

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF EMIRATES INVESTMENT BANK P.J.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Emirates Investment Bank P.J.S.C. (the “Bank”), and its subsidiaries (together the “Group”), as at 30 September 2017 and the related interim condensed consolidated statements of income and comprehensive income for the three month and nine month periods then ended, and the related interim condensed consolidated statements of cash flows and changes in equity for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 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, it 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by:
Anthony O’Sullivan
Partner
Registration No. 687

29 October 2017

Dubai, United Arab Emirates

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	<i>Notes</i>	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
ASSETS			
Cash and balances with UAE Central Bank		423,620	354,124
Due from banks	3	1,144,211	1,305,217
Loans and advances, net	4	942,027	823,986
Investments, net	5	2,174,472	2,154,709
Investment in an associate		-	72
Property and equipment		6,524	5,898
Other assets		38,288	29,190
TOTAL ASSETS		4,729,142	4,673,196
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	6	772,500	705,133
Customer deposits		3,340,535	3,430,356
Other liabilities		44,009	70,062
TOTAL LIABILITIES		4,157,044	4,205,551
EQUITY			
Share capital		70,000	70,000
Legal reserve		35,000	35,000
Special reserve		35,154	35,154
Cumulative changes in fair values		27,260	14,458
Retained earnings		251,470	209,036
Equity attributable to equity holders of the parent		418,884	363,648
Non-controlling interests		153,214	103,997
TOTAL EQUITY		572,098	467,645
TOTAL LIABILITIES & EQUITY		4,729,142	4,673,196

The interim condensed consolidated financial statements were approved by the Board of Directors on 29 October 2017 and signed on its behalf by:


 Marwan Shehadeh
 (Director)


 Khaled Sifri
 (Chief Executive Officer)

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2017 (Unaudited)

	Notes	<u>Three months ended 30</u>		<u>Nine months ended 30</u>	
		<u>September</u>		<u>September</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		<u>AED'000</u>	<u>AED'000</u>	<u>AED'000</u>	<u>AED'000</u>
Interest income	7	17,405	11,772	52,303	27,880
Net income from investments	8	22,016	19,782	63,240	52,683
		<u>39,421</u>	<u>31,554</u>	<u>115,543</u>	<u>80,563</u>
Interest expense		(9,829)	(7,816)	(27,536)	(23,081)
NET INTEREST INCOME AND NET INCOME FROM INVESTMENTS		29,592	23,738	88,007	57,482
Fee, commission and other income		10,621	20,360	44,236	47,147
Exchange gain, net		2,172	951	27	4,093
OPERATING INCOME		42,385	45,049	132,270	108,722
General and administrative expenses		(23,451)	(22,288)	(70,147)	(60,079)
Impairment loss on available-for-sale investments		(9)	(1,000)	(9)	(2,955)
Impairment provision on investments		-	(9,000)	(15,800)	(14,000)
Impairment reversal/(loss) on investment in bullion		17	(3)	61	121
Impairment provision on loans and advances		-	-	(2,000)	(6,295)
OPERATING EXPENSES		(23,443)	(32,291)	(87,895)	(83,208)
PROFIT FOR THE PERIOD		18,942	12,758	44,375	25,514
Attributable to:					
Equity holders of the parent		18,155	12,649	42,434	25,335
Non-controlling interests		787	109	1,941	179
PROFIT FOR THE PERIOD		18,942	12,758	44,375	25,514
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (in AED)	9	25.94	18.07	60.62	36.19

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the period ended 30 September 2017 (Unaudited)

	<u>Three months ended 30</u>		<u>Nine months ended 30</u>	
	<u>September</u>		<u>September</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>AED'000</u>	<u>AED'000</u>	<u>AED'000</u>	<u>AED'000</u>
PROFIT FOR THE PERIOD	18,942	12,758	44,375	25,514
<i>Other comprehensive income to be reclassified to income statement in subsequent periods</i>				
Net unrealised gain on available-for-sale investments	3,934	15,934	15,767	19,973
Net realised gain transferred to income statement on disposal of available-for-sale investments	(2,263)	(7,438)	(2,974)	(12,947)
Impairment loss on available-for-sale investments recognised in income statement	9	1,000	9	2,955
Other comprehensive income for the period	1,680	9,496	12,802	9,981
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	20,622	22,254	57,177	35,495
Attributable to:				
Equity holders of the parent	19,835	22,145	55,236	35,316
Non-controlling interests	787	109	1,941	179
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	20,622	22,254	57,177	35,495

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2017 (Unaudited)

	<i>Nine months ended 30</i>	
	<i>September</i>	
	<i>2017</i>	<i>2016</i>
	<i>AED '000</i>	<i>AED '000</i>
OPERATING ACTIVITIES		
Profit for the period	44,375	25,514
Adjustments for:		
Depreciation	1,436	1,691
Impairment loss on available-for-sale investments	9	2,955
Impairment provision on investments	15,800	14,000
Impairment reversal on investment in bullion	(61)	(121)
Impairment provision on loans and advances	2,000	6,295
	<u>63,559</u>	<u>50,334</u>
Operating profit before changes in operating assets and liabilities	63,559	50,334
Change in due to bank with original maturity of over three months	-	100,000
Change in due from bank with original maturity of over three months	141,004	(125,783)
Change in loans and advances (net)	(120,041)	(452,688)
Change in investments (net)	(22,637)	(572,418)
Change in other assets	(9,098)	(56,290)
Change in customers' deposits	(89,821)	504,310
Change in other liabilities	(26,053)	21,906
	<u>(63,087)</u>	<u>(530,629)</u>
Net cash used in operating activities	(63,087)	(530,629)
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,062)	(1,436)
	<u>(2,062)</u>	<u>(1,436)</u>
Net cash used in investing activities	(2,062)	(1,436)
FINANCING ACTIVITIES		
Funds from non-controlling interests	47,276	74,492
	<u>47,276</u>	<u>74,492</u>
Net cash from financing activities	47,276	74,492
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,873)	(457,573)
Cash and cash equivalents at 1 January	847,761	1,735,868
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	829,888	1,278,295
Cash and cash equivalents comprise the following amounts in the statement of financial position with original maturities of three months or less:		
Cash and balances with the UAE Central Bank	423,620	327,200
Due from banks	1,078,768	1,292,586
Due to banks	(672,500)	(341,491)
	<u>829,888</u>	<u>1,278,295</u>
Operational cash flows from interest and dividends		
Interest paid	31,566	15,957
Interest received (including from investments)	90,837	46,964
Dividends received	13,508	12,523

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Emirates Investment Bank P.J.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2017 (Unaudited)

	Share capital AED '000 (Unaudited)	Legal reserve AED '000 (Unaudited)	Special reserve AED '000 (Unaudited)	Cumulative changes in fair value AED '000 (Unaudited)	Retained earnings AED '000 (Unaudited)	Total AED '000 (Unaudited)	Non-controlling interest AED '000 (Unaudited)	Total AED '000 (Unaudited)
At 1 January 2017	70,000	35,000	35,154	14,458	209,036	363,648	103,997	467,645
Profit for the period	-	-	-	-	42,434	42,434	1,941	44,375
Other comprehensive income for the period	-	-	-	12,802	-	12,802	-	12,802
Total comprehensive income for the period	-	-	-	12,802	42,434	55,236	1,941	57,177
Movement in non-controlling interests	-	-	-	-	-	-	47,276	47,276
Balance at 30 September 2017	70,000	35,000	35,154	27,260	251,470	418,884	153,214	572,098
At 1 January 2016	70,000	35,000	31,797	12,708	178,828	328,333	-	328,333
Profit for the period	-	-	-	-	25,335	25,335	179	25,514
Other comprehensive income for the period	-	-	-	9,981	-	9,981	-	9,981
Total comprehensive income for the period	-	-	-	9,981	25,335	35,316	179	35,495
Movement in non-controlling interests	-	-	-	-	-	-	74,492	74,492
Balance at 30 September 2016	70,000	35,000	31,797	22,689	204,163	363,649	74,671	438,320

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

Emirates Investment Bank P.J.S.C. (the "Bank") was incorporated on 17 February 1976 in Dubai, United Arab Emirates by a decree of HH The Ruler of Dubai. In 1999, the Bank was registered under the UAE Commercial Companies Law No. (8) of 1984 (as amended) as a Public Joint Stock Company. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No. 8 of 1984.

The Bank is engaged in the business of private banking and investment banking. The address of the Bank's registered office is P. O. Box 5503, Dubai, United Arab Emirates.

The interim condensed consolidated financial statements for the period ended 30 September 2017 comprise the financial statements of the Bank and its subsidiaries (together referred to as the "Group").

The Bank is a subsidiary of Al Futtaim Private Company LLC which holds 52.85% (2016: 52.85%) of the shares in the Bank.

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

In addition, results for the nine months ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Basis of consolidation

In May 2017, the Bank entered into a transaction with EIB Investment Co. LLC (the entity) wherein the Bank holds 24% interest as at 30 September 2017 (31 December 2016: 24%). The Bank has exercised significant control over the entity during the period as it has rights to variable returns from the transaction and has the ability to affect the returns. As the Bank now has control over the entity, it has been consolidated in these interim condensed consolidated financial statements.

The entity has contributed AED 446 thousand of interest income and fee, commission and other income and no profit for the period. Total assets of the entity as at 30 September 2017 amounting to AED 30,981 thousand have been recognised in these interim condensed consolidated financial statements.

New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

The Group applies, for the first time, certain standards and amendments, which do not have a material impact on the interim condensed consolidated financial statements of the Group. As required by IAS 34, the nature and the effect of these changes are disclosed below.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

2 ACCOUNTING POLICIES (continued)**Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group is not exposed to taxation. The application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle - 2014-2016**Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12**

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has no impact of these amendments as the Group does not have any assets held for sale.

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

3 DUE FROM BANKS

	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Domestic	487,456	485,355
Regional	39,241	161,579
International	617,514	658,283
	<u>1,144,211</u>	<u>1,305,217</u>

4 LOANS AND ADVANCES, NET

	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Overdrafts / loans (secured)	957,027	836,986
Gross loans and advances	957,027	836,986
Less: collective impairment provision	(15,000)	(13,000)
Loans and advances, net	<u>942,027</u>	<u>823,986</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

4 LOANS AND ADVANCES, NET (continued)

At 30 September 2017, there were no loans individually determined to be impaired and, accordingly, no specific provisions were considered necessary in respect of any of the loans and advances provided by the Group (31 December 2016: Nil).

Based on the assessment of health of the overall loans and advances portfolio, and also in compliance with the directive of the Central Bank of UAE, the Group has determined a collective impairment provision of AED 15,000 thousand (31 December 2016: AED 13,000 thousand) against risk of default incurred but not yet identified.

5 INVESTMENTS

	<i>30 September 2017 AED '000 (Unaudited)</i>	<i>31 December 2016 AED '000 (Audited)</i>
<i>Designated at fair value through profit or loss</i>		
<i>Debt</i>		
Quoted	110,037	78,492
<i>Equity</i>		
Unquoted	52,389	16,842
Total investments designated at fair value through profit or loss	162,426	95,334
<i>Available-for-sale investments</i>		
<i>Debt</i>		
Quoted	1,402,033	1,210,034
Unquoted	317,299	438,083
	1,719,332	1,648,117
<i>Equity</i>		
Quoted	156,122	272,865
Unquoted	167,287	153,349
	323,409	426,214
Total available-for-sale investments	2,042,741	2,074,331
Investment in bullion	605	544
Gross investments	2,205,772	2,170,209
Less: impairment provision	(31,300)	(15,500)
Investments, net	2,174,472	2,154,709

Investment in bullion represents investment in physical gold which is being carried at impaired cost. The Group has assessed the fair value of this investment and reversed the impairment provision amounting to AED 61 thousand for the period (period ended 30 September 2016: reversal of AED 121 thousand).

In compliance with the directive of the Central Bank of UAE, the Group has determined a collective impairment provision of AED 31,300 thousand against investments as at 30 September 2017 (31 December 2016: AED 15,500 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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5 INVESTMENTS, NET (continued)

	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
<i>Debt investments:</i>		
Domestic	597,947	835,705
Regional	91,630	76,407
International	1,139,792	814,497
	<u>1,829,369</u>	<u>1,726,609</u>
<i>Equity investments:</i>		
Domestic	58,652	67,253
Regional	20,393	25,058
International	296,753	350,745
	<u>375,798</u>	<u>443,056</u>
Investment in bullion	<u>605</u>	<u>544</u>
Gross investments	2,205,772	2,170,209
Less: impairment provision	(31,300)	(15,500)
Investments, net	<u>2,174,472</u>	<u>2,154,709</u>

Part of the proprietary investment portfolio of the Group having a carrying value of AED 736,191 thousand (2016: AED 698,546 thousand) is pledged as collateral with banks against credit facilities amounting to AED 656,109 thousand (2016: AED 555,767 thousand) as at reporting date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Emirates Investment Bank P.J.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

5 INVESTMENTS, NET (continued)

As at 30 September 2017, the Group held the following investments measured as follows:

	30 September 2017 AED'000 (Unaudited)	Investments carried at fair value			Investments carried at cost AED'000 (Unaudited)
		Level 1 AED'000 (Unaudited)	Level 2 AED'000 (Unaudited)	Level 3 AED'000 (Unaudited)	
Debt investments:					
Domestic	597,947	280,648	-	17,299	300,000
Regional	91,630	91,630	-	-	-
International	1,139,792	1,139,792	-	-	-
Equity investments:					
Domestic	58,652	44,804	-	13,848	-
Regional	20,393	2,028	18,365	-	-
International	296,753	102,865	165,128	28,760	-
Investment in bullion	605	605	-	-	-
Gross investments	2,205,772	1,662,372	183,493	59,907	300,000
Less: impairment provision	(31,300)				
	<u>2,174,472</u>				

As at 31 December 2016, the Group held the following investments measured as follows:

	31 December 2016 AED'000 (Audited)	Investments carried at fair value			Investments carried at cost AED'000 (Audited)
		Level 1 AED'000 (Audited)	Level 2 AED'000 (Audited)	Level 3 AED'000 (Audited)	
Debt investments:					
Domestic	835,705	397,622	-	17,299	420,784
Regional	76,407	76,407	-	-	-
International	814,497	814,497	-	-	-
Equity investments:					
Domestic	67,253	54,838	-	12,415	-
Regional	25,058	6,693	18,365	-	-
International	350,745	205,328	116,440	28,977	-
Investment in bullion	544	544	-	-	-
Gross investments	2,170,209	1,555,929	134,805	58,691	420,784
Less: impairment provision	(15,500)				
	<u>2,154,709</u>				

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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5 INVESTMENTS (continued)

Investments amounting to Nil (2016: AED 7,353 thousand) was transferred from Level 2 to Level 1. The transfer from Level 2 to Level 1 was made as the market in respect of this security was considered to be active again. Investments under Level 2 fair value hierarchy also include valuations using latest available asset value.

Investments amounting to AED 217 thousand (2016: Nil) were transferred from Level 3 to Level 2. The transfers from Level 3 to Level 2 were made when the market for some securities became more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. Since the transfer, these investments have been valued using valuation models incorporating observable market inputs.

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

	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
At the beginning of the period	58,691	47,307
Transfer to Level 2	(217)	-
Transfer from investment carried at cost	-	17,299
Net realised gain transferred to income statement on disposal	-	3,282
Net unrealised gain recognised in other comprehensive income	452	264
Disposals	-	(9,461)
Addition on consolidation of an entity	981	-
	<u>59,907</u>	<u>58,691</u>

The Group has assessed the sensitivity of the fair value measurement of investments under level 3 due to changes in inputs used. Based on the assessment, no major changes in the fair value of investments under level 3 are noted as at 30 September 2017. Such an assessment is performed on a quarterly basis by reviewing the changes in unobservable inputs which might result in higher or lower fair value measurement.

6 DUE TO BANKS

	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Term placements	401,494	593,106
Balances from correspondent banks	1,391	4,366
Repurchase agreements	369,615	107,661
	<u>772,500</u>	<u>705,133</u>

The Group has borrowed an amount of AED 369,615 thousand (2016: AED 107,661 thousand) under repurchase agreements, whereby the Group's investments in certain bonds with a carrying value of AED 415,844 thousand (2016: AED 117,168 thousand) as at 30 September 2017 are pledged as collateral under these agreements.

The Group has also borrowed an amount of AED 286,494 thousand (2016: AED 448,106 thousand) under term placements, whereby the Group's investments in certain bonds with a carrying value of AED 320,347 thousand (2016: AED 581,378 thousand) as at 30 September 2017 are pledged as collateral under these placements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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At 30 September 2017 (Unaudited)

7 INTEREST INCOME

	<i>Nine months ended 30 September</i>	
	<i>2017</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2016</i> <i>AED'000</i> <i>(Unaudited)</i>
Loans and advances	47,879	25,520
Bank placements	4,424	2,360
	<u>52,303</u>	<u>27,880</u>

8 NET INCOME FROM INVESTMENTS

	<i>Nine months ended 30 September</i>	
	<i>2017</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2016</i> <i>AED'000</i> <i>(Unaudited)</i>
Interest income on investments in debt instruments	45,918	28,606
Net realised gain on disposal of available-for-sale investments	2,974	12,947
Net realised (loss)/gain on disposal of investment securities designated as fair value through profit or loss	(429)	198
Net un-realised gain from investment securities designated as fair value through profit or loss	2,061	1,301
Dividend income	13,508	12,523
Portfolio management fee paid to other financial institutions	(792)	(2,892)
	<u>63,240</u>	<u>52,683</u>

9 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share of AED 60.62 is calculated by dividing the profit attributable to the equity holders of the parent of AED 42,434 thousand for the nine months period ended 30 September 2017 (30 September 2016: AED 25,335 thousand) by the weighted average number of shares outstanding during the period of 700,000 of AED 100 each (30 September 2016: 700,000 shares of AED 100 each).

The figure for basic and diluted earnings per share is the same as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

10 SEGMENTAL ANALYSIS

For operating purposes, the Group is organised into two major business segments: (a) Investments, which is principally involved in managing the Group's own investment portfolio and provides treasury services; and (b) Banking Services, which principally manages clients' investment portfolios, provides credit facilities, accepts deposits from corporate and individual customers and provides advisory services on corporate finance and capital market transactions. These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds and an equitable allocation of expenses.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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10 SEGMENTAL ANALYSIS (continued)

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>Nine months ended</i>		<i>Nine months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>		<i>30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	
<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Revenue *	56,503	42,062	87,555	72,786	144,058	114,848
Inter-segment adjustment	11,525	(12,844)	(11,525)	12,844	-	-
	<u>68,028</u>	<u>29,218</u>	<u>76,030</u>	<u>85,630</u>	<u>144,058</u>	<u>114,848</u>
Profit for the period	<u>27,382</u>	<u>8,360</u>	<u>16,993</u>	<u>17,154</u>	<u>44,375</u>	<u>25,514</u>

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

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>30</i>	<i>31 December</i>	<i>30</i>	<i>31 December</i>	<i>30</i>	<i>31 December</i>
	<i>September</i>	<i>2016</i>	<i>September</i>	<i>2016</i>	<i>September</i>	<i>2016</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	
<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	
Segment assets	<u>3,763,278</u>	<u>3,815,602</u>	<u>965,864</u>	<u>857,594</u>	<u>4,729,142</u>	<u>4,673,196</u>
Segment liabilities and equity	<u>985,841</u>	<u>818,329</u>	<u>3,743,301</u>	<u>3,854,867</u>	<u>4,729,142</u>	<u>4,673,196</u>

11 COMMITMENTS AND CONTINGENT LIABILITIES

The Group has the following credit related contingent liabilities and commitments:

	<i>30 September</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Guarantees	36,350	39,042
Unutilised committed credit facilities*	201,289	81,091
	<u>237,639</u>	<u>120,133</u>

The Group has commitments of AED 18,901 thousand on account of available-for-sale investments (2016: AED 16,874 thousand).

* Unutilised committed credit facilities represent a contractual commitment to permit draw downs on a facility within a defined period subject to conditions precedent and termination clauses. Since commitments may expire without being drawn down, and as conditions precedent to draw down have to be fulfilled, the total contract amounts do not necessarily represent exact future cash requirements.

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11 COMMITMENTS AND CONTINGENT LIABILITIES (continued)*Capital expenditure commitments:*

The Group has commitments as at 30 September 2017 for leasehold improvements of AED 196 thousand (2016: nil).

Operating lease commitments:

	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Future minimum lease payments		
Within one year	3,703	3,518
After one year but not more than five years	13,546	16,149
	<hr/>	<hr/>
Total operating lease expenditure contracted for at the end of the reporting period	<u>17,249</u>	<u>19,667</u>

12 RELATED PARTY TRANSACTIONS

The Group enters into transactions in the ordinary course of business with related parties, defined as major shareholders, directors, key management personnel and their related companies. All loans and advances to related parties are performing advances and are free of any provision for possible loan losses. Pricing policies and terms of related parties' transactions are approved by the Group's management.

The significant balances outstanding in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
<i>Directors, their related parties and key management personnel:</i>		
Loans and advances	8,349	4,716
	<hr/>	<hr/>
Investments	300,000	420,784
	<hr/>	<hr/>
Customers' deposits	483,955	467,007
	<hr/>	<hr/>
Commitments and contingencies	24,972	26,274
	<hr/>	<hr/>
Other liabilities	9,702	13,029
	<hr/>	<hr/>

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

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12 RELATED PARTY TRANSACTIONS (continued)

Nine months ended 30 September

	<i>2017</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2016</i> <i>AED'000</i> <i>(Unaudited)</i>
<i>Directors, their related parties and key management personnel:</i>		
Interest income	6,953	2,952
Interest expenses	(9,366)	(12,193)
Other income	2,620	2,382
General and administration expenses	(5,112)	(3,766)

Outstanding balances at the period end arise in the normal course of business. For the period ended 30 September 2017, the Group has not recorded any impairment of amounts owed by related parties (2016: Nil).

Compensation of key management personnel:

Nine months ended 30 September

	<i>2017</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2016</i> <i>AED'000</i> <i>(Unaudited)</i>
Salaries and other benefits	8,402	8,446

13 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business the Group enters into transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. The purpose of derivative financial instruments in the Group's business is to mitigate the risks arising from default, currency and interest fluctuations and other market variables. The Group uses forward foreign exchange contracts and options to mitigate the currency risk on certain investments.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with the notional amounts. The notional amount, recorded gross is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period end and are neither indicative of the market risk nor credit risk.

	<i>Positive fair value 30 September 2017 AED'000 (Unaudited)</i>	<i>Negative fair value 30 September 2017 AED'000 (Unaudited)</i>	<i>Notional amount 30 September 2017 AED'000 (Unaudited)</i>	<i>Positive fair value 31 December 2016 AED'000 (Audited)</i>	<i>Negative fair value 31 December 2016 AED'000 (Audited)</i>	<i>Notional amount 31 December 2016 AED'000 (Audited)</i>
Derivatives:						
Forward foreign exchange contracts	4,487	1,071	231,801	1,949	1,811	122,139
Foreign exchange option contracts	112	112	62,823	153	153	152,088
	4,599	1,183	294,624	2,102	1,964	274,227

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13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have an impact on the profit or loss of the Group. The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

Derivative product type

Forwards

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in over-the-counter markets.

Options

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity or financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Fair value

The derivatives are recorded at fair value by using the published price quotations in an active market or counterparty prices or valuation techniques using a valuation model that has been tested against the prices of actual market transactions and the Group's best estimate of the most appropriate model inputs.

Foreign exchange forward contracts and foreign exchange option contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favorable to the Group. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honors its obligation, but the counterparty fails to deliver the counter value.

Changes in counterparty credit risk have no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

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

14 FIDUCIARY ASSETS

	<i>30 September 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Balance of fiduciary assets	<u>5,511,769</u>	<u>6,958,020</u>

The Group provides custody services for its customers' assets. These assets are held by the Group in a fiduciary capacity and are, accordingly, not included in these interim condensed consolidated financial statements as assets of the Group.