In the Name of Allah
The most Gracious and Merciful

مصرف الإمارات الإسلامي

EMIRATES ISLAMIC BANK

(Public Joint Stock Company)

Head Office
3rd Floor, Executives Offices Tower,
Dubai Health Care City, Dubai
Tel.: +971 4 3834777
Fax: +971 4 3582386

P.O. Box: 6564, Dubai, United Arab Emirates
Website:www.emiratesislamicbank.ae

Condensed Consolidated Interim Financial Statements(un-audited)

For the nine month period ended 30 September 2013

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Emirates Islamic Bank (PJSC)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS(UN-AUDITED)

For the nine month period ended 30 September 2013

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ERNST & YOUNG

P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
www.ey.com/mena

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF EMIRATES ISLAMIC BANK PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Emirates Islamic Bank PJSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated interim statement of financial position as at 30 September 2013 and the related consolidated interim statements of income and comprehensive income for the three month and nine month periods then ended and consolidated interim statement of cash flows and changes in equity for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. The condensed consolidated interim financial statements of the Group as of 30 September 2012 and the consolidated financial statements of the Group as of 31 December 2012 were reviewed and audited respectively by another auditor whose reports dated 21 October 2012 and 30 January 2013 expressed unqualified conclusions on those financial statements.

Scope of Review

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

Conclusion

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

Ernst & Young

Ernst & Young
Signed by:
Joseph Murphy
Partner
Registration No. 492

23 October 2013
Dubai, United Arab Emirates

90
Years in MENA

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Emirates Islamic Bank (PJSC)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Notes	Un-audited 30 September 2013 AED'000	Audited 31 December 2012 AED'000
ASSETS			
Cash and balances with UAE Central Bank		2,638,456	2,004,695
Due from banks	3	10,242,805	10,922,263
Financing receivables	4	20,737,728	19,825,471
Investments	5	2,260,747	2,911,381
Investment properties	6	1,146,018	1,119,133
Customer acceptances		358,966	124,831
Prepayments and other assets		493,550	247,195
Property and equipment		106,910	108,791
TOTAL ASSETS		**37,985,180**	**37,263,760**
LIABILITIES			
Customers' accounts	7	27,127,225	25,673,184
Due to banks	8	474,127	3,023,964
Sukuk payable	9	3,673,000	3,673,000
Customer acceptances		358,966	124,831
Other liabilities		1,047,339	1,061,594
Zakat payable		-	3,291
Investment wakala	10	1,081,872	1,081,872
TOTAL LIABILITIES		**33,762,529**	**34,641,736**
SHAREHOLDERS' EQUITY			
Share capital	11	3,930,422	2,430,422
Statutory reserve		214,987	214,987
General reserve		120,766	120,766
Fair value reserve		27,564	66,632
Accumulated losses		(114,283)	(254,059)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**4,179,456**	**2,578,748**
Non-controlling interest	12	43,195	43,276
TOTAL EQUITY		**4,222,651**	**2,622,024**
TOTAL LIABILITES AND EQUITY		**37,985,180**	**37,263,760**
CONTINGENTCIES AND COMMITMENTS		**5,370,785**	**4,472,047**

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 23rd October 2013 and signed on its behalf by:

Chairman **Chief Executive Officer**

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

The independent auditors' review report is set out on page 1.

Emirates Islamic Bank (PJSC)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME (UN-AUDITED)

For the nine month period ended 30 September 2013

	Note	For the three month period ended 30 September 2013 AED'000	For the three month period ended 30 September 2012 AED'000	For the nine month period ended 30 September 2013 AED'000	For the nine month period ended 30 September 2012 AED'000
INCOME					
Income from financing activities, net		314,265	203,101	878,863	551,674
Income from investment securities, net		20,386	9,046	84,412	37,433
Income from Group Holding Company, net		77,811	80,167	239,227	204,890
Property related income, net		920	(480)	2,474	2,604
Commission and fee income, net		52,310	47,589	169,652	171,418
Other operating income, net		11,637	8,712	32,342	15,959
TOTAL INCOME		**477,329**	**348,135**	**1,406,970**	**983,978**
EXPENSES					
General and administrative expenses		(162,537)	(101,922)	(460,309)	(285,090)
TOTAL EXPENSES		**(162,537)**	**(101,922)**	**(460,309)**	**(285,090)**
NET OPERATING INCOME BEFORE ALLOWANCES FOR IMPAIRMENT AND DISTRIBUTIONS		**314,792**	**246,213**	**946,661**	**698,888**
Allowances for impairment, net of recoveries		(209,469)	(158,639)	(517,321)	(463,656)
NET OPERATING INCOME		**105,323**	**87,574**	**429,340**	**235,232**
Customers' share of profit and distribution to sukuk holders		(76,649)	(95,276)	(289,645)	(276,982)
NET PROFIT/(LOSS) FOR THE PERIOD		**28,674**	**(7,702)**	**139,695**	**(41,750)**
Attributable to:					
Equity holders of the Bank		28,701	(7,675)	139,776	(41,669)
Non-controlling interest		(27)	(27)	(81)	(81)
NET PROFIT/(LOSS) FOR THE PERIOD		**28,674**	**(7,702)**	**139,695**	**(41,750)**
Earnings/(loss) per share (Dirham)	13	0.008	(0.003)	0.040	(0.017)

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

The independent auditors' review report is set out on page 1.

Emirates Islamic Bank (PJSC)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the nine month period ended 30 September 2013

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2013	2012	2013	2012
	AED'000	AED'000	AED'000	AED'000
NET PROFIT/(LOSS) FOR THE PERIOD	**28,674**	**(7,702)**	**139,695**	**(41,750)**
Cumulative changes in fair value of AFS investment				
- Net change in fair value	1,971	23,288	(21,163)	37,664
- Net amount transferred to income statement	5,710	-	(17,905)	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**36,355**	**15,586**	**100,627**	**(4,086)**
Attributable to:				
Equity holders of the Bank	36,382	15,613	100,708	(4,005)
Non-controlling interest	(27)	(27)	(81)	(81)
	36,355	**15,586**	**100,627**	**(4,086)**

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

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Emirates Islamic Bank (PJSC)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the nine month period ended 30 September 2013

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK						Non-controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Fair value reserve	Accumulated losses	Total		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
As at 1 January 2012	2,430,422	206,865	112,644	515	(315,744)	2,434,702	43,384	2,478,086
Net loss for the period	-	-	-	-	(41,669)	(41,669)	(81)	(41,750)
Other comprehensive income for the period	-	-	-	37,664	-	37,664	-	37,664
As at 30 September 2012	**2,430,422**	**206,865**	**112,644**	**38,179**	**(357,413)**	**2,430,697**	**43,303**	**2,474,000**
As at 1 January 2013	2,430,422	214,987	120,766	66,632	(254,059)	2,578,748	43,276	2,622,024
Issue of right shares	1,500,000	-	-	-	-	1,500,000	-	1,500,000
Net profit for the period	-	-	-	-	139,776	139,776	(81)	139,695
Other comprehensive (loss) for the period	-	-	-	(39,068)	-	(39,068)	-	(39,068)
As at 30 September 2013	**3,930,422**	**214,987**	**120,766**	**27,564**	**(114,283)**	**4,179,456**	**43,195**	**4,222,651**

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

The independent auditors' review report is set out on page 1.

Emirates Islamic Bank (PJSC)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the nine month period ended 30 September 2013

	Note	For the nine month period ended 30 September 2013 AED'000	2012 AED'000
OPERATING ACTIVITIES			
Net profit/(loss) for the period		139,695	(41,750)
Adjustments:			
Allowances for impairment on financing receivables, net		426,191	431,142
Allowances for impairment on investments, net		91,130	32,514
Dividend income		(15,967)	(2,537)
Gain on sale of investments		(16,558)	(1,442)
Unrealised gain on fair value of investment securities through profit and loss		(4,158)	7,973
Depreciation on investment properties		21,513	20,108
Depreciation on fixed assets		14,847	13,570
Operating profit before changes in operating assets and liabilities		**656,693**	**459,578**
Changes in reserve with UAE Central Bank		(303,236)	(46,339)
Changes in due from banks		1,389,183	(8,169,474)
Changes in financing receivables		(1,338,448)	(2,679,594)
Changes in prepayments and other assets		(246,355)	(189,874)
Changes in customers' accounts		1,454,041	1,683,321
Changes in due to banks		(2,566,667)	4,288,986
Changes in other liabilities		(14,255)	295,653
Zakat paid		(3,291)	(1,053)
Net cash used in operating activities		**(972,335)**	**(4,358,796)**
INVESTING ACTIVITIES			
(Purchases) of investment securities, net		(307,026)	(730,663)
Proceeds from sale of investment securities		848,178	23,750
Dividend income received		15,967	2,537
Changes in investment properties		(48,398)	(26,226)
Changes in fixed assets, net		(12,966)	(6,823)
Net cash used in investing activities		**495,755**	**(737,425)**
FINANCING ACTIVITIES			
Proceeds from sukuk issuance		-	3,673,000
Issue of right shares		1,500,000	-
Net cash generated from financing activities		**1,500,000**	**3,673,000**
Net change in cash and cash equivalents		**1,023,420**	**(1,423,221)**
Cash and cash equivalents at the beginning of the period		1,602,560	2,009,711
Cash and cash equivalents at the end of the period	14	**2,625,980**	**586,490**

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

The independent auditors' review report is set out on page 1.

1 LEGAL STATUS AND ACTIVITIES

Emirates Islamic Bank, formerly Middle East Bank, (the "Bank") was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with limited liability in the Emirate of Dubai on 3rd of October 1975. The Bank was re-registered as a Public Joint Stock Company in July 1995 and is regulated by the Central Bank of the United Arab Emirates.

At an extraordinary general meeting held on 10th of March 2004, a resolution was passed to transform the Bank's activities to be in full compliance with Islamic Sharia'. The entire process was completed on 9th of October 2004 (the "Transformation Date") when the Bank obtained the UAE Central Bank and other UAE authorities' approvals.

The Bank is a subsidiary of Emirates NBD PJSC, Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai, an entity in which the Government of Dubai is the major shareholder. The Bank is listed on the Dubai Financial Market.

In addition to its head office in Dubai, the Bank operates through 50 branches in the UAE. The Financial Statements combine the activities of the Bank's head office and its branches and the following two subsidiaries (together referred as "the Group").

	Date of incorporation &country	Principal activity	Ownership %
Emirates Islamic Financial Brokerage Co. LLC	26 April 2006, UAE	Financial brokerage services	100%
Ithmar Real Estate Development Co. PSC	9 June 2008, UAE	Real estate holding and trust companies	40%

The Bank exercises control over the management of Ithmar Real Estate Development Co. PSC through holding the majority votes of its Board of Directors.

The Bank provides full commercial and banking services and offers a variety of products through Islamic financing and investing instruments in accordance with Islamic Sharia'.

The Bank's registered office address is P.O. Box 6564, Dubai, United Arab Emirates.

2 BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. They do not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012. In addition, results for the nine month period ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

The Condensed consolidated interim financial statements have been presented in UAE Dirham (the functional currency of the Group) rounded to the nearest thousand.

2 BASIS OF PREPARATION *(continued)*

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for the following which are measured at fair value:

- Financial assets at fair value through profit or loss; and
- Financial assets available for sale..

c) Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its most recent audited consolidated financial statements for the year ended 31 December 2012.The adoption of new and amended IFRS and IFRIC interpretations with effect from 1 Jan 2013 has had no effect on the condensed consolidated interim financial statements of the Group.

d) Judgments and estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to use certain critical accounting estimates. It also requires management to make judgments, 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.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2012.

e) Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2012.

f) Business combination - acquisition of financial assets and customer deposits from Dubai Bank PJSC

As part of the overall strategy to manage two Sharia compliant banking businesses within the Emirates NBD Group, majority of the assets and liabilities of Dubai Bank PJSC were transferred to Emirates Islamic Bank PJSC by virtue of a Sale Purchase Agreement dated November 30, 2012.

The objective of the combination was to manage two Sharia compliant Islamic banking businesses under one roof in a cost effective manner.

The carrying value of the identifiable assets and liabilities that was acquired from Dubai Bank as at 30 September 2013 is AED 2,423,223,000 (31st December 2012: AED 2,884,269,000).

3 DUE FROM BANKS

	Un-audited 30 September 2013 AED'000	Audited 31 December 2012 AED'000
Due from local banks		
Current accounts	25	25
Murabaha accounts	7,744,422	7,106,928
Deposit exchange (profit free)	-	495,450
Receivables from Dubai Bank (Note 2(f))	2,423,223	2,884,269
Other balances with parent company	-	152,344
	10,167,670	**10,639,016**
Due from foreign banks		
Current accounts	75,135	283,247
	10,242,805	**10,922,263**

4 FINANCING RECEIVABLES

	30 September 2013 AED'000	31 December 2012 AED'000
Murabaha	12,653,835	9,705,333
Ijarah	8,922,088	8,874,102
Istisna'a	1,283,027	1,319,978
Financing wakala	1,031,331	2,193,085
Musharaka	484,783	245,149
Mudarabah	157,521	83,805
Secured overdrafts	226,401	227,359
Credit card receivables	979,519	954,366
	25,738,505	23,603,177
Less: Deferred income	(2,089,385)	(1,309,346)
Less: Allowances for impairment	(2,911,392)	(2,468,360)
	20,737,728	**19,825,471**
Total of impaired financing receivables	**4,255,250**	**4,047,912**

4 FINANCING RECEIVABLES (continued)

	Un-audited 30 September 2013 AED'000	Audited 31 December 2012 AED'000
Analysis by Economic Activity		
Agriculture and related activities	8,515	13,044
Manufacturing	364,939	307,069
Construction	465,084	464,912
Trade	1,192,634	1,008,482
Transportation and communication	252,839	189,058
Sovereign	425,837	-
Services	1,397,487	1,505,798
Personal	14,798,380	11,797,042
Real estates	4,833,736	4,889,825
Financial institutions	1,101,360	2,573,936
Others	897,694	854,011
	25,738,505	23,603,177
Less: Deferred income	(2,089,385)	(1,309,346)
Less: Allowances for impairment	(2,911,392)	(2,468,360)
	20,737,728	**19,825,471**
Movements in allowances for specific impairment:		
Balance at the beginning of the period/year	1,860,821	1,007,566
Allowances for impairment made during the period/year	491,079	509,575
Recoveries/write backs during the period/year	(64,094)	(106,059)
Transfer from Dubai Bank PJSC	16,841	449,739
Balance at the end of the period/year	**2,304,647**	**1,860,821**
Movements in allowances for collective impairment:		
Balance at the beginning of the period/year	607,539	343,988
Allowances for impairment made during the period/year	16,577	3,949
Recoveries/write backs during the period/year	(17,371)	-
Transfer from Dubai Bank PJSC	-	259,602
Balance at the end of the period/year	**606,745**	**607,539**
	2,911,392	**2,468,360**

5 INVESTMENTS

	Un-audited 30 September 2013 AED'000	Audited 31 December 2012 AED'000
Fair value through profit or loss		
Equity shares	62,481	59,197
Funds	450	450
	62,931	59,647
Available-for-sale		
Equity shares	692,284	687,203
Funds	810,716	862,007
Sukuks	700,154	1,016,732
	2,203,154	2,565,942
Held-to-maturity		
Sukuks	327,947	527,947
	2,594,032	3,153,536
Less: Allowance for impairment	(333,285)	(242,155)
	2,260,747	**2,911,381**
Investment securities comprise:		
Quoted	940,433	1,448,647
Unquoted	1,320,314	1,462,734
	2,260,747	**2,911,381**
Investments located at:		
Investments within UAE	871,633	1,470,572
Investments outside UAE	1,389,114	1,440,809
	2,260,747	**2,911,381**
Movements in allowances for impairment:		
Balance at the beginning of the period/year	242,155	180,209
Allowances for impairment made during the period/year	91,130	49,146
Transfer from Dubai Bank PJSC	-	12,800
Balance at the end of the period/year	**333,285**	**242,155**

6 INVESTMENT PROPERTIES

30 September 2013	AED'000 Land	AED'000 Building	AED'000 Work-in-progress	Un-audited AED'000 Total
Cost				
Balance as at 1 January	662,221	840,889	60,253	1,563,363
Properties purchased during the period	-	-	48,397	48,397
Gross Balance at 30 September	**662,221**	**840,889**	**108,650**	**1,611,760**
Less: Allowances for Impairment	(241,457)	(107,822)	-	(349,279)
Net Balance at 30 June	**420,764**	**733,067**	**108,650**	**1,262,481**
Accumulated Depreciation				
Balance as at 1 January	-	(94,951)	-	(94,951)
Charge during the period	-	(21,512)	-	(21,512)
Balance as at 30 September	**-**	**(116,463)**	**-**	**(116,463)**
Net Book Value at 30 September	**420,764**	**616,604**	**108,650**	**1,146,018**

31 December 2012				Audited
Cost				
Balance as at 1 January	662,221	764,939	95,552	1,522,712
Properties purchased during the year	-	-	40,651	40,651
Transfer from WIP to Building	-	75,950	(75,950)	-
Gross Balance at 31 December	**662,221**	**840,889**	**60,253**	**1,563,363**
Less: Allowances for Impairment	(241,457)	(107,822)	-	(349,279)
Net Balance at 31 December	**420,764**	**733,067**	**60,253**	**1,214,084**
Accumulated Depreciation				
Balance as at 1 January	-	(67,672)	-	(67,672)
Charge during the year	-	(27,279)	-	(27,279)
Balance as at 31 December	**-**	**(94,951)**	**-**	**(94,951)**
Net Book Value at 31 December	**420,764**	**638,116**	**60,253**	**1,119,133**

The fair value of investment properties as of 30 September 2013 is AED 1,181,847,967 (2012: AED 1,155,950,000), based on valuation conducted by independent valuers and management's own assessment for expected benefit to be derived from these buildings over their expected useful lives.

All investment properties are located within the United Arab Emirates.

7 CUSTOMERS' ACCOUNTS

	Un-audited 30 September 2013 AED'000	Audited 31 December 2012 AED'000
Current accounts	8,592,595	6,620,109
Saving accounts	5,873,915	5,304,389
Investment accounts	5,509,511	6,309,127
Wakala accounts	6,957,068	7,286,022
Margins	186,996	153,537
Profit Equalization Reserve	7,140	-
	27,127,225	**25,673,184**
Customers' accounts are concentrated as follows:		
Resident customer accounts	26,525,107	25,197,148
Non-Resident customer accounts	602,118	476,036
	27,127,225	**25,673,184**

8 DUE TO BANKS

Current Accounts	4,261	6,209
Overdraft with correspondents	18,792	14
Investment accounts	72,080	72,910
Deposit exchange (profit free)	-	367,300
Wakala accounts	45,860	2,577,531
Other balances with parent company	333,134	-
	474,127	**3,023,964**
Due to banks are concentrated as follows:		
Due to local banks	390,400	2,946,891
Due to foreign banks	83,727	77,073
	474,127	**3,023,964**

9 SUKUK PAYABLE

The Bank, through a Sharia'a compliant sukuk financing arrangement, raised two tranches of US Dollar denominated medium term finance amounting to USD 500,000,000 each (AED 1,836,500,000).

The sukuks are listed on the London Stock Exchange. The terms of the arrangement include transfer of certain identified assets (the "Co Owned Assets") of the Bank to a sukuk company, EIB Sukuk Company Limited – (the "Issuer"), a special purpose vehicle formed for the issuance of the sukuk. In substance, the co-owned assets remain in control of the Bank. Accordingly these assets continue to be recognized by the Bank. In case of any default, the Holding Company has provided an undertaking to make good all losses to the sukuk holders. The sukuks will be due for maturity during January 2017 and January 2018 respectively. The assets are in the control of the Bank and shall continue to be serviced by the Bank.

The Issuer will pay the semi-annual distribution amount from returns received in respect of the Co Owned Assets. Such proceeds are expected to be sufficient to cover the semi-annual distribution amount payable to the sukuk holders on the semi-annual distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at the exercise price.

The sukuks carry a fixed profit rate of 4.718% and 4.14% per annum respectively. Such profits are payable on a semi-annual basis.

10 INVESTMENT WAKALA

The Bank received funds, on Wakala basis, aggregating to AED 1,081,872,000 in December 2008 from the Ministry of Finance, Government of UAE, payable after five years (extendable up to seven years), subject to certain conditions as per the Wakala agreement and carries profit rate of 5.25% (2012: 4.5%).

11 SHARE CAPITAL

The Bank has an authorised share capital of AED 5,000,000,000 (2012: 3,000,000,000) and paid up capital of AED 3,930,422,000 (31 December 2012: AED 2,430,422,000).

The Shareholders of the Bank in the extra ordinary general meeting held on 23rd December 2012 approved an increase in the authorized share capital by AED 2,000,000,000 and paid up share capital by AED 1,500,000,000. Legal formalities were completed and the capital was increased on 31 March 2013.

12 NON-CONTROLLING INTEREST

Non-controlling interest of AED 43,195,000 as at 30 September 2013 (31 December 2012: AED 43,276,000) represents the 60% of shares of Ithmar Real Estate Development Co.(PSC) not owned by the Bank (note 1).

13 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on net income of AED 139,776,000 for the nine month periods ended 30 September 2013 (30 September 2012: loss of AED 41,669,000) divided by the weighted average number of shares outstanding of 3,530,422,000 (30 September 2012: 2,430,422,000).

The Group has not issued any instruments which would have an impact on basic earnings per share when exercised.

14 CASH AND CASH EQUIVALENTS

	Un-audited 30 September 2013 AED'000	Audited 31 December 2012 AED'000
Cash	176,739	139,487
Current account with U.A.E Central Bank	(4,568)	104,152
Murabaha with Central Bank	401,993	-
Due from banks	2,074,869	1,365,144
Due to banks	(23,053)	(6,223)
	2,625,980	**1,602,560**

15 RELATED PARTY TRANSACTIONS

The ultimate parent of the Group is the Investment Corporation of Dubai (55.6%), an entity in which the Government of Dubai is the majority shareholder.

Customer accounts and financing to Government related entities other than those that have been individually disclosed amount to 8.80% and 4.63% of the total customer accounts and financing receivables of the Group respectively.

These entities are independently run business entities, and all the financial dealings with the Group are on an agreed basis.

The Group has also entered into transactions with certain other related parties who are Non-Government related entities. Such transactions were also made on substantially the same terms, including profit rates and collaterals, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Related party transactions are as follows:

	Un-audited For the nine month period ended 30 September 2013 AED'000	Un-audited 2012 AED'000
Consolidated interim statement of income		
Income from Group Holding Company, net	239,227	204,890
Key management personnel compensations	(14,356)	(20,813)
Key management personnel compensations - retirements benefits	(304)	(529)

Balances with related parties are as follows:	Un-audited 30 September 2013 AED'000	Audited 31 December 2012 AED'000
Consolidated interim statement of financial position		
Due from Group Holding Company, net	7,365,428	4,809,891
Due from Ulimtate Parent Company	183,800	613,376
Due to Ultimate Parent Company	(709,333)	(661,308)
Due from Dubai Bank PJSC	2,423,223	2,884,269
Financing receivables - Directors & affiliates	7,533	-
Financing receivables - Key management personnel & affiliates	9,437	11,648
Current and Investment accounts - Directors	(1,621)	(571)
Current and Investment accounts - Key management personnal	(15,431)	(3,933)
Investment in Government of Dubai Sukuk	36,730	79,594

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

No impairment losses have been recorded against balances outstanding during the period/year with key management personnel and their immediate relations.

16 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair Value of assets and liabilities

The table below analyses assets and liabilities measured at fair value on a recurring basis. The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in principal markets for identified assets or liabilities.
- Level 2: valuation using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Quoted prices in active markets for identical assets Level 1 AED '000	Significant other observable inputs Level 2 AED '000	Significant unobservable inputs Level 3 AED '000	Total Gains/ (losses) AED '000
				Un-audited
30-September-2013				
Investment securities AVAILABLE-FOR-SALE:				
Investment in Funds	-	-	810,716	**810,716**
Investment in equities	151,665	-	540,619	**692,284**
Debt Securities	700,154		-	**700,154**
	851,819	**-**	**1,351,335**	**2,203,154**
DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:				
Investment in Funds	-	450	-	**450**
Investment in equities	62,481	-	-	**62,481**
	62,481	**450**	**-**	**62,931**
GRAND TOTAL	**914,300**	**450**	**1,351,335**	**2,266,085**
31-December-2012				**Audited**
Investment securities AVAILABLE-FOR-SALE:				
Investment in Funds	-	-	862,007	**862,007**
Investment in equities	146,584	-	540,619	**687,203**
Debt Securities	953,139	63,593	-	**1,016,732**
	1,099,723	**63,593**	**1,402,626**	**2,565,942**
DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:				
Investment in Funds	-	450	-	**450**
Investment in equities	59,197	-	-	**59,197**
	59,197	**450**	**-**	**59,647**
GRAND TOTAL	**1,158,920**	**64,043**	**1,402,626**	**2,625,589**

16 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE *(continued)*

Reconciliation of financial assets, classified under level 3	Financial assets held for trading	Available for sale financial assets	Un-audited Total
	AED '000	AED '000	AED '000
Balance as at 1 January 2013	-	1,402,626	1,402,626
Total gains or losses:	-	-	-
in profit or loss	-	-	-
in other comprehensive income	-	-	-
Purchases	-	-	-
Issues	-	-	-
Settlements	-	(51,496)	(51,496)
Movement due to change in un-observable estimates	-	-	-
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
FX Adjustment	-	205	205
Balance as at 30 September 2013	**-**	**1,351,335**	**1,351,335**

			Audited
	AED '000	AED '000	AED '000
Balance as at 1 January 2012	-	1,410,098	1,410,098
Total gains or losses:	-	-	-
in profit or loss	-	-	-
in other comprehensive income	-	-	-
Purchases	-	-	-
Issues	-	-	-
Settlements	-	(6,505)	(6,505)
Movement due to change in un-observable estimates	-	-	-
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
FX Adjustment	-	(967)	(967)
Balance as at 31 December 2012	**-**	**1,402,626**	**1,402,626**

17 OPERATING SEGMENT

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

Corporate and Investment
Within this business segment, the Bank provides to corporate customers a range of products and services and accepts their deposits. This segment invests in investment securities, Sukuk, Funds and Real Estate.

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

Treasury
This segment mainly includes Murabaha deals with the Group Holding Company.

17 OPERATING SEGMENT (continued)

	Corporate & Investment		Retail		Treasury		Total	
	For the nine month period ended 30 September		For the nine month period ended 30 September		For the nine month period ended 30 September		For the nine month period ended 30 September	
	2013 AED'000 Un-audited	2012 AED'000 Un-audited	2013 AED'000 Un-audited	2012 AED'000 Un-audited	2013 AED'000 Un-audited	2012 AED'000 Un-audited	2013 AED'000 Un-audited	2012 AED'000 Un-audited
Consolidated statement of income								
Segment income	488,167	377,951	475,108	229,720	239,227	204,889	1,202,502	812,560
Inter segment wakala income	(70,881)	(78,639)	149,832	140,111	(78,951)	(61,472)	-	-
Commission, fees & other Income	94,653	63,967	109,069	106,639	746	812	204,468	171,418
Total income	**511,939**	**363,279**	**734,009**	**476,470**	**161,022**	**144,229**	**1,406,970**	**983,978**
General and administrative expenses	(113,913)	(89,795)	(343,305)	(217,043)	(3,091)	21,748	(460,309)	(285,090)
Total expenses	**(113,913)**	**(89,795)**	**(343,305)**	**(217,043)**	**(3,091)**	**21,748**	**(460,309)**	**(285,090)**
Net operating income	**398,026**	**273,484**	**390,704**	**259,427**	**157,931**	**165,977**	**946,661**	**698,888**
Allowances for impairment, net of recoveries	(436,750)	(439,626)	(80,571)	(24,030)	-		(517,321)	(463,656)
	(38,724)	**(166,142)**	**310,133**	**235,397**	**157,931**	**165,977**	**429,340**	**235,232**
Customers' share of profit and distribution to sukuk holders	(70,336)	(90,371)	(96,755)	(107,178)	(122,554)	(79,433)	(289,645)	(276,982)
NET (LOSS)/PROFIT FOR THE PERIOD	**(109,060)**	**(256,513)**	**213,378**	**128,219**	**35,377**	**86,544**	**139,695**	**(41,750)**

17 OPERATING SEGMENT (continued)

	Corporate & Investment		Retail		Treasury		Total	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	AED'000 Un-audited	AED'000 Audited	AED'000 Un-audited	AED'000 Audited	AED'000 Un-audited	AED'000 Audited	AED'000 Un-audited	AED'000 Audited
Consolidated statement of financial position								
Assets								
Segment assets	14,815,098	17,693,575	12,111,323	9,171,510	8,394,007	8,281,633	35,320,428	35,146,718
Central Bank Reserve Requirements	825,717	704,422	1,238,575	1,056,634	-	-	2,064,292	1,761,056
Unallocated assets	-	-	-	-	-	-	600,460	355,986
Total Assets	**15,640,815**	**18,397,997**	**13,349,898**	**10,228,144**	**8,394,007**	**8,281,633**	**37,985,180**	**37,263,760**
Liabilities								
Segment liabilities	6,741,719	7,484,335	18,120,308	18,313,680	7,853,169	7,778,836	32,715,196	33,576,851
Unallocated liabilities	-	-	-	-	-	-	1,047,333	1,064,885
Total Liabilities	**6,741,719**	**7,484,335**	**18,120,308**	**18,313,680**	**7,853,169**	**7,778,836**	**33,762,529**	**34,641,736**

18 CAPITAL ADEQUACY RATIO

	Un-audited 30 September 2013 AED'000	Audited 31 December 2012 AED'000
TIER I CAPITAL		
Share capital	3,930,422	2,430,422
Statutory reserve	214,987	214,987
General reserve	120,766	120,766
Accumulated losses	(114,283)	(254,059)
Non-controlling interest	43,195	43,276
Total tier I capital	**4,195,087**	**2,555,392**
TIER II CAPITAL		
Investment Wakala from the Ministry of Finance	649,123	865,498
Portfolio impairment provisions	606,745	607,539
Fair value reserve	27,564	66,632
Total tier II capital	**1,283,432**	**1,539,669**
Tier II eligible capital	**1,068,353**	**1,310,823**
CAPITAL BASE	**5,263,440**	**3,866,215**
RISK WEIGHTED ASSETS	**32,647,657**	**31,599,023**
CAPITAL ADEQUACY RATIO (BASEL II)	**16.12%**	**12.24%**

19 INTERIM MEASUREMENT

The nature of the Group's business is such that income earned or expenses incurred are in a manner which is not impacted by any forms of seasonality. These condensed consolidated interim financial statements are prepared based on an accrual concept, which requires income and expenses for the period to be recorded as earned or incurred in the same period, not as received or paid throughout the period.

20 COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to the current period's presentation.