

Dubai Islamic Bank P.J.S.C.

**Consolidated financial statements
for the year ended 31 December 2015**

These audited financial statements are subject to the Central Bank of the UAE approval and adoption by shareholders at the annual general meeting.

Dubai Islamic Bank P.J.S.C.

Report and consolidated financial statements for the year ended 31 December 2015

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Independent Auditors' Report

The Shareholders
Dubai Islamic Bank P.J.S.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dubai Islamic Bank P.J.S.C. ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.



Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- v) notes 11 and 12 to the consolidated financial statements disclose the shares purchased during the financial year ended 31 December 2015;
- vi) note 43 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Bank, its Articles of Associations, which would materially affect its activities or its consolidated financial position as at 31 December 2015; and
- viii) note 31 to the consolidated financial statements discloses the social contributions made during the year.

Further, as required by the UAE Union Law No. (10) of 1980, as amended, we report that we have obtained all the information and explanations we considered necessary for the purposes of our audit.

KPMG Lower Gulf Limited
Date: 27 January 2016
Muhammad Tariq
Registered Auditor Number: 793
Place: Dubai, United Arab Emirates

Dubai Islamic Bank P.J.S.C.

Consolidated statement of financial position as at 31 December 2015

	Note	2015 AED'000	2014 AED'000
ASSETS			
Cash and balances with central banks	7	13,414,874	16,317,405
Due from banks and financial institutions	8	5,084,740	4,316,452
Islamic financing and investing assets, net	9	97,219,599	73,976,602
Investments in Islamic sukuk measured at amortised cost	10	20,065,651	16,118,782
Other investments measured at fair value	11	1,830,986	2,036,697
Investments in associates and joint ventures	12	2,084,977	1,873,065
Properties held for development and sale	13	1,393,953	1,511,815
Investment properties	14	2,743,442	2,041,856
Receivables and other assets	15	5,263,927	5,113,913
Property and equipment	16	795,355	580,772
Total assets		149,897,504	123,887,359
LIABILITIES AND EQUITY			
LIABILITIES			
Customers' deposits	18	109,981,432	92,345,468
Due to banks and financial institutions	19	4,712,628	3,939,653
Sukuk issued	20	5,601,925	2,847,175
Payables and other liabilities	21	6,589,648	6,854,498
Zakat payable	23	218,343	194,481
Total liabilities		127,103,976	106,181,275
EQUITY			
Share capital	24	3,953,751	3,953,751
Tier 1 sukuk	25	7,346,000	3,673,000
Other reserves and treasury shares	26	5,617,539	5,494,117
Investments fair value reserve	27	(657,367)	(567,806)
Exchange translation reserve	28	(354,829)	(280,383)
Retained earnings		4,563,734	3,252,192
Equity attributable to owners of the Bank		20,468,828	15,524,871
Non-controlling interests	17.3	2,324,700	2,181,213
Total equity		22,793,528	17,706,084
Total liabilities and equity		149,897,504	123,887,359


H.E. Mohammad Ibrahim Al Shaibani
Chairman


Abdulla Ali Al Hamli
Managing Director


Dr. Adnan Chilwan
Group Chief Executive Officer

The notes on pages 9 to 92 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 1 & 2.

Dubai Islamic Bank P.J.S.C.

Consolidated statement of profit or loss for the year ended 31 December 2015

	<i>Note</i>	2015 AED'000	2014 AED'000
NET INCOME			
Income from Islamic financing and investing transactions	31	5,520,203	4,443,723
Commissions, fees and foreign exchange income	32	1,294,564	1,052,205
Income from other investments measured at fair value, net	33	37,378	39,149
Income from properties held for development and sale, net	34	245,563	215,323
Income from investment properties	35	111,378	83,247
Share of profit from associates and joint ventures	12.6	276,146	134,644
Other income	36	60,708	262,236
Total income		7,545,940	6,230,527
Less: depositors' and sukuk holders' share of profit	37	(1,057,332)	(799,018)
Net income		6,488,608	5,431,509
OPERATING EXPENSES			
Personnel expenses	38	(1,479,638)	(1,259,949)
General and administrative expenses	39	(589,408)	(509,562)
Depreciation of investment properties	14.1	(28,823)	(34,985)
Depreciation of property and equipment	16	(125,363)	(102,475)
Total operating expenses		(2,223,232)	(1,906,971)
Net operating income before net impairment charges and taxation		4,265,376	3,524,538
Impairment charges, net	40	(410,314)	(702,593)
Profit for the year before income tax expense		3,855,062	2,821,945
Income tax expense	22.3	(15,802)	(18,219)
Net profit for the year		3,839,260	2,803,726
Attributable to:			
Owners of the Bank		3,555,557	2,660,665
Non-controlling interests	17.3	283,703	143,061
Net profit for the year		3,839,260	2,803,726
Basic and diluted earnings per share (AED per share)	41	0.81	0.61

The notes on pages 9 to 92 form an integral part of these consolidated financial statements.

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Dubai Islamic Bank P.J.S.C.

Consolidated statement of other comprehensive income for the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Net profit for the year	3,839,260	2,803,726
<i>Other comprehensive income / (loss) items</i>		
<u><i>Items that may be reclassified subsequently to profit or loss:</i></u>		
Exchange differences on translation of foreign operations, net	(74,446)	3,132
<u><i>Items that will not be reclassified subsequently to profit or loss:</i></u>		
Fair value loss on other investments carried at FVTOCI, net	(80,499)	(4,609)
Other comprehensive loss for the year	(154,945)	(1,477)
Total comprehensive income for the year	3,684,315	2,802,249
Attributable to:		
Owners of the Bank	3,401,135	2,656,804
Non-controlling interests	283,180	145,445
Total comprehensive income for the year	3,684,315	2,802,249

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Dubai Islamic Bank P.J.S.C.

Consolidated statement of changes in equity for the year ended 31 December 2015

	-----Equity attributable to owners of the Bank-----								
	Share capital AED'000	Tier 1 sukuk AED'000	Other reserves and treasury shares AED'000	Investments fair value reserve AED'000	Exchange translation reserve AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2014	3,953,751	3,673,000	5,495,696	(563,850)	(280,833)	2,013,921	14,291,685	2,050,504	16,342,189
Net profit for the year	-	-	-	-	-	2,660,665	2,660,665	143,061	2,803,726
Other comprehensive income / (loss) for the year	-	-	-	(4,311)	450	-	(3,861)	2,384	(1,477)
Total comprehensive income / (loss) for the year	-	-	-	(4,311)	450	2,660,665	2,656,804	145,445	2,802,249
Transaction with owners directly in equity:									
Dividend paid	-	-	-	-	-	(986,526)	(986,526)	(9,886)	(996,412)
Zakat (note 23)	-	-	-	-	-	(191,621)	(191,621)	(5,063)	(196,684)
Tier 1 sukuk issuance cost	-	-	-	-	-	(45)	(45)	-	(45)
Tier 1 sukuk profit distribution	-	-	-	-	-	(229,563)	(229,563)	-	(229,563)
Transfer on disposal/reclassification of other investments carried at FVTOCI	-	-	-	355	-	(355)	-	-	-
Board of Directors' remuneration	-	-	-	-	-	(15,650)	(15,650)	-	(15,650)
Treasury shares (note 26.6)	-	-	(1,579)	-	-	1,366	(213)	213	-
Balance at 31 December 2014	3,953,751	3,673,000	5,494,117	(567,806)	(280,383)	3,252,192	15,524,871	2,181,213	17,706,084
Balance at 1 January 2015	3,953,751	3,673,000	5,494,117	(567,806)	(280,383)	3,252,192	15,524,871	2,181,213	17,706,084
Net profit for the year	-	-	-	-	-	3,555,557	3,555,557	283,703	3,839,260
Other comprehensive loss for the year	-	-	-	(79,976)	(74,446)	-	(154,422)	(523)	(154,945)
Total comprehensive income / (loss) for the year	-	-	-	(79,976)	(74,446)	3,555,557	3,401,135	283,180	3,684,315
Transaction with owners directly in equity:									
Dividend paid (note 29)	-	-	-	-	-	(1,578,090)	(1,578,090)	(8,832)	(1,586,922)
Zakat (note 23)	-	-	-	-	-	(216,825)	(216,825)	(3,046)	(219,871)
Tier 1 sukuk issuance	-	3,673,000	-	-	-	-	3,673,000	-	3,673,000
Tier 1 sukuk issuance cost	-	-	-	-	-	(14,319)	(14,319)	-	(14,319)
Tier 1 sukuk profit distribution	-	-	-	-	-	(353,526)	(353,526)	-	(353,526)
Gain on buy back of Tier 1 sukuk	-	-	-	-	-	217	217	-	217
Transfer on disposal of other investments carried at FVTOCI	-	-	-	(9,585)	-	9,585	-	-	-
Board of Directors' remuneration	-	-	-	-	-	(19,500)	(19,500)	-	(19,500)
Acquisition of non-controlling interest	-	-	-	-	-	51,358	51,358	(127,815)	(76,457)
Treasury shares (note 26.6)	-	-	507	-	-	-	507	-	507
Other transfers (note 26.1)	-	-	122,915	-	-	(122,915)	-	-	-
Balance at 31 December 2015	3,953,751	7,346,000	5,617,539	(657,367)	(354,829)	4,563,734	20,468,828	2,324,700	22,793,528
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The notes on pages 9 to 92 form an integral part of these consolidated financial statements.
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Dubai Islamic Bank P.J.S.C.

Consolidated statement of cash flows for the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Operating activities		
Profit for the year before income tax expense	3,855,062	2,821,945
Adjustments for:		
Share of profit of associates and joint ventures	(276,146)	(134,644)
Gain from disposal of properties held for development and sale	(245,563)	(215,323)
Dividend income	(37,227)	(40,661)
(Gain) / loss on disposal of other investments	(33)	1,497
Revaluation of investments at fair value through profit or loss	-	15
Gain on sale of investments in Islamic sukuk	(3,859)	(31,173)
Loss / (gain) on disposal of property and equipment	67	(550)
Gain on disposal of investment properties	(41,337)	(21,331)
Gain on disposal and reclassification of investment in associates and joint ventures	(11,674)	(42,841)
Liability written back by a subsidiary	-	(147,922)
Depreciation of property and equipment	125,363	102,475
Depreciation of investment properties	28,823	34,985
Property and equipment written off	4,313	140
Provision for employees' end-of-service benefits	36,406	25,669
Impairment charge for the year, net	410,314	702,593
Operating cash flow before changes in operating assets and liabilities	3,844,509	3,054,874
Decrease in deposits and international murabahas with over three months maturity	5,763,052	6,980,696
Increase in Islamic financing and investing assets	(23,934,851)	(18,400,204)
Increase in receivables and other assets	(388,288)	(133,125)
Increase in customers' deposits	17,801,476	13,150,750
Increase in due to banks and other financial institutions	779,237	1,303,821
Decrease in payables and other liabilities and zakat payable	(584,140)	(5,636,348)
Cash generated from operations	3,280,995	320,464
Employees' end-of-service benefits paid	(8,250)	(8,502)
Tax paid	(12,201)	(6,119)
Net cash generated from operating activities	3,260,544	305,843
Investing activities		
Net movement in investments in Islamic sukuk measured at amortised cost	(3,972,215)	(4,400,838)
Net movement in other investments measured at fair value	121,823	229,718
Dividend received	37,227	40,661
Additions to properties held for development and sale, net	(177,323)	(530,359)
Proceeds from disposal of properties held for development and sale	373,798	946,199
Additions to investment properties	(481,336)	(89,173)
Movement in investments in associates and joint ventures	39,644	(87,599)
Additions of property and equipment	(157,516)	(155,150)
Proceeds from disposal of property and equipment	214	12,229
Proceeds from disposal of investment properties	125,545	134,453
Net cash used in investing activities	(4,090,139)	(3,899,859)

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Dubai Islamic Bank P.J.S.C.

Consolidated statement of cash flows (continued) for the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Financing activities		
Dividend paid	(1,586,922)	(996,412)
Tier 1 sukuk issued during the year	3,673,000	-
Tier 1 sukuk profit distribution	(353,526)	(229,563)
Tier 1 sukuk issuance cost, net	(14,319)	(45)
Net movement in sukuk issued	2,754,750	39,572
Treasury shares issued	507	-
Net cash generated from / (used in) financing activities	4,473,490	(1,186,448)
Net increase / (decrease) in cash and cash equivalents	3,643,895	(4,780,464)
Cash and cash equivalents at the beginning of the year	12,664,553	17,369,132
Effect of exchange rate changes on the balance of cash held in foreign currencies	(15,086)	75,885
Cash and cash equivalents at the end of the year (note 42)	16,293,362	12,664,553

The notes on pages 9 to 92 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 1 & 2.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

1. General information

Dubai Islamic Bank (Public Joint Stock Company) (the “Bank”) was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia’a principles. It was subsequently registered under the Commercial Companies Law number 8 of 1984 (as amended) as a Public Joint Stock Company.

The accompanying consolidated financial statements combine the activities of the Bank and its subsidiaries as disclosed in note 17.1 (together referred to as the “Group”).

The Bank is listed on the Dubai Financial Market (Ticker: “DIB”).

The Group is primarily engaged in corporate, retail and investment banking activities and carries out its operations through its local branches and overseas subsidiaries. The principal activities of the Group entities are described in note 17.1 to these consolidated financial statements.

The registered head office of the Bank is at P.O. Box 1080, Dubai, United Arab Emirates.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following revised IFRSs have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contribution;
- Amendments to IFRS 2 Share based payments – amendments relating to meaning of “vesting conditions”;
- Amendments to IFRS 3 Business Combinations – amendments relating to classification and measurement of contingent considerations and scope exclusion for the formation of joint arrangements;
- Amendments to IFRS 8 Operating Segments – amendments relating to disclosures on the aggregation of operating segments;
- Amendments to IFRS 13 Fair Value Measurement – amendments relating to measurement of short-term receivables and payables and scope of portfolio exception;
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – amendments relating to restatement of accumulated depreciation (amortisation) on revaluation;
- Amendments to IAS 24 Related Party Disclosures – amendments relating to definition of a related party; and
- Amendments to IAS 40 Investment Property – amendments relating to inter-relationships of IFRS 3 and IAS 40.
- IFRS 15 Revenue from contracts with customers – it specifies how and when entities should recognise revenue and requiring the entities to provide users of financial statements with more informative, relevant disclosures.

2.2 New and revised standards in issue but not yet effective

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
▪ Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures – amendments relating to sale or contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised standards in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
▪ Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – amendments relating to changes in method for disposal.	1 January 2016
▪ Amendments to IFRS 7 Financial Instruments: Disclosures – amendments relating to ‘continuing involvement’ for servicing contracts.	1 January 2016
▪ Amendments to IAS 34 Interim Financial Reporting – amendments relating to disclosure of information ‘elsewhere in the interim financial report’.	1 January 2016
▪ Amendments to IAS 1 Presentation of Financial Statements – amendments relating to additional disclosures for users of the Financial Statements.	1 January 2016
▪ Amendments to IAS 16 Property, Plant and Equipment – Amendments regarding the clarification of acceptable methods of depreciation and amortisation.	1 January 2016
▪ Amendments to IAS 38 Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation.	1 January 2016
▪ IFRS 9 Financial Instruments – Revised guidance on classification of financial assets, guidance on classification of financial liabilities, impairment on financial assets and rules for hedge accounting.	1 January 2018

As of date of issuance of these consolidated financial statements, management are still in the process of evaluating the impact of these new and revised standards on the consolidated financial statements.

3 Definitions

The following terms are used in the consolidated financial statements with the meaning specified:

3.1 Murabaha

A contract whereby the Group (the “Seller”) sells an asset to its customer (the “Purchaser”), on a deferred payment basis, after purchasing the asset and gaining possession thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. Murabaha profit is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding. The Murabaha sale price is paid by the Purchaser to the Seller on an installment basis over the period of the Murabaha as stated in the contract.

3.2 Salam finance

A contract whereby the Group purchases a fixed quantity of a specified commodity and pays the full Salam price of the commodity in advance, whereas the customer delivers the quantity of the commodities in accordance with an agreed delivery schedule. The Group makes profit on Salam transactions, when the Salam commodities are received from the Salam customer and subsequently sold to a third party at profit. Salam profit is internally accounted for on a time-apportioned basis over the period of the Salam contract based on the value of the outstanding Salam commodities.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

3 Definitions (continued)

3.3 Istisna'a

A sale contract between two parties whereby the Group (the "Sani" or "Seller") undertakes to construct, for its customer (the "Mustasni" or "Purchaser"), a specific asset or property (being "Al-Masnoo") according to certain pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount. The work undertaken is not restricted to be accomplished by the Sani' alone and the whole or part of the construction/development can be undertaken by third parties under the control and responsibility of the Sani'. Under an Istisna'a contract the Group could be the Sani' or the Mustasni'. Istisna'a profit (difference between the sale price of Al-Masnoo to the customer and the Group total Istisna'a cost) is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding.

3.4 Ijarah

3.4.1 Ijarah Muntahiya Biltamleek

An agreement whereby the Group (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing/acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term/periods, payable on fixed or variable rental basis.

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Ijarah rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rental (which predominantly represent the cost of the leased asset).

3.4.2 Forward Ijarah

Forward Ijarah (Ijarah Mausoofa Fiz Zimma) is an agreement whereby the Group (the "Lessor") agrees to provide, on a specified future date, a certain described asset on lease to its customer (the "Lessee") upon its completion and delivery by the developer, contractor or customer, from whom the Group has purchased the same, by way of Istisna.

The Forward Ijarah agreement specifies the description of the leased asset, duration of the lease term, and the basis for rental calculation and the timing of rental payment.

During the construction period, the Group pays to the developer/contractor one payment or multiple payments, Forward Ijarah profit during the construction period will be accounted for on a time-apportioned basis over the construction period on account of rentals. These profit amounts are received either during the construction period as advance rental payment or with the first or second rental payment after the commencement of the lease.

The lease rental under Forward Ijarah commences only upon the Lessee having received possession of the leased asset from the Lessor. The Lessee undertakes under the Forward Ijarah agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Forward Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

3 Definitions (continued)

3.5 Musharaka

An agreement between the Group and its customer, whereby both parties contribute towards the capital of the Musharaka (the “Musharaka Capital”). The Musharaka Capital may be contributed in cash or in kind, as valued at the time of entering into the Musharaka. The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement. In principle Musharaka profit is distributed on declaration/distribution by the managing partner. However, since the Musharaka profit is always reliably estimated, it is internally accounted for on a time-apportioned basis over the Musharaka tenure based on the Musharaka Capital outstanding. Whereas the loss, if any, is shared in proportion to their capital contribution ratios, provided in the absence of the managing partner’s negligence, breach or default, the Group receives satisfactory evidence that such loss was due to force majeure and that the managing partner neither was able to predict the same nor could have prevented the negative consequences of the same on the Musharaka.

3.6 Mudaraba

A contract between two parties whereby one party is a fund provider (the “Rab Al Mal”) who would provide a certain amount of funds (the “Mudaraba Capital”), to the other party (the “Mudarib”). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity. In principle Mudaraba profit is distributed on declaration/distribution by the Mudarib. However, since the Mudaraba profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Mudaraba tenure based on the Mudaraba Capital outstanding. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal, provided the Rab Al Mal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences of the same on the Mudaraba. Under the Mudaraba contract the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

3.7 Wakala

An agreement between two parties whereby one party is a fund provider (the “Muwakkil”) who provides a certain amount of money (the “Wakala Capital”) to an agent (the “Wakeel”), who invests the Wakala Capital in a Sharia’a compliant manner and according to the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the “Wakala Fee”) as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle, wakala profit is distributed on declaration/distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Group may act either as Muwakkil or as Wakeel, as the case may be.

3.8 Sukuk

These comprise asset backed, Sharia’a compliant trust certificates.

3.9 Amanats accounts

The Group acts as a trustee agent for clients escrow accounts for a fixed fee.

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Notes to the consolidated financial statements

for the year ended 31 December 2015

4 Basis of preparation

4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standard Board (IASB) and applicable requirements of the laws of the U.A.E. UAE Federal Law No 2 of 2015 ("UAE Companies Law of 2015") was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein. The Bank is currently in the process of implementing all changes required by the UAE Companies Law of 2015.

4.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies below.

4.3 Functional and reporting currency

The consolidated financial statements are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

The principal accounting policies applied in preparation of these consolidated financial statements are set out below.

5 Significant accounting policies

5.1 Basis of consolidation

5.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date i.e., when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of Islamic financing or equity instruments.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

5.1.2 Subsidiary

These consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group. Control is achieved when the Group has:

- power over the investee;
- exposure, or has rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group voting rights in an investee are sufficient to give it power, including:

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

5.1.2 Subsidiary (continued)

- the size of the Group holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders and other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributable to the owners of the Group and to the non-controlling interests.

Total comprehensive income of the subsidiaries is attributable to the owners of the group and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to owners of the Group.

5.1.3 Foreign currencies

In preparing the consolidated financial statements, each individual Group entity's transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the consolidated statement of profit or loss in the period in which they arise except for:

- exchange differences on foreign currency Islamic financing relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to financing costs on those foreign currency Islamic financings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to the consolidated statement of profit or loss on settlement of the monetary items.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

5.1.3 Foreign currencies (continued)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group foreign operations are translated into Arab Emirates Dirham, which is the Group presentation currency, using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group is reclassified to the consolidated statement of profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated statement of profit or loss.

Fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

5.1.4 Loss of control

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5.1.5 Special purpose vehicles ("SPVs")

Special purpose vehicles are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of assets, or the execution of a specific Islamic financing transaction. An SPV is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPV's risk and rewards, the Group concludes that it controls the SPV.

5.1.6 Fiduciary activities

The Group acts as trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the Group consolidated financial statements as they are not assets of the Group.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.2 Financial instruments

5.2.1 Initial recognition

Financial assets and liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

5.2.2 Initial measurement

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

5.3 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

5.3.1 Classification of financial assets

Balances with central banks, due from banks and financial institutions, Islamic financing and investing assets, investments in Islamic sukuk and certain items in receivables and other assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss on initial recognition):

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

All other financial assets are subsequently measured at fair value.

5.3.2 Amortised cost and effective profit rate method

The effective profit rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income over the relevant period. The effective profit rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financing and investing instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition.

Income is recognised in the consolidated statement of profit or loss on an effective profit rate basis for financing and investing instruments measured subsequently at amortised cost.

5.3.3 Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in sharia compliant equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.3 Financial assets (continued)

5.3.3 Financial assets at fair value through other comprehensive income (FVTOCI) (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is an Islamic derivative that is not designated and effective as an Islamic hedging instrument or a financial guarantee.

FVTOCI assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposals.

5.3.4 Financial assets at fair value through profit or loss (FVTPL)

Investments in sharia compliant equity instruments are classified as at FVTPL, unless the Group designates an investment at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets (other than equity instruments) that do not meet the amortised cost criteria are measured at FVTPL. In addition, financial assets (other than equity instruments) that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. Financial assets (other than equity instruments) may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Group has not designated any financial assets (other than equity instruments) as at FVTPL.

Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets (other than equity instruments) that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated statement of profit/loss. The net gain or loss recognised in the consolidated statement of profit or loss is included in the 'gain from other investments at fair value' line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 47.2.1 to these consolidated financial statements.

5.3.5 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in consolidated statement of profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated financial instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated statement of profit or loss.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.3 Financial assets (continued)

5.3.6 Impairment of financial assets

Financial assets (including Islamic financing and investing assets, investments in Islamic sukuk, balances due from banks and financial institutions, balances with central banks and other assets) that are measured at amortised cost are assessed for impairment at each reporting date. Financial assets measured at amortised cost are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include, however not limited to:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in profit or principal payments;
- it becoming probable that the customer will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, calculated using the financial asset's original effective profit rate.

The carrying amount of the financial asset measured at amortised cost is reduced by the impairment loss directly for all financial assets with the exception of Islamic financing and investing assets, where the carrying amount is reduced through the use of an impairment allowance account. When the Islamic financing and investing assets are considered uncollectible, it is written off against the impairment allowance account. Subsequent recoveries of amounts previously written off are credited against the impairment allowance account. Changes in the carrying amount of the impairment allowance account are recognised in the consolidated statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Islamic financing and investing assets (and the related impairment allowance) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised Islamic financing and investing assets, when the proceeds from realizing the security have been received.

Impairment of Islamic financing and investing assets measured at amortised cost is assessed by the Group as follows:

Individually assessed Islamic financing and investing assets

Individually assessed Islamic financing and investing assets mainly represent corporate and commercial assets which are assessed individually in order to determine whether there exists any objective evidence that an Islamic financing and investing asset is impaired. Islamic financing and investing assets are classified as impaired as soon as there is doubt about the customer's ability to meet payment obligations to the Group in accordance with the original contractual terms. Doubts about the customer's ability to meet payment obligations generally arise when:

- Principal and profit are not serviced as per contractual terms; and
- When there is significant deterioration in the customer's financial condition and the amount expected to be realised from disposals of collaterals, if any, are not likely to cover the present carrying value of the Islamic financing and investing assets.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.3 Financial assets (continued)

5.3.6 Impairment of financial assets (continued)

Individually assessed Islamic financing and investing assets (continued)

Impaired Islamic financing and investing assets are measured on the basis of the present value of expected future cash flows calculated using Islamic financing and investing asset's original effective profit rate or, as a practical expedient, at the Islamic financing and investing asset's observable market price or fair value of the collaterals if the Islamic financing and investing asset's is collateral dependent. Impairment loss is calculated as the difference between the Islamic financing and investing asset's carrying value and its present impaired value.

Retail Islamic financing and investing assets with common features and which are not individually significant

Collective impairment is made to cover impairment against specific group of assets where there is a measurable decrease in estimated future cash flows by applying a formula approach which allocates progressively higher loss rates in line with the overdue installment date.

Incurred but not yet identified

Individually assessed Islamic financing and investing assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics based on industry, product or Islamic financing and investing assets rating for the purpose of calculating an estimated collective loss.

This reflects impairment losses that the Group may have incurred as a result of events occurring before the consolidated financial position date, which the Group is not able to identify on an individual basis, and that can be reliably estimated. As soon as information becomes available which identifies losses on individual Islamic financing and investing assets within the group of the customer, those Islamic financing and investing assets are removed from the group of the customer and assessed on an individual basis for impairment.

Renegotiated financing facilities

Where possible, the Group seeks to restructure financing exposures rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. Once the terms have been renegotiated, the financing exposure is no longer considered past due. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur. The facility continues to be subject to an individual or collective impairment assessment, calculated using the facility's original effective profit rate depending upon the customer complying with the revised terms and conditions and base upon performance criteria of the exposure such as minimum payment requirements and improvement in quality and effectiveness of collateral, to be moved to performing category.

5.3.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised Islamic financing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated statement of profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve in equity is not reclassified to the consolidated statement of profit or loss, but is transferred to retained earnings within equity.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.4 Offsetting

Financial assets and liabilities are offset and reported net in the consolidated financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group trading activity.

The Group is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented on a gross basis.

5.5 Classification of financial liabilities and equity instruments

Liability and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

5.6 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are recognised and deducted directly in equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Tier 1 sukuk are perpetual Mudaraba sukuk which are not redeemable by sukukholders and bear an entitlement to profit distributions that is non-cumulative and at the discretion of the Board of Directors. Accordingly tier 1 sukuk are presented as a component of equity instruments issued by the Group in equity.

Dividends on ordinary shares and profit distribution to tier 1 sukuk are recognised as a liability and deducted from equity when they are approved by the Group shareholders and Board of Directors, respectively. Dividends for the year that are approved after the reporting date are disclosed as an unadjusting event after the reporting date.

5.7 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective profit rate method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantees issued by the Group, and commitments issued by the Group to provide a facility at below-market profit rate are measured in accordance with the specific accounting policies set out below.

5.7.1 Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective profit rate method. Customers' share of profit that is not capitalised as part of costs of an asset is included in the consolidated statement of profit or loss.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.7 Financial liabilities (continued)

5.7.1 Financial liabilities subsequently measured at amortised cost (continued)

The effective profit rate method is a method of calculating the amortised cost of a financial liability and of allocating customers' share of profit over the relevant period. The effective profit rate is the rate that is used to calculate the present value of estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs through the expected life of the financial liability, or (where appropriate) a shorter period, to arrive at the net carrying amount on initial recognition.

Financial liabilities measured at amortised cost include due to banks and financial institutions, customers' deposits, sukuk instruments, certain payables and other liabilities.

5.7.2 Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the consolidated statement of profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

5.7.3 Financial guarantee

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

5.7.4 De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.8 Islamic derivative financial instruments

An Islamic derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Group enters into a variety of Islamic derivative financial instruments to manage the exposure to profit and foreign exchange rate risks, including unilateral promise to buy/sell currencies and Islamic profit rate swap.

Islamic derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All Islamic derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Islamic derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right to setoff exists, and the parties intend to settle the cash flows on a net basis.

Islamic derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the Islamic derivative's components using appropriate pricing or valuation models.

The method of recognising fair value gains and losses depends on whether Islamic derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of Islamic derivatives held for trading are recognised in consolidated statement of profit or loss.

When Islamic derivatives are designated as hedges, the Group classifies them as either: (i) hedges of the change in the fair value of recognised assets or liabilities or firm commitments ('fair value hedges'); (ii) hedges of the variability in future cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect future reported net income ('cash flow hedges'); or (iii) a hedge of a net investment in a foreign operation ('net investment hedges'). Hedge accounting is applied to Islamic derivatives designated as hedging instruments in a fair value, cash flow or net investment hedges provided certain criteria are met.

At the inception of a hedging relationship, to qualify for hedge accounting, the Group documents the relationship between the hedging instruments and the hedged items as well as its risk management objective and its strategy for undertaking the hedge. The Group also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments, primarily Islamic derivatives, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. Profit on designated qualifying hedges is included in the consolidated statement of profit or loss.

5.8.1 Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the re-measurement of both the Islamic derivative and the hedged item are recognised in the consolidated statement of profit or loss. Fair value adjustments relating to the Islamic hedging instrument are allocated to the same consolidated statement of profit or loss category as the related hedged item. Any ineffectiveness is also recognised in the same consolidated statement of profit or loss category as the related hedged item. If the Islamic derivative expires, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued.

5.8.2 Cash flow hedges

The effective portion of changes in the fair value of Islamic derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in other comprehensive income. The ineffective part of any gain or loss is recognised immediately in the consolidated statement of profit or loss as trading revenue/loss. Amounts accumulated in equity are transferred to the consolidated statement of profit or loss in the periods in which the hedged item affects profit or loss.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.8 Islamic derivative financial instruments (continued)

5.8.2 Cash flow hedges (continued)

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When an Islamic hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised, in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the consolidated statement of profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the consolidated statement of profit or loss and classified as trading revenue/loss.

All gains and losses from changes in the fair values of Islamic derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss as trading revenue/loss. However, the gains and losses arising from changes in the fair values of Islamic derivatives that are managed in conjunction with financial instruments designated at fair value are included in net income from financial instruments designated at fair value under other non-profit revenue/loss.

Islamic derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate Islamic derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in the consolidated statement of profit or loss.

5.9 Unilateral promises to buy/sell currencies (the “Promises”)

The Promises are stated at fair value. The fair value of a Promise is the equivalent of the unrealised gain or loss from marking to market the Promise using prevailing market rates. Promises with positive market value (unrealised gain) are included in other assets and Promises with negative market value (unrealised losses) are included in other liabilities in the consolidated statement of financial position.

5.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Central Banks, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

5.11 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.11 Investments in associates and joint ventures (continued)

On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group share of the net fair value of the identifiable assets, liabilities and contingent liabilities of associates and joint ventures recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss in the period in which the investment is acquired.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting from the date on which the investment becomes an associate of joint venture. Under the equity method, an investment in associates and joint ventures is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group share of the profit or loss and other comprehensive income of the associates and joint ventures.

When the Group share of losses of associates and joint ventures exceeds the Group interest in that associates and joint ventures (which includes any long-term interests that, in substance, form part of the Group net investment in the associates and joint ventures), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates and joint ventures.

The requirements of International Financial Reporting Standards are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group investment in associates and joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains its interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Upon disposal of associates and joint ventures that results in the Group losing significant influence over that associates and joint ventures, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associates and joint ventures attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates and joint ventures. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associates and joint ventures on the same basis as would be required if that associates and joint ventures had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associates and joint ventures would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associates and joint ventures.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.11 Investments in associates and joint ventures (continued)

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture is recognised in the Group consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

5.12 Properties held for sale

Properties acquired or constructed with the intention of sale are classified as properties held for sale. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale.

Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress.

5.13 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost less accumulated depreciation and impairment loss, if any. Depreciation on investment in buildings is charged on a straight-line basis over 25 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the property is derecognised.

Transfers to investment properties are made when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Transfers from investment properties are made when, and only when, there is change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

5.14 Acceptances

Acceptances are recognised as financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.15 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the consolidated statement of profit or loss in the period in which they are incurred.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

- Buildings 15-25 years;
- Furniture, office equipment and motor vehicles 3-5 years; and
- Information technology 3-5 years.

Freehold land is not depreciated. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss, if any. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, financing costs capitalised in accordance with the Group accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group policies.

5.16 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the present value of the estimated future cash flows are calculated using a profit rate that reflects current market assessments of the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated statement of profit or loss.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is reasonably certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

5.18 Employees' end of service benefits

Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

The Group provides end of service benefits for its expatriate employees in accordance with U.A.E. Labour Law.

The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

5.19 Share-based payment arrangement

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss over the remaining vesting period, with a corresponding adjustment to the employees' incentive plan reserve.

5.20 Taxation

Provision is made for current and deferred taxes arising from operating results of overseas subsidiaries in accordance with the fiscal regulations of the respective countries in which the subsidiaries operate.

5.20.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.20 Taxation (continued)

5.20.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

5.21 Zakat

Zakat for shareholders is computed based on “Net Invested Funds Method” which is in accordance with the advice of the Fatwa and Sharia’a Supervisory Board.

The Zakat for the shareholders is accounted for as follows:

5.21.1 Zakat accounted by the Bank on shareholders’ behalf

Zakat is accounted as per the Articles and Memorandum of Association of the Bank and is approved by the Bank Fatwa and Sharia’a Supervisory Boards on the following basis:

- The portion of Zakat payable by the Bank on its shareholders’ behalf is calculated on ‘statutory reserve’, ‘general reserve’, ‘retained earnings’ and ‘provision for employees’ end of service benefits’;
- Zakat paid by investee companies directly are adjusted in shareholders Zakat, if the Bank only accounts for net profit after Zakat of investee;
- Zakat on depositors’ investment risk reserve is calculated and deducted from the investment risk reserve balance held with the bank and added to the Zakat payable balance; and
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board of Directors.

5.21.2 Zakat payable by the shareholders

Zakat payable by the shareholders directly represents the differential/remaining Zakat after deducting the Zakat accounted by the Bank on shareholders’ behalf.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

5.22.1 Income from financial assets measured at amortised cost

Income from a financial asset measured at amortised cost is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Income from a financial asset measured at amortised cost is accrued/amortised on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that is used to calculate the present value of estimated future net cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

5.22.2 Fee and commission income

Fee and commission income is recognised when the related services are performed.

5.22.3 Dividend income

Dividend income from other investments at fair value in equities is recognised when the right to receive the dividend is established.

5.22.4 Income from cancellation of properties sale contract

Income from cancellation of properties sale contract (forfeiture income) is recognised in the consolidated statement of profit or loss when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil the contractual payment terms. This is deemed to take place when, despite rigorous follow-up with the defaulted customer, the customer continues to default on the contractual terms and an amount is taken under a settlement or pursuant to a decision issued by Dubai Real Estate Regulatory Authority.

5.22.5 Revenue from sale of properties, net

Revenue from the sale of properties is recognised when the properties are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Cost of sale of property includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sale in respect of apartments is based on the estimated proportion of the development cost incurred to date to the estimated total development costs for each project.

5.22.6 Rental income

The Group policy for recognition of revenue from operating leases is described in note 5.24.1 below.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

5 Significant accounting policies (continued)

5.22 Revenue recognition (continued)

5.22.7 Forfeited income

According to the Bank's Fatwa and Sharia'a Supervisory Board, the Group is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia'a principles, as interpreted by Fatwa and Sharia'a Supervisory Board, and to set aside such amount in a separate account used to pay for local charitable causes and activities.

5.23 Depositors' share of profit calculation

Allocation of profits between depositors and shareholders is calculated according to the Bank's standard procedures and is approved by the Bank's Fatwa and Sharia'a Supervisory Board.

5.24 Lease

5.24.1 The Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Leased asset are initially recorded at cost and depreciated on useful life on a straight line basis.

5.24.2 The Group as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

5.25 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments. Refer to note 44 on Business Segment reporting.

6 Critical accounting judgements and key sources of estimation of uncertainty

While applying the accounting policies as stated in note 5, the management of the Group has made certain judgments. These judgments mainly have a significant effect on the carrying amounts of Islamic financing and investing assets, investment securities and the fair values of Islamic derivative financial instruments. The significant judgments made by the management in arriving at the carrying amounts of Islamic financing and investing assets, investment securities and fair values of Islamic derivative financial instruments are summarised as follows:

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

6 Critical accounting judgements and key sources of estimation of uncertainty (continued)

6.1 Impairment losses on Islamic financing and investing assets

The impairment allowance for Islamic financing and investing assets is established through charges to the consolidated statement of profit or loss in the form of an impairment allowance for doubtful Islamic financing and investing assets.

Individually assessed Islamic financing and investing assets

Impairment losses for individually assessed Islamic financing and investing assets are determined by an evaluation of exposure on a case-by-case basis. This procedure is applied to all classified corporate Islamic financing and investing assets which are individually significant accounts or are not subject to the portfolio-based-approach.

The following factors are considered by management when determining allowance for impairment on individual Islamic financing and investing assets which are significant:

- The amount expected to be realised on disposals of collaterals;
- The Group ability to enforce its claim on the collaterals and associated cost of litigation; and
- The expected time frame to complete legal formalities and disposals of collaterals.

The Group policy requires regular review of the level of impairment allowances on individual facilities and regular valuation of the collateral and its enforceability.

Impaired Islamic financing and investing assets continue to be classified as impaired unless they are brought fully current and the collection of scheduled profit and principal is considered probable.

Collectively assessed Islamic financing and investing assets

Collective assessment of allowance for impairment is made for overdue retail Islamic financing and investing assets with common features which are not individually significant and performing Islamic financing and investing assets which are not found to be individually impaired.

This collective allowance is based on any deterioration in the internal rating of the asset or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The management of the Group assesses, based on historical experience and the prevailing economic and credit conditions, the magnitude of Islamic financing and investing assets which may be impaired but not identified as of the consolidated financial position date

6.2 Classification of investments

The classification and measurement of the financial assets depends on the management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial assets assessed. Management is satisfied that the Group investment in securities are appropriately classified and measured.

Financial assets that are measured at amortised cost are those assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit.

Financial assets that are measured at FVTOCI are investments in sharia compliant equity instruments and investment funds that are not held to benefit from changes in their fair value and are not held for trading. The management believes that designating these instruments as at FVTOCI provides a more meaningful presentation of its medium to long-term interest in its investments than holding the investments at fair value through profit and loss.

Financial assets that are measured at FVTPL are either held for trading or designated as FVTPL.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

6 Critical accounting judgements and key sources of estimation of uncertainty (continued)

6.3 Impairment of associates and joint ventures

After application of equity method of accounting, the Group determines whether it is necessary to recognise for any additional impairment loss on the carrying value of the investment in associates and joint ventures by comparing their recoverable amounts with the higher of value in use or fair value less costs to sell with their carrying amounts.

In determining the value in use of the investment, the Group estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the associates, including the cash flows from the operations of the associates and the proceeds on the ultimate disposal of the investment; or
- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

6.4 Fair value of financial instruments

Certain assets and liabilities are measured at fair value for financial reporting purposes. The management has set up a valuation process, which involves finance and investment banking departments to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. Where level 1 inputs are not available, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as present value calculation rates, prepayment rates and default rate assumptions for 'asset-backed' securities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 48 to these consolidated financial statements.

6.5 Determination of control over investee

Management applies its judgement to determine whether control indicates set out in 5.1 that the Group controls an investee.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

7 Cash and balances with central banks

7.1 Analysis by category

	<i>Note</i>	2015 AED'000	2014 AED'000
Cash on hand		2,186,665	2,146,676
Balances with central banks:			
Current accounts		1,905,431	268,293
Reserve requirements with central banks	7.3	7,116,527	5,933,132
International murabahas with the Central Bank of the U.A.E.		2,206,251	7,969,304
Total		13,414,874 =====	16,317,405 =====

7.2 Analysis by geography

	2015 AED'000	2014 AED'000
Within the U.A.E.	12,976,154	15,979,844
Outside the U.A.E.	438,720	337,561
Total	13,414,874 =====	16,317,405 =====

7.3 Statutory cash reserve requirements

The reserve requirements are kept with the Central Banks of the U.A.E. and Islamic Republic of Pakistan in the respective local currencies and US Dollar. These reserves are not available for use in the Group's day to day operations, and cannot be withdrawn without the approval of the respective central banks. The level of reserve required changes every month in accordance with the requirements of the respective central banks' directives.

8 Due from banks and financial institutions

8.1 Analysis by category

	2015 AED'000	2014 AED'000
Current accounts	4,216,670	1,730,935
Wakala deposits	868,070	1,601,711
International murabahas - short term	-	983,806
Total	5,084,740 =====	4,316,452 =====

8.2 Analysis by geography

	2015 AED'000	2014 AED'000
Within the U.A.E.	886,105	2,421,820
Outside the U.A.E.	4,198,635	1,894,632
Total	5,084,740 =====	4,316,452 =====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

9 Islamic financing and investing assets, net

9.1 Analysis by category

	<i>Note</i>	2015 AED'000	2014 AED'000
Islamic financing assets			
Vehicles murabahas		10,251,100	8,306,263
Commodities murabahas		8,286,855	4,936,931
Real estate murabahas		2,185,196	3,200,523
International murabahas - long term		13,790,431	8,474,984
Total murabahas		34,513,582	24,918,701
Ijarahs		26,265,833	17,937,087
Home finance ijarah		12,557,537	11,767,049
Personal finance		9,253,342	8,642,763
Istisna'a		3,114,303	4,123,091
Islamic credit cards		772,074	511,085
		86,476,671	67,899,776
Less: deferred income		(2,610,995)	(1,881,610)
Less: contractors and consultants' istisna'a contracts		(300,720)	(435,465)
Total Islamic financing assets		83,564,956	65,582,701
Islamic investing assets			
Musharakas		5,885,591	4,326,521
Mudarabas		10,637,682	6,058,634
Wakalas		2,179,467	3,155,790
Total Islamic investing assets		18,702,740	13,540,945
Total Islamic financing and investing assets		102,267,696	79,123,646
Less: provisions for impairment	9.3	(5,048,097)	(5,147,044)
Total Islamic financing and investing assets, net		97,219,599	73,976,602
		=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

9 Islamic financing and investing assets, net (continued)

9.2 Analysis by economic sector and geography

	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000
2015			
Government	3,937,171	848,366	4,785,537
Financial institutions	4,612,109	571,750	5,183,859
Real estate and contracting	21,730,569	1,443,488	23,174,057
Trade	4,295,572	1,252,453	5,548,025
Aviation	6,358,391	-	6,358,391
Automobiles	3,356,042	-	3,356,042
Utilities	2,971,646	-	2,971,646
Services and manufacturing	11,773,619	2,551,510	14,325,129
Consumer home finance	12,957,394	244,755	13,202,149
Consumer financing	22,980,340	382,521	23,362,861
	<u>94,972,853</u>	<u>7,294,843</u>	<u>102,267,696</u>
Less: provision for impairment			<u>(5,048,097)</u>
Total			<u>97,219,599</u> =====
2014			
Government	4,378,053	380,783	4,758,836
Financial institutions	2,900,491	561,667	3,462,158
Real estate and contracting	17,799,001	932,069	18,731,070
Trade	3,466,809	856,014	4,322,823
Aviation	3,269,332	-	3,269,332
Automobiles	2,701,164	-	2,701,164
Utilities	1,814,080	-	1,814,080
Services and manufacturing	6,144,551	1,673,380	7,817,931
Consumer home finance	12,424,364	198,157	12,622,521
Consumer financing	19,307,712	316,019	19,623,731
	<u>74,205,557</u>	<u>4,918,089</u>	<u>79,123,646</u>
Less: provision for impairment			<u>(5,147,044)</u>
Total			<u>73,976,602</u> =====

9.3 Provision for impairment

	Note	2015 AED'000	2014 AED'000
Balance at 1 January		5,147,044	4,573,273
Charge for the year	40	1,520,488	1,106,021
Release to consolidated statement of profit or loss	40	(1,036,421)	(545,372)
Write off		(380,283)	(10,012)
Others		(199,857)	20,245
Foreign exchange effect		(2,874)	2,889
Balance at 31 December		<u>5,048,097</u>	<u>5,147,044</u>
Gross amount of Islamic financing and investing assets, determined to be impaired		<u>4,302,377</u> =====	<u>5,345,694</u> =====

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for the year ended 31 December 2015

9 Islamic financing and investing assets, net (continued)

9.4 Collaterals and mitigations

The Group, in the ordinary course of providing finance, holds collateral as security to mitigate credit risk associated with Islamic financing and investing assets. The collaterals include mortgage on land and buildings and lien on savings and investment deposits, equities and other fixed assets. The estimated value of collaterals for Islamic financing and investing assets which are mainly asset based financing, is as follows:

	2015 AED'000	2014 AED'000
Property and mortgages	51,620,577	40,682,257
Deposits and equities	10,786,491	10,837,672
Machineries and vehicles	4,054,650	3,864,097
Government and financial guarantees	4,353,907	4,250,320

The estimated fair value of collaterals that the Group holds relating to facilities individually determined to be impaired at 31 December 2015 amounts to AED 4.2 billion (2014: AED 4.3 billion).

During the year ended 31 December 2015, the Group took possession of various underlying assets, primarily vehicles. The Group has sold repossessed assets amounting to AED 3.6 million (2014: AED 2.4 million), which has been adjusted against the outstanding receivables.

10 Investments in Islamic sukuk measured at amortised cost

10.1 Analysis by geography

	2015 AED'000	2014 AED'000
Within the U.A.E.	13,424,191	12,017,716
Other G.C.C. Countries	814,453	799,493
Rest of the World	5,827,007	3,301,573
Total	20,065,651 =====	16,118,782 =====

10.2 Analysis by economic sector

	2015 AED'000	2014 AED'000
Government	9,947,973	8,525,860
Financial institutions	2,756,811	2,160,333
Real estate	2,292,639	2,313,971
Aviation	1,598,098	859,763
Utilities	604,498	604,523
Services and manufacturing	2,865,632	1,654,332
Total	20,065,651 =====	16,118,782 =====

Investments in Islamic sukuk within the U.A.E. include investments in bilateral sukuk amounting to AED 3.3 billion as at 31 December 2015 (2014: AED 3.3 billion).

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11 Other investments measured at fair value

11.1 Analysis by category and geography

	Within the U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the World AED'000	Total AED'000
As at 31 December 2015				
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	741,312	123,565	2,635	867,512
Unquoted equity instruments and investment funds	600,328	75,549	287,597	963,474
Total	1,341,640	199,114	290,232	1,830,986
	=====	=====	=====	=====
As at 31 December 2014				
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	827,917	149,631	11,557	989,105
Unquoted equity instruments and investment funds	697,004	43,229	307,359	1,047,592
Total	1,524,921	192,860	318,916	2,036,697
	=====	=====	=====	=====

During the year ended 31 December 2015, dividends received from investments measured at fair value through other comprehensive income amounting to AED 37.2 million (2014: AED 40.7 million) were recognised as income from other investments measured at fair value in the consolidated statement of profit or loss (note 33).

During the year ended 31 December 2015, the Group purchased shares worth AED 57.8 million measured at fair value through other comprehensive income.

11.2 Analysis by economic sector

	2015 AED'000	2014 AED'000
Services and manufacturing	1,094,143	1,214,280
Financial institutions	498,188	561,925
Real estate	238,655	260,492
Total	1,830,986	2,036,697
	=====	=====

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12 Investments in associates and joint ventures

12.1 Analysis of carrying value

	<i>Note</i>	2015 AED'000	2014 AED'000
Investments in associates and joint ventures		2,144,990	1,936,112
Less: provision for impairment	12.4	(60,013)	(63,047)
Net investment in associates and joint ventures		2,084,977	1,873,065
		=====	=====

12.2 Analysis of movement in carrying value

	2015 AED'000	2014 AED'000
Balance at 1 January	1,873,065	1,877,829
Additions	102,815	109,587
Disposals	(91,930)	-
Dividend received	(35,181)	(21,988)
Reclassification	-	(216,607)
Share of profit	276,146	134,644
Exchange translation reserve	(39,938)	(10,400)
Balance at 31 December	2,084,977	1,873,065
	=====	=====

12.3 Analysis by geography

	2015 AED'000	2014 AED'000
Within the U.A.E.	1,342,252	1,247,285
Other G.C.C. Countries	61,335	58,090
Rest of the world	681,390	567,690
Total	2,084,977	1,873,065
	=====	=====

12.4 Movement in provision for impairment

	2015 AED'000	2014 AED'000
Balance at 1 January	63,047	63,047
Reclassification	(3,034)	-
Balance at 31 December	60,013	63,047
	=====	=====

12.5 Fair value of investment in associates and joint ventures

As at 31 December 2015, the cumulative fair value of the Group's listed associates is AED 483.6 million (2014: AED 317.9 million), and the carrying amount of the Group's interest in those associates is AED 627.6 million (2014: 511.6 million). All other investments in associates and joint ventures are not listed in active markets and the management considers the carrying amounts of these investments approximate their fair values.

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Notes to the consolidated financial statements

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12 Investments in associates and joint ventures (continued)

12.6 Analysis of the Group's share of total comprehensive income of associates and joint ventures

	2015 AED'000	2014 AED'000
The Group's share of profit for the year	276,146	134,644
The Group's share of other comprehensive income / (loss) for the year	-	-
The Group's share of total comprehensive income for the year	276,146	134,644
	=====	=====

12.7 Disposal and reclassification of its interest in equity of certain associates and joint ventures

	Note	2015 AED'000	2014 AED'000
Proceeds of disposal / fair value of investments		103,604	259,448
Carrying value of the investment at disposal / reclassification		(91,930)	(216,607)
Gain recognised	36	11,674	42,841
		=====	=====

During the year 2014, Emirates REIT CEIC Limited was reclassified to investment measured at fair value through other comprehensive income upon dilution of ownership in a company.

12.8 List of associates and joint ventures

Name of associate or joint venture	Principal activity	Place of incorporation	Percentage of holding	
			2015	2014
1. Bank of Khartoum	Banking	Sudan	29.5%	28.4%
2. Jordan Dubai Islamic Bank	Banking	Jordan	20.8%	20.8%
3. Bank Panin Syariah Tbk	Banking	Indonesia	39.5%	24.9%
4. Bosnia Bank International	Banking	Bosnia	27.3%	27.3%
5. Emirates REIT Management Private Limited	Properties management	DIFC, U.A.E.	25.0%	25.0%
6. Liquidity Management Center	Brokerage services	Bahrain	25.0%	25.0%
7. Ejar Cranes & Equipment L.L.C.*	Equipment leasing	U.A.E.	16.7%	16.7%
8. Solidere International Al Zorah Equity Investments Inc	Property development	Cayman Islands	22.7%	22.7%
9. Al Bustan Center Company L.L.C.	Leasing apartments and shops	U.A.E.	50.0%	50.0%
10. Millennium Private Equity L.L.C.	Fund management	DIFC, U.A.E.	50.0%	50.0%
11. Arady Development LLC	Property development	U.A.E.	50.0%	50.0%
12. Al Islami Aircraft Leasing Limited	Aircraft leasing	U.A.E.	-	24.7%
13. Al Rimal Development	Property development	U.A.E.	-	50.0%
14. Landmark Properties LLC	Real estate brokerage	U.A.E.	-	40.0%

All of the above associates and joint ventures are accounted for using the equity accounting method in these consolidated financial statements.

During the year ended 31 December 2015, the Group further acquired 1.53 billion shares of Bank Panin Syariah after obtaining all regulatory approvals. The Group has 39.5% shares as at 31 December 2015.

* Although the Group holds less than 20% of the equity shares and it has less than 20% of the voting power at shareholders meetings, the Group exercises significant influence by being one of the major shareholders of the company, having a representative in the company's Board of Directors.

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12 Investments in associates and joint ventures (continued)

12.9 Material associates and joint ventures for financial reporting purposes

Summarised financial information in respect of each of the Group material associates and joint ventures is set out below. The summarised financial information represents amounts shown in the associates' and joint ventures' financial statements prepared in accordance with IFRS and adjusted by the Group for equity accounting purposes.

12.9.1 Bank of Khartoum ("BOK")

	2015 AED'000	2014 AED'000
Assets	7,441,591	6,065,492
Liabilities	(6,405,471)	(5,214,629)
Net assets of the associate	1,036,120	850,863
	=====	=====
Revenue	321,385	175,545
	=====	=====
Net profit and total comprehensive income for the period	118,943	104,774
	=====	=====
Dividend received during the period	5,920	-
	=====	=====

Reconciliation of the above summarised financial information to the carrying amount of the interest in BOK recognised in these consolidated financial statements:

	2015 AED'000	2014 AED'000
Net assets of the associate	1,036,120	850,863
Proportion of the Group's ownership interest in BOK	29.5%	28.4%
Carrying amount of the Group's interest in BOK	305,655	241,645
	=====	=====

These figures are extracted from the financial information of Bank of Khartoum for the nine-month period ended 30 September 2015 (latest available financial information) and 30 September 2014 and adjusted to correspond to full year position. Management believes the financial information for the year ended 31 December 2015 will not be materially different from 30 September 2015.

12.9.2 Jordan Dubai Islamic Bank ("JDIB")

	2015 AED'000	2014 AED'000
Assets	4,065,549	3,416,359
Liabilities	(3,273,218)	(2,639,342)
Net assets of the associate	792,331	777,017
	=====	=====
Revenue	82,933	123,851
	=====	=====
Net profit and total comprehensive income for the period	9,096	6,296
	=====	=====

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for the year ended 31 December 2015

12 Investments in associates and joint ventures (continued)

12.9 Material associates and joint ventures for financial reporting purposes (continued)

12.9.2 Jordan Dubai Islamic Bank ("JDIB") (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in JDIB recognised in these consolidated financial statements:

	2015 AED'000	2014 AED'000
Net assets of the associate	792,331	777,017
Proportion of the Group's ownership interest in JDIB	20.8%	20.8%
Carrying amount of the Group's interest in JDIB	164,805 =====	161,620 =====

These figures are extracted from the financial information of Jordan Dubai Islamic Bank for the nine-month period ended 30 September 2015 (latest available financial information) and 30 September 2014 and adjusted to correspond to full year position. Management believes the financial information for the year ended 31 December 2015 will not be materially different from 30 September 2015.

12.9.3 Bank Panin Syariah Tbk ("Panin")

	2015 AED'000	2014 AED'000
Assets	2,246,204	2,035,665
Liabilities	(1,848,316)	(1,600,470)
Net assets of the associate	397,888 =====	435,195 =====
Revenue	168,303 =====	120,449 =====
Net profit and total comprehensive income for the period	19,140 =====	14,250 =====
Dividends received during the period	- =====	- =====

Reconciliation of the above summarised financial information to the carrying amount of the interest in Bank Panin Syariah recognised in these consolidated financial statements:

	2015 AED'000	2014 AED'000
Net assets of the associate	397,888	435,195
Proportion of the Group's ownership interest in Bank Panin	39.5%	24.9%
Carrying amount of the Group's interest in Bank Panin	157,166 =====	108,363 =====

These figures are extracted from the financial information of Bank Panin Syariah for the nine-month period ended 30 September 2015 (latest available financial information) and 30 September 2014 and adjusted to correspond to full year position. Management believes the financial information for the year ended 31 December 2015 will not be materially different from 30 September 2015.

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Notes to the consolidated financial statements for the year ended 31 December 2015

12 Investments in associates and joint ventures (continued)

12.9 Material associates and joint ventures for financial reporting purposes (continued)

12.9.4 Solidere International Al Zorah Equity Investments Inc (“Zorah”)

	2015 AED’000	2014 AED’000
Assets	1,690,483	1,339,753
Liabilities	(372,258)	(355,004)
Net assets of the associate	1,318,225	984,749
	=====	=====
Revenue	49,397	87,344
	=====	=====
Net profit and total comprehensive income for the period	30,559	90,687
	=====	=====
Dividends received during the period	-	2,955
	=====	=====

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zorah recognised in these consolidated financial statements:

	2015 AED’000	2014 AED’000
Net assets of the associate	1,318,225	984,749
Proportion of the Group’s ownership interest in Zorah	22.7%	22.7%
Carrying amount of the Group’s interest in Zorah	299,237	223,538
	=====	=====

12.9.5 Arady Development LLC (“Arady”)

	2015 AED’000	2014 AED’000
Assets	1,940,826	2,387,284
Liabilities	(121,084)	(777,620)
Net assets of the joint venture	1,819,742	1,609,664
	=====	=====
Revenue	-	-
	=====	=====
Net profit and total comprehensive income for the period	159,875	114,113
	=====	=====

Reconciliation of the above summarised financial information to the carrying amount of the interest in Arady recognised in these consolidated financial statements:

	2015 AED’000	2014 AED’000
Net assets of the joint venture	1,819,742	1,609,664
Proportion of the Group’s ownership interest in Arady	50.0%	50.0%
Carrying amount of the Group’s interest in Arady	909,871	804,832
	=====	=====

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12 Investments in associates and joint ventures (continued)

12.9 Material associates and joint ventures for financial reporting purposes (continued)

12.9.6 Aggregate information of associates and joint ventures that are not individually material

	2015 AED'000	2014 AED'000
<i>The Group's share of financial position:</i>		
Assets	2,859,517	3,306,787
Liabilities	(1,833,634)	(2,027,498)
Net assets of the associates and joint ventures	1,025,883 =====	1,279,289 =====
<i>The Group's share of revenue and total comprehensive income:</i>		
Revenue	457,610 =====	322,375 =====
Net profit and total comprehensive income for the year	75,878 =====	76,435 =====
Dividends received during the year	29,261 =====	19,033 =====
Carrying amount of the Group's interest in associates and joint ventures that are not individually material	248,243 =====	333,067 =====

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13 Properties held for development and sale

13.1 Movement in properties held for development and sale

	Note	Other real estate AED'000	Properties under construction AED'000	Land AED'000	Total AED'000
Balance at 1 January 2015		557,001	401,640	553,174	1,511,815
Additions		-	155,424	180,525	335,949
Other movement		(158,626)	-	-	(158,626)
Disposals	34	(15,624)	(112,611)	-	(128,235)
Transfers *		-	(162,806)	-	(162,806)
Reclassification		-	309,183	(309,183)	-
Foreign exchange effect		(4,144)	-	-	(4,144)
Balance at 31 December 2015		378,607	590,830	424,516	1,393,953
		=====	=====	=====	=====
Balance at 1 January 2014		1,270,280	326,302	244,391	1,840,973
Additions		19,449	202,127	308,783	530,359
Disposals	34	(730,876)	-	-	(730,876)
Transfers *		-	(126,789)	-	(126,789)
Foreign exchange effect		(1,852)	-	-	(1,852)
Balance at 31 December 2014		557,001	401,640	553,174	1,511,815
		=====	=====	=====	=====

* Transfer of properties under construction include properties transferred to investment property and property and equipment amounting to AED 58.2 million (2014: AED 126.7 million) and AED 104.6 million (2014: nil) respectively (refer note 14.1 and 16).

13.2 Analysis by geography

	2015 AED'000	2014 AED'000
Within the U.A.E.	1,312,440	1,417,886
Outside the U.A.E.	81,513	93,929
Total	1,393,953	1,511,815
	=====	=====

Properties held for sale represent properties in the U.A.E. and outside the U.A.E. that are registered in the name of the Group entities.

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14 Investment properties

14.1 Movement in investment properties

		Investment properties under construction	Land	Total
Note	Other real estate AED'000	AED'000	AED'000	AED'000
Cost:				
Balance at 1 January 2015	934,427	660,308	1,005,040	2,599,775
Additions	-	108,673	372,663	481,336
Transfers *	64,503	58,217	221,427	344,147
Reclassification	139,965	499,783	(639,748)	-
Disposals	(62,670)	(58,217)	-	(120,887)
Foreign exchange effect	(43,656)	-	-	(43,656)
Balance at 31 December 2015	1,032,569	1,268,764	959,382	3,260,715
	=====	=====	=====	=====
Accumulated depreciation and impairment:				
Balance at 1 January 2015	360,650	31,370	165,899	557,919
Depreciation charged for the year	28,823	-	-	28,823
Reclassification	29,629	(29,629)	-	-
Transfers	-	-	(15,010)	(15,010)
Disposals	(36,679)	-	-	(36,679)
Foreign exchange effect	(17,780)	-	-	(17,780)
Balance at 31 December 2015	364,643	1,741	150,889	517,273
	=====	=====	=====	=====
Carrying amount at 31 December 2015	667,926	1,267,023	808,493	2,743,442
	=====	=====	=====	=====
Cost:				
Balance at 1 January 2014	805,516	685,210	1,147,763	2,638,489
Additions	8,130	12,876	68,167	89,173
Transfers	126,789	-	-	126,789
Reclassification	37,785	(37,785)	-	-
Disposal	(8,200)	-	(205,454)	(213,654)
Other movements	(4)	7	(5,436)	(5,433)
Foreign exchange effect	(35,589)	-	-	(35,589)
Balance at 31 December 2014	934,427	660,308	1,005,040	2,599,775
	=====	=====	=====	=====
Accumulated depreciation and impairment:				
Balance at 1 January 2014	319,374	39,369	266,432	625,175
Depreciation charged for the year	34,985	-	-	34,985
Reclassification	16,129	(16,129)	-	-
Disposals	-	-	(100,533)	(100,533)
Other movements	(13,563)	8130	-	(5,433)
Foreign exchange effect	3,725	-	-	3,725
Balance at 31 December 2014	360,650	31,370	165,899	557,919
	=====	=====	=====	=====
Carrying amount at 31 December 2014	573,777	628,938	839,141	2,041,856
	=====	=====	=====	=====

* Transfer to investment properties include properties transferred from Islamic financing and investing assets and properties held for sale amounting to AED 392.9 million (2014: nil) and AED 58.2 million (2014: 126.7 million) respectively (refer note 13.1) netted off by transfer to property and equipment amounting to AED 107.0 million (2014: nil) (refer note 16).

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14 Investment properties (continued)

14.2 Analysis by geography

	Other real estate AED'000	Investment properties under construction AED'000	Land AED'000	Total AED'000
2015				
<i>Carrying amount at 31 December:</i>				
Within the U.A.E.	481,407	1,267,023	756,780	2,505,210
Outside the U.A.E.	186,519	-	51,713	238,232
Total carrying amount	667,926	1,267,023	808,493	2,743,442
2014				
<i>Carrying amount at 31 December:</i>				
Within the U.A.E.	350,037	628,938	787,428	1,766,403
Outside the U.A.E.	223,740	-	51,713	275,453
Total carrying amount	573,777	628,938	839,141	2,041,856

Investment properties include properties with the book value of AED 266.9 million (2014: AED 314.7 million) that have been mortgaged by one of the Group's entities as a security in respect of Islamic financing arrangements to another financial institution.

During the year, the Bank converted the status of a land donated by Government of Dubai to a freehold property. Accordingly, donated land reserve amounting to AED 267 million has been transferred to retained earnings (note 26.5).

14.3 Fair value of investment properties

The fair value of the Group's investment properties as at 31 December 2015 is AED 3.5 billion (2014: AED 3.7 billion) based on unobservable market inputs (i.e. level 3).

The Group has carried out external valuation of these properties as at 31 December 2015 and 2014. The valuations are carried out by professional valuers who holds recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued. The valuations were based on comparable transaction method and present value calculation of the estimated future cash flow model supported by existing lease and current market rents for similar properties in the same location adjusted to reflect the level of completion of construction of these properties. The profit rate, which is used to calculate the present value of the future cash flows, reflects current market assessments of the uncertainty and timing of the cash flows.

The valuations were based on an individual assessment, for each property type, of both the future earnings and the required yield. In assessing the future earnings of the properties, potential changes in rental levels from each contract's rent and expiry date compared with estimated current market rent, as well as changes in occupancy rates and property costs.

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15 Receivables and other assets

15.1 Analysis by category

	<i>Note</i>	2015 AED'000	2014 AED'000
Receivables on sale of investment properties, net	15.1.1	1,803,514	1,650,533
Due from customers	15.1.2	792,159	854,291
Acceptances		1,166,292	1,072,137
Trade receivables		372,325	283,857
Other income receivable		84,769	91,942
Clearing receivables		128,528	134,089
Prepaid expenses		110,920	104,775
Advances to contractors		144,433	120,558
Due from employees		41,877	36,129
Fair value of Islamic derivatives	45.1	249,483	97,554
Deferred tax asset	22.2	-	1,809
Inventories		2,732	2,479
Other		366,895	663,760
Total		5,263,927 =====	5,113,913 =====

15.1.1 Receivables on sale of investment properties, net

The Bank and its subsidiary entered into sale and purchase agreements to sell investment properties in prior years. The salient terms and conditions of the sales and purchase agreements are as follows:

- The sales consideration of transactions of the Bank and its subsidiary is receivable on or before 30 December 2016;
- The sales consideration can be settled in cash or in kind or a combination of cash and in kind, at the discretion of the buyer. In case full settlement of consideration or part thereof is in kind, assets to be offered in lieu of the full sales consideration or part thereof, must be of equal value to the amount due and payable under the agreement; and
- The commitments on the remaining original purchase price for the plots of land remain with the Bank.

During the year ended 31 December 2014, the Group settled AED 688.5 million against receivable in kind by acquiring certain plots of land.

Receivables on sale of investment properties are stated net of provision for impairment amounting to AED 198 million (2014: AED 144 million).

15.1.2 Due from customers

Due from customers represent overdrawn current accounts and other accounts that do not meet the definition of Islamic financing and investing assets. The balances are stated net of provision for impairment amounting to AED 619 million (2014: AED 500 million). The Group holds collaterals amounting to AED 1,250 million (2014: AED 1,250 million) against these accounts.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

16 Property and equipment

	Land and buildings	Furniture, equipment, and vehicles	Information technology	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost:					
Balance at 1 January 2015	638,335	291,650	564,395	37,160	1,531,540
Additions	1,862	25,922	9,458	120,274	157,516
Disposals	-	(3,481)	(283)	-	(3,764)
Written off	-	(15,088)	(20,192)	(2,965)	(38,245)
Transfers	32,541	18,268	44,233	(95,042)	-
Other transfers *	-	-	-	196,644	196,644
Exchange adjustments	(75)	(4,415)	(2,026)	(164)	(6,680)
Balance at 31 December 2015	672,663	312,856	595,585	255,907	1,837,011
Accumulated depreciation:					
Balance at 1 January 2015	281,046	225,926	443,796	-	950,768
Charge for the year	31,312	26,883	67,168	-	125,363
Disposals	-	(3,225)	(258)	-	(3,483)
Written off	-	(14,595)	(19,337)	-	(33,932)
Others	2,093	5,167	-	-	7,260
Exchange adjustments	-	(2,934)	(1,386)	-	(4,320)
Balance at 31 December 2015	314,451	237,222	489,983	-	1,041,656
Carrying amount					
Balance at the end of the year	358,212	75,634	105,602	255,907	795,355
Cost:					
Balance at 1 January 2014	612,070	254,731	480,102	40,989	1,387,892
Additions	13,247	24,730	21,622	95,551	155,150
Disposals	-	(1,517)	(4,011)	(12,247)	(17,775)
Written off	-	(214)	-	-	(214)
Transfers	12,928	9,870	64,484	(87,282)	-
Exchange adjustments	90	4,050	2,198	149	6,487
Balance at 31 December 2014	638,335	291,650	564,395	37,160	1,531,540
Accumulated depreciation:					
Balance at 1 January 2014	252,673	203,306	394,945	-	850,924
Charge for the year	29,050	21,939	51,486	-	102,475
Disposals	(677)	(1,410)	(4,009)	-	(6,096)
Written off	-	(74)	-	-	(74)
Transfers	-	-	-	-	-
Exchange adjustments	-	2,165	1,374	-	3,539
Balance at 31 December 2014	281,046	225,926	443,796	-	950,768
Carrying amount					
Balance at the end of the year	357,289	65,724	120,599	37,160	580,772

* Other transfer represent properties reclassified by a subsidiary from investment properties and properties held for sale amounting to AED 92.0 million (2014: nil) and AED 104.6 million (2014: nil) (refer note 14.1 and 13.1 respectively).

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

17 Subsidiaries

17.1 List of material subsidiaries

Below are material interest held by the Group directly or indirectly in subsidiaries:

	Name of subsidiary	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
				2015	2014
1.	DIB Capital Limited (under liquidation)	Investments and financial services	DIFC, U.A.E.	95.5%	95.5%
2.	Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	100.0%	100.0%
3.	Tamweel P.S.C	Financing	U.A.E.	91.9%	86.5%
4.	Dubai Islamic Financial Services L.L.C.	Brokerage services	U.A.E.	95.5%	95.5%
5.	Deyaar Development P.J.S.C.	Real estate development	U.A.E.	44.9%	44.9%
6.	Dar al Shariah Financial & Legal Consultancy L.L.C.	Financial and legal advisory	U.A.E.	60.0%	60.0%
7.	Al Tanmyah Services L.L.C.	Labour services	U.A.E.	99.5%	99.5%
8.	Al Tatweer Al Hadith Real Estate	Real estate development	Egypt	100.0%	100.0%
9.	Al Tameer Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
10.	Al Tanmia Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
11.	Naseej Fabric Manufacturing L.L.C.	Textile Manufacturing	U.A.E.	99.0%	99.0%
12.	DIB Printing Press L.L.C.	Printing	U.A.E.	99.5%	99.5%
13.	Al Islami Real Estate Investments Ltd.	Investments	U.A.E.	100.0%	100.0%
14.	Emirates Automotive Leasing Company	Trading in motor vehicles	U.A.E.	100.0%	100.0%

In addition to the registered ownership described above, the remaining equity in the entities 1, 4, 7, 11, and 12 are also beneficially held by the Bank through nominee arrangements.

On 3 January 2013, the Bank's Board of Directors announced its intention to acquire 100% of Tamweel P.J.S.C. ("Tamweel") shares by offering DIB shares in exchange for Tamweel shares to the non-controlling shareholders. The Bank obtained the approval of its shareholders in the Extraordinary Annual General Meeting conducted on 4 March 2013 and subsequently obtained all required approvals from the regulatory authorities, including The U.A.E. Ministry of Finance, Securities and Commodities Authority of the U.A.E., the U.A.E. Central Bank and Dubai Financial Market.

During the year ended 31 December 2013, the Bank issued 156.7 million shares at a par value of AED 1 per share to the non-controlling interest of Tamweel, who accepted the Bank's offer of swapping 10 new DIB shares for every 18 Tamweel shares. This transaction increased the Bank's percentage of equity in Tamweel to 86.5% and the difference of AED 327.0 million between the fair value of the 156.7 million DIB shares and the carrying amount of non-controlling interest acquired was recognised in retained earnings.

In April 2015, the Bank made an offer to the remaining holders of the non-controlling interest of Tamweel to acquire their shares at a consideration of AED 1.25 per share. The Bank acquired 5.42% shares thereby increasing the Bank's ownership to 91.9%. The difference between the consideration paid and the fair value of the non-controlling interest acquired has been recognised in the statement of changes in equity.

On 27 August 2014 Tamweel has been registered as Private Joint Stock Company and its shares have been delisted from Dubai Financial Market with effect from 18 December 2014.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

17 Subsidiaries (continued)

17.2 List of Special Purpose Vehicles ("SPV")

Below is the list of special purpose vehicles which were formed to manage specific transactions including funds, and are expected to be closed upon completion of the related transactions:

Name of SPV	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
			2015	2014
15. HoldInvest Real Estate Sarl	Investments	Luxembourg	100.0%	100.0%
16. France Invest Real Estate SAS	Investments	France	100.0%	100.0%
17. SARL Barbanniers	Investments	France	100.0%	100.0%
18. SCI le Sevine	Investments	France	100.0%	100.0%
19. Findi Real Estate SAS	Investments	France	100.0%	100.0%
20. PASR Einudzwanzigste Beteiligungsverwaltung GMBH	Investments	Austria	100.0%	100.0%
21. Al Islami German Holding Co. GMBH	Investments	Germany	100.0%	100.0%
22. Rhein Logistics GMBH	Investments	Germany	100.0%	100.0%
23. Jef Holdings BV	Investments	Netherlands	100.0%	100.0%
24. Al Islami Trade Finance FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
25. Gulf Atlantic FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
26. Al Islami Oceanic Shipping Co FZ L.L.C.	Investments	U.A.E.	100.0%	100.0%
27. MESC Investment Company	Investments	Jordan	40.0%	40.0%
28. Levant One Investment Limited	Investments	U.A.E.	100.0%	100.0%
29. Petra Limited	Investments	Cayman Islands	100.0%	100.0%
30. Sequia Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%
31. Blue Nile Investments L.L.C.	Investments	U.A.E.	99.0%	99.0%

In addition to the registered ownership described above, the remaining equity in the entities 30 and 31 are also beneficially held by the Bank through nominee arrangements.

17.3 Non-controlling interests

Below are details of subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by the non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2015	2014	2015	2014	2015	2014
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
1 Tamweel P.S.C.	8.03%	13.5%	7,719	13,201	184,168	314,081
2 Deyaar Development P.J.S.C.	55.1%	55.1%	274,849	127,801	2,138,741	1,864,416
3 Other subsidiaries	-	-	1,135	2,059	1,791	2,716
Total			283,703	143,061	2,324,700	2,181,213
			=====	=====	=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

17 Subsidiaries (continued)

17.4 Material non-controlling interests

Summarised financial information of material non-controlling interests before intergroup elimination is as follows:

17.4.1 Tamweel P.S.C

	31 December 2015 AED'000	31 December 2014 AED'000
Statement of financial position		
Islamic financing and investing assets, net	4,700,080	6,038,392
Other	683,792	667,890
Total assets	5,383,872	6,706,282
	=====	=====
Due to banks and financial institutions	1,650,000	2,925,000
Sukuk issued	1,102,500	1,102,500
Other	172,685	241,884
Total liabilities	2,925,185	4,269,384
	=====	=====
Equity	2,458,687	2,436,898
	=====	=====
	2015	2014
	AED' 000	AED' 000
Statement of comprehensive income		
Total revenue	312,856	443,730
Total operating expenses	(75,349)	(128,278)
Depositors' and sukukholders' share of profit	(157,513)	(217,999)
Net profit for the year	79,994	97,453
Other comprehensive income	(5,168)	14,177
	=====	=====
Total comprehensive income	74,826	111,630
	=====	=====
Statement of cash flows		
Net cash flows used in operating activities	(29,529)	(74,064)
Net cash flows generated from / (used in) investing activities	2,657	(4,887)
	=====	=====
Net cash flows used during the year	(26,872)	(78,951)
	=====	=====
Dividends paid to non-controlling interests	6,773	6,773
	=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

17 Subsidiaries (continued)

17.4 Material non-controlling interests (continued)

17.4.2 Deyaar Development P.J.S.C

	31 December 2015 AED'000	31 December 2014 AED'000
Statement of financial position		
Investment in associates and joint ventures	1,209,108	1,028,370
Properties held for sale	1,312,440	1,359,670
Investment properties	182,807	274,747
Receivables and other assets	1,556,120	1,341,530
Other	1,164,586	1,135,375
Total assets	5,425,061 =====	5,139,692 =====
Due to banks and financial institutions	478,848	650,162
Payables and other liabilities	1,065,376	1,106,111
Total liabilities	1,544,224 =====	1,756,273 =====
Equity	3,880,837 =====	3,383,419 =====
	2015 AED' 000	2014 AED' 000
Statement of comprehensive income		
Total income	343,075	472,113
Total expenses	(180,421)	(295,151)
Depositors' and sukukholders' share of profit	(26,775)	(22,871)
Share of profit from associates and joint ventures	166,818	77,642
Impairment release	195,669	-
Profit for the year	498,366	231,733
Other comprehensive income	(948)	4,323
Total comprehensive income	497,418 =====	236,056 =====
Statement of cash flows		
Net cash flows generated from operating activities	26,634	732,303
Net cash flows generated from / (used in) investing activities	222,123	(615,846)
Net cash flows used in financing activities	(198,058)	(204,990)
Net cash flows generated / (used) during the year	50,699 =====	(88,533) =====

* Adjustments were made to the above financial information to bring the subsidiary's accounting policies in line with those used by the Group.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

18 Customers' deposits

18.1 Analysis by category

	<i>Note</i>	2015 AED'000	2014 AED'000
Current accounts		27,623,142	26,910,231
Saving accounts		16,282,915	14,432,950
Investment deposits		65,301,564	50,335,179
Margin accounts		585,481	464,089
Depositors' investment risk reserve	18.3	57,382	105,365
Depositors' share of profit payable	18.4	130,948	97,654
Total		109,981,432 =====	92,345,468 =====

18.2 Analysis by geography

		2015 AED'000	2014 AED'000
Within the U.A.E.		104,583,555	87,539,275
Outside the U.A.E.		5,397,877	4,806,193
Total		109,981,432 =====	92,345,468 =====

18.3 Depositors' investment risk reserve

Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is payable to the depositors upon the approval of the Bank's Fatwa and Sharia'a Supervisory Board. Zakat on depositors' investment risk reserve is included under Zakat payable and is deducted from the depositors' investment risk reserve balance.

Movement of depositors' investment risk reserve is as follows:

	<i>Note</i>	2015 AED'000	2014 AED'000
Balance at 1 January		105,365	105,396
Zakat for the year	23	(1,518)	(2,788)
Net transfer to / from depositors' share of profit during the year	18.4	(46,465)	2,757
Balance at 31 December		57,382 =====	105,365 =====

18.4 Depositors' share of profit payable

		2015 AED'000	2014 AED'000
Balance at 1 January		97,654	69,332
Depositors' share of profit for the year	37	432,034	338,054
Net transfer from / to depositors' investment risk reserve	18.3	46,465	(2,757)
Less: amount paid during the year		(445,205)	(306,975)
Balance at 31 December		130,948 =====	97,654 =====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

19 Due to banks and financial institutions

19.1 Analysis by category

	2015 AED'000	2014 AED'000
Current accounts	74,814	203,177
Investment deposits	4,637,814	3,736,476
Total	4,712,628 =====	3,939,653 =====

19.2 Analysis by geography

	2015 AED'000	2014 AED'000
Within the U.A.E.	3,847,994	3,124,155
Outside the U.A.E.	864,634	815,498
Total	4,712,628 =====	3,939,653 =====

20 Sukuk issued

20.1 Analysis by issuance

The analysis of the Sukuk instruments issued by the Group is as follows:

	Expected annual profit rate	Maturity	31 December 2015 AED'000	31 December 2014 AED'000
Sukuk issued by the Bank	4.75%	May 2017	1,836,500	1,836,500
Sukuk issued by the Bank	2.92%	June 2020	2,754,750	-
Sukuk issued by a subsidiary	5.15%	January 2017	1,010,675	1,010,675
Total			5,601,925 =====	2,847,175 =====

20.2 Sukuk issued by the Bank

In May 2012, the Bank, through a Sharia'a compliant financing arrangement, established a Trust Certificate Issuance Programme for USD 2,500 million (the "Programme"). As part of the Programme, the first series of the trust certificates amounting to USD 500 million (AED 1,836.5 million) were issued and listed on Irish Stock Exchange on 30 May 2012. The second series of Trust Certificates amounting to US\$ 750 million (equivalent to AED 2.75 billion) was issued in May 2015 and are listed on Irish Stock Exchange and Dubai Financial Market.

The terms of the Programme include transfer of certain identified assets (the "Co-Owned Assets") including original leased and musharakas assets, Sharia'a compliant authorised investments and any replaced assets of the Bank to DIB Sukuk Limited, Cayman Islands (the "Issuer"). These assets are under the control of the Bank and shall continue to be serviced by the Bank.

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

These sukuk are expected to pay profit to the investors semi-annually based on relevant margin at the time of issuance.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

20 Sukuk issued (continued)

20.3 Sukuk issued by a subsidiary

In 2012, a subsidiary issued Sharia'a Compliant Trust Certificates of US\$ 300 million (AED 1,101.9 million) at an expected profit rate of 5.15% per annum. Realised profit on these certificates is payable semi-annually in arrears. The terms of sukuk include transfer of identified assets comprising ijarah assets of the subsidiary, to Tamweel Funding III Limited ("the Issuer"). The certificates are listed on the Irish Stock Exchange, Ireland and mature in 2017.

21 Payables and other liabilities

21.1 Analysis by category

	<i>Note</i>	2015 AED'000	2014 AED'000
Sundry deposits and amanat accounts		891,257	1,726,538
Trade payables		1,115,504	1,066,955
Acceptances payable		1,166,292	1,072,137
Bankers cheques		550,748	515,374
Investments related payable		288,572	293,585
Payable for properties		479,504	210,096
Vendor payable for Islamic financing and investing assets		206,413	245,015
Provision for employees' end-of-service benefits	21.3	199,373	171,217
Clearing payable		108,287	81,014
Depositors' and sukuk holders' share of profit payable	21.2	136,356	62,018
Accruals and other provisions		53,825	80,612
Deferred income		67,383	205,834
Payable to contractors		38,881	49,069
Unclaimed dividends		35,365	35,577
Fund transfer and remittances		38,948	81,287
Fair value of Islamic derivative liabilities	45.1	202,650	77,174
Provision for taxation	22.1	6,482	6,269
Deferred tax liability	22.2	1,532	-
Other		1,002,276	874,727
Total		6,589,648	6,854,498

21.2 Depositors' and sukuk holders share of profit payable

	<i>Note</i>	2015 AED'000	2014 AED'000
Balance at 1 January		62,018	97,848
Wakala and other investment deposits from banks and customers	37	420,712	318,326
Sukukholders' accrued/realised profit on sukuk issued	37	204,586	142,638
Paid during the year		(550,960)	(496,794)
Balance at 31 December		136,356	62,018

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

21 Payables and other liabilities (continued)

21.3 Provision for employees' end-of-service benefits

	<i>Note</i>	2015 AED'000	2014 AED'000
Balance at 1 January		171,217	154,050
Charged during the year	38	36,406	25,669
Paid during the year		(8,250)	(8,502)
Balance at 31 December		199,373	171,217
		=====	=====

22 Taxation

22.1 Provision for taxation

		2015 AED'000	2014 AED'000
Balance at 1 January		6,269	2,239
Charged during the year	22.3	12,461	9,805
Paid during the year		(12,201)	(6,119)
Foreign exchange effect		(47)	344
Balance at 31 December		6,482	6,269
		=====	=====

22.2 Deferred tax asset / (liability)

		2015 AED'000	2014 AED'000
Balance at 1 January		1,809	9,691
Charged during the year	22.3	(3,341)	(8,414)
Foreign exchange effect		-	532
Balance at 31 December		(1,532)	1,809
		=====	=====

22.3 Income tax expense

		2015 AED'000	2014 AED'000
Current taxation	22.1	12,461	9,805
Deferred taxation	22.2	3,341	8,414
Total		15,802	18,219
		=====	=====

Effective tax rate reconciliation is not material in relation to the consolidated financial statements as tax charge relates to overseas subsidiaries only.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

23 Zakat payable

	Note	2015 AED'000	2014 AED'000
Zakat charged to equity attributable to shareholders of the Bank		218,002	192,454
Zakat accounted and paid by investees		(1,177)	(833)
Shareholders' Zakat for the year payable by the Bank		216,825	191,621
Zakat adjustment related to previous years		-	72
Net Zakat payable by the Bank on shareholders' behalf		216,825	191,693
Zakat on depositors' investment risk reserve	18.3	1,518	2,788
Total Zakat payable		218,343 =====	194,481 =====

24 Share capital

As at 31 December 2015, 3,953,751,107 authorised ordinary shares of AED 1 each (2014: 3,953,751,107 ordinary shares of AED 1 each) were fully issued and paid up.

25 Tier 1 sukuk

25.1 Analysis by issuance

SPV ("the Issuer")	Date of issuance	Issuance amount Equivalent AED '000	Discretionary profit rate	Callable period
DIB Tier 1 Sukuk Limited	March 2013	3,673,000	6.25% per annum to be paid semi-annually	On or after March 2019
DIB Tier 1 Sukuk (2) Limited	January 2015	3,673,000	6.75% per annum to be paid semi-annually	On or after January 2021
		7,346,000 =====		

During 2013, the Bank issued Shari'a compliant Tier 1 Sukuk through an SPV, DIB Tier 1 Sukuk Ltd, ("the Issuer") amounting to USD 1,000 million (AED 3,673 million) at a par value of USD 1,000 (AED 3,673) per sukuk. In January 2015, the Bank issued second series of Sharia compliant Tier 1 Sukuk through an SPV, DIB Tier 1 Sukuk II Ltd, ("the issuer") amounting to USD 1,000 million (AED 3,673 million) at a par value of USD 1,000 (AED 3,763) per sukuk.

Tier 1 sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 sukuk are listed on the Irish Stock Exchange and callable by the Bank after the "First Call Date" or any profit payment date thereafter subject to certain redemption conditions.

The net proceeds of Tier 1 sukuk are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the Mudaraba pool.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

25 Tier 1 sukuk (continued)

25.1 Analysis by issuance (continued)

At the Issuer's sole discretion, it may elect not to make any Mudaraba profit distributions expected and the event is not considered an event of default. In such event, the Mudaraba profit will not be accumulated but forfeited to the issuer. If the Issuer makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on ordinary shares issued by the Bank, or (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire ordinary shares issued by the Bank.

26 Other reserves and treasury shares

26.1 Movements in other reserves and treasury shares

Movement of the other reserves and treasury shares during the years ended 31 December 2015 and 2014 is as follows:

	Statutory reserve AED'000	General reserve AED'000	Regulatory credit risk reserve AED'000	Donated land reserve AED'000	Additional paid in capital AED'000	Treasury shares AED'000	Total AED'000
2015							
Balance at 1 January 2015	2,731,879	2,350,000	-	267,085	159,832	(14,679)	5,494,117
Treasury shares reissued	-	-	-	-	-	507	507
Transfer to / from retained earnings	-	-	390,000	(267,085)	-	-	122,915
Balance at 31 December 2015	2,731,879	2,350,000	390,000	-	159,832	(14,172)	5,617,539
2014							
Balance at 1 January 2014	2,731,879	2,350,000	-	267,085	159,832	(13,100)	5,495,696
Treasury shares acquired	-	-	-	-	-	(1,579)	(1,579)
Balance at 31 December 2014	2,731,879	2,350,000	-	267,085	159,832	(14,679)	5,494,117

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

26 Other reserves and treasury shares (continued)

26.2 Statutory reserve

Article 239 of the U.A.E. Federal Law No. (2) of 2015 and the Articles of Association of the Bank, require that 10% of the profit attributable to the shareholders is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

The Board of Directors has resolved to discontinue the annual transfer to statutory reserve as the current reserve exceeds 50% of the paid up capital of the Bank.

26.3 Regulatory credit risk reserve

The Bank has created a non-distributable special reserve as “Regulatory credit risk reserve”. The reserve is maintained at 1.5% of the credit risk weighted assets at the end of each financial year, as advised by the Central Bank of UAE.

26.4 General reserve

Transfer to general reserve is made based on the discretion of the Board of Directors and is subject to the approval of the Shareholders at the annual general meeting.

26.5 Donated land reserve

Donated land reserve represented value of donated land from Government of Dubai which was allocated to the sole benefit of the shareholders of the Bank. The Bank has converted the status to freehold land, and accordingly related donated land reserve has been transferred to retained earnings (refer note 14.2).

26.6 Treasury shares

The Group hold 8,138,265 treasury shares (2014: 8,527,153 shares) amounting to AED 14.2 million (2014: AED 14.7 million).

27 Investments fair value reserve

	2015 AED'000	2014 AED'000
Balance at 1 January	(567,806)	(563,850)
Fair value loss on other investments at FVTOCI, net	(79,976)	(4,311)
Transfer to retained earnings on disposal of FVTOCI investments	(9,585)	355
Balance at 31 December	(657,367)	(567,806)
	=====	=====

28 Exchange translation reserve

Exchange translation reserve relating to the translation of the results and net assets of the Bank's foreign operations from their functional currencies to the Bank's presentation currency (i.e. AED) are recognised directly in other comprehensive income and accumulated in the exchange translation reserve.

29 Dividends paid and proposed

The Board of Directors has proposed 45% cash dividend at their meeting held on 27 January 2016.

For the year ended 31 December 2014, the shareholders approved and paid a cash dividend of AED 0.4 per share (AED 1,578 million) at the Annual General Meeting held on 01 March 2015.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

30 Contingent liabilities and commitments

Financing-related financial instruments include commitments to extend Islamic financing, standby letters of credit and guarantees which are designed to meet the requirements of the Group customers.

Commitments to extend Islamic financing represent contractual commitments to provide Islamic financing. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being utilised, the total contract amounts do not necessarily represent future cash requirements. Standby letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Analysis of contingent liabilities and commitments as at 31 December 2015 and 2014 is as follows:

	2015 AED'000	2014 AED'000
Contingent liabilities:		
Letters of guarantee	9,096,484	8,071,148
Letters of credit	2,866,913	2,581,215
Total contingent liabilities	11,963,397	10,652,363
Commitments:		
Capital expenditure commitments	1,133,512	605,815
Irrevocable undrawn facilities commitments	24,100,827	18,820,251
Total commitments	25,234,339	19,426,066
Total contingent liabilities and commitments	37,197,736	30,078,429

31 Income from Islamic financing and investing transactions

	2015 AED'000	2014 AED'000
Income from Islamic financing and investing assets	4,555,528	3,615,371
Income from investments in Islamic sukuk	868,405	687,234
Income from international murabahas with the Central Bank	20,538	71,181
Income from investment and wakala deposits with financial institutions	27,483	29,183
Income from international murabahas with financial institutions	48,249	40,754
Total	5,520,203	4,443,723

Income from financing and investing assets is presented net of forfeited income of AED 7.2 million (2014: AED 6.7 million). During the year ended 31 December 2015, the Group has paid AED 6.7 million (2014: AED 6.5 million) for various social contribution purposes.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

32 Commissions, fees and foreign exchange income

	2015 AED'000	2014 AED'000
Commission and fees	837,411	595,773
Foreign exchange income	137,198	132,960
Asset and wealth management related fees	121,766	116,282
Fair value gain of Islamic derivatives	43,920	29,764
Other commissions and fees	154,269	177,426
Total	1,294,564 =====	1,052,205 =====

33 Income from other investments measured at fair value, net

	2015 AED'000	2014 AED'000
Dividend income from investments measured at FVTOCI	37,227	40,661
Realised gain/(loss) on disposal of investments measured at FVTPL	33	(1,497)
Dividend income from investments designated at FVTPL	118	-
Unrealised loss on revaluation of investments measured at FVTPL	-	(15)
Total	37,378 =====	39,149 =====

34 Income from properties held for development and sale, net

	Note	2015 AED'000	2014 AED'000
Sales proceeds		373,798	946,199
Less: cost of sale	13.1	(128,235)	(730,876)
Total		245,563 =====	215,323 =====

35 Income from investment properties

Income from investment properties represents the net rental income recognised by the Group from its investment properties and gain on disposal of investment properties during the years ended 31 December 2015 and 2014.

36 Other income

	Note	2015 AED'000	2014 AED'000
Realised gain on disposal of investments in Islamic sukuk		3,859	31,173
Services income, net		19,061	15,235
Gain on disposal and reclassification of associates and joint ventures	12.7	11,674	42,841
Net (loss) / gain on sale of property and equipment		(67)	550
Liability written back by a subsidiary	36.1	-	147,922
Other		26,181	24,515
Total		60,708 =====	262,236 =====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

36 Other income (continued)

36.1 Liability written back by a subsidiary

During the year ended 31 December 2014, a subsidiary entered into a settlement agreement with a financial institution to repay an Islamic financing obligation. The terms of settlement resulted in reduction of principal amount and waiver of accrued profit. Accordingly, an amount of AED 147.9 million has been recognised as an income in that year.

37 Depositors' and sukuk holders' share of profit

	<i>Note</i>	2015 AED'000	2014 AED'000
Mudaraba investment and savings deposits from customers	18.4	432,034	338,054
Wakala and other investment deposits of banks and customers	21.2	420,712	318,326
Sukukholders' accrued/realised profit on sukuk issued	21.2	204,586	142,638
Total		1,057,332 =====	799,018 =====

38 Personnel expenses

		2015 AED'000	2014 AED'000
Salaries, wages and other benefits		1,443,232	1,234,280
Staff terminal benefits	21.3	36,406	25,669
Total		1,479,638 =====	1,259,949 =====

39 General and administrative expenses

	2015 AED'000	2014 AED'000
Premises and equipment maintenance costs	121,135	101,772
Administrative expenses	99,363	89,591
Rental charges under operating leases	95,105	82,911
Communication costs	91,946	86,103
Printing and stationery	12,965	11,725
Other operating expenses	168,894	137,460
Total	589,408 =====	509,562 =====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

40 Impairment charges, net

	<i>Note</i>	2015 AED'000	2014 AED'000
Impairment charge on financial assets			
Provision for Islamic financing and investing assets charged	9.3	1,520,488	1,106,021
Provision for Islamic financing and investing assets released	9.3	(1,036,421)	(545,372)
Net release / provision for receivables and other assets		(73,753)	141,944
		410,314	702,593
		=====	=====

41 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Bank, net of directors' remuneration and profit attributable to Tier 1 sukukholders by the weighted average number of shares outstanding during the year as follows:

	2015 AED'000	2014 AED'000
Profit for the year attributable to owners of the Bank	3,555,557	2,660,665
Profit attributable to Tier 1 sukukholders	(353,526)	(229,563)
Board of Directors' remuneration	(19,500)	(15,650)
	3,182,531	2,415,452
	=====	=====
Weighted average number of shares outstanding during the year ('000)	3,945,273	3,945,880
	=====	=====
Basic and diluted earnings per share (AED per share)	0.81	0.61
	=====	=====

As of the reporting date, the diluted earnings per share is equal to the basic earnings per share as the Bank has not issued any financial instruments that should be taken into consideration when the diluted earnings per share is calculated.

42 Cash and cash equivalents

	<i>Note</i>	2015 AED'000	2014 AED'000
Cash and balances with the central banks	7.1	13,414,874	16,317,405
Due from banks and financial institutions	8.1	5,084,740	4,316,452
		18,499,614	20,633,857
Less: balances and deposits with banks and financial institutions with original maturity over three months		(2,206,252)	(7,969,304)
Balance at 31 December		16,293,362	12,664,553
		=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

43 Related party transactions

43.1 Identification of related parties

Parties are considered to be related if one party has the ability to control or influence over the other party in making financial or operating decisions.

The Bank enters into transactions with shareholders, associates, directors, key management personnel and their related concerns in the ordinary course of business at terms agreed between both parties.

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

43.2 Major shareholders

As at 31 December 2015, the major shareholder of the Bank is Investment Corporation of Dubai ("ICD"), a company in which the Government of Dubai is the majority shareholder.

43.3 Significant balances and transactions

Proportion of various assets and liabilities with Investment Corporation of Dubai ("ICD") related entities, other than those that have been individually disclosed below are as follows. These entities are independently run commercial entities, and all financial transactions with the Bank are on agreed basis.

	2015 %	2014 %
Islamic financing and investing assets	9.1	14.4
Due from banks and financial institutions	-	17.1
Customer deposits	4.4	3.8
Due from banks and financial institutions	1.1	11.0

43.4 Compensation of Directors and key management personnel

	2015 AED'000	2014 AED'000
Salaries and other benefits, including directors' remuneration	25,913	22,670
Employee terminal benefits	1,752	779
	=====	=====

43.5 Related parties balances

Significant balances of related parties included in the consolidated financial statement are as follows:

	Major shareholders AED'000	Directors and key management personnel AED'000	Associates and joint ventures AED'000	Total AED'000
2015				
Islamic financing and investing assets	2,575,998	13,430	6,454	2,595,882
Investment in Islamic sukuk	861,425	-	-	861,425
Customers' deposits	9,811,546	29,351	13,337	9,854,234
Contingent liabilities and commitments	-	3	14,120	14,123
Income from Islamic financing and investing	76,769	639	640	78,048
Depositors' share of profits	86,311	83	-	86,394
Income from investment in Islamic sukuk	26,979	-	-	26,979

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

43 Related party transactions (continued)

43.5 Related parties balances (continued)

	Major shareholders AED'000	Directors and key management personnel AED'000	Associates and joint ventures AED'000	Total AED'000
2014				
Islamic financing and investing assets	1,591,634	10,542	7,247	1,609,423
Investment in Islamic sukuk	737,519	-	-	737,519
Customers' deposits	3,314,912	69,801	19,793	3,404,506
Contingent liabilities and commitments	-	6	563	569
Income from Islamic financing and investing	44,523	939	437	45,899
Income from investment in Islamic sukuk	15,804	-	-	15,804
Depositors' share of profits	33,540	63	-	33,603

No impairment allowances have been recognised against Islamic financing and investing assets extended to related parties or contingent liabilities and commitments issued in favour of related parties during the years ended 31 December 2015 and 2014.

44 Segmental information

44.1 Reportable segments

Reportable segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's reportable segments are organised into five major segments as follows:

- Consumer banking: Principally handling individual customers' deposits, providing consumer murabahas, salam, home finance, ijarah, credit cards and funds transfer facilities, priority banking, wealth management and trade finance facilities.
- Corporate banking: Principally handling financing, other credit facilities, deposits, current accounts, cash management and risk management products for corporate and institutional customers.
- Treasury: Principally responsible for managing the Bank's overall liquidity and market risk and provides treasury services to customers. Treasury also runs its own Islamic sukuk and specialises financial instruments book to manage the above risks.
- Real estate development: Property development and other real estate investments by subsidiaries.
- Others: Functions other than above core lines of businesses including investment banking services.

The accounting policies of the above reportable segments are the same as the Group's accounting policies.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

44 Segmental information (continued)

44.2 Segment profitability

The following table presents profit or loss and certain asset and liability information regarding the Group's business segments for the year ended 31 December:

	Consumer banking		Corporate banking		Treasury		Real estate development		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Net operating revenue	3,195,901	2,503,024	1,816,265	1,606,949	616,131	493,683	483,118	510,396	377,193	317,457	6,488,608	5,431,509
Operating expense	(1,510,530)	(1,326,175)	(217,560)	(179,867)	(44,362)	(28,589)	(180,421)	(140,368)	(270,359)	(231,972)	(2,223,232)	(1,906,971)
Impairment (loss)/reversal	(656,461)	(303,279)	147,802	(259,855)	-	-	195,669	(138,295)	(97,324)	(1,164)	(410,314)	(702,593)
Profit before income tax	1,028,910	873,570	1,746,507	1,167,227	571,769	465,094	498,366	231,733	9,510	84,321	3,855,062	2,821,945
Income tax expense	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	(15,802)	(18,219)
Profit for the year											3,839,260	2,803,726
											=====	=====

44.3 Segment financial position

Following table presents assets, liabilities and equity regarding the Group's business segments:

	Consumer banking		Corporate banking		Treasury		Real estate development		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment assets	36,618,887	32,130,828	61,076,409	43,861,527	26,561,872	20,000,420	5,306,260	5,314,135	20,334,076	22,580,449	149,897,504	123,887,359
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Segment liabilities	56,588,599	53,978,844	56,182,892	42,160,826	10,692,190	6,579,213	1,280,106	1,452,919	2,360,189	2,009,473	127,103,976	106,181,275
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

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Notes to the consolidated financial statements

for the year ended 31 December 2015

44 Segmental information (continued)

44.4 Geographical information

Although the management of the Group is based primarily on business segments, the Group operates in two geographic markets: inside the U.A.E. which is designated as domestic and outside the U.A.E. which is designated as international.

The following table show the distribution of the Group's external gross income allocated based on the location of the operating centres for the years ended 31 December 2015 and 2014:

	Gross income from external customers	
	2015	2014
	AED'000	AED'000
Within the U.A.E.	7,063,380	5,842,182
Outside the U.A.E.	482,560	388,345
Total	7,545,940	6,230,527
	=====	=====

Gross income from external customers geographical analysis is based on the Group's operating centres and subsidiaries and associates locations.

Revenue from major products and services are disclosed in notes 31 and 36 to the consolidated financial statements.

45 Islamic derivatives financial instruments

45.1 Fair values of Islamic derivative financial instruments

The table below shows the positive and negative fair values of Islamic derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of an Islamic derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of Islamic derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity				
				Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 years
	(note 15)	(note 21.1)	total					
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
2015								
<i>Islamic Derivatives held for trading:</i>								
Unilateral promise to buy/sell currencies	25,405	22,692	10,253,030	2,489,861	4,535,744	3,227,425	-	-
Islamic profit rate swaps	89,452	45,333	13,296,454	-	743,784	2,137,984	2,460,242	7,954,444
Currency options	134,626	134,625	2,467,913	-	2,467,913	-	-	-
Total	249,483	202,650	26,017,397	2,489,861	7,747,441	5,365,409	2,460,242	7,954,444
	=====	=====	=====	=====	=====	=====	=====	=====
2014								
<i>Islamic Derivatives held for trading:</i>								
Unilateral promise to buy/sell currencies	43,026	48,404	29,550,894	3,947,203	13,494,667	12,109,024	-	-
Islamic profit rate swaps	54,528	28,770	8,107,518	-	-	-	8,107,518	-
Currency options	-	-	233,758	-	-	233,758	-	-
Total	97,554	77,174	37,892,170	3,947,203	13,494,667	12,342,782	8,107,518	-
	=====	=====	=====	=====	=====	=====	=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

45 Islamic derivatives financial instruments (continued)

45.2 Types of Islamic derivatives

45.2.1 Unilateral Promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the value dates, by exchanging the purchase/sale offers and acceptances between the relevant parties and delivering (exchanging) the relevant currencies on spot basis.

45.2.2 Islamic Swaps

Islamic Swaps are based on a Waa'd (promise) structure between two parties to buy a specified Sharia'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. Islamic swap structure comprises profit rate swap and currency swap. For Islamic profit rate swaps, counterparties generally exchange fixed and floating rate profit payments by executing the purchase/sale of commodity under "Murabaha Sale Agreement" in a single currency. For Islamic currency swaps, fixed or floating profit payments as well as cost of underlying commodity are exchanged in different currencies, by executing the purchase/sale of commodity under "Murabaha Sale Agreement".

46 Maturity analysis of assets and liabilities

The table below summarises the maturity profile of the Group's assets and liabilities analysed according to when they are expected to be recovered or settled.

2015	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	No maturity AED'000	Total AED'000
Assets:						
Cash and balances with central banks	13,045,194	114,001	255,679	-	-	13,414,874
Due from banks and financial institutions	4,670,209	186,309	228,222	-	-	5,084,740
Islamic financing and investing assets, net	8,500,277	15,980,943	45,223,054	27,515,325	-	97,219,599
Investments in Islamic sukuk measured at amortised cost	2,319,492	2,463,692	9,642,743	5,639,724	-	20,065,651
Other investments measured at fair value	-	867,512	963,474	-	-	1,830,986
Investments in associates and joint ventures	-	-	-	-	2,084,977	2,084,977
Properties held for development and sale	-	-	1,393,953	-	-	1,393,953
Investment properties	-	-	-	-	2,743,442	2,743,442
Receivables and other assets	183,764	2,310,244	2,769,919	-	-	5,263,927
Property and equipment	-	-	-	-	795,355	795,355
Total assets	28,718,936	21,922,701	60,477,044	33,155,049	5,623,774	149,897,504
Liabilities and equity:						
Customers' deposits	38,589,512	46,295,776	24,974,798	121,346	-	109,981,432
Due to banks and financial institutions	2,288,867	1,980,810	442,951	-	-	4,712,628
Sukuk issued	-	-	5,601,925	-	-	5,601,925
Payables and other liabilities	4,055,615	1,477,635	1,056,398	-	-	6,589,648
Zakat payable	-	218,343	-	-	-	218,343
Equity	-	-	-	-	22,793,528	22,793,528
Total liabilities and equity	44,933,994	49,962,512	32,076,072	121,346	22,793,528	149,897,504

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46 Maturity analysis of assets and liabilities (continued)

2014	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	No maturity AED'000	Total AED'000
Assets:						
Cash and balances with central banks	9,810,873	6,224,546	281,986	-	-	16,317,405
Due from banks and financial institutions	4,084,740	231,712	-	-	-	4,316,452
Islamic financing and investing assets, net	7,696,845	10,818,658	36,254,565	19,206,534	-	73,976,602
Investments in Islamic Sukuk measured at amortised cost	10,854	109,630	11,900,632	4,097,666	-	16,118,782
Other investments measured at fair value	-	939,582	1,097,115	-	-	2,036,697
Investments in associates and joint ventures	-	-	-	-	1,873,065	1,873,065
Properties held for development and sale	-	-	1,511,815	-	-	1,511,815
Investment properties	-	-	-	-	2,041,856	2,041,856
Receivables and other assets	177,687	1,767,116	3,169,110	-	-	5,113,913
Property and equipment	-	-	-	-	580,772	580,772
Total assets	<u>21,780,999</u> =====	<u>20,091,244</u> =====	<u>54,215,223</u> =====	<u>23,304,200</u> =====	<u>4,495,693</u> =====	<u>123,887,359</u> =====
Liabilities and equity:						
Customers' deposits	33,791,411	37,151,209	21,285,164	117,684	-	92,345,468
Due to banks and financial institutions	3,510,370	82,476	346,807	-	-	3,939,653
Sukuk issued	-	-	2,847,175	-	-	2,847,175
Payables and other liabilities	3,847,022	2,296,728	710,748	-	-	6,854,498
Zakat payable	-	194,481	-	-	-	194,481
Equity	-	1,380,828	-	-	16,325,256	17,706,084
Total liabilities and equity	<u>41,148,803</u> =====	<u>41,105,722</u> =====	<u>25,189,894</u> =====	<u>117,684</u> =====	<u>16,325,256</u> =====	<u>123,887,359</u> =====

Dubai Islamic Bank P.J.S.C.

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47 Financial assets and liabilities

47.1 Financial instruments classification

The table below sets out the Group classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2015 and 2014:

	Fair value through OCI AED'000	Fair value through profit or loss AED'000	Amortised cost AED'000	Carrying amount AED'000
2015				
Financial assets				
Cash and balances with central banks	-	-	13,414,874	13,414,874
Due from banks and financial institutions	-	-	5,084,740	5,084,740
Islamic financing and investing assets, net	-	-	97,219,599	97,219,599
Investment in Islamic sukuk measured at amortised cost	-	-	20,065,651	20,065,651
Other investments measured at fair value	1,830,986	-	-	1,830,986
Receivables and other assets	-	249,483	4,756,305	5,005,788
	<u>1,830,986</u>	<u>249,483</u>	<u>140,541,169</u>	<u>142,621,638</u>
	=====	=====	=====	=====
Financial liabilities				
Customers' deposits	-	-	109,981,432	109,981,432
Due to banks and financial institutions	-	-	4,712,628	4,712,628
Sukuk issued	-	-	5,601,925	5,601,925
Payables and other liabilities	-	202,650	6,105,788	6,308,438
	<u>-</u>	<u>202,650</u>	<u>126,401,773</u>	<u>126,604,423</u>
	=====	=====	=====	=====
2014				
Financial assets				
Cash and balances with central banks	-	-	16,317,405	16,317,405
Due from banks and financial institutions	-	-	4,316,452	4,316,452
Islamic financing and investing assets, net	-	-	73,976,602	73,976,602
Investment in Islamic sukuk measured at amortised cost	-	-	16,118,782	16,118,782
Other investments measured at fair value	2,036,697	-	-	2,036,697
Receivables and other assets	-	97,554	4,786,739	4,884,293
	<u>2,036,697</u>	<u>97,554</u>	<u>115,515,980</u>	<u>117,650,231</u>
	=====	=====	=====	=====
Financial liabilities				
Customers' deposits	-	-	92,345,468	92,345,468
Due to banks and financial institutions	-	-	3,939,653	3,939,653
Sukuk issued	-	-	2,847,175	2,847,175
Payables and other liabilities	-	77,174	6,394,005	6,471,179
	<u>-</u>	<u>77,174</u>	<u>105,526,301</u>	<u>105,603,475</u>
	=====	=====	=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

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47 Financial assets and liabilities (continued)

47.2 Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets and financial liabilities.

47.2.1 Fair value of the Group's financial assets and financial liabilities

All of the Group's financial assets and financial liabilities, which are reported at their fair value in these consolidated financial statements, are measured at fair value at end of each reporting period. The fair value of financial assets and financial liabilities are determined as follows:

- Fair value of all quoted other investments measured at fair value through profit or loss and at fair value through other comprehensive income (note 11) are based on quoted price in an active market (unadjusted);
- Fair value of all unquoted other investments measured at fair value through other comprehensive income (note 11) are mainly based on net asset value of the investees on measurement dates. The net asset value is an unobservable input and the Group has determined that the reported net asset value represents the fair value at end of the reporting period; and
- Fair value of all Islamic derivatives financial instruments (Sharia compliant profit rate swap and unilateral promise to buy/sell currencies) is based on present value calculation of the estimated future cash flows. Future cash flows are estimated, based on forward (promise) profit rates and/or exchange rates (from observable yield curves and/or forward exchange rates at the end of each reporting period) and contract (based on promise) profit and/or forward (promise) rates, estimated at a rate that reflects the credit risk of various counterparties.

The table below summarises the Group's financial instruments' fair value according to fair value hierarchy:

2015	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	867,512	-	-	867,512
Unquoted equity instruments and investment funds	-	-	963,474	963,474
Other assets				
Islamic derivative assets	-	249,483	-	249,483
Financial assets measured at fair value	867,512	249,483	963,474	2,080,469
Other liabilities				
Islamic derivative liabilities	-	202,650	-	202,650

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

47 Financial assets and liabilities (continued)

47.2 Fair value of financial instruments (continued)

47.2.1 Fair value of the Group's financial assets and financial liabilities (continued)

2014	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	989,105	-	-	989,105
Unquoted equity instruments and investment funds	-	-	1,047,592	1,047,592
Other assets				
Islamic derivative assets	-	97,554	-	97,554
Financial assets measured at fair value	<u>989,105</u>	<u>97,554</u>	<u>1,047,592</u>	<u>2,134,251</u>
	=====	=====	=====	=====
Other liabilities				
Islamic derivative liabilities	-	77,174	-	77,174
	=====	=====	=====	=====

The fair values of the financial assets included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on the present value of future cash flow analysis, with the most significant inputs being the applicable rate that reflects the credit risk of counterparties.

There were no transfers between Level 1 and 2 during the years ended 31 December 2015 and 2014.

47.2.2 Reconciliation of Level 3 fair value measurement of financial assets measured at fair value through other comprehensive income

	2015 AED'000	2014 AED'000
Balance at 1 January	1,047,592	1,170,229
Losses in other comprehensive income	(31,896)	(98,035)
Reclassification from level 3 to level 1	(11,869)	-
Disposals during the year	(40,353)	(24,602)
Balance at 31 December	<u>963,474</u>	<u>1,047,592</u>
	=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

47 Financial assets and liabilities (continued)

47.2.3 Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statement approximate their fair values.

	Carrying amount AED'000	Level 1 AED'000	Fair value			Total AED'000
			Level 2 AED'000	Level 3 AED'000		
2015						
Financial assets:						
Investments in Islamic sukuk	20,065,651	19,814,990	-	179,447		19,994,437
	=====	=====	=====	=====		=====
Financial liabilities:						
Sukuk issued	5,601,925	5,812,917	-	-		5,812,917
	=====	=====	=====	=====		=====
2014						
Financial assets:						
Investments in Islamic sukuk	16,118,782	16,289,728	-	135,653		16,425,381
	=====	=====	=====	=====		=====
Financial liabilities:						
Sukuk issued	2,847,175	2,998,314	-	-		2,998,314
	=====	=====	=====	=====		=====

48 Financial risk management

48.1 Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his responsibilities.

The Group is exposed to various risks including:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

48.1.1 Risk management structure

The Board of Directors, supported by the Risk Management Committee and Risk Management Department, is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and policies.

Board Risk Management Committees

The Board Risk Management Committee has the overall responsibility for the development of the risk strategies, frameworks, policies and limits, and for recommending these strategies and policies to the Board of Directors. It is responsible for the fundamental risk issues, and manages and monitors relevant risk decisions.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.1 Introduction (continued)

48.1.1 Risk management structure (continued)

Risk Management Committee

The day-to-day management of risk has been delegated to Risk Management Committee.

The Risk Management Committee has the overall responsibility to support the Board Risk Management Committee for the development and formulation of the risk strategy, frameworks, policies and limits. It is responsible for ensuring the compliance with all risk limits, monitoring risk exposures and implementing the regulatory guidelines issued by the regulatory bodies (e.g. The Central Bank of the U.A.E.).

Risk Management Department

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure risk remains within the acceptable range as approved by the Board Risk Management Committee and the Board of Directors. The department is responsible for credit approval, credit administration, portfolio management, credit risk, market risk, operational risk and overall risk control.

Asset and Liability Management Committee

Asset and Liability Management Committee (“ALCO”) is responsible for managing the Group’s assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal Audit Department

Risk management processes throughout the Group are audited periodically by the Internal Audit Department which examines both the adequacy of the procedures and the Group compliance with the procedures. Internal Audit Department comments on the results of their assessments with management, and reports its findings and recommendations to the Board Audit Committee.

48.1.2 Risk measurement and reporting systems

The Group measures risks using conventional qualitative methods for credit, market, liquidity and operational risks. Further, the Group also uses quantitative analysis and methods to support revisions in business and risk strategies as and when required. These analysis and methods reflect both the expected loss likely to arise in normal course of business or unexpected losses in an unforeseen event based on simple statistical techniques and probabilities derived from historical experience. The Group also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Board of Directors and management. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

Information compiled from all the businesses is examined and processed in order to analyse the risk profile and identify early risks. This information is presented and explained to the management, management committees, the Risk Management Committee, and Board Risk Management Committee. Specialized reports are presented to the pertinent heads of business and are delivered with a frequency suited to the volatility of the risk. The report includes aggregate credit exposure, limit exceptions, liquidity, operational loss incidents and other risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the provision for impairment losses on a quarterly basis.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

48 Financial risk management (continued)

48.1 Introduction (continued)

48.1.3 Risk mitigation

As part of its overall risk management, the Group uses various methods to manage exposures resulting from changes in credit risks, liquidity risks, market risks (including profit rate risk, foreign exchange risk, and equity price risk), and operational risks.

The Group seeks to manage its credit risk exposures through diversification of financing and investing activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. The Group actively uses collateral to reduce its credit risks.

In order to guard against liquidity risk, management has diversified funding sources and assets are managed with overall Group liquidity in consideration maintaining a healthy balance of liquid assets (i.e. cash and cash equivalents).

The market risks are managed on the basis of predetermined asset allocation across various asset categories and continuous appraisal of market conditions for movement and expectation of foreign currencies rate, bench mark profit rates and equity houses.

To manage all other risks, the Group has developed a detailed risk management framework to identify and apply resources to mitigate the risks.

48.1.4 Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group performance to developments affecting a particular industry or geographical location.

48.2 Credit risk

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk measurement

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. Whilst some of the models for assessment of Real Estate projects are internally developed, others for the Corporate, Contracting and SME businesses have been acquired from Moody's and calibrated to the Group's internal rating scale. The models are housed with the Moody's Risk Analyst rating tool.

The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of securities for facilities provided, which is a common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for Islamic financing and investing assets are:

- Mortgages over residential and commercial properties;
- Corporate guarantees;
- Charges over business assets such as premises, machinery, vehicles and inventory; and
- Charges over financial instruments such as deposits and equity investments.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

48 Financial risk management (continued)

48.2 Credit risk (continued)

Islamic derivative financial instruments

Credit risk arising from Islamic derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated financial position.

Credit-related commitments risks

The Bank makes available to its customers guarantees and letters of credit which require that the Bank makes payments in the event that the customer fails to fulfill certain obligations to other parties. This exposes the Group to a similar risk to Islamic financing and investing assets and these are mitigated by the same control processes and policies.

48.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk by class of financial asset, including Islamic derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2015 AED'000	Gross maximum exposure 2014 AED'000
Balances with central banks	11,228,210	14,170,729
Due from banks and financial institutions	5,084,740	4,316,452
Islamic financing and investing assets	102,267,696	79,123,646
Investment in Islamic sukuk measured at amortised cost	20,065,651	16,118,782
Other investments measured at fair value	1,830,986	2,036,697
Receivables and other assets	4,944,863	4,884,293
	145,422,146	120,650,599
Contingent liabilities	11,963,397	10,652,363
Commitments	25,234,339	19,426,066
Total	182,619,882 =====	150,729,028 =====

48.2.2 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The Group's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	2015 AED'000	2014 AED'000
The U.A.E.	161,875,432	135,944,178
Other Gulf Cooperation Council (GCC) countries	4,550,718	5,608,659
South Asia	10,384,575	5,817,890
Europe	1,907,463	2,605,740
Africa	219,238	73,415
Other	3,682,456	679,146
Total	182,619,882 =====	150,729,028 =====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

48 Financial risk management (continued)

48.2 Credit risk (continued)

48.2.2 Risk concentrations of the maximum exposure to credit risk (continued)

An industry sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

	Gross Maximum Exposure 2015 AED'000	Gross Maximum Exposure 2014 AED'000
Government	16,070,369	13,584,046
Financial Institutions	28,441,272	29,901,335
Real estate	46,454,380	38,228,154
Trade	7,958,195	7,186,337
Aviation	8,234,912	4,387,989
Automobiles	5,854,665	5,627,240
Utilities	3,711,193	2,868,740
Services and manufacturing	26,389,247	15,899,121
Consumer financing	25,992,583	20,423,545
Consumer home finance	13,513,066	12,622,521
Total	182,619,882 =====	150,729,028 =====

48.2.3 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial Islamic financing and investing facilities, charges over real estate properties, inventory, leased assets and trade receivables, and
- For retail Islamic financing and investing facilities, charge over assets and mortgages over properties.

The Group also obtains guarantees from parent companies for Islamic financing and investing assets granted to their subsidiaries, but the benefits are not included in the above table.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.2 Credit risk (continued)

48.2.4 Analysis of credit quality

	Balances with central banks and due from banks and financial institutions AED'000	Islamic financing and investing assets AED'000	Investments in Islamic sukuk and other investments at fair value AED'000	Receivables and other assets AED'000	Contingent liabilities and commitments AED'000	Total AED'000
2015						
Individually impaired	-	4,302,377	-	680,829	-	4,983,206
Non-impaired exposures						
Neither past due nor impaired	16,312,950	93,368,618	21,896,637	4,191,483	37,197,736	172,967,424
Past due by less than 30 days	-	1,784,750	-	36,809	-	1,821,559
Past due by more than 30 days but less than 90 days	-	1,825,016	-	35,742	-	1,860,758
Past due by more than 90 days	-	986,935	-	-	-	986,935
Gross amount	16,312,950	97,965,319	21,896,637	4,264,034	37,197,736	177,636,676
Total gross maximum exposure	16,312,950	102,267,696	21,896,637	4,944,863	37,197,736	182,619,882
	=====	=====	=====	=====	=====	=====
Provisions for impairment	-	(5,048,097)	-	-	-	(5,048,097)
Net carrying amount	16,312,950	97,219,599	21,896,637	4,944,863	37,197,736	177,571,785
	=====	=====	=====	=====	=====	=====
2014						
Individually impaired	-	5,345,694	-	854,291	-	6,199,985
Non-impaired exposures						
Neither past due nor impaired	18,487,181	69,962,649	18,155,479	4,023,804	30,078,429	140,707,542
Past due by less than 30 days	-	1,121,639	-	6,198	-	1,127,837
Past due by more than 30 days but less than 90 days	-	1,446,672	-	-	-	1,446,672
Past due by more than 90 days	-	1,246,992	-	-	-	1,246,992
Gross amount	18,487,181	73,777,952	18,155,479	4,030,002	30,078,429	144,529,043
Total gross maximum exposure	18,487,181	79,123,646	18,155,479	4,884,293	30,078,429	150,729,028
	=====	=====	=====	=====	=====	=====
Provisions for impairment	-	(5,147,044)	-	-	-	(5,147,044)
Net carrying amount	18,487,181	73,976,602	18,155,479	4,884,293	30,078,429	145,581,984
	=====	=====	=====	=====	=====	=====

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Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.2 Credit risk (continued)

48.2.4 Analysis of credit quality (continued)

Credit risk exposure of the Group's financial assets for each internal risk rating

	<i>Moody's equivalent grades</i>	Total 2015 AED'000	Total 2014 AED'000
Low risk			
<i>Risk rating class 1</i>	<i>Aaa</i>	20,757,507	22,779,218
<i>Risk rating classes 2 and 3</i>	<i>Aa1-A3</i>	37,846,539	26,242,519
<i>Risk rating class 4</i>	<i>Baa1-Baa3</i>	66,372,079	32,048,440
Fair risk			
<i>Risk rating classes 5 and 6</i>	<i>Ba1-B3</i>	44,514,818	53,669,668
<i>Risk rating class 7</i>	<i>Caa1-Caa3</i>	7,946,586	9,256,043
High risk			
<i>Risk rating classes 8 to 11</i>		5,182,353	6,733,140
		182,619,882	150,729,028
		=====	=====

It is the Group policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of financing exposures across all lines of business, geographic regions and products. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group rating policy. The attributable risk ratings are assessed and updated regularly.

48.2.5 Impairment assessment

The main considerations for the impairment assessment include whether any payments of principal or profit are overdue by more than 90 days (in line with the U.A.E. Central Bank guidelines) or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant Islamic financing or investing asset on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on Islamic financing and investing assets where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.2 Credit risk (continued)

48.2.5 Impairment assessment (continued)

Collectively assessed allowances (continued)

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is reviewed by credit risk management to ensure alignment with the Group overall policy.

Acceptances and contingent liabilities are assessed and provisions made in a similar manner as for Islamic financing and investing assets.

48.3 Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Group maintains statutory deposits with the central banks. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

The high quality of the asset portfolio ensures its liquidity and coupled with the Group's own funds and "evergreen" customer deposits help form a stable funding source. Even under adverse conditions, the Group has access to the funds necessary to cover customer needs and meet its funding requirements.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands.

48.3.1 Liquidity risk management process

The Group liquidity risk management process, as carried out within the Group and monitored by a separate team in Group Treasury department, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are financed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of Islamic financing and investing exposures maturities.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

48 Financial risk management (continued)

48.3 Liquidity risk and funding management (continued)

48.3.1 Liquidity risk management process (continued)

Based on the internal guidelines liquidity ratio is determined as proportion of liquid assets to customer deposits. Liquidity ratios at the end of each quarter during the year were as follows:

	March	June	September	December
2015	16%	20%	16%	11%
	=====	=====	=====	=====
2014	37%	27%	24%	16%
	=====	=====	=====	=====

48.3.2 Funding approach

Sources of liquidity are regularly reviewed by management to maintain a wide diversification by currency, geography, provider, product and term.

During the year ended 31 December 2013 and 31 December 2015, the Bank issued Tier 1 sukuk of AED 3,673 million (USD 1,000 million) each to diversify sources of funding to support business growth going forward (note 25).

48.3.3 Non-derivative cash flows

The table below summarises the maturity profile of the gross cash flows of the Group financial assets and liabilities as at 31 December 2015 and 2014. The amounts disclosed in the table are the contractual gross cash flows, whereas the Group manages the inherent liquidity risk based on expected gross cash flows.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the management expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	On demand AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
2015						
Balances with central banks	3,976,235	9,069,676	114,001	255,679	-	13,415,591
Due from banks and financial institutions	5,608,046	561,973	186,309	264,738	-	6,621,066
Islamic financing and investing assets, net	3,861,383	10,469,777	19,500,423	53,745,720	32,248,517	119,825,820
Investment in Islamic sukuk measured at amortised cost	1,503	2,161,499	2,617,584	11,284,141	7,849,974	23,914,701
Other investments measured at fair value	-	-	867,512	963,474	-	1,830,986
Receivables and other assets	48,262	135,502	2,371,223	2,710,137	-	5,265,124
Total assets	13,495,429	22,398,427	25,657,052	69,223,889	40,098,491	170,873,288
	=====	=====	=====	=====	=====	=====
Customers' deposits	13,607,636	25,083,691	46,695,181	26,739,448	121,997	112,247,953
Due to banks and other financial institutions	1,780,966	508,845	1,994,886	477,184	-	4,761,881
Sukuk issued	-	-	-	6,520,175	-	6,520,175
Payables and other liabilities	92,887	3,970,273	1,470,091	1,056,397	-	6,589,648
Zakat payable	-	-	218,343	-	-	218,343
Total liabilities	15,481,489	29,562,809	50,378,501	34,793,204	121,997	130,338,000
	=====	=====	=====	=====	=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.3 Liquidity risk and funding management (continued)

48.3.3 Non-derivative cash flows (continued)

	On demand AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
2014						
Balances with central banks	2,300,712	7,522,336	6,224,545	281,987	-	16,329,580
Due from banks and financial institutions	3,240,037	845,283	231,712	-	-	4,317,032
Islamic financing and investing assets, net	3,262,845	8,800,025	11,351,899	43,684,798	24,855,977	91,955,544
Investment in Islamic sukuk measured at amortised cost	9,020	1,834	203,603	13,707,308	5,655,798	19,577,563
Other investments measured at fair value	-	-	989,105	1,097,114	-	2,086,219
Receivables and other assets	78,462	793,924	1,362,637	3,289,773	-	5,524,796
Total assets	<u>8,891,076</u> =====	<u>17,963,402</u> =====	<u>20,363,501</u> =====	<u>62,060,980</u> =====	<u>30,511,775</u> =====	<u>139,790,734</u> =====
Customers' deposits	19,597,390	14,389,262	40,531,803	21,916,808	117,684	96,552,947
Due to banks and other financial institutions	240,048	3,617,129	85,928	-	-	3,943,105
Sukuk issued	-	-	28,411	3,437,448	-	3,465,859
Payables and other liabilities	1,342,836	2,534,206	2,261,644	710,749	-	6,849,435
Zakat payable	-	-	194,481	-	-	194,481
Total liabilities	<u>21,180,274</u> =====	<u>20,540,597</u> =====	<u>43,102,267</u> =====	<u>26,065,005</u> =====	<u>117,684</u> =====	<u>111,005,827</u> =====

Assets available to meet all of the liabilities and to cover outstanding commitments include cash and balances with central banks, Islamic financing and investing assets, other investments at fair value and items in the course of collection.

48.3.4 Islamic derivative maturity profile

The Group's Islamic derivatives will be settled on the following basis:

- Unilateral promise to buy/sell currencies: This mainly comprise promises to either buy or sell a specified currency at a specific price and date in the future.
- Islamic profit rate swaps: The transactions are settled by executing the purchase or sale of commodity under "Murabaha Sale Agreement".

The following table shows analysis of the Group's Islamic derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the consolidated financial position to the contractual maturity date. The amounts disclosed in the table are the contractual gross cash flows.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.3 Liquidity risk and funding management (continued)

48.3.4 Islamic derivative maturity profile (continued)

	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
2015					
Unilateral promise to buy/sell currencies	2,489,861	4,535,744	3,227,425	-	10,253,030
Islamic profit rate swaps	-	743,784	4,598,226	7,954,444	13,296,454
Islamic currency rate agreement	-	2,467,913	-	-	2,467,913
	<u>2,489,861</u>	<u>7,747,441</u>	<u>7,825,651</u>	<u>7,954,444</u>	<u>26,017,397</u>
	=====	=====	=====	=====	=====
2014					
Unilateral promise to buy/sell currencies	3,947,203	13,494,667	11,875,266	-	29,317,136
Islamic profit rate swaps	-	-	8,107,518	-	8,107,518
Islamic currency rate agreement	-	-	233,758	-	233,758
	<u>3,947,203</u>	<u>13,494,667</u>	<u>20,216,542</u>	<u>-</u>	<u>37,658,412</u>
	=====	=====	=====	=====	=====

48.3.5 Contingent liabilities and commitments

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments:

	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
2015					
Contingent liabilities:					
Letters of guarantee	6,556,133	2,052,534	175,416	312,401	9,096,484
Letters of credit	1,736,910	1,096,837	33,166	-	2,866,913
	<u>8,293,043</u>	<u>3,149,371</u>	<u>208,582</u>	<u>312,401</u>	<u>11,963,397</u>
Capital expenditure commitments	-	92,664	1,040,848	-	1,133,512
Total	<u>8,293,043</u>	<u>3,242,035</u>	<u>1,249,430</u>	<u>312,401</u>	<u>13,096,909</u>
	=====	=====	=====	=====	=====
2014					
Contingent liabilities:					
Letters of guarantee	127,737	3,273,484	2,740,395	1,929,532	8,071,148
Letters of credit	913,737	859,575	804,208	3,695	2,581,215
	<u>1,041,474</u>	<u>4,133,059</u>	<u>3,544,603</u>	<u>1,933,227</u>	<u>10,652,363</u>
Capital expenditure commitments	2,733	-	603,082	-	605,815
Total	<u>1,044,207</u>	<u>4,133,059</u>	<u>4,147,685</u>	<u>1,933,227</u>	<u>11,258,178</u>
	=====	=====	=====	=====	=====

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Notes to the consolidated financial statements

for the year ended 31 December 2015

48 Financial risk management (continued)

48.4 Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. The Group is exposed to diverse financial instruments including securities, foreign currencies, equities and commodities.

The Group pays considerable attention to market risk. The Group uses appropriate models, as per standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management; and
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on a timely basis.

The policies and procedures and the trading limits are set to ensure the implementation of the Group's market risk policy in day-to-day operations. These are reviewed periodically to ensure they remain in line with the Group's general market risk policy. The Chief Risk Officer of the Group ensures that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, the Group is required to comply with the guidelines and regulations of the Central Bank of the U.A.E.

48.4.1 Profit margin risk

The Group is not significantly exposed to risk in terms of repricing of its customer deposits since, in accordance with Islamic Sharia'a, the Group does not provide contractual rates of return to its depositors or investment account holders. The return payable to depositors and investment account holders is based on the principle of the Mudaraba by which the depositors and investment account holders agree to share the profit or loss made by the Group's Mudaraba asset pool over a given period.

48.4.2 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk through risk management strategies.

The effective profit rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements

for the year ended 31 December 2015

48 Financial risk management (continued)

48.4 Market risk (continued)

48.4.2 Profit rate risk (continued)

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in profit rates on the net income for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December 2015 and 2014.

Currency	Increase in basis points	Sensitivity of profit on Islamic financing and investing assets 2015 AED'000	Sensitivity of profit on Islamic financing and investing assets 2014 AED'000
AED	50	166,245	98,523
USD	50	97,206	37,368

48.4.3 Foreign exchange risk

The Group has significant income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Group presentation currency, the U.A.E. Dirham.

The table below summarises the Group exposure to foreign currency exchange rate risk at 31 December 2015 and 2014. Included in the table are the Group financial instruments at their carrying amounts, categorised by currency.

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.4 Market risk (continued)

48.4.3 Foreign exchange risk (continued)

2015

	AED AED'000	USD AED'000	Other G.C.C. AED'000	GBP AED'000	Euro AED'000	Other AED'000	Total AED'000
Financial Assets:							
Cash and balances with the central banks	12,151,249	826,734	-	-	-	436,891	13,414,874
Due from banks and financial institutions	653,103	3,549,488	109,674	6,376	48,451	717,648	5,084,740
Islamic financing and investing assets, net	71,163,919	21,078,437	1,425,134	-	-	3,552,109	97,219,599
Investment in Islamic sukuk measured at amortised cost	422,900	18,990,383	-	-	-	652,368	20,065,651
Other investments at fair value	648,994	1,019,202	138,201	-	-	24,589	1,830,986
Receivables and other assets	4,972,800	47,232	10,267	-	10,507	223,121	5,263,927
Total	90,012,965	45,511,476	1,683,276	6,376	58,958	5,606,726	142,879,777
	=====	=====	=====	=====	=====	=====	=====
Financial Liabilities:							
Customers' deposits	89,248,319	15,552,299	106,448	36,662	202,987	4,834,717	109,981,432
Due to banks and other financial institutions	1,364,230	2,985,266	-	37	200,702	162,393	4,712,628
Sukuk issued	1,010,675	4,591,250	-	-	-	-	5,601,925
Payables and other liabilities	5,978,056	535,629	128,592	546	23,858	141,310	6,807,991
Total	97,601,280	23,664,444	235,040	37,245	427,547	5,138,420	127,103,976
	=====	=====	=====	=====	=====	=====	=====
Net on balance sheet	(7,588,315)	21,847,032	1,448,236	(30,869)	(368,589)	468,307	15,775,802
Unilateral promise to buy/sell currencies	1,061,107	49,483	(1,580,048)	78,039	341,077	47,572	(2,770)
Currency position - long/(short)	(6,527,208)	21,896,515	(131,812)	47,170	(27,512)	515,879	15,773,032
	=====	=====	=====	=====	=====	=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.4 Market risk (continued)

48.4.3 Foreign exchange risk (continued)

2014

	AED AED'000	USD AED'000	Other G.C.C. AED'000	GBP AED'000	Euro AED'000	Other AED'000	Total AED'000
Financial Assets:							
Cash and balances with central banks	15,739,791	332,587	-	-	-	245,027	16,317,405
Due from banks and financial institutions	1,707,875	1,191,600	947,208	9,419	25,473	434,877	4,316,452
Islamic financing and investing assets, net	59,017,514	12,396,273	583,618	-	-	1,979,197	73,976,602
Investment in Islamic sukuk measured at amortised cost	446,030	14,989,905	-	-	-	682,847	16,118,782
Other investments at fair value	683,383	1,039,500	164,971	4,540	112,935	31,368	2,036,697
Receivables and other assets	3,460,721	1,328,806	10,561	-	11,696	72,509	4,884,293
Total	81,055,314	31,278,671	1,706,358	13,959	150,104	3,445,825	117,650,231
	=====	=====	=====	=====	=====	=====	=====
Financial Liabilities:							
Customers' deposits	84,067,777	3,905,317	1,331,659	54,065	210,742	2,775,908	92,345,468
Due to banks and other financial institutions	1,359,724	2,190,145	-	33	256,986	132,765	3,939,653
Sukuk issued	-	2,847,175	-	-	-	-	2,847,175
Payables and other liabilities	4,987,122	630,803	631,499	1,810	120,573	99,372	6,471,179
Total	90,414,623	9,573,440	1,963,158	55,908	588,301	3,008,045	105,603,475
	=====	=====	=====	=====	=====	=====	=====
Net on balance sheet	(9,354,247)	21,705,231	(256,801)	(41,949)	(438,197)	437,781	12,051,818
Unilateral promise to buy/sell currencies	12,282,613	(12,649,951)	97,304	39,008	368,646	(139,171)	(1,551)
Currency position - long/(short)	2,928,366	9,055,280	(159,497)	(2,941)	(69,551)	298,610	12,050,267
	=====	=====	=====	=====	=====	=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.4 Market risk (continued)

48.4.3 Foreign exchange risk (continued)

Sensitivity analysis - impact of fluctuation of various currencies on net income and equity

The tables below indicate the extent to which the Group was exposed to currency risk at 31 December 2015 and 2014 on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against the AED with all other variables held constant on the consolidated statement of profit or loss (due to the changes in the fair values of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated available-for-sale equity instruments). A negative amount in the table reflects a potential net reduction in consolidated statement of profit or loss and equity, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

Currency	Increase in currency rate in %	Effect on profit or loss 2015 AED'000	Effect on profit or loss 2014 AED'000
US Dollar	+2	437,930	181,106
GBP	+2	943	(59)
EURO	+2	(550)	(1,391)
Currency	Decrease in currency rate in %	Effect on profit or loss 2015 AED'000	Effect on profit or loss 2014 AED '000
US Dollar	-2	(437,930)	(181,106)
GBP	-2	(943)	59
EURO	-2	550	1,391

48.4.4 Foreign investment

The Group has significant income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Group presentation currency, the U.A.E. Dirham.

The table below indicates the change in recorded profit before tax and equity had the result for the year ended 31 December 2015 and 2014 been translated at exchange rates against the AED adjusted, with all other variables held constant, by the assumed changes below. The sensitivity analyses do not take account of actions by the Group that might be taken to mitigate the effect of such changes.

Currency	Increase in currency rate in %	Effect on profit or loss 2015 AED'000	Effect on other comprehensive income 2015 AED'000	Effect on profit or loss 2014 AED'000	Effect on other comprehensive income 2014 AED'000
Pak Rupees	+5	834	20,816	1,133	20,636
Egypt Sterling	+5	703	7,851	1,075	8,975

Dubai Islamic Bank P.J.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.4 Market risk (continued)

48.4.4 Foreign investment (continued)

Currency	Increase in currency rate in %	Effect on profit or loss 2015 AED'000	Effect on other comprehensive income 2015 AED'000	Effect on profit or loss 2014 AED'000	Effect on other comprehensive income 2014 AED'000
Pak Rupees	-5	(755)	(18,834)	(1,025)	(18,671)
Egypt Sterling	-5	(636)	(7,098)	(254)	(8,122)

48.4.5 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as fair value through other comprehensive income (FVTOCI) at 31 December 2015 and 2014) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	Change in market Indices %	Effect on other comprehensive income 2015 AED'000	Effect on other comprehensive income 2014 AED'000
Dubai Financial Market	± 5%	12,140	19,724
Abu Dhabi Exchange	± 5%	2,370	3,916
Bahrain Stock Exchange	± 5%	2,444	3,178
Other	± 5%	4,847	4,735

48.5 Operational risk

Operational risk is the potential exposure to financial or other damage arising from inadequate or failed internal processes, people or systems.

The Group has developed a detailed operational risk framework. The framework clearly defines roles and responsibilities of individuals/units across different functions of the Group that are involved in performing various operational risk management tasks. Operational Risk Management Framework will ensure that operational risks within the Group are properly identified, monitored, managed and reported. Key elements of the framework include process mapping, setting up loss data base, setting up of KRIs, risk analysis and risk management reporting.

The Group is currently using operational risk tracking system, i.e. ORMIS to track operational risk events across the Group. The system houses three years of operational loss data. The subject system is currently enhanced to automate KRI, RCSA and scenario based fraud risk self-assessment modules.

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Notes to the consolidated financial statements for the year ended 31 December 2015

48 Financial risk management (continued)

48.5 Operational risk (continued)

Each new product introduced is subject to a risk review and signoff process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product. Variations of existing products are also subject to a similar process. Business and support units are responsible for managing operations risk in their respective functional areas. They operate within the Group's operational risk management framework and ensure that risk is being managed within their respective business units. The day-to-day management of operations risk is through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedure to monitor transaction positions and documentation, as well as maintenance of key backup procedures and business contingency planning.

49 Capital management

49.1 Capital management objective

The Group objectives when managing capital, which is a broader concept than the 'equity' on the face of consolidated financial position are:

- To comply with the capital requirements set by the Central Bank of U.A.E.;
- To safeguard the Group ability to continue as a going concern and increase the returns for the shareholders; and
- To maintain a strong capital base to support the development of its business.

49.2 Regulatory capital

The Group lead regulator the Central Bank of U.A.E. sets and monitors capital requirements for the Group as a whole. The Group and individual banking operations within the Bank are directly supervised by their respective local regulators.

The Group regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes share capital, Tier 1 sukuk, statutory reserves, donated land reserve, general reserve, retained earnings, exchange translation reserve and non-controlling interests, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy calculation purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities (i.e. Medium term wakala deposit), collective impairment allowance and investment fair value reserve relating to unrealised gain/loss on equity instruments measured as FVTOCI.

Various limits are applied to elements of the capital base:

- Tier 2 capital cannot exceed 67% of tier 1 capital;
- Tier 1 capital must be a minimum of 7% of risk weighted assets; and
- Qualifying subordinated liabilities capital cannot exceed 50% of tier 1 capital.

The Group assets are risk weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, and commodity risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The Group is following the standardised approach for credit, market and operational risk, as permitted by the U.A.E. Central Bank and as per Pillar 1 of Basel 2.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the regulators on a monthly or/and quarterly basis.

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Notes to the consolidated financial statements for the year ended 31 December 2015

49 Capital management (continued)

49.2 Regulatory capital (continued)

During the years ended 31 December 2015 and 2014, the Bank complied in full with all its externally imposed capital requirements.

During the years ended 31 December 2015 and 2014, all banks operating in the U.A.E. were required to maintain a capital adequacy ratio at 12%.

No changes have been made to the objectives, policies and processes from the previous year. However, they are under constant review by the management.

49.3 Capital adequacy ratio ("CAR")

Basel 2 and the U.A.E. Central Bank requirements are followed in calculating the following ratios:

	2015 AED'000	2014 AED'000
<i>Tier 1 Capital</i>		
Share capital	3,953,751	3,953,751
Tier 1 sukuk	7,346,000	3,673,000
Other reserves	5,631,711	5,508,795
Retained earnings	2,798,260	1,871,363
Non-controlling interest	184,168	314,081
Treasury shares	(14,172)	(14,678)
Cumulative deferred exchange losses	(354,829)	(280,383)
Deduction from capital	(371,362)	(312,890)
Total Tier 1 Capital	19,173,527	14,713,039
<i>Tier 2 Capital</i>		
Investment fair value reserve	(657,367)	(567,806)
Collective impairment allowance	1,306,022	1,090,159
Deduction from capital	(371,362)	(312,890)
Total Tier 2 Capital	277,293	209,463
Total capital base	19,450,820 =====	14,922,502 =====
<i>Risk weighted assets</i>		
Credit risk	112,931,155	91,782,080
Market risk	1,655,917	1,111,599
Operational risk	8,975,375	7,444,754
Total risk weighted assets	123,562,447 =====	100,338,433 =====
<i>Capital Ratios</i>		
Total regulatory capital expressed as a percentage of total risk weighted assets ("capital adequacy ratio")	15.7%	14.9%
Tier 1 capital to total risk weighted assets after deductions for associates	15.5%	14.7%

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Notes to the consolidated financial statements for the year ended 31 December 2015

50 Comparative information

Certain comparative amounts in consolidated statement of profit or loss and notes to the consolidated financial statement have been adjusted to conform to the current presentation.

51 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 January 2016.