost	-	1,066,539
	FVTPL	FVPL	103,974	190,468
Investment in equity instruments	Available-for-sale	FVOCI	299,790	52,416
	FVTPL	FVPL	86,810	334,184
Other assets (excluding prepayments)	Amortised cost	Amortised cost	27,839	27,839
	FVTPL	FVPL	862	862

There were no changes to the classification and measurement of financial liabilities that would have been required in accordance with IFRS 9 at 1 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Significant accounting policies (continued)****IFRS 9 Financial Instruments (continued)****(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9:**

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Financial Assets	IAS 39 carrying amount 31 December 2017 AED'000	Reclassi- fications AED'000	Remeasure- ments AED'000	IFRS 9 carrying amount 1 January 2018 AED'000
Amortised cost				
Cash and balances with the UAE				
Central Bank	458,553	-	-	458,553
Due from banks	1,221,921	-	(3,099)	1,218,822
Loans and advances	1,074,302	-	14,543	1,088,845
Investment in debt instruments	-	1,078,223	(11,684)	1,066,539
Other assets (excluding prepayments)	27,839	-	-	27,839
Total financial assets measured at amortised cost	2,782,615	1,078,223	(240)	3,860,598
Fair value through profit or loss (FVPL)				
Investment in debt instruments	103,974	86,494	-	190,468
Investment in equity instruments	86,810	247,374	-	334,184
Other assets (excluding prepayments)	862	-	-	862
Total financial assets measured at FVPL	191,646	333,868	-	525,514
Fair value through other comprehensive income (FVOCI)				
Investment in debt instruments	1,619,804	(1,164,717)	16,300	471,387
Investment in equity instruments	299,790	(247,374)	-	52,416
Total financial assets measured at FVOCI	1,919,594	(1,412,091)	16,300	523,803

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Significant accounting policies (continued)****IFRS 9 Financial Instruments (continued)****(c) Reconciliation of statement of changes in equity balances from IAS 39 to IFRS 9:**

The following table analyses the impact, 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
Cumulative changes in fair value	
Closing balance under IAS 39 (31 December 2017)	18,359
Reclassification of investment securities (debt) from available-for-sale to amortized cost	(7,682)
Reclassification of investment securities (debt and equity) from available-for-sale to FVPL	1,573
Recognition of expected credit losses under IFRS 9 for investment in debt instruments measured at FVOCI	1,310
Opening balance under IFRS 9 (1 January 2018)	13,560
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	257,658
Reclassification of investment securities (debt and equity) from available-for-sale to FVPL	(1,573)
Recognition of expected credit losses under IFRS 9 for investment in debt instruments measured at FVOCI	(1,310)
Opening balance under IFRS 9 (1 January 2018)	254,775

(d) Measurement methods*Amortised cost and effective interest rate*

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using original effective interest rate. Any changes are recognized in profit or loss.

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(d) Measurement methods (continued)

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transactions costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fee and commissions. Transactions costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortised cost and at FVOCI, which results in accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

- a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- b) In all other cases, the difference is deferred and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets

(i) Classification and subsequent measurement

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI);
- Amortised cost

The classification requirements for debt and equity instruments are described below:

Debt instruments:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loan and advances and investments in debts securities as well the Sukuk.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the assets; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. Interest income from these financial assets is included in 'Net income from investments' using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instruments' amortised cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Gain/ (loss) on investments in debts instruments. Interest income from these financial assets is included under 'Net income from investments' using the effective interest rate method.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
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For the nine month period ended 30 September 2018 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(i) Classification and subsequent measurement (continued)

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arise, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they were presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Net income from investments' using the effective interest rate method.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether financial instruments' cash flows represent solely payments of principal and Interest (the 'SPPI test'). In making this assessment, the Group considers whether contractual cash flows are consistent with a basic lending arrangement i.e. profit includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments:

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity instruments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity instrument at fair value through other comprehensive income. The Group's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

(ii) Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 2.5 provides more detail of how the expected credit loss allowance is measured.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting policies (continued)

(iii) Modification of loans

The group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in the derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownerships, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

2.5 Use of estimates and judgements

The preparation of the condensed consolidated interim financial information in conformity with IFRS requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Use of estimates and judgements (continued)

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

(a) Classification of financial assets

In accordance with IFRS 9 guidance, the Group classifies its financial assets based on the assessments of the business models in which the asset are held at a portfolio level and whether cash flows generated by assets constitute solely payments of principal and interest. This requires significant judgement in evaluating how the Group manages its business model and on whether or not a contractual clause in all debt instruments of a certain type breaches SPPI and results in a material portfolio being recorded at FVPL.

(b) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(c) Disposal of a subsidiary

There is judgment involved in considering whether control exists over a certain investment. In assessing control, management of the Group assess its power over the investee, the exposure to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. During the period management has assessed the above criteria as the ownership for EIB Enhanced Liquidity Fund Limited was reduced to 19.68%.

Based on management's assessment taking into consideration the above factors, management has decided to de-consolidate the fund as at 30 September 2018. Accordingly the Group derecognised the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss was recognized in the income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

3 DUE FROM BANKS

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Domestic	256,255	318,713
Regional	4,966	32,486
International	609,509	870,722
	<u>870,730</u>	<u>1,221,921</u>
Less: allowance for impairment (note 6)	(990)	-
	<u>869,740</u>	<u>1,221,921</u>

Part of the balances with banks amounting to AED 390,765 thousand (2017: AED 513,810 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 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Overdrafts / loans (secured)	1,643,977	1,089,302
Gross loans and advances	1,643,977	1,089,302
Less: allowance for impairment (note 6)	(850)	(15,000)
Less: interest in suspense	(59)	-
Loans and advances, net	<u>1,643,068</u>	<u>1,074,302</u>

The group does not have any exposures to Abraaj group of companies and/or any of the funds managed by Abraaj group as at the reporting date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

5 INVESTMENTS, NET

	<i>30 September 2018 AED'000 (Unaudited)</i>
<i>Investment at fair value through profit or loss</i>	
<i>Debt instruments</i>	
Quoted	65,163
<i>Equity instruments</i>	
Quoted	120,889
Unquoted	237,257
	<u>358,146</u>
Total investments designated at fair value through profit or loss	<u>423,309</u>
<i>Measured at fair value through other comprehensive income</i>	
<i>Debt instruments</i>	
Quoted	224,607
Unquoted	33,297
	<u>257,904</u>
<i>Equity instruments</i>	
Quoted	52,347
Total investments measured at fair value through other comprehensive income	<u>310,251</u>
<i>Measured at amortized cost</i>	
<i>Debt instruments</i>	
Quoted	834,397
Total investments measured at amortised cost	<u>834,397</u>
Investment in bullion	563
Gross investments	<u>1,568,520</u>
Less: allowance for impairment (note 6)	(7,320)
Investments, net	<u><u>1,561,200</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

5 INVESTMENTS, NET (continued)

	<i>31 December 2017 AED'000 (Unaudited)</i>
<i>Designated at fair value through profit or loss</i>	
<i>Debt instruments</i>	
Quoted	103,974
<i>Equity</i>	
Quoted	38,135
Unquoted	48,675
Total investments designated at fair value through profit or loss	190,784
<i>Available for sale investment</i>	
<i>Debt instruments</i>	
Quoted	1,337,805
Unquoted	298,299
	1,636,104
<i>Equity instruments</i>	
Quoted	135,281
Unquoted	174,509
	309,790
Total available-for-sale investments	1,945,894
Investment in bullion	616
Gross investments	2,137,294
Less: allowance for impairment (note 6)	(26,300)
Investments, net	2,110,994

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

5 INVESTMENTS, NET (continued)

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
<i>Debt instruments:</i>		
Domestic	142,407	536,914
Regional	109,671	86,649
International	905,386	1,116,515
	<u>1,157,464</u>	<u>1,740,078</u>
<i>Equity instruments:</i>		
Domestic	60,315	59,839
Regional	14,899	2,120
International	335,279	334,641
	<u>410,493</u>	<u>396,600</u>
Investment in bullion	563	616
Gross investments	1,568,520	2,137,294
Less: allowance for impairment (note 6)	(7,320)	(26,300)
Investments, net	<u>1,561,200</u>	<u>2,110,994</u>

Part of the proprietary investment portfolio of the Group having a carrying value of AED 717,831 thousand (2017: AED 773,815 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

5 INVESTMENTS, NET (continued)

As at 30 September 2018, the Group held the following investments measured as follows:

	<i>30 September</i>	<i>Investments carried at fair value</i>			<i>Investments carried at</i>
	<i>2018</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Amortised cost</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>
Debt instruments:					
Domestic	142,407	67,169	-	33,299	41,939
Regional	109,671	94,831	-	-	14,840
International	905,386	127,768	-	-	777,618
Equity instruments:					
Domestic	60,315	46,718	-	13,597	-
Regional	14,899	1,860	13,039	-	-
International	335,279	118,232	198,287	18,760	-
Investment in bullion	563	563	-	-	-
Gross investments	1,568,520	457,141	211,326	65,656	834,397
Less: allowance for impairment (note 6)	(7,320)				
Investments, net	1,561,200				

For the financial instruments carried at amortised cost the management believes that the carrying value is a reasonable approximation of fair value as at the reporting date.

As at 31 December 2017, the Group held the following investments measured as follows:

	<i>31 December</i>	<i>Investments carried at fair value</i>			<i>Investments carried</i>
	<i>2017</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>at cost</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Debt instruments:					
Domestic	536,914	238,615	-	8,299	290,000
Regional	86,649	86,649	-	-	-
International	1,116,515	1,116,515	-	-	-
Equity instruments:					
Domestic	59,839	45,991	-	13,848	-
Regional	2,120	2,120	-	-	-
International	334,641	118,879	187,002	28,760	-
Investment in bullion	616	616	-	-	-
Gross investments	2,137,294	1,609,385	187,002	50,907	290,000
Less: allowance for impairment (note 6)	(26,300)				
Investments, net	2,110,994				

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FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

5 INVESTMENTS, NET (continued)

Investments amounting to Nil (31 December 2017: AED 217 thousand) were transferred from Level 3 to Level 2. The transfers from Level 3 to Level 2 were made when the market for some securities became more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. Since the transfer, these investments have been valued using valuation models incorporating observable market inputs.

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

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
At the beginning of the period/year	50,907	58,691
Remeasurement of impairment under IFRS 9	(10,000)	-
Transfer to Level 2	-	(217)
Transfer from investments carried at cost	25,000	-
Specific impairment provision on investments	-	(9,000)
Net unrealised gain recognised in other comprehensive income	-	452
Net unrealised loss recognised in income statement	(251)	-
Addition on consolidation of an entity	-	981
At the end of the period/year	<u>65,656</u>	<u>50,907</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 September 2018. 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.

During 2018, a legal case in which the Group is a plaintiff in respect of an outstanding commercial paper with a gross outstanding value of AED 19.8 million is still in progress. Based on the advice of counsel, management is confident of a positive outcome to the case and recovery of full book value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

6 ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Investments		
<i>Movement in allowances for impairment losses</i>		
Balance at 1 January	26,300	15,500
Impairment allowance adjusted against carrying value of investments	(10,000)	-
Initial application of IFRS 9	(12,298)	-
Restated balance at 1 January	4,002	15,500
Net allowance for impairment losses	3,318	10,800
	<u>7,320</u>	<u>26,300</u>
Loans and advances		
<i>Movement in allowances for impairment losses</i>		
Balance at 1 January	15,000	13,000
Initial application of IFRS 9	(14,543)	-
Restated balance at 1 January	457	13,000
Net allowance for impairment losses	393	2,000
	<u>850</u>	<u>15,000</u>
Due from banks		
<i>Movement in allowances for impairment losses</i>		
Balance at 1 January	-	-
Initial application of IFRS 9	3,099	-
Restated balance at 1 January	3,099	-
Net allowance for impairment losses	(2,109)	-
	<u>990</u>	<u>-</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 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Expected credit losses -Lifetime ECL (Stage 3) / specific impairment provision	3,732	-
Expected credit losses- 12-months ECL (Stage 1)	3,102	-
Expected credit losses- lifetime ECL (Stage 2)	2,326	-
Collective impairment provision - IAS 39	-	41,300
Expected credit losses/ collective impairment provision	5,428	41,300
Total expected credit losses / impairment provision	<u>9,160</u>	<u>41,300</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

For the nine month period ended 30 September 2018 (Unaudited)

7 DUE TO BANKS

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Term placements	638,220	811,140
Repurchase agreements	554,039	352,335
Demand and call deposits	190	-
	<u>1,192,449</u>	<u>1,163,475</u>

7.1 Information on collateral

	<i>Balance 30 September 2018 AED'000 (Unaudited)</i>	<i>Collateral value 30 September 2018 AED'000 (Unaudited)</i>	<i>Balance 31 December 2017 AED'000 (Audited)</i>	<i>Collateral value 31 December 2017 AED'000 (Audited)</i>
<i>Term placements:</i>				
Collateralized by investments	142,993	281,399	198,711	391,702
Collateralized by due from banks	371,227	390,765	462,429	513,810
	<u>514,220</u>	<u>672,164</u>	<u>661,140</u>	<u>905,512</u>
<i>Repurchase agreements:</i>				
Collateralized by debt instruments	399,833	436,432	352,335	382,113
Collateralized by fiduciary assets *	154,206	183,678	-	-
	<u>554,039</u>	<u>620,110</u>	<u>352,335</u>	<u>382,113</u>

The group has unsecured term placements amounting to AED 124,000 thousand (2017: AED 150,000 thousand) as at reporting date.

* To finance facilities granted to the respective owners of such fiduciary assets.

8 INTEREST INCOME

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 AED'000 (Unaudited)</i>	<i>2017 AED'000 (Unaudited)</i>	<i>2018 AED'000 (Unaudited)</i>	<i>2017 AED'000 (Unaudited)</i>
Loans and advances	22,432	15,988	58,847	47,879
Bank placements	1,709	1,417	4,053	4,424
	<u>24,141</u>	<u>17,405</u>	<u>62,900</u>	<u>52,303</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

For the nine month period ended 30 September 2018 (Unaudited)

9 NET INCOME FROM INVESTMENTS

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2017</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2018</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2017</i> <i>AED'000</i> <i>(Unaudited)</i>
Interest income on investments in debt instruments	10,710	15,644	37,052	45,918
Net realised gain on disposal of available-for-sale investments	-	2,263	-	2,974
Net realised gain on disposal of investments measured at amortised cost*	-	-	1,204	-
Net realised gain/ (loss) from investment securities designated as fair value through profit or loss	1,553	(228)	2,259	(429)
Net un-realised (loss)/ gain from investment securities designated as fair value through profit or loss	(1,632)	858	(7,362)	2,061
Dividend income	2,742	3,731	9,941	13,508
Loss on redemption of investments	(98)	-	(83)	-
Portfolio management fees paid to other financial institutions	(175)	(252)	(679)	(792)
	13,100	22,016	42,332	63,240

*Management decided to exit equity and subordinated debt in financial institutions in the Bank's proprietary investment book as it resulted in the Common Equity Tier 1 Capital ("CET1") of the Bank being reduced by the equivalent amount. However, this does not indicate any change to the adopted business model under IFRS 9.

10 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share of AED 44.30 (30 September 2017: AED 60.62) is calculated by dividing the profit attributable to the equity holders of the parent of AED 31,013 thousand for the nine month period ended 30 September 2018 (30 September 2017: AED 42,434 thousand) by the weighted average number of shares outstanding during the period of 700,000 of AED 100 each (30 September 2017: 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.

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11 SEGMENTAL ANALYSIS (continued)

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>Nine months ended</i>		<i>Nine months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</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 *	46,468	56,503	99,750	87,555	146,218	144,058
Inter-segment adjustment	11,137	11,525	(11,137)	(11,525)	-	-
	<u>57,605</u>	<u>68,028</u>	<u>88,613</u>	<u>76,030</u>	<u>146,218</u>	<u>144,058</u>
Profit for the period	<u>7,550</u>	<u>27,382</u>	<u>25,219</u>	<u>16,993</u>	<u>32,769</u>	<u>44,375</u>

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

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</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	<u>2,846,479</u>	<u>3,806,748</u>	<u>1,674,597</u>	<u>1,098,017</u>	<u>4,521,076</u>	<u>4,904,765</u>
Segment liabilities and equity	<u>1,321,268</u>	<u>1,368,149</u>	<u>3,199,808</u>	<u>3,536,616</u>	<u>4,521,076</u>	<u>4,904,765</u>

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 September</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Guarantees	38,884	36,032
Unutilised committed credit facilities*	157,471	214,044
	<u>196,355</u>	<u>250,076</u>

The Group has commitments of AED 34,203 thousand on account of investment in equity instruments (31 December 2017: AED 15,717 thousand).

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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.

Capital expenditure commitments:

The Group has commitments of AED 149 thousand as at 30 September 2018 for leasehold improvements (2017: Nil).

Operating lease commitments:

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Future minimum lease payments		
Within one year	4,243	3,899
After one year but not more than five years	8,912	12,365
Total operating lease expenditure contracted for at the end of the reporting period / year	<u>13,155</u>	<u>16,264</u>

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 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
<i>Directors, their related parties and key management personnel:</i>		
Loans and advances	<u>131,855</u>	8,537
Investments	<u>53,019</u>	290,000
Customers' deposits	<u>416,272</u>	342,144
Commitments and contingencies	<u>31,458</u>	24,655
Other liabilities	<u>2,217</u>	2,273

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For the nine month period ended 30 September 2018 (Unaudited)

13 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Three month ended 30 September</i>		<i>Nine month ended 30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</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>Directors, their related parties and key management personnel:</i>				
Interest income	1,788	3,088	5,088	6,953
Interest expenses	(2,012)	(3,417)	(5,142)	(9,366)
Net realised gain on disposal of investments measured at amortised cost	-	-	2,563	-
Other income	599	106	1,788	2,620
General and administration expenses	(1,929)	(1,751)	(5,605)	(5,112)

Outstanding balances at the period end arise in the normal course of business. For the period ended 30 September 2018, the Group has not recorded any impairment of amounts owed by related parties (2017: Nil).

Compensation of key management personnel:

	<i>Three month ended 30 September</i>		<i>Nine month ended 30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</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>
Salaries and other benefits	2,939	2,800	8,787	8,402

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.

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14 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	<i>Positive fair value 30 September 2018 AED'000 (Unaudited)</i>	<i>Negative fair value 30 September 2018 AED'000 (Unaudited)</i>	<i>Notional amount 30 September 2018 AED'000 (Unaudited)</i>	<i>Positive fair value 31 December 2017 AED'000 (Audited)</i>	<i>Negative fair value 31 December 2017 AED'000 (Audited)</i>	<i>Notional amount 31 December 2017 AED'000 (Audited)</i>
Derivatives:						
Forward foreign exchange contracts	953	1,121	88,682	1,093	554	115,842
Foreign exchange Option contracts	329	329	140,336	308	308	98,448
	<u>1,282</u>	<u>1,450</u>	<u>229,018</u>	<u>1,401</u>	<u>862</u>	<u>214,290</u>

Derivative financial instruments include forward foreign exchange contracts and option contracts. These instruments are entered into for a period of up to five years.

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.

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 and foreign exchange option contracts 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 foreign exchange contracts are recorded at fair value under level 2 of the fair value hierarchy.

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15 FIDUCIARY ASSETS

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Balance of fiduciary assets	6,248,049	5,628,379

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.

16 DE-CONSOLIDATION OF A SUBSIDIARY

EIB Enhanced Liquidity Fund Limited (the Company), a SPE is de-consolidated in these condensed consolidated interim financial statements. The Company has launched a liquidity fund in 03 June 2015. The Bank has been appointed as the Investment Manager and Custodian of the Fund. The Company is managed by EIB Investment Management (Cayman) Limited, which is a 100% subsidiary of EIB Investment Co. LLC. The Company is an open-ended, multi-class investment company structured to operate as an open-ended unit trust or mutual fund and is an exempted company with limited liability formed under the laws of the Cayman Islands.

The Group reassessed the control definition under IFRS 10 over the Company and concluded that the control ceased to exist from 30 September 2018. Accordingly, the Company is no longer consolidated in the Group from the effective date.

The carrying amount of assets and liabilities of the subsidiary as at the date of de-consolidation were:

	<i>30 September 2018 AED'000</i>
ASSETS	
Due from banks	17,679
Investments, net	134,787
Other assets	5,774
TOTAL ASSETS	158,240
LIABILITIES AND EQUITY	
LIABILITIES	
Other liabilities	15,375
TOTAL LIABILITIES	15,375
EQUITY	
Share capital	140,025
Retained earnings	2,840
TOTAL EQUITY	142,865
TOTAL LIABILITIES & EQUITY	158,240

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16 DE-CONSOLIDATION OF A SUBSIDIARY (continued)

The contribution of the Company to the income statement of the Group for the period from 1 January 2018 to 30 September 2018 was as follows:

	<i>Nine month period ended 30 September 2018 AED'000</i>
Net interest income and net income from investments	5,373
Operating income	5,267
Profit for the period	3,677

17 COMPARATIVE FIGURES

Certain comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in these condensed consolidated interim financial information. Further, condensed consolidated interim statement of cash flows for the nine month period ended 30 September 2018 has been restated and statutory cash deposit with the Central Bank of UAE which was classified as cash and cash equivalent has been reclassified as non-cash and cash equivalent to conform to the presentation in the current period.