

Dubai Islamic Bank P.J.S.C.

Review report and condensed consolidated interim financial information

for the three-month period ended 31 March 2018

Dubai Islamic Bank P.J.S.C.

Review report and condensed consolidated interim financial information (Unaudited) *for the three-month period ended 31 March 2018*

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

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

Introduction

We have reviewed the accompanying 31 March 2018 condensed consolidated interim financial information of Dubai Islamic Bank P.J.S.C. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2018;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of other comprehensive income for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2018; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.



Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Vijendra Nath Malhotra
Registration No.: 48
Dubai, United Arab Emirates
Date: **18 APR 2018**

Dubai Islamic Bank P.J.S.C.

Condensed consolidated interim statement of financial position as at 31 March 2018

		(Unaudited) 31 March 2018 AED'000	(Audited) 31 December 2017 AED'000
	Note		
ASSETS			
Cash and balances with central banks	6	26,948,341	27,885,248
Due from banks and financial institutions	7	5,217,284	4,676,952
Islamic financing and investing assets, net	8	136,148,409	133,334,227
Investments in Islamic sukuk measured at amortised cost	9	26,639,174	24,022,680
Other investments measured at fair value	10	1,856,137	1,961,733
Investments in associates and joint ventures		1,931,291	2,135,931
Properties held for development and sale		1,249,431	1,274,406
Investment properties	11	3,682,745	3,570,154
Receivables and other assets	12	6,201,826	7,339,199
Property and equipment		1,214,758	1,136,479
Total assets		211,089,396	207,337,009
LIABILITIES AND EQUITY			
LIABILITIES			
Customers' deposits	13	151,671,908	147,180,951
Due to banks and financial institutions		13,698,663	14,877,554
Sukuk issued	14	12,306,996	8,658,707
Payables and other liabilities		7,269,745	7,739,279
Total liabilities		184,947,312	178,456,491
EQUITY			
Share capital	15	4,942,189	4,942,189
Tier 1 sukuk	16	7,346,000	7,346,000
Other reserves and treasury shares	17	7,403,696	7,785,557
Investments fair value reserve		(686,828)	(615,389)
Exchange translation reserve		(861,486)	(484,615)
Retained earnings		5,382,100	6,964,089
Equity attributable to owners of the Bank		23,525,671	25,937,831
Non-controlling interests		2,616,413	2,942,687
Total equity		26,142,084	28,880,518
Total liabilities and equity		211,089,396	207,337,009


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 34 form an integral part of these condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1 & 2.

Dubai Islamic Bank P.J.S.C.

Condensed consolidated interim statement of profit or loss (Unaudited) for the three-month period ended 31 March 2018

	<i>Note</i>	Three-month period ended 31 March	
		2018 AED'000	2017 AED'000
NET INCOME			
Income from Islamic financing and investing transactions		2,094,481	1,805,101
Commissions, fees and foreign exchange income		410,694	355,610
Income from other investments measured at fair value, net		20,673	20,880
Income from properties held for development and sale, net		29,152	26,860
Income from investment properties		24,297	46,405
Share of profit from associates and joint ventures		76,817	26,140
Other income		41,141	97,087
Total income		2,697,255	2,378,083
Less: depositors' and sukuk holders' share of profit		(725,862)	(573,764)
Net income		1,971,393	1,804,319
OPERATING EXPENSES			
Personnel expenses		(403,829)	(402,698)
General and administrative expenses		(145,227)	(150,103)
Depreciation of investment properties		(13,161)	(11,824)
Depreciation of property and equipment		(27,879)	(27,487)
Total operating expenses		(590,096)	(592,112)
Net operating income before impairment charges		1,381,297	1,212,207
Impairment charges, net	19	(167,946)	(169,126)
Net profit for the period before income tax expense		1,213,351	1,043,081
Income tax expense		(2,096)	(981)
Net profit for the period		1,211,255	1,042,100
Attributable to:			
Owners of the Bank		1,173,133	1,008,411
Non-controlling interests		38,122	33,689
Net profit for the period		1,211,255	1,042,100
Basic and diluted earnings per share (AED per share)	20	0.19	0.16

The notes on pages 9 to 34 form an integral part of these condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1 & 2.

Dubai Islamic Bank P.J.S.C.

Condensed consolidated interim statement of comprehensive income (Unaudited) for the three-month period ended 31 March 2018

	Three-month period ended 31 March	
	2018 AED'000	2017 AED'000
Net profit for the period	1,211,255	1,042,100
<i>Other comprehensive income / (loss) items</i>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value (loss) / gain on other investments carried at FVTOCI, net	(71,353)	79,281
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations, net	(376,871)	1,195
<i>Other comprehensive loss for the period</i>	(448,224)	80,476
Total comprehensive income for the period	763,031 =====	1,122,576 =====
Attributable to:		
Owners of the Bank	724,909	1,089,779
Non-controlling interests	38,122	32,797
Total comprehensive income for the period	763,031 =====	1,122,576 =====

The notes on page 9 to 34 form an integral part of these condensed consolidated interim financial information.

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Dubai Islamic Bank P.J.S.C.

Condensed consolidated interim statement of changes in equity (Unaudited) for the three-month period ended 31 March 2018

	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 2017	4,942,189	7,346,000	7,785,557	(751,672)	(462,774)	5,641,061	24,500,361	2,768,855	27,269,216
Net profit for the period	-	-	-	-	-	1,008,411	1,008,411	33,689	1,042,100
Other comprehensive income / (loss) for the period	-	-	-	80,173	1,195	-	81,368	(892)	80,476
Total comprehensive income for the period	-	-	-	80,173	1,195	1,008,411	1,089,779	32,797	1,122,576
Transaction with owners directly in equity:									
Dividend paid (note 26)	-	-	-	-	-	(2,219,403)	(2,219,403)	-	(2,219,403)
Zakat	-	-	-	-	-	(2,941)	(2,941)	-	(2,941)
Share issue cost	-	-	-	-	-	(37)	(37)	-	(37)
Tier 1 sukuk profit distribution	-	-	-	-	-	(238,745)	(238,745)	-	(238,745)
Board of Directors' remuneration	-	-	-	-	-	139	139	-	139
Balance at 31 March 2017	4,942,189	7,346,000	7,785,557	(671,499)	(461,579)	4,188,485	23,129,153	2,801,652	25,930,805
Balance at 1 January 2018	4,942,189	7,346,000	7,785,557	(615,389)	(484,615)	6,964,089	25,937,831	2,942,687	28,880,518
Cumulative effect of adopting IFRS 9 (note 5)	-	-	(381,861)	-	-	(296,559)	(678,420)	(364,665)	(1,043,085)
Balance at 1 January 2018 - restated	4,942,189	7,346,000	7,403,696	(615,389)	(484,615)	6,667,530	25,259,411	2,578,022	27,837,433
Net profit for the period	-	-	-	-	-	1,173,133	1,173,133	38,122	1,211,255
Other comprehensive income / (loss) for the period	-	-	-	(71,353)	(376,871)	-	(448,224)	-	(448,224)
Total comprehensive income for the period	-	-	-	(71,353)	(376,871)	1,173,133	724,909	38,122	763,031
Transaction with owners directly in equity:									
Dividend paid (note 26)	-	-	-	-	-	(2,219,403)	(2,219,403)	(1,600)	(2,221,003)
Zakat	-	-	-	-	-	-	-	(51)	(51)
Transfer on disposal of investments at FVTOCI	-	-	-	(86)	-	86	-	-	-
Tier 1 sukuk profit distribution	-	-	-	-	-	(238,745)	(238,745)	-	(238,745)
Others	-	-	-	-	-	-	-	1,920	1,920
Board of Directors' remuneration	-	-	-	-	-	(501)	(501)	-	(501)
Balance at 31 March 2018	4,942,189	7,346,000	7,403,696	(686,828)	(861,486)	5,382,100	23,525,671	2,616,413	26,142,084

The notes on page 9 to 34 form an integral part of these condensed consolidated interim financial information.

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Dubai Islamic Bank P.J.S.C.

Condensed consolidated interim statement of cash flows (Unaudited) for the three-month period ended 31 March 2018

	Three-month period ended 31 March	
	2018	2017
	AED'000	AED'000
Operating activities		
Profit for the period before income tax expense	1,213,351	1,043,081
Adjustments for:		
Share of profit of associates and joint ventures	(76,817)	(26,140)
Income from properties held for development and sale	(29,152)	(26,860)
Dividend income	(20,717)	(21,027)
Gain on disposal of investment property	(44)	(27,245)
Loss on disposal of other investments	5	69
Revaluation of investments at fair value through profit or loss	38	78
Gain on sale of investments in Islamic sukuk	(19,118)	(37,619)
Depreciation of property and equipment	27,879	27,487
Gain on disposal of property and equipment	(54)	(3)
Depreciation of investment properties	13,161	11,824
Provision for employees' end-of-services benefit	6,351	6,184
Amortization of sukuk discount	480	-
Write off of property, plant and equipment	-	1,683
Impairment charge for the period, net	167,946	169,126
Operating cash flow before changes in operating assets and liabilities	1,283,309	1,120,638
Increase in Islamic financing and investing assets	(3,435,894)	(6,623,563)
Decrease in receivables and other assets	398,215	235,108
Increase in customers' deposits	4,727,508	14,869,019
Decrease in due to banks and other financial institutions	(1,325,313)	(760,831)
Decrease in payables and other liabilities	(471,466)	(595,359)
Cash generated from operations	1,176,359	8,245,012
Employees' end-of-services benefit paid	(2,740)	(566)
Tax paid	(8,414)	-
Net cash generated from operating activities	1,165,205	8,244,446
Investing activities		
Net movement in investments in Islamic sukuk measured at amortised cost	(2,764,778)	(814,405)
Purchase of investment properties	(65,470)	(82,344)
Proceeds from sale of investment properties	12,540	39,339
Purchase of property and equipment, net	(109,880)	(60,103)
Proceeds from disposal of properties held for development and sale	54,257	39,932
Net movement in other investments measured at fair value	35,780	(1,799)
Dividend received	20,717	21,027
Net movement in investments in associates and joint ventures	(72,381)	6,754
Net cash used in investing activities	(2,889,215)	(851,599)

The notes on page 9 to 34 form an integral part of these condensed consolidated interim financial information.
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Condensed consolidated interim statement of cash flows (Unaudited) (continued) for the three-month period ended 31 March 2018

	Three-month period ended 31 March	
	2018 AED'000	2017 AED'000
Financing activities		
Dividend paid	(2,221,003)	(2,219,403)
Tier 1 sukuk profit distribution	(238,745)	(238,745)
Share issuance cost	-	(37)
Issuance of sukuk	3,657,867	3,673,000
Repayment of sukuk	-	(1,010,675)
Net cash generated from financing activities	1,198,119	204,140
Net increase in cash and cash equivalents	(525,891)	7,596,987
Cash and cash equivalents at the beginning of the period	21,728,434	15,411,356
Effect of exchange rate changes on the balance of cash held in foreign currencies	(17,106)	7,813
Cash and cash equivalents at the end of the period (note 21)	21,185,437	23,016,156
	=====	=====

The notes on page 9 to 34 form an integral part of these condensed consolidated interim financial information.
The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1 & 2.

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information

for the three-month period ended 31 March 2018

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.

This condensed consolidated interim financial information combine the activities of the Bank and its subsidiaries as disclosed in Note 28 to these condensed consolidated interim financial information (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 28(a) to these condensed consolidated interim financial statements.

The registered head office of the Bank is at P.O. Box 1080, Dubai, United Arab Emirates (“U.A.E.”).

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

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated interim financial information

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

- Amendments to IAS 40 Investment property relating to when a transfer to or from investment property is made.
- Revised version of IFRS 9 relating to the recognition of the expected credit losses based on three stage model for measurement of impairment.

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. The management is in the process of assessing the impact of the new requirements.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 <i>Leases</i> : IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

3. Basis of preparation

3.1 Statement of compliance

These condensed consolidated interim financial information are prepared in accordance with International Accounting Standard 34, “*Interim Financial Reporting*” issued by the International Accounting Standards Board and applicable requirements of the laws of the U.A.E. UAE Federal Law No 2 of 2015 (“UAE Companies Law of 2015”).

These condensed consolidated interim financial information do not include all the information required for a complete set of IFRS consolidated financial statements and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual audited consolidated financial statements as at and for the year ended 31 December 2017.

3.2 Judgments and estimates

The preparation of these condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, equity, income and expense. Actual amount may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimates uncertainty were the same as those which were applied to the audited consolidated audited financial statements as at and for the year ended 31 December 2017.

4. Significant accounting policies

The accounting policies used in the preparation of these condensed consolidated financial information are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2017 except for changes to the accounting for financial instruments resulting from the adoption of IFRS 9, Financial Instruments. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group had already early adopted the requirements for the classification and measurement of the financial instruments in the year 2011 and as such there is no impact on opening equity as at 1st January 2018 on account of changes in classification requirements of IFRS 9.

Summary of significant accounting policies applied in the preparation of these condensed consolidated interim financial information are as follows:

4.1 Classification and measurement of financial instruments

4.1.1 Recognition and initial measurement

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

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.

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information *for the three-month period ended 31 March 2018*

4. Significant accounting policies (continued)

4.1 Classification and measurement of financial instruments (continued)

4.1.2 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.

4.1.3 Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

Financial assets that are held for sale or managed and whose performance is evaluated on a fair value basis are measured at FVTOCI because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

4.1.4 Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic financing arrangement. Contractual cash flows are consistent with a basic financing arrangement if they represent cash flows that are solely payments of principal and profit on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs (e.g. liquidity risk and administrative costs), as well as profit rate margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

4. Significant accounting policies (continued)

4.2 Impairment

4.2.1 Scope

The Bank applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are not measured at FVTPL:

- Financial assets that are financing instruments and investment in sukuk;
- Off-balance sheet instruments issued; and
- Financial guarantee contracts issued.

Financial assets migrate through three stages based on the change in credit risk since initial recognition.

No impairment loss is recognised on equity investments.

4.2.2 Excepted credit loss impairment model

The Expected Credit Loss (ECL) model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

4.2.3 Measurement of ECL

IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank has developed methodologies and models taking into account the relative size, quality and complexity of the portfolios.

These parameters are generally derived from internally developed statistical models and other historical data and are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

- The probability of default (PD) is an estimate of the likelihood of default over a given time horizon;
- The exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date; and
- The loss given default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

4. Significant accounting policies (continued)

4.2 Impairment (continued)

4.2.4 Macroeconomic factors, forward looking information and multiple scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

4.2.5 Assessment of significant increase in credit risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures.

4.2.6 Experienced credit judgement

The Bank's ECL allowance methodology requires the use of experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

When measuring ECL, the Bank considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options.

Default definition followed by the Bank for impairment assessment remains in line with the guidelines of IFRS 9, without any recourse to the assumptions, and consistent with regulatory requirements. The policy on the write-off of financing transactions remains unchanged.

4.2.7 Expected life

When measuring expected credit loss, the Bank considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options.

4.2.8 Definition of default

The Bank considers a financial asset to be in default when:

- it is established that due to financial or non-financial reasons the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due 90 days or more on any material credit obligation to the Bank.
- In assessing whether a borrower is in default, the Bank considers indicators that are:
 - (i) qualitative - e.g. material breaches of covenant;
 - (ii) quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
 - (iii) based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

4. Significant accounting policies (continued)

4.2 Impairment (continued)

4.2.9 Hedge accounting

IFRS 9 incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. IFRS 9 included an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting. The Bank has decided to exercise this accounting policy choice. However, the Bank will implement the revised hedge accounting disclosures that are required by the IFRS 9 related amendments to IFRS 7 “Financial instruments: Disclosures” in its subsequent financial statements.

4.3 Other investments

4.3.1 Investments measured 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 that is not held for trading as 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 condensed consolidated interim statement of profit or loss.

Dividend income on investments in equity instruments at FVTPL is recognised in the condensed consolidated interim statement of profit or loss when the Group’s right to receive the dividends is established in accordance with IAS 18 Revenue and is included in the condensed consolidated interim statement of profit or loss.

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.

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.

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information *for the three-month period ended 31 March 2018*

4. Significant accounting policies (continued)

4.3 Other investments (continued)

4.3.2 Investments measured at fair value through other comprehensive income (“FVTOCI”)

Dividends on these investments in equity instruments are recognised in condensed consolidated interim statement of profit or loss when the Group’s right to receive the dividends is established unless the dividends clearly represent a recovery of part of the cost of the investment.

4.4 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. 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 condensed consolidated interim 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.

4.5 Investments in associates and joint ventures

The results and assets and liabilities of associates and joint ventures are incorporated in these condensed consolidated interim financial information using the equity method of accounting. Under the equity method, an investment in associates and joint ventures is initially recognised in the condensed consolidated interim statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associates and joint ventures. When the Group’s share of losses of associates and joint ventures exceeds the Group’s interest in that associates and joint ventures (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associates and joint ventures), the Group discontinues recognising 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 associate and joint venture.

When a Group’s 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’ condensed consolidated interim financial information only to the extent of interests in the associate or joint venture that are not related to the Group.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group’s 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’s 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 condensed consolidated interim statement of profit or loss in the period in which the investment is acquired.

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’s investment in associate and joint venture.

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information *for the three-month period ended 31 March 2018*

4. Significant accounting policies (continued)

4.5 Investments in associates and joint ventures (continued)

The Group discontinues the use of equity method from the date when the investment ceases to be an associate or a 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.

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 in accordance with IFRS 9. 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.

4.6 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2017.

4.7 Investments in Islamic Sukuk

Investments in Islamic Sukuk are measured at amortised cost if both of the following conditions are met:

- 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.

Investments in Islamic Sukuk meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective yield basis less any impairment, with profit recognised on an effective yield basis in income from investments in Islamic Sukuk in the condensed consolidated interim statement of profit or loss.

5. Transition to IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except the comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

5. Transition to IFRS 9 (continued)

5.1 Impact on components of statement of financial position balances from IAS 39 to IFRS 9

Explanations in respect of change in measurement of categories of financial assets in accordance with IFRS 9 as at 1 January 2018 primarily comprises the following:

- Islamic investing and financing assets – an opening adjustment to regulatory credit risk reserve of AED 213.8 million has resulted in decrease in carrying value of AED 133.3 billion at 31 December 2017 to AED 133.1 billion;
- Investment in Islamic Sukuk – an opening adjustment to regulatory credit risk reserve of AED 104.6 million has resulted in decrease in carrying value of AED 24.0 billion at 31 December 2017 to AED 23.9 billion; and
- Receivables and other assets – an opening retained earning adjustment of AED 296.6 million and regulatory credit risk reserve adjustment of AED 63.5 million has resulted in decrease in carrying value of AED 7.3 billion to AED 6.6 billion.

All other categories of financial assets at amortized cost largely comprise short term receivables, hence have immaterial expected credit losses.

5.2 Reconciliation of impairment provision balance from IAS 39 to IFRS 9

The following table reconciles the closing impairment loss allowance for financial assets in accordance with IAS 39 and provisions for financing commitments and financial guarantee contracts in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at December 31 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at January 1, 2018.

	31 Dec 2017	Re-measure- ment	1 Jan 2018
	AED'000	AED'000	AED'000
Islamic financing and investing assets- at amortised cost	5,732,668	213,806	5,946,474
Investment in Islamic Sukuk	-	104,559	104,559
	<u>5,732,668</u>	<u>318,365</u>	<u>6,051,033</u>
	=====	=====	=====

Refer note 5.1 for impact on provision for re-measurement of other receivables.

5.3 Reconciliation of other reserves and treasury shares, retained earnings and non-controlling interests

The impact from the adoption of IFRS 9 as at 1 January 2018 on shareholders capital and equity and non-controlling interest is as follows:

	Other reserves and treasury shares AED'000	Retained earnings AED'000	Non- controlling interests AED'000
Closing balance under IAS 39 (31 December 2017)	7,785,557	6,964,089	2,942,687
<u>Impact on recognition of Expected Credit Losses</u>			
Islamic financing and investing assets, sukuk and receivables - at amortised cost under IFRS 9	(381,861)	(296,559)	(364,665)
	<u>7,403,696</u>	<u>6,667,530</u>	<u>2,578,022</u>
	=====	=====	=====
Opening balance under IFRS 9 on date of initial application of 1 January 2018			

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

6. Cash and balances with central banks

6.1 Analysis by category

		Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
	<i>Note</i>		
Cash on hand		1,505,475	1,403,472
Balances with the central banks:			
Balances and reserve requirements with central banks	6.3	7,389,218	7,477,962
International Murabaha with the Central Bank of the U.A.E.		18,053,648	19,003,814
Total		26,948,341 =====	27,885,248 =====

6.2 Analysis by geography

		Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Within the U.A.E.		26,585,447	27,550,605
Outside the U.A.E.		362,894	334,643
Total		26,948,341 =====	27,885,248 =====

6.3 Statutory cash reserve requirements

The reserve requirements are kept with the Central Banks of the U.A.E., Pakistan and Kenya 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.

7. Due from banks and financial institutions

7.1 Analysis by geography

		Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Within the U.A.E.		2,652,720	2,906,861
Outside the U.A.E.		2,564,564	1,770,091
Total		5,217,284 =====	4,676,952 =====

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

8. Islamic financing and investing assets, net

8.1 Analysis by category

		Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
	<i>Note</i>		
Islamic financing assets			
Vehicles murabahas		9,641,638	10,091,324
International murabahas - long term		23,657,725	23,250,011
Other murabahas		5,535,152	6,103,720
Total murabahas		38,834,515	39,445,055
Ijaras		46,407,694	45,977,160
Home finance ijarah		13,020,064	12,949,154
Personal finance		17,455,724	17,533,650
Istisna'a		1,407,673	1,356,662
Islamic credit cards		1,049,046	1,056,524
		118,174,716	118,318,205
Less: deferred income		(3,978,908)	(4,074,803)
Less: contractors' and consultants' istisna'a contracts		(15,282)	(15,843)
Total Islamic financing assets		114,180,526	114,227,559
Islamic investing assets			
Musharakas		6,864,192	6,698,523
Mudarabas		13,826,091	13,606,554
Wakalas		7,196,419	4,534,259
Total Islamic investing assets		27,886,702	24,839,336
Total Islamic financing and investing assets		142,067,228	139,066,895
Less: provisions for impairment	8.3	(5,918,819)	(5,732,668)
Total Islamic financing and investing assets, net		136,148,409	133,334,227
		=====	=====

8.2 Analysis by geography

		Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Within the U.A.E.		134,154,738	131,088,192
Outside the U.A.E.		7,912,490	7,978,703
Total Islamic financing and investing assets		142,067,228	139,066,895
Less: provisions for impairment	8.3	(5,918,819)	(5,732,668)
Total Islamic financing and investing assets, net		136,148,409	133,334,227
		=====	=====

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

8. Islamic financing and investing assets, net (continued)

8.3 Provision for impairment

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Balance at the beginning of the period / year	5,732,668	5,558,651
Cumulative effect of adopting IFRS 9	213,806	-
Balance at the beginning of the period / year (restated)	5,946,474	5,558,651
Charge for the period / year		
Specific	320,900	1,653,437
Collective	42,666	255,825
Release to consolidated statement of profit or loss	(185,057)	(1,073,843)
Write off	(206,164)	(661,402)
Balance at the end of the period / year	5,918,819	5,732,668
	=====	=====

8.4 Carrying value of exposure by internal risk rating category and by stage

	As at 31 March 2018 (AED'000)			
	Stage 1	Stage 2	Stage 3	Total
Low	49,772,421	525,428	-	50,297,849
Moderate	54,058,916	4,115,515	-	58,174,431
High	20,854,929	8,013,380	-	28,868,309
Default	-	-	4,726,639	4,726,639
Total	124,686,266	12,654,323	4,726,639	142,067,228
	=====	=====	=====	=====

9. Investments in Islamic sukuk measured at amortised cost

9.1 Analysis by geography

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Within the U.A.E.	14,045,167	13,541,184
Other G.C.C. Countries	3,464,703	3,373,578
Rest of the world	9,233,863	7,107,918
	26,743,733	24,022,680
Less: provision for impairment	(104,559)	-
Total	26,639,174	24,022,680
	=====	=====

Investments in Islamic sukuk measured at amortised cost within the U.A.E. include investments in bilateral governmental sukuk amounting to AED 3.2 billion as at 31 March 2018 (31 December 2017: AED 3.2 billion). All Sukuks are classified at Stage 1 at 31 March 2018.

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

10. Other investments measured at fair value

10.1 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
31 March 2018 (Unaudited)				
Investments designated at fair value through profit or loss				
Quoted equity instruments	-	1,754	-	1,754
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	748,795	105,843	2,015	856,653
Unquoted equity instruments and funds	703,389	54,614	239,727	997,730
	<u>1,452,184</u>	<u>160,457</u>	<u>241,742</u>	<u>1,854,383</u>
Total	<u><u>1,452,184</u></u>	<u><u>162,211</u></u>	<u><u>241,742</u></u>	<u><u>1,856,137</u></u>
	Within the U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
31 December 2017 (Audited)				
Investments designated at fair value through profit or loss				
Quoted equity instruments	2,234	-	-	2,234
Investments measured at fair value through other comprehensive income				
Quoted equity instruments	812,970	143,317	1,961	958,248
Unquoted equity instruments and funds	704,015	56,278	240,958	1,001,251
	<u>1,516,985</u>	<u>199,595</u>	<u>242,919</u>	<u>1,959,499</u>
Total	<u><u>1,519,219</u></u>	<u><u>199,595</u></u>	<u><u>242,919</u></u>	<u><u>1,961,733</u></u>

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

11. Investment properties

11.1 Analysis by category and geography

	Other real estate AED'000	Investment properties under construction AED'000	Land AED'000	Total AED'000
31 March 2018 (Unaudited)				
Carrying Amount:				
Within the U.A.E.	920,071	1,789,528	750,068	3,459,667
Outside the U.A.E.	170,533	-	52,545	223,078
Total	1,090,604	1,789,528	802,613	3,682,745
31 December 2017 (Audited)				
Carrying Amount:				
Within the U.A.E.	873,114	1,724,065	750,068	3,347,247
Outside the U.A.E.	170,362	-	52,545	222,907
Total	1,043,476	1,724,065	802,613	3,570,154

12 Receivables and other assets

As at 31 March 2018, other receivables include AED 1,582 million and AED 758 million at Stage 2 and Stage 3 respectively.

13 Customers' deposits

13.1 Analysis by category

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Current accounts	32,023,649	34,053,855
Saving accounts	18,946,171	18,871,920
Investment deposits	99,980,773	93,595,393
Margin accounts	597,712	533,204
Depositors' investment risk reserve	15,667	16,365
Depositors' share of profit payable	107,936	110,214
Total	151,671,908	147,180,951

14. Sukuk issued

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

	Expected annual profit rate	Maturity	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Sukuk issued by the Bank	2.92%	June 2020	2,754,750	2,754,750
Sukuk issued by the Bank	3.60%	March 2021	1,836,500	1,836,500
Sukuk issued by the Bank	3M Libor + 150 bps	December 2019	256,890	256,858
Sukuk issued by the Bank	3.66%	February 2022	3,673,000	3,673,000
Sukuk issued by the Bank	3.63%	February 2023	3,658,315	-
Sukuk issued by a subsidiary	6M Kibor + 50 bps	June 2027	127,541	137,599
Total			12,306,996	8,658,707

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

15. Share capital

As at 31 March 2018, 4,942,188,884 authorised ordinary shares of AED 1 each (31 December 2017: 4,942,188,884 ordinary shares of AED 1 each) were fully issued and paid up.

16. Tier 1 sukuk

16.1 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 Sharia 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 a 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 3,673) 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 Dubai Financial Market / Nasdaq Dubai and are callable by the Bank after the "First Call Date" or any profit payment date thereafter subject to certain redemption conditions.

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

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.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

17. Other reserves and treasury shares

17.1 Movements in other reserves and treasury shares

Movement of other reserves and treasury shares during the period / year ended 31 March 2018 and 31 December 2017 is as follows:

	Statutory reserve AED'000	General reserve AED'000	Regulatory credit risk reserve AED'000	Treasury shares AED'000	Total AED'000
2018					
Balance at 1 January 2018	5,066,273	2,350,000	390,000	(20,716)	7,785,557
Effect of IFRS 9 adoption (note 5.1)	-	-	(381,861)	-	(381,861)
Balance at 1 January 2018 – restated	5,066,273	2,350,000	8,139	(20,716)	7,403,696
Balance at 31 March 2018	5,066,273	2,350,000	8,139	(20,716)	7,403,696
	=====	=====	=====	=====	=====
2017					
Balance at 1 January 2017	5,066,273	2,350,000	390,000	(20,716)	7,785,557
Balance at 31 December 2017	5,066,273	2,350,000	390,000	(20,716)	7,785,557
	=====	=====	=====	=====	=====

As of 31 March 2018, other reserves and treasury shares balance includes 10.2 million treasury shares (31 December 2017: 10.2 million treasury shares) amounting to AED 20.7 million (31 December 2017: AED 20.7 million).

18. Contingent liabilities and commitments

The analysis of contingent liabilities and commitments as at 31 March 2018 and 31 December 2017 is as follows:

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Contingent liabilities and commitments:		
Letters of guarantee	13,750,538	13,833,602
Letters of credit	1,849,956	1,852,179
Irrevocable undrawn facilities commitments	14,576,664	14,884,834
Total contingent liabilities and commitments	30,177,158	30,570,615
Other commitments:		
Capital expenditure commitments	1,215,288	1,513,589
Total other commitments	1,215,288	1,513,589
Total contingent liabilities and commitments	31,392,446	32,084,204
	=====	=====

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

19. Impairment charges, net

Impairment charges include net impairment charge on Islamic financing and investing assets amounting to AED 178.50 million (refer note 8.3) (31 March 2017: AED 163.6 million), net charge on other financial assets amounting to AED 14.4 million (31 March 2017: AED 5.5 million) and net release on non-financial assets amounting to AED 25.0 million (31 March 2017: AED Nil).

20. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the period 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 period as follows:

	Three-month period ended 31 March	
	2018	2017
	AED'000	AED'000
Profit for the period attributable to the owners of the Bank	1,173,133	1,008,411
Profit attributable to tier 1 sukukholders	(238,745)	(238,745)
Board of Directors' remuneration paid	(501)	139
	933,887	769,805
	=====	=====
Weighted average number of shares outstanding during the period ('000)	4,932,006	4,932,006
	=====	=====
Basic and diluted earnings per share (AED per share)	0.19	0.16
	=====	=====

21. Cash and cash equivalents

	Unaudited 31 March 2018 AED'000	Unaudited 31 March 2017 AED'000
Cash and balances with central banks	26,948,341	21,203,479
Due from banks and financial institutions	5,217,284	4,671,580
Due to banks and financial institutions	(13,698,663)	(6,725,549)
	18,466,962	19,149,510
Less: balances and deposits with banks and financial institutions with original maturity over three months	(199,694)	(199,694)
Add: Due to banks and financial institutions over three months	2,918,169	4,066,340
Total	21,185,437	23,016,156
	=====	=====

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

22. Segmental information

22.1 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 below major segments as follows:

- | | |
|----------------------------|---|
| - Consumer banking: | Principally handling individual customers' deposits, providing consumer murabahas, salam, home finance, ijarah, credit cards and funds transfer facilities and trade finance facilities. |
| - Corporate banking: | Principally handling financing, other credit facilities, deposit, 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. |
| - Other: | 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.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

22. Segmental information (continued)

22.2 Segment profitability

The following table presents summarised condensed consolidated interim statement of profit or loss related to Group's reportable segments:

	Consumer banking		Corporate banking		Treasury		Real estate development		Other		Total	
	Three-month period ended 31 March		Three-month period ended 31 March		Three-month period ended 31 March		Three-month period ended 31 March		Three-month period ended 31 March		Three-month period ended 31 March	
	2018 (Unaudited) AED'000	2017 (Unaudited) AED'000	2018 (Unaudited) AED'000	2017 (Unaudited) AED'000	2018 (Unaudited) AED'000	2017 (Unaudited) AED'000	2018 (Unaudited) AED'000	2017 (Unaudited) AED'000	2018 (Unaudited) AED'000	2017 (Unaudited) AED'000	2018 (Unaudited) AED'000	2017 (Unaudited) AED'000
Net operating revenue	839,304	793,958	727,682	584,775	174,851	195,674	101,454	96,836	128,102	133,076	1,971,393	1,804,319
Operating expenses	(357,903)	(378,412)	(88,914)	(88,656)	(13,583)	(10,582)	(36,273)	(36,945)	(93,423)	(77,517)	(590,096)	(592,112)
Net operating income	481,401	415,546	638,768	496,119	161,268	185,092	65,181	59,891	34,679	55,559	1,381,297	1,212,207
Impairment (charge) / reversal for the period, net	(211,575)	(175,225)	43,228	12,165	-	-	-	-	401	(6,066)	(167,946)	(169,126)
Profit for the period before income tax expense	269,826	240,321	681,996	508,284	161,268	185,092	65,181	59,891	35,080	49,493	1,213,351	1,043,081
Income tax expense	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	(2,096)	(981)
Profit for the period											1,211,255	1,042,100
											=====	=====

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

22. Segmental information (continued)

22.3 Segment financial position

The following table presents assets and liabilities regarding the Group's reportable segments:

	Consumer banking		Corporate banking		Treasury		Real Estate Development		Other		Total	
	31 March 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000	31 March 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000	31 March 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000	31 March 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000	31 March 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000	31 March 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Segment assets	39,526,909 =====	39,717,180 =====	96,235,932 =====	93,439,993 =====	34,601,132 =====	31,186,250 =====	6,036,365 =====	6,276,084 =====	34,689,058 =====	36,717,502 =====	211,089,396 =====	207,337,009 =====
Segment liabilities	66,777,818 =====	64,961,410 =====	88,192,626 =====	85,677,846 =====	26,817,108 =====	24,387,508 =====	1,229,345 =====	1,215,983 =====	1,930,415 =====	2,213,744 =====	184,947,312 =====	178,456,491 =====

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

23. Related party transactions

- (a) The Group enters into arm's length transactions with shareholders, directors, key management personnel, their related concerns and the Group's associates and joint ventures in the ordinary course of business at commercial profit and commission rates.
- (b) As at 31 March 2018 and 31 December 2017, the major shareholder of the Bank is Investment Corporation of Dubai ("ICD"), a company in which the Government of Dubai is the majority shareholder.
- (c) Balances and transactions between the Bank and its subsidiaries, which are related parties of the Group, have been fully eliminated upon consolidation and they are not disclosed in this note.
- (d) The significant balances and transactions with related parties included in these condensed consolidated interim financial information are as follows:

	Major shareholders AED'000	Directors and key management personnel AED'000	Associates and joint ventures AED'000	Total AED'000
As at 31 March 2018 (Unaudited)				
Islamic financing and investing assets	2,164,105	12,546	5,910	2,182,561
Investment in sukuk	1,499,664	-	-	1,499,664
Customers' deposits	5,945,526	141,380	20,755	6,107,661
Contingent liabilities and commitments	-	-	122	122
As at 31 December 2017 (Audited)				
Islamic financing and investing assets	1,731,987	10,057	6,161	1,748,205
Investment in sukuk	1,581,182	-	-	1,581,182
Customers' deposits	7,666,437	91,110	12,891	7,770,438
Contingent liabilities and commitments	-	-	122	122
For the three-month period ended 31 March 2018 (Unaudited)				
Income from Islamic financing transactions	17,525	151	99	17,775
Income from Islamic sukuk	15,230	-	-	15,230
Depositors' and sukuk holders' share of profits	34,203	501	-	34,704
For the three-month period ended 31 March 2017 (Unaudited)				
Income from Islamic financing transactions	19,116	155	106	19,377
Income from Islamic sukuk	14,036	-	-	14,036
Depositors' and sukuk holders' share of profits	41,870	148	-	42,018

- (e) No specific impairment allowances have been recognised against Islamic financing and investing assets extended to related parties or contingent liabilities and commitments issued in favour of the Group's related parties during the three-month period ended 31 March 2018 (three-month period ended 31 March 2017: Nil).

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

23. Related party transactions (continued)

- (f) The compensation paid to / accrued for key management personnel of the Bank during the three-month period ended 31 March 2018 and 2017 was as follows:

	Unaudited 31 March 2018 AED'000	Unaudited 31 March 2017 AED'000
Salaries and other benefits	17,932	15,545
End of service benefits	278	233
	=====	=====

24. Fair value of financial instruments

24.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

31 March 2018 (Unaudited)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Other investments measured at fair value				
Investments designated at fair value through profit or loss				
Quoted equity instruments	1,754	-	-	1,754
Investments carried at fair value through other comprehensive income				
Quoted equity instruments	856,653	-	-	856,653
Unquoted equity instruments and funds	-	-	997,730	997,730
Other assets				
Islamic derivative assets	-	286,180	-	286,180
Total financial assets measured at fair value	858,407	286,180	997,730	2,142,317
	=====	=====	=====	=====
Other liabilities				
Islamic derivative liabilities	-	263,147	-	263,147
	=====	=====	=====	=====

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

24. Fair value of financial instruments (continued)

24.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

31 December 2017 (Audited)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Other investments measured at fair value				
Investments designated at fair value through profit or loss				
Quoted equity instruments	2,324	-	-	2,324
Investments carried at fair value through other comprehensive income				
Quoted equity instruments	958,248	-	-	958,248
Unquoted equity instruments and funds	-	-	1,001,251	1,001,251
Other assets				
Islamic derivative assets	-	229,458	-	229,458
Total financial assets measured at fair value	<u>960,572</u>	<u>229,458</u>	<u>1,001,251</u>	<u>2,191,281</u>
Other liabilities				
Islamic derivative liabilities	-	210,407	-	210,407

There were no transfers between Level 1, 2 and 3 during the period ended 31 March 2018 and year ended 31 December 2017.

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

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Balance at 1 January	1,001,251	897,527
Losses in other comprehensive income	(7,860)	(4,840)
Added / reclassified during the year	4,339	126,068
Disposals during the year	-	(17,504)
Balance at period end	<u>997,730</u>	<u>1,001,251</u>

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

25. Capital adequacy ratio

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Capital base		
Common Equity Tier 1	16,179,671	18,632,454
Additional Tier 1 capital	6,978,700	7,343,929
Tier 1 Capital	23,158,371	25,976,383
Tier 2 Capital	2,321,146	1,810,813
Total capital base	25,479,517	27,787,196
	=====	=====
Risk weighted assets		
Credit risk	156,307,697	148,074,668
Market risk	1,895,002	1,959,686
Operational risk	12,153,526	11,934,690
Total risk weighted assets	170,356,225	161,969,044
	=====	=====
Capital Ratios		
Common equity Tier 1 capital ratio	9.5%	11.5%
Tier 1 capital ratio	13.6%	16.0%
Total capital ratio	15.0%	17.2%

The capital adequacy ratio calculation is based on Basel III and the U.A.E. Central Bank rules and regulations.

26. Dividend

At the Annual General Meeting of the shareholders held on 21 February 2018, the shareholders approved a cash dividend of AED 0.45 per outstanding share for 31 December 2017 amounting to AED 2,219.4 million (for the year ended 31 December 2016: cash dividend of AED 0.45 per outstanding share amounting to AED 2,219.4 million).

27. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated interim statement of profit or loss for the three-month periods ended 31 March 2018 and 2017.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

28. Subsidiaries

(a) The Group's material interest held directly or indirectly in the subsidiaries is as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
			31 March 2018	31 December 2017
1. Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	100.0%	100.0%
2. Tamweel P.S.C (formerly Tamweel P.J.S.C)	Financing	U.A.E	92.0%	92.0%
3. DIB Bank Kenya	Banking	Kenya	100.0%	100.0%
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 Private Property Management Services.	Property Management	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. Dubai Islamic Trading Center L.L.C	Trading in motor vehicles	U.A.E.	100.0%	100.0%

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

Dubai Islamic Bank P.J.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2018

28. Subsidiaries (continued)

- (c) The following Special Purpose Vehicles (“SPV”) were formed to manage specific transactions including funds, and are expected to be closed upon their completion.

Name of SPV	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
			31 March 2018	31 December 2017
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%

- (d) 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.

29. Comparative information

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

30. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information were approved by the Board of Directors and authorized for issue on 18 April 2018.