

# **Dubai Islamic Bank P.J.S.C.**

## **Review report and condensed consolidated interim financial information**

*for the nine-month period ended 30 September 2017*

# Dubai Islamic Bank P.J.S.C.

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## **Review report and condensed consolidated interim financial information (Unaudited)** *for the nine-month period ended 30 September 2017*

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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 30 September 2017 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 30 September 2017;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2017;
- the condensed consolidated interim statement of other comprehensive income for the three-month and nine-month periods ended 30 September 2017;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2017;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2017; 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 30 September 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited



Fawzi AbuRass  
Registration No.: 968  
Dubai, United Arab Emirates  
Date: 11 OCT 2017

# Dubai Islamic Bank P.J.S.C.

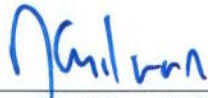
## Condensed consolidated interim statement of financial position

as at 30 September 2017

|                                                         |      | (Unaudited)<br>30 September<br>2017<br>AED'000 | (Audited)<br>31 December<br>2016<br>AED'000 |
|---------------------------------------------------------|------|------------------------------------------------|---------------------------------------------|
|                                                         | Note |                                                |                                             |
| <b>ASSETS</b>                                           |      |                                                |                                             |
| Cash and balances with central banks                    | 5    | 22,666,840                                     | 16,654,681                                  |
| Due from banks and financial institutions               | 6    | 4,656,766                                      | 4,546,197                                   |
| Islamic financing and investing assets, net             | 7    | 131,283,776                                    | 114,967,622                                 |
| Investments in Islamic sukuk measured at amortised cost | 8    | 25,169,684                                     | 23,408,660                                  |
| Other investments measured at fair value                | 9    | 1,782,938                                      | 1,717,311                                   |
| Investments in associates and joint ventures            |      | 2,131,406                                      | 2,034,472                                   |
| Properties held for development and sale                |      | 1,299,666                                      | 1,348,130                                   |
| Investment properties                                   | 10   | 3,438,786                                      | 3,058,315                                   |
| Receivables and other assets                            |      | 7,677,676                                      | 6,307,506                                   |
| Property and equipment                                  |      | 1,054,204                                      | 927,611                                     |
| <b>Total assets</b>                                     |      | <b>201,161,742</b>                             | <b>174,970,505</b>                          |
| <b>LIABILITIES AND EQUITY</b>                           |      |                                                |                                             |
| <b>LIABILITIES</b>                                      |      |                                                |                                             |
| Customers' deposits                                     | 11   | 143,528,420                                    | 122,376,950                                 |
| Due to banks and financial institutions                 |      | 13,567,968                                     | 10,417,918                                  |
| Sukuk issued                                            | 12   | 8,662,804                                      | 7,695,155                                   |
| Payables and other liabilities                          |      | 7,459,226                                      | 7,211,266                                   |
| <b>Total liabilities</b>                                |      | <b>173,218,418</b>                             | <b>147,701,289</b>                          |
| <b>EQUITY</b>                                           |      |                                                |                                             |
| Share capital                                           | 13   | 4,942,189                                      | 4,942,189                                   |
| Tier 1 sukuk                                            | 14   | 7,346,000                                      | 7,346,000                                   |
| Other reserves and treasury shares                      | 15   | 7,785,557                                      | 7,785,557                                   |
| Investments fair value reserve                          |      | (678,089)                                      | (751,672)                                   |
| Exchange translation reserve                            |      | (458,299)                                      | (462,774)                                   |
| Retained earnings                                       |      | 6,114,165                                      | 5,641,061                                   |
| <b>Equity attributable to owners of the Bank</b>        |      | <b>25,051,523</b>                              | <b>24,500,361</b>                           |
| Non-controlling interests                               |      | 2,891,801                                      | 2,768,855                                   |
| <b>Total equity</b>                                     |      | <b>27,943,324</b>                              | <b>27,269,216</b>                           |
| <b>Total liabilities and equity</b>                     |      | <b>201,161,742</b>                             | <b>174,970,505</b>                          |

  
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 30 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 nine-month period ended 30 September 2017

|                                                                       |      | Three-month period<br>ended 30 September |                  | Nine-month period<br>ended 30 September |                    |
|-----------------------------------------------------------------------|------|------------------------------------------|------------------|-----------------------------------------|--------------------|
|                                                                       | Note | 2017<br>AED'000                          | 2016<br>AED'000  | 2017<br>AED'000                         | 2016<br>AED'000    |
| <b>NET INCOME</b>                                                     |      |                                          |                  |                                         |                    |
| Income from Islamic financing and investing transactions              |      | 2,009,136                                | 1,655,141        | 5,721,918                               | 4,812,589          |
| Commissions, fees and foreign exchange income                         |      | 342,223                                  | 315,823          | 1,026,668                               | 1,073,542          |
| Income from other investments measured at fair value, net             |      | 1,690                                    | 972              | 31,172                                  | 27,351             |
| Income from properties held for development and sale, net             |      | 49,893                                   | 51,916           | 119,007                                 | 118,747            |
| Income from investment properties                                     |      | 27,233                                   | 20,057           | 95,052                                  | 57,481             |
| Share of profit from associates and joint ventures                    |      | 46,693                                   | 29,788           | 113,337                                 | 145,419            |
| Other income                                                          |      | 168,229                                  | 101,613          | 403,002                                 | 175,061            |
| <b>Total income</b>                                                   |      | <b>2,645,097</b>                         | <b>2,175,310</b> | <b>7,510,156</b>                        | <b>6,410,190</b>   |
| Less: depositors' and sukuk holders' share of profit                  |      | (640,254)                                | (483,373)        | (1,828,758)                             | (1,362,646)        |
| <b>Net income</b>                                                     |      | <b>2,004,843</b>                         | <b>1,691,937</b> | <b>5,681,398</b>                        | <b>5,047,544</b>   |
| <b>OPERATING EXPENSES</b>                                             |      |                                          |                  |                                         |                    |
| Personnel expenses                                                    |      | (383,887)                                | (392,133)        | (1,174,209)                             | (1,167,972)        |
| General and administrative expenses                                   |      | (153,089)                                | (134,458)        | (447,029)                               | (429,437)          |
| Depreciation of investment properties                                 |      | (11,548)                                 | (10,178)         | (33,336)                                | (28,941)           |
| Depreciation of property and equipment                                |      | (30,592)                                 | (28,532)         | (86,865)                                | (89,662)           |
| <b>Total operating expenses</b>                                       |      | <b>(579,116)</b>                         | <b>(565,301)</b> | <b>(1,741,439)</b>                      | <b>(1,716,012)</b> |
| <b>Net operating income before impairment charges</b>                 |      | <b>1,425,727</b>                         | <b>1,126,636</b> | <b>3,939,959</b>                        | <b>3,331,532</b>   |
| Impairment charges, net                                               | 17   | (263,071)                                | (113,488)        | (618,731)                               | (304,024)          |
| <b>Net profit for the period before income tax expense</b>            |      | <b>1,162,656</b>                         | <b>1,013,148</b> | <b>3,321,228</b>                        | <b>3,027,508</b>   |
| Income tax expense                                                    |      | (4,576)                                  | (6,849)          | (19,845)                                | (16,882)           |
| <b>Net profit for the period</b>                                      |      | <b>1,158,080</b>                         | <b>1,006,299</b> | <b>3,301,383</b>                        | <b>3,010,626</b>   |
| Attributable to:                                                      |      |                                          |                  |                                         |                    |
| Owners of the Bank                                                    |      | 1,107,123                                | 876,324          | 3,172,972                               | 2,680,569          |
| Non-controlling interests                                             |      | 50,957                                   | 129,975          | 128,411                                 | 330,057            |
| <b>Net profit for the period</b>                                      |      | <b>1,158,080</b>                         | <b>1,006,299</b> | <b>3,301,383</b>                        | <b>3,010,626</b>   |
| <b>Basic and diluted earnings per share (AED per share) (note 18)</b> |      | <b>0.18</b>                              | <b>0.13</b>      | <b>0.55</b>                             | <b>0.49</b>        |

The notes on pages 9 to 30 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 nine-month period ended 30 September 2017

|                                                                                | Three-month period<br>ended 30 September |                  | Nine-month period<br>ended 30 September |                  |
|--------------------------------------------------------------------------------|------------------------------------------|------------------|-----------------------------------------|------------------|
|                                                                                | 2017<br>AED'000                          | 2016<br>AED'000  | 2017<br>AED'000                         | 2016<br>AED'000  |
| <b>Net profit for the period</b>                                               | <b>1,158,080</b>                         | <b>1,006,299</b> | <b>3,301,383</b>                        | <b>3,010,626</b> |
| <b>Other comprehensive income / (loss) items</b>                               |                                          |                  |                                         |                  |
| <i>Items that will not be reclassified subsequently to<br/>profit or loss:</i> |                                          |                  |                                         |                  |
| Fair value gain / (loss) on other investments<br>carried at FVTOCI, net        | 24,959                                   | 8,543            | 71,196                                  | (92,755)         |
| <i>Items that may be reclassified subsequently to<br/>profit or loss:</i>      |                                          |                  |                                         |                  |
| Exchange differences on translation of foreign<br>operations, net              | 9,634                                    | 693              | 4,475                                   | (3,051)          |
| <b>Other comprehensive income / (loss) for the<br/>period</b>                  | <b>34,593</b>                            | <b>9,236</b>     | <b>75,671</b>                           | <b>(95,806)</b>  |
| <b>Total comprehensive income for the period</b>                               | <b>1,192,673</b>                         | <b>1,015,535</b> | <b>3,377,054</b>                        | <b>2,914,820</b> |
| Attributable to:                                                               |                                          |                  |                                         |                  |
| Owners of the Bank                                                             | 1,142,501                                | 885,979          | 3,250,996                               | 2,586,332        |
| Non-controlling interests                                                      | 50,172                                   | 129,556          | 126,058                                 | 328,488          |
| <b>Total comprehensive income for the period</b>                               | <b>1,192,673</b>                         | <b>1,015,535</b> | <b>3,377,054</b>                        | <b>2,914,820</b> |

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# Dubai Islamic Bank P.J.S.C.

## Condensed consolidated interim statement of changes in equity (Unaudited) for the nine-month period ended 30 September 2017

|                                                    | ----- Equity attributable to owners of the Bank ----- |                 |                                                |                                      |                                    |                      |             |                                  |                 |
|----------------------------------------------------|-------------------------------------------------------|-----------------|------------------------------------------------|--------------------------------------|------------------------------------|----------------------|-------------|----------------------------------|-----------------|
|                                                    | Share<br>capital                                      | Tier 1<br>sukuk | Other<br>reserves<br>and<br>treasury<br>shares | Investments<br>fair value<br>reserve | Exchange<br>translation<br>reserve | Retained<br>Earnings | Total       | Non-<br>controlling<br>interests | Total<br>equity |
|                                                    | AED'000                                               | AED'000         | AED'000                                        | AED'000                              | AED'000                            | AED'000              | AED'000     | AED'000                          | AED'000         |
| <b>Balance at 1 January 2016</b>                   | 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      |
| Net profit for the period                          | -                                                     | -               | -                                              | -                                    | -                                  | 2,680,569            | 2,680,569   | 330,057                          | 3,010,626       |
| Other comprehensive loss for the period            | -                                                     | -               | -                                              | (91,186)                             | (3,051)                            | -                    | (94,237)    | (1,569)                          | (95,806)        |
| Total comprehensive income / (loss) for the period | -                                                     | -               | -                                              | (91,186)                             | (3,051)                            | 2,680,569            | 2,586,332   | 328,488                          | 2,914,820       |
| <b>Transaction with owners directly in equity:</b> |                                                       |                 |                                                |                                      |                                    |                      |             |                                  |                 |
| Dividend paid (note 24)                            | -                                                     | -               | -                                              | -                                    | -                                  | (1,775,526)          | (1,775,526) | (4,360)                          | (1,779,886)     |
| Zakat                                              | -                                                     | -               | -                                              | -                                    | -                                  | (983)                | (983)       | -                                | (983)           |
| Issue of right shares                              | 988,438                                               | -               | 2,168,018                                      | -                                    | -                                  | -                    | 3,156,456   | -                                | 3,156,456       |
| Share issue cost                                   | -                                                     | -               | -                                              | -                                    | -                                  | (1,330)              | (1,330)     | -                                | (1,330)         |
| Tier 1 sukuk profit distribution                   | -                                                     | -               | -                                              | -                                    | -                                  | (477,490)            | (477,490)   | -                                | (477,490)       |
| Acquisition of non-controlling interest            | -                                                     | -               | -                                              | -                                    | -                                  | 375                  | 375         | (726)                            | (351)           |
| Transfer to regulatory credit risk reserve         | -                                                     | -               | 25,000                                         | -                                    | -                                  | (25,000)             | -           | -                                | -               |
| Board of Directors' remuneration paid              | -                                                     | -               | -                                              | -                                    | -                                  | (3,000)              | (3,000)     | -                                | (3,000)         |
| <b>Balance at 30 September 2016</b>                | 4,942,189                                             | 7,346,000       | 7,810,557                                      | (748,553)                            | (357,880)                          | 4,961,349            | 23,953,662  | 2,648,102                        | 26,601,764      |
|                                                    | =====                                                 | =====           | =====                                          | =====                                | =====                              | =====                | =====       | =====                            | =====           |
| <b>Balance at 1 January 2017</b>                   | 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                          | -                                                     | -               | -                                              | -                                    | -                                  | 3,172,972            | 3,172,972   | 128,411                          | 3,301,383       |
| Other comprehensive income / (loss) for the period | -                                                     | -               | -                                              | 73,549                               | 4,475                              | -                    | 78,024      | (2,353)                          | 75,671          |
| Total comprehensive income for the period          | -                                                     | -               | -                                              | 73,549                               | 4,475                              | 3,172,972            | 3,250,996   | 126,058                          | 3,377,054       |
| Transaction with owners directly in equity:        |                                                       |                 |                                                |                                      |                                    |                      |             |                                  |                 |
| Dividend paid (note 24)                            | -                                                     | -               | -                                              | -                                    | -                                  | (2,219,403)          | (2,219,403) | (3,112)                          | (2,222,515)     |
| Zakat                                              | -                                                     | -               | -                                              | -                                    | -                                  | (2,941)              | (2,941)     | -                                | (2,941)         |
| Transfer on disposal of investments at FVTOCI      | -                                                     | -               | -                                              | 34                                   | -                                  | (34)                 | -           | -                                | -               |
| Tier 1 sukuk profit distribution                   | -                                                     | -               | -                                              | -                                    | -                                  | (477,490)            | (477,490)   | -                                | (477,490)       |
| <b>Balance at 30 September 2017</b>                | 4,942,189                                             | 7,346,000       | 7,785,557                                      | (678,089)                            | (458,299)                          | 6,114,165            | 25,051,523  | 2,891,801                        | 27,943,324      |
|                                                    | =====                                                 | =====           | =====                                          | =====                                | =====                              | =====                | =====       | =====                            | =====           |

The notes on page 9 to 30 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 cash flows (Unaudited) for the nine-month period ended 30 September 2017

|                                                                                       | Nine-month period<br>ended 30 September |                    |
|---------------------------------------------------------------------------------------|-----------------------------------------|--------------------|
|                                                                                       | 2017                                    | 2016               |
|                                                                                       | AED'000                                 | AED'000            |
| <b>Operating activities</b>                                                           |                                         |                    |
| Profit for the period before income tax expense                                       | 3,321,228                               | 3,027,508          |
| <b>Adjustments for:</b>                                                               |                                         |                    |
| Share of profit of associates and joint ventures                                      | (113,337)                               | (145,419)          |
| Income from disposal of properties held for development and sale                      | (119,007)                               | (118,747)          |
| Dividend income                                                                       | (31,599)                                | (27,283)           |
| Gain on disposal of investment property                                               | (29,336)                                | -                  |
| Loss / (gain) on disposal of other investments                                        | 375                                     | (128)              |
| Revaluation of investments at fair value through profit or loss                       | 82                                      | 151                |
| Gain on sale of investments in Islamic sukuk                                          | (208,262)                               | (89,133)           |
| Gain on disposal of property and equipment                                            | (177)                                   | (1,453)            |
| Depreciation of property and equipment                                                | 86,865                                  | 89,662             |
| Depreciation of investment properties                                                 | 33,336                                  | 28,941             |
| Amortization of sukuk premium                                                         | 96                                      | -                  |
| Provision for employees' end-of-services benefit                                      | 17,939                                  | 18,398             |
| Impairment charge for the period, net                                                 | 618,731                                 | 304,024            |
| <b>Operating cash flow before changes in operating assets and liabilities</b>         | <b>3,576,934</b>                        | <b>3,086,521</b>   |
| Increase in due from banks and financial institutions with over three months maturity | -                                       | 2,206,252          |
| Increase in Islamic financing and investing assets                                    | (17,143,496)                            | (14,716,382)       |
| Increase in receivables and other assets                                              | (1,369,630)                             | (24,899)           |
| Increase in customers' deposits                                                       | 21,197,836                              | 11,860,261         |
| Increase in due to banks and other financial institutions                             | 3,150,951                               | 4,587,893          |
| Increase / (decrease) in payables and other liabilities                               | 240,627                                 | (526,795)          |
| <b>Cash generated from operations</b>                                                 | <b>9,653,222</b>                        | <b>6,472,851</b>   |
| Employees' end-of-services benefit paid                                               | (7,828)                                 | (7,878)            |
| Tax paid                                                                              | (25,560)                                | (16,384)           |
| <b>Net cash generated from operating activities</b>                                   | <b>9,619,834</b>                        | <b>6,448,589</b>   |
| <b>Investing activities</b>                                                           |                                         |                    |
| Net movement in investments in Islamic sukuk measured at amortised cost               | (1,563,146)                             | (1,334,844)        |
| Purchase of investment properties                                                     | (248,971)                               | (215,168)          |
| Proceeds from sale of investment properties                                           | 57,115                                  | 8,551              |
| Purchase of property and equipment, net                                               | (224,091)                               | (140,657)          |
| Proceeds from disposal of properties held for development and sale                    | 167,471                                 | 123,372            |
| Net movement in other investments measured at fair value                              | 11,489                                  | 6,767              |
| Dividend received                                                                     | 31,599                                  | 27,283             |
| Net movement in investments in associates and joint ventures                          | 16,373                                  | 22,753             |
| <b>Net cash used in investing activities</b>                                          | <b>(1,752,161)</b>                      | <b>(1,501,943)</b> |

The notes on page 9 to 30 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 cash flows (Unaudited) (continued) for the nine-month period ended 30 September 2017

|                                                                                   | Nine-month period<br>ended 30 September |                   |
|-----------------------------------------------------------------------------------|-----------------------------------------|-------------------|
|                                                                                   | 2017                                    | 2016              |
|                                                                                   | AED'000                                 | AED'000           |
| <b>Financing activities</b>                                                       |                                         |                   |
| Dividend paid                                                                     | (2,222,515)                             | (1,779,886)       |
| Tier 1 sukuk profit distribution                                                  | (477,490)                               | (477,490)         |
| Proceeds from issuance of sukuk                                                   | 3,814,728                               | (1,836,500)       |
| Payment of sukuk                                                                  | (2,847,175)                             | -                 |
| Proceeds from issuance of right shares, net                                       | -                                       | 3,155,126         |
| <b>Net cash (used in) / generated from financing activities</b>                   | <b>(1,732,452)</b>                      | <b>2,734,250</b>  |
| <b>Net increase in cash and cash equivalents</b>                                  | <b>6,135,221</b>                        | <b>7,680,896</b>  |
| Cash and cash equivalents at the beginning of the period                          | 21,001,184                              | 16,293,362        |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | (12,493)                                | 8,946             |
| <b>Cash and cash equivalents at the end of the period (note 19)</b>               | <b>27,123,912</b>                       | <b>23,983,204</b> |
|                                                                                   | =====                                   | =====             |

The notes on page 9 to 30 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 nine-month period ended 30 September 2017

### 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 26 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 26(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 but may affect the accounting for future transactions or arrangements:

- Amendments to IAS 12 Income Taxes relating to recognition of Deferred Tax Assets for unrealised Losses.
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendment to IFRS 12 related to disclosure requirements of interest in other entities.

#### 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> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| Finalised version of IFRS 9 <i>Financial Instruments</i> (IFRS 9 <i>Financial Instruments</i> (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. | 1 January 2018                                            |
| A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.                                                                                                                               |                                                           |
| A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract                                                                                                                                               |                                                           |

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 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> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| 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                                            |
| IAS 40 <i>Investment properties</i> : The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.                                                                                                                                                                                                                                                                                                                         | 1 January 2018                                            |
| IAS 28 <i>Investment in associates and joint ventures</i> : A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1 January 2018                                            |
| IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> : When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. | 1 January 2018                                            |

As of date of issuance of these condensed consolidated interim financial statements, management are still in the process of evaluating the impact of these new and revised standards on the condensed consolidated interim financial statements. The Bank's focus continues to be on developing the impairment models and processes which are needed for the parallel run during 2017 in order to be fully compliant with IFRS 9. The Bank believes that once they finalise the impairment model and processes, they will be in a better position to assess the potential impact of IFRS 9 on the condensed consolidated interim financial statements.

### 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 2016. 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 2016.

# Dubai Islamic Bank P.J.S.C.

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## **Notes to the condensed consolidated interim financial information** *for the nine-month period ended 30 September 2017*

### **3. Basis of preparation (continued)**

#### **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 2016.

#### **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 2016 other than the application of new and revised standards as set out in note 2.1.

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

##### **4.1 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 2016.

##### **4.2 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.

##### **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.

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 4. Significant accounting policies (continued)

#### 4.3 Other investments (continued)

##### 4.3.1 Investments measured at fair value through profit or loss (“FVTPL”) (continued)

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.

##### 4.3.2 Investments measured 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.

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.

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.

# Dubai Islamic Bank P.J.S.C.

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## **Notes to the condensed consolidated interim financial information** *for the nine-month period ended 30 September 2017*

### **4. Significant accounting policies (continued)**

#### **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's 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.

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.

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 5. Cash and balances with central banks

#### 5.1 Analysis by category

|                                                               |      | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|---------------------------------------------------------------|------|----------------------------------------------|-------------------------------------------|
|                                                               | Note |                                              |                                           |
| Cash on hand                                                  |      | 1,646,570                                    | 1,886,914                                 |
| Balances with the central banks:                              |      |                                              |                                           |
| Balances and reserve requirements with central banks          | 5.3  | 7,516,039                                    | 9,766,858                                 |
| International Murabaha with the<br>Central Bank of the U.A.E. |      | 13,504,231                                   | 5,000,909                                 |
| <b>Total</b>                                                  |      | <b>22,666,840</b><br>=====                   | <b>16,654,681</b><br>=====                |

#### 5.2 Analysis by geography

|                    |  | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|--------------------|--|----------------------------------------------|-------------------------------------------|
| Within the U.A.E.  |  | 22,316,627                                   | 16,202,716                                |
| Outside the U.A.E. |  | 350,213                                      | 451,965                                   |
| <b>Total</b>       |  | <b>22,666,840</b><br>=====                   | <b>16,654,681</b><br>=====                |

#### 5.3 Statutory cash reserve requirements

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

### 6. Due from banks and financial institutions

#### 6.1 Analysis by geography

|                    |  | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|--------------------|--|----------------------------------------------|-------------------------------------------|
| Within the U.A.E.  |  | 3,307,392                                    | 2,389,820                                 |
| Outside the U.A.E. |  | 1,349,374                                    | 2,156,377                                 |
| <b>Total</b>       |  | <b>4,656,766</b><br>=====                    | <b>4,546,197</b><br>=====                 |

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 7. Islamic financing and investing assets, net

#### 7.1 Analysis by category

|                                                          |             | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|----------------------------------------------------------|-------------|----------------------------------------------|-------------------------------------------|
|                                                          | <i>Note</i> |                                              |                                           |
| <b>Islamic financing assets</b>                          |             |                                              |                                           |
| Vehicles murabahas                                       |             | 10,096,431                                   | 10,340,585                                |
| Commodities murabahas                                    |             | 4,781,598                                    | 4,375,004                                 |
| Real estate murabahas                                    |             | 1,448,166                                    | 1,619,802                                 |
| International murabahas - long term                      |             | 21,879,804                                   | 18,940,481                                |
| <b>Total murabahas</b>                                   |             | <b>38,205,999</b>                            | <b>35,275,872</b>                         |
| Ijaras                                                   |             | 44,984,240                                   | 36,120,709                                |
| Home finance ijarah                                      |             | 12,892,295                                   | 12,510,531                                |
| Personal finance                                         |             | 17,377,808                                   | 15,677,737                                |
| Istisna'a                                                |             | 1,451,999                                    | 2,134,869                                 |
| Islamic credit cards                                     |             | 1,056,957                                    | 961,046                                   |
|                                                          |             | <b>115,969,298</b>                           | <b>102,680,764</b>                        |
| Less: deferred income                                    |             | (4,241,018)                                  | (3,516,953)                               |
| Less: contractors' and consultants' istisna'a contracts  |             | (39,326)                                     | (107,231)                                 |
| <b>Total Islamic financing assets</b>                    |             | <b>111,688,954</b>                           | <b>99,056,580</b>                         |
| <b>Islamic investing assets</b>                          |             |                                              |                                           |
| Musharakas                                               |             | 7,215,352                                    | 6,439,908                                 |
| Mudarabas                                                |             | 14,010,063                                   | 12,357,683                                |
| Wakalas                                                  |             | 4,159,871                                    | 2,672,102                                 |
| <b>Total Islamic investing assets</b>                    |             | <b>25,385,286</b>                            | <b>21,469,693</b>                         |
| <b>Total Islamic financing and investing assets</b>      |             | <b>137,074,240</b>                           | <b>120,526,273</b>                        |
| Less: provisions for impairment                          | 7.3         | (5,790,464)                                  | (5,558,651)                               |
| <b>Total Islamic financing and investing assets, net</b> |             | <b>131,283,776</b>                           | <b>114,967,622</b>                        |
|                                                          |             | =====                                        | =====                                     |

#### 7.2 Analysis by geography

|                                                          |     | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|----------------------------------------------------------|-----|----------------------------------------------|-------------------------------------------|
| Within the U.A.E.                                        |     | 123,332,623                                  | 113,146,549                               |
| Outside the U.A.E.                                       |     | 13,741,617                                   | 7,379,724                                 |
| <b>Total Islamic financing and investing assets</b>      |     | <b>137,074,240</b>                           | <b>120,526,273</b>                        |
| Less: provisions for impairment                          | 7.3 | (5,790,464)                                  | (5,558,651)                               |
| <b>Total Islamic financing and investing assets, net</b> |     | <b>131,283,776</b>                           | <b>114,967,622</b>                        |
|                                                          |     | =====                                        | =====                                     |

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 7. Islamic financing and investing assets, net (continued)

#### 7.3 Provision for impairment

|                                                     | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|-----------------------------------------------------|----------------------------------------------|-------------------------------------------|
| Balance at the beginning of the period / year       | 5,558,651                                    | 5,048,097                                 |
| Charge for the period / year                        |                                              |                                           |
| Specific                                            | 1,197,708                                    | 1,861,022                                 |
| Collective                                          | 219,462                                      | 251,038                                   |
| Release to consolidated statement of profit or loss | (772,899)                                    | (1,149,491)                               |
| Write off                                           | (412,458)                                    | (452,015)                                 |
| Balance at the end of the period / year             | 5,790,464                                    | 5,558,651                                 |

### 8. Investments in Islamic sukuk measured at amortised cost

#### 8.1 Analysis by geography

|                        | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|------------------------|----------------------------------------------|-------------------------------------------|
| Within the U.A.E.      | 13,739,852                                   | 14,816,908                                |
| Other G.C.C. Countries | 3,735,831                                    | 1,246,017                                 |
| Rest of the world      | 7,694,001                                    | 7,345,735                                 |
| Total                  | 25,169,684                                   | 23,408,660                                |

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 30 September 2017 (31 December 2016: AED 3.2 billion).

### 9. Other investments measured at fair value

#### 9.1 Analysis by category and geography

|                                                                          | Within<br>the U.A.E.<br>AED'000 | Other<br>G.C.C.<br>countries<br>AED'000 | Rest of<br>the world<br>AED'000 | Total<br>AED'000 |
|--------------------------------------------------------------------------|---------------------------------|-----------------------------------------|---------------------------------|------------------|
| 30 September 2017 (Unaudited)                                            |                                 |                                         |                                 |                  |
| Investments designated at fair value<br>through profit or loss           |                                 |                                         |                                 |                  |
| Quoted equity instruments                                                | 1,837                           | 2,328                                   | -                               | 4,165            |
| Investments measured at fair value<br>through other comprehensive income |                                 |                                         |                                 |                  |
| Quoted equity instruments                                                | 755,504                         | 150,542                                 | 2,143                           | 908,189          |
| Unquoted equity instruments and funds                                    | 575,582                         | 57,194                                  | 237,808                         | 870,584          |
|                                                                          | 1,331,086                       | 207,736                                 | 239,951                         | 1,778,773        |
| Total                                                                    | 1,332,923                       | 210,064                                 | 239,951                         | 1,782,938        |

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 9. Other investments measured at fair value (continued)

#### 9.1 Analysis by category and geography (continued)

|                                                                                  | Within<br>the U.A.E.<br>AED'000 | Other<br>G.C.C.<br>countries<br>AED'000 | Rest of<br>the world<br>AED'000 | Total<br>AED'000 |
|----------------------------------------------------------------------------------|---------------------------------|-----------------------------------------|---------------------------------|------------------|
| <b>31 December 2016 (Audited)</b>                                                |                                 |                                         |                                 |                  |
| <b>Investments designated at fair value<br/>through profit or loss</b>           |                                 |                                         |                                 |                  |
| Quoted equity instruments                                                        | 2,495                           | 366                                     | -                               | 2,861            |
| <b>Investments measured at fair value<br/>through other comprehensive income</b> |                                 |                                         |                                 |                  |
| Quoted equity instruments                                                        | 675,966                         | 137,930                                 | 3,027                           | 816,923          |
| Unquoted equity instruments and funds                                            | 576,372                         | 69,757                                  | 251,398                         | 897,527          |
|                                                                                  | 1,252,338                       | 207,687                                 | 254,425                         | 1,714,450        |
| <b>Total</b>                                                                     | 1,254,833                       | 208,053                                 | 254,425                         | 1,717,311        |

### 10. Investment properties

#### 10.1 Analysis by category and geography

|                                      | Other<br>real estate<br>AED'000 | Investment<br>properties<br>under<br>construction<br>AED'000 | Land<br>AED'000 | Total<br>AED'000 |
|--------------------------------------|---------------------------------|--------------------------------------------------------------|-----------------|------------------|
| <b>30 September 2017 (Unaudited)</b> |                                 |                                                              |                 |                  |
| <b>Carrying Amount:</b>              |                                 |                                                              |                 |                  |
| Within the U.A.E.                    | 802,832                         | 1,661,347                                                    | 750,068         | 3,214,247        |
| Outside the U.A.E.                   | 171,994                         | -                                                            | 52,545          | 224,539          |
| <b>Total</b>                         | 974,826                         | 1,661,347                                                    | 802,613         | 3,438,786        |
| <b>31 December 2016 (Audited)</b>    |                                 |                                                              |                 |                  |
| <b>Carrying Amount:</b>              |                                 |                                                              |                 |                  |
| Within the U.A.E.                    | 663,241                         | 1,437,461                                                    | 740,615         | 2,841,317        |
| Outside the U.A.E.                   | 164,453                         | -                                                            | 52,545          | 216,998          |
| <b>Total</b>                         | 827,694                         | 1,437,461                                                    | 793,160         | 3,058,315        |

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 11 Customers' deposits

#### 11.1 Analysis by category

|                                     | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|-------------------------------------|----------------------------------------------|-------------------------------------------|
| Current accounts                    | 30,981,060                                   | 29,006,775                                |
| Saving accounts                     | 19,370,457                                   | 17,848,031                                |
| Investment deposits                 | 92,532,289                                   | 74,905,616                                |
| Margin accounts                     | 519,446                                      | 488,947                                   |
| Depositors' investment risk reserve | 16,015                                       | 19,733                                    |
| Depositors' share of profit payable | 109,153                                      | 107,848                                   |
| <b>Total</b>                        | <b>143,528,420</b>                           | <b>122,376,950</b>                        |

### 12. Sukuk issued

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

|                              | Expected<br>annual<br>profit rate | Maturity      | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>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     | 3 M Libor + 150 bps               | December 2019 | 256,826                                      | 256,730                                   |
| Sukuk issued by the Bank     | 3.66%                             | February 2022 | 3,673,000                                    | -                                         |
| Sukuk issued by a subsidiary | 6 M Kibor + 50 bps                | June 2027     | 141,728                                      | -                                         |
| Sukuk issued by the Bank     | 4.75%                             | May 2017      | -                                            | 1,836,500                                 |
| Sukuk issued by a subsidiary | 5.15%                             | January 2017  | -                                            | 1,010,675                                 |
| <b>Total</b>                 |                                   |               | <b>8,662,804</b>                             | <b>7,695,155</b>                          |

### 13. Share capital

As at 30 September 2017, 4,942,188,884 authorised ordinary shares of AED 1 each (31 December 2016: 4,942,188,884 ordinary shares of AED 1 each) were fully issued and paid up.

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 14. Tier 1 sukuk

#### 14.1 Analysis by issuance

| SPV ("the Issuer")           | Date of issuance | Issuance amount<br>Equivalent<br>AED '000 | Discretionary<br>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 |
|                              |                  | <b>7,346,000</b>                          |                                          |                          |
|                              |                  | =====                                     |                                          |                          |

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

### 15. Other reserves and treasury shares

#### 15.1 Movements in other reserves and treasury shares

Movement of other reserves and treasury shares during the period / year ended 30 September 2017 and 31 December 2016 is as follows:

|                                     | Statutory<br>reserve<br>AED'000 | General<br>reserve<br>AED'000 | Regulatory<br>credit risk<br>reserve<br>AED'000 | Additional<br>paid in<br>capital<br>AED'000 | Treasury<br>shares<br>AED'000 | Total<br>AED'000 |
|-------------------------------------|---------------------------------|-------------------------------|-------------------------------------------------|---------------------------------------------|-------------------------------|------------------|
| <b>2017</b>                         |                                 |                               |                                                 |                                             |                               |                  |
| Balance at 1 January 2017           | 5,066,273                       | 2,350,000                     | 390,000                                         | -                                           | (20,716)                      | 7,785,557        |
| Right shares issuance               | -                               | -                             | -                                               | -                                           | -                             | -                |
| Transfer from retained earnings     | -                               | -                             | -                                               | -                                           | -                             | -                |
| <b>Balance at 30 September 2017</b> | <b>5,066,273</b>                | <b>2,350,000</b>              | <b>390,000</b>                                  | <b>-</b>                                    | <b>(20,716)</b>               | <b>7,785,557</b> |
|                                     | =====                           | =====                         | =====                                           | =====                                       | =====                         | =====            |

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 15. Other reserves and treasury shares (continued)

#### 15.1 Movements in other reserves and treasury shares (continued)

|                               | Statutory<br>reserve<br>AED'000 | General<br>reserve<br>AED'000 | Regulatory<br>credit risk<br>reserve<br>AED'000 | Additional<br>paid in<br>capital<br>AED'000 | Treasury<br>shares<br>AED'000 | Total<br>AED'000 |
|-------------------------------|---------------------------------|-------------------------------|-------------------------------------------------|---------------------------------------------|-------------------------------|------------------|
| <b>2016</b>                   |                                 |                               |                                                 |                                             |                               |                  |
| Balance at 1 January 2016     | 2,731,879                       | 2,350,000                     | 390,000                                         | 159,832                                     | (14,172)                      | 5,617,539        |
| Right shares issuance         | -                               | -                             | -                                               | 2,174,562                                   | (6,544)                       | 2,168,018        |
| Transfer to statutory reserve | 2,334,394                       | -                             | -                                               | (2,334,394)                                 | -                             | -                |
| Balance at 31 December 2016   | 5,066,273                       | 2,350,000                     | 390,000                                         | -                                           | (20,716)                      | 7,785,557        |

As of 30 September 2017, other reserves and treasury shares balance includes 10.2 million treasury shares (31 December 2016: 10.2 million treasury shares) amounting to AED 20.7 million (31 December 2016: AED 20.7 million).

### 16. Contingent liabilities and commitments

The analysis of contingent liabilities and commitments as at 30 September 2017 and 31 December 2016 is as follows:

|                                                     | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|-----------------------------------------------------|----------------------------------------------|-------------------------------------------|
| <b>Contingent liabilities and commitments:</b>      |                                              |                                           |
| Letters of guarantee                                | 12,957,218                                   | 11,747,406                                |
| Letters of credit                                   | 2,076,307                                    | 2,609,674                                 |
| Irrevocable undrawn facilities commitments          | 18,502,926                                   | 18,420,287                                |
| <b>Total contingent liabilities and commitments</b> | <b>33,536,451</b>                            | <b>32,777,367</b>                         |
| <b>Other commitments:</b>                           |                                              |                                           |
| Capital expenditure commitments                     | 1,732,347                                    | 1,451,878                                 |
| <b>Total other commitments</b>                      | <b>1,732,347</b>                             | <b>1,451,878</b>                          |
| <b>Total contingent liabilities and commitments</b> | <b>35,268,798</b>                            | <b>34,229,245</b>                         |

### 17. Impairment charges, net

Impairment charges include net impairment charge on Islamic financing and investing assets amounting to AED 644.3 million (refer note 7.3) (30 September 2016: AED 710.3 million), net release on other financial assets amounting to AED 0.6 million (30 September 2016: AED 405.2 million) and net release on non-financial assets amounting to AED 25 million (30 September 2016: AED 1.1 million)

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 18. 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<br>ended 30 September |                  | Nine-month period<br>ended 30 September |                  |
|------------------------------------------------------------------------|------------------------------------------|------------------|-----------------------------------------|------------------|
|                                                                        | 2017<br>AED'000                          | 2016<br>AED'000  | 2017<br>AED'000                         | 2016<br>AED'000  |
| Profit for the period attributable to the owners of the Bank           | 1,107,123                                | 876,324          | 3,172,972                               | 2,680,569        |
| Board of Directors' remuneration paid                                  | -                                        | -                | -                                       | (3,000)          |
| Profit attributable to tier 1 sukukholders                             | (238,745)                                | (238,745)        | (477,490)                               | (477,490)        |
|                                                                        | <u>868,378</u>                           | <u>637,579</u>   | <u>2,695,482</u>                        | <u>2,200,079</u> |
| Weighted average number of shares outstanding during the period ('000) | <u>4,932,006</u>                         | <u>4,932,006</u> | <u>4,932,006</u>                        | <u>4,495,662</u> |
| Basic and diluted earnings per share (AED per share)                   | <u>0.18</u>                              | <u>0.13</u>      | <u>0.55</u>                             | <u>0.49</u>      |

### 19. Cash and cash equivalents

|                                                                                                            | Unaudited<br>30 September<br>2017<br>AED'000 | Unaudited<br>30 September<br>2016<br>AED'000 |
|------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Cash and balances with central banks                                                                       | 22,666,840                                   | 17,487,705                                   |
| Due from banks and financial institutions                                                                  | <u>4,656,766</u>                             | <u>6,495,499</u>                             |
|                                                                                                            | <u>27,323,606</u>                            | <u>23,983,204</u>                            |
| Less: balances and deposits with banks and financial institutions with original maturity over three months | <u>(199,694)</u>                             | <u>-</u>                                     |
| <b>Total</b>                                                                                               | <u><u>27,123,912</u></u>                     | <u><u>23,983,204</u></u>                     |

# Dubai Islamic Bank P.J.S.C.

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## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 20. Segmental information

#### 20.1 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.

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 20. Segmental information (continued)

#### 20.2 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                                |                                |
|----------------------------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
|                                                    | Nine-month period ended 30 September |                                | Nine-month period ended 30 September |                                | Nine-month period ended 30 September |                                | Nine-month period ended 30 September |                                | Nine-month period ended 30 September |                                | Nine-month period ended 30 September |                                |
|                                                    | 2017<br>(Unaudited)<br>AED'000       | 2016<br>(Unaudited)<br>AED'000 | 2017<br>(Unaudited)<br>AED'000       | 2016<br>(Unaudited)<br>AED'000 | 2017<br>(Unaudited)<br>AED'000       | 2016<br>(Unaudited)<br>AED'000 | 2017<br>(Unaudited)<br>AED'000       | 2016<br>(Unaudited)<br>AED'000 | 2017<br>(Unaudited)<br>AED'000       | 2016<br>(Unaudited)<br>AED'000 | 2017<br>(Unaudited)<br>AED'000       | 2016<br>(Unaudited)<br>AED'000 |
| Net operating revenue                              | 2,451,546                            | 2,468,110                      | 1,875,661                            | 1,488,100                      | 656,138                              | 562,774                        | 213,395                              | 263,890                        | 484,658                              | 264,670                        | 5,681,398                            | 5,047,544                      |
| Operating expenses                                 | (1,070,362)                          | (1,094,682)                    | (270,453)                            | (279,479)                      | (31,451)                             | (28,706)                       | (113,089)                            | (96,024)                       | (256,084)                            | (217,121)                      | (1,741,439)                          | (1,716,012)                    |
| Net operating income                               | 1,381,184                            | 1,373,428                      | 1,605,208                            | 1,208,621                      | 624,687                              | 534,068                        | 100,306                              | 167,866                        | 228,574                              | 47,549                         | 3,939,959                            | 3,331,532                      |
| Impairment (charge) / reversal for the period, net | (618,445)                            | (760,692)                      | 8,942                                | 43,067                         | -                                    | -                              | -                                    | -                              | (9,228)                              | 413,601                        | (618,731)                            | (304,024)                      |
| Profit for the period before income tax expense    | 762,739                              | 612,736                        | 1,614,150                            | 1,251,688                      | 624,687                              | 534,068                        | 100,306                              | 167,866                        | 219,346                              | 461,150                        | 3,321,228                            | 3,027,508                      |
| Income tax expense                                 | =====                                | =====                          | =====                                | =====                          | =====                                | =====                          | =====                                | =====                          | =====                                | =====                          | (19,845)                             | (16,882)                       |
| <b>Profit for the period</b>                       |                                      |                                |                                      |                                |                                      |                                |                                      |                                |                                      |                                | <b>3,301,383</b>                     | <b>3,010,626</b>               |
|                                                    |                                      |                                |                                      |                                |                                      |                                |                                      |                                |                                      |                                | =====                                | =====                          |

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 20. Segmental information (continued)

#### 20.3 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                                          |                                             |
|---------------------|------------------------------------------------|---------------------------------------------|------------------------------------------------|---------------------------------------------|------------------------------------------------|---------------------------------------------|------------------------------------------------|---------------------------------------------|------------------------------------------------|---------------------------------------------|------------------------------------------------|---------------------------------------------|
|                     | 30 September<br>2017<br>(Unaudited)<br>AED'000 | 31 December<br>2016<br>(Audited)<br>AED'000 | 30 September<br>2017<br>(Unaudited)<br>AED'000 | 31 December<br>2016<br>(Audited)<br>AED'000 | 30 September<br>2017<br>(Unaudited)<br>AED'000 | 31 December<br>2016<br>(Audited)<br>AED'000 | 30 September<br>2017<br>(Unaudited)<br>AED'000 | 31 December<br>2016<br>(Audited)<br>AED'000 | 30 September<br>2017<br>(Unaudited)<br>AED'000 | 31 December<br>2016<br>(Audited)<br>AED'000 | 30 September<br>2017<br>(Unaudited)<br>AED'000 | 31 December<br>2016<br>(Audited)<br>AED'000 |
| Segment assets      | 39,928,837<br>=====                            | 38,328,829<br>=====                         | 91,282,485<br>=====                            | 76,592,405<br>=====                         | 32,251,025<br>=====                            | 30,043,832<br>=====                         | 5,997,348<br>=====                             | 5,601,755<br>=====                          | 31,702,047<br>=====                            | 24,403,684<br>=====                         | 201,161,742<br>=====                           | 174,970,505<br>=====                        |
| Segment liabilities | 66,681,517<br>=====                            | 60,322,694<br>=====                         | 80,171,821<br>=====                            | 65,146,114<br>=====                         | 23,295,253<br>=====                            | 19,063,899<br>=====                         | 1,082,603<br>=====                             | 1,024,270<br>=====                          | 1,987,224<br>=====                             | 2,144,312<br>=====                          | 173,218,418<br>=====                           | 147,701,289<br>=====                        |

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 21. 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 30 September 2017 and 31 December 2016, 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<br>shareholders<br>AED'000 | Directors and<br>key<br>management<br>personnel<br>AED'000 | Associates<br>and joint<br>ventures<br>AED'000 | Total<br>AED'000 |
|--------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------|------------------------------------------------|------------------|
| <b>As at 30 September 2017 (Unaudited)</b>                               |                                  |                                                            |                                                |                  |
| Islamic financing and investing assets                                   | 2,164,105                        | 10,373                                                     | 6,285                                          | 2,180,763        |
| Investment in sukuk                                                      | 1,664,697                        | -                                                          | -                                              | 1,664,697        |
| Customers' deposits                                                      | 8,785,672                        | 91,164                                                     | 8,771                                          | 8,885,607        |
| Contingent liabilities and commitments                                   | -                                | 3                                                          | 14,018                                         | 14,021           |
| <b>As at 31 December 2016 (Audited)</b>                                  |                                  |                                                            |                                                |                  |
| Islamic financing and investing assets                                   | 2,164,105                        | 11,189                                                     | 6,529                                          | 2,181,823        |
| Investment in sukuk                                                      | 917,752                          | -                                                          | -                                              | 917,752          |
| Customers' deposits                                                      | 7,119,580                        | 25,139                                                     | 12,603                                         | 7,157,322        |
| Contingent liabilities and commitments                                   | -                                | 3                                                          | 224                                            | 227              |
| <b>For the nine-month period ended<br/>30 September 2017 (Unaudited)</b> |                                  |                                                            |                                                |                  |
| Income from Islamic financing<br>transactions                            | 59,510                           | 447                                                        | 325                                            | 60,282           |
| Income from Islamic sukuk                                                | 48,778                           | -                                                          | -                                              | 48,778           |
| Depositors' and sukuk holders' share of<br>profits                       | 147,516                          | 1,049                                                      | -                                              | 148,565          |
| <b>For the nine-month period ended<br/>30 September 2016 (Unaudited)</b> |                                  |                                                            |                                                |                  |
| Income from Islamic financing<br>transactions                            | 55,956                           | 502                                                        | 295                                            | 56,753           |
| Income from Islamic sukuk                                                | 23,949                           | -                                                          | -                                              | 23,949           |
| Depositors' and sukuk holders' share of<br>profits                       | 95,939                           | 111                                                        | -                                              | 96,050           |

- (e) 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 the Group's related parties during the nine-month period ended 30 September 2017 (nine-month period ended 30 September 2016: Nil).

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 21. Related party transactions (continued)

- (f) The compensation paid to / accrued for key management personnel of the Bank during the nine-month period ended 30 September 2017 and 2016 was as follows:

|                             | Unaudited<br>30 September<br>2017<br>AED'000 | Unaudited<br>30 September<br>2016<br>AED'000 |
|-----------------------------|----------------------------------------------|----------------------------------------------|
| Salaries and other benefits | 22,415                                       | 22,270                                       |
| End of service benefits     | 697                                          | 858                                          |
|                             | =====                                        | =====                                        |

### 22. Fair value of financial instruments

#### 22.1 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:

#### 30 September 2017 (Unaudited)

|                                                                             | Level 1<br>AED'000 | Level 2<br>AED'000 | Level 3<br>AED'000 | Total<br>AED'000 |
|-----------------------------------------------------------------------------|--------------------|--------------------|--------------------|------------------|
| <b>Other investments measured at fair value</b>                             |                    |                    |                    |                  |
| <b>Investments designated at fair value through profit or loss</b>          |                    |                    |                    |                  |
| Quoted equity instruments                                                   | 4,165              | -                  | -                  | 4,165            |
| <b>Investments carried at fair value through other comprehensive income</b> |                    |                    |                    |                  |
| Quoted equity instruments                                                   | 908,189            | -                  | -                  | 908,189          |
| Unquoted equity instruments and funds                                       | -                  | -                  | 870,584            | 870,584          |
| <b>Other assets</b>                                                         |                    |                    |                    |                  |
| Islamic derivative assets                                                   | -                  | 275,259            | -                  | 275,259          |
| <b>Total financial assets measured at fair value</b>                        | 912,354            | 275,259            | 870,584            | 2,058,197        |
|                                                                             | =====              | =====              | =====              | =====            |
| <b>Other liabilities</b>                                                    |                    |                    |                    |                  |
| Islamic derivative liabilities                                              | -                  | 228,474            | -                  | 228,474          |
|                                                                             | =====              | =====              | =====              | =====            |

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 22. Fair value of financial instruments (continued)

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

31 December 2016 (Audited)

|                                                                             | Level 1<br>AED'000 | Level 2<br>AED'000 | Level 3<br>AED'000 | Total<br>AED'000 |
|-----------------------------------------------------------------------------|--------------------|--------------------|--------------------|------------------|
| <b>Other investments measured at fair value</b>                             |                    |                    |                    |                  |
| <b>Investments designated at fair value through profit or loss</b>          |                    |                    |                    |                  |
| Quoted equity instruments                                                   | 2,861              | -                  | -                  | 2,861            |
| <b>Investments carried at fair value through other comprehensive income</b> |                    |                    |                    |                  |
| Quoted equity instruments                                                   | 816,923            | -                  | -                  | 816,923          |
| Unquoted equity instruments and funds                                       | -                  | -                  | 897,527            | 897,527          |
| <b>Other assets</b>                                                         |                    |                    |                    |                  |
| Islamic derivative assets                                                   | -                  | 403,623            | -                  | 403,623          |
| <b>Total financial assets measured at fair value</b>                        | <b>819,784</b>     | <b>403,623</b>     | <b>897,527</b>     | <b>2,120,934</b> |
| <b>Other liabilities</b>                                                    |                    |                    |                    |                  |
| Islamic derivative liabilities                                              | -                  | 331,018            | -                  | 331,018          |

There were no transfers between Level 1, 2 and 3 during the period ended 30 September 2017 and year ended 31 December 2016.

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

|                                    | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|------------------------------------|----------------------------------------------|-------------------------------------------|
| <b>Balance at 1 January</b>        | <b>897,527</b>                               | <b>963,474</b>                            |
| Additions during the year          | 4,254                                        | -                                         |
| Disposals during the year          | (13,830)                                     | (17,881)                                  |
| Loss in other comprehensive income | (17,367)                                     | (48,066)                                  |
| <b>Balance at period end</b>       | <b>870,584</b>                               | <b>897,527</b>                            |

# Dubai Islamic Bank P.J.S.C.

## Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

### 23. Capital adequacy ratio

|                                                                                                             | Unaudited<br>30 September<br>2017<br>AED'000 | Audited<br>31 December<br>2016<br>AED'000 |
|-------------------------------------------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------|
| <b>Capital base</b>                                                                                         |                                              |                                           |
| Tier 1 Capital                                                                                              | 25,916,267                                   | 25,438,285                                |
| Tier 2 Capital                                                                                              | 1,243,244                                    | 805,388                                   |
| Deductions from capital                                                                                     | (719,428)                                    | (629,700)                                 |
| <b>Total capital base</b>                                                                                   | <b>26,440,083</b><br>=====                   | 25,613,973<br>=====                       |
| <b>Risk weighted assets</b>                                                                                 |                                              |                                           |
| Credit risk                                                                                                 | 144,157,997                                  | 129,748,218                               |
| Market risk                                                                                                 | 1,815,590                                    | 1,056,258                                 |
| Operational risk                                                                                            | 10,590,092                                   | 10,590,092                                |
| <b>Total risk weighted assets</b>                                                                           | <b>156,563,679</b><br>=====                  | 141,394,568<br>=====                      |
| <b>Capital Ratios</b>                                                                                       |                                              |                                           |
| Total regulatory capital expressed as a percentage of total risk weighted assets ("capital adequacy ratio") | 16.9%                                        | 18.1%                                     |
| Tier 1 capital to total risk weighted assets after deductions for associates                                | 16.3%                                        | 17.8%                                     |

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

### 24. Dividend

At the Annual General Meeting of the shareholders held on 22 February 2017, the shareholders approved a cash dividend of AED 0.45 per outstanding share for 31 December 2016 amounting to AED 2,219.4 million (for the year ended 31 December 2015: cash dividend of AED 0.45 per outstanding share amounting to AED 1,775.5 million).

### 25. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated interim statement of profit or loss for the nine-month periods ended 30 September 2017 and 2016.

## Dubai Islamic Bank P.J.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2017

#### 26. 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 |                  |
|--------------------------------------------------------|------------------------------|--------------------------------------|-------------------------------------|------------------|
|                                                        |                              |                                      | 30 September 2017                   | 31 December 2016 |
| 1. Dubai Islamic Bank Pakistan Ltd.                    | Banking                      | Pakistan                             | 100.0%                              | 100.0%           |
| 2. Tamweel P.S.C<br>(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. Emirates Automotive Leasing Company                | 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 nine-month period ended 30 September 2017

### 26. 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 |                  |
|------------------------------------------------------|--------------------|--------------------------------------|-------------------------------------|------------------|
|                                                      |                    |                                      | 30 September 2017                   | 31 December 2016 |
| 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.

### 27. 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.

### 28. 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 11 October 2017.