EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Contents	**Page**

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Emirates NBD Bank PJSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated interim statement of financial position as at 30 June 2018 and the related consolidated interim statements of income and comprehensive income for the three month and six month periods then ended and consolidated interim statement of cash flows and changes in equity for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Ernst & Young

J Murphy

Signed by:
Joseph Murphy
Partner
Registration No. 492

17 July 2018
Dubai, United Arab Emirates

بنك الإمارات دبي الوطني
Emirates NBD

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 (UNAUDITED)

	Notes	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
ASSETS			
Cash and deposits with Central Bank	4	67,504,271	71,852,618
Due from banks	5	41,590,124	49,726,135
Investment securities	6	24,461,004	19,048,242
Loans and receivables	7	268,584,319	257,604,666
Islamic financing receivables	8	47,786,784	46,487,948
Investments in associates and joint ventures		1,630,542	1,624,330
Positive fair value of derivatives	21	4,184,562	2,851,520
Investment properties		496,367	537,680
Customer acceptances		6,805,686	6,111,947
Property and equipment		2,490,694	2,442,833
Goodwill and intangibles	9	5,686,585	5,688,203
Other assets	10	6,284,325	6,396,161
TOTAL ASSETS		**477,505,263**	**470,372,283**
LIABILITIES			
Due to banks		19,972,116	21,311,193
Customer deposits		275,683,968	265,712,916
Islamic customer deposits		59,329,087	60,815,385
Debt issued and other borrowed funds	11	39,477,138	39,788,848
Sukuk payable	12	3,687,780	5,526,649
Negative fair value of derivatives	21	3,714,619	2,252,495
Customer acceptances		6,805,686	6,111,947
Other liabilities	13	9,317,331	9,491,313
TOTAL LIABILITIES		**417,987,725**	**411,010,746**
EQUITY			
Issued capital		5,557,775	5,557,775
Treasury shares		(46,175)	(46,175)
Tier I capital notes	15	9,477,076	9,477,076
Share premium reserve		12,270,124	12,270,124
Legal and statutory reserve		2,778,888	2,778,888
Other reserves		2,869,533	2,869,533
Fair value reserve		64,733	261,568
Currency translation reserve		(1,240,050)	(1,219,088)
Retained earnings		27,777,072	27,403,808
TOTAL EQUITY ATTRIBUTABLE TO EQUITY AND NOTE HOLDERS OF THE GROUP		**59,508,976**	**59,353,509**
Non-controlling interest		8,562	8,028
TOTAL EQUITY		**59,517,538**	**59,361,537**
TOTAL LIABILITIES AND EQUITY		**477,505,263**	**470,372,283**

The attached notes 1 to 27 form an integral part of these Group condensed consolidated interim financial statements.
The independent auditors' report on review of the Group condensed consolidated interim financial statements is set out on page 1.

Director | Director | Chief Executive Officer

17 JUL 2018

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Notes	Unaudited three months period ended 30 June 2018 AED 000	Unaudited three months period ended 30 June 2017 AED 000	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Interest and similar income		4,134,764	3,316,231	7,914,976	6,506,718
Interest and similar expense		(1,383,398)	(1,121,181)	(2,638,664)	(2,270,275)
Net interest income		**2,751,366**	**2,195,050**	**5,276,312**	**4,236,443**
Income from Islamic financing and investment products		704,050	696,333	1,366,615	1,344,901
Distribution on Islamic deposits and profit paid to Sukuk holders		(210,823)	(192,215)	(413,891)	(396,181)
Net income from Islamic financing and investment products		**493,227**	**504,118**	**952,724**	**948,720**
Net interest income and income from Islamic financing and investment products net of distribution to depositors		**3,244,593**	**2,699,168**	**6,229,036**	**5,185,163**
Fee and commission income		988,955	981,320	1,996,709	1,944,260
Fee and commission expense		(283,893)	(235,936)	(556,247)	(468,371)
Net fee and commission income		**705,062**	**745,384**	**1,440,462**	**1,475,889**
Net gain / (loss) on trading securities		(5,603)	28,799	25,949	72,409
Other operating income	16	403,666	362,410	756,075	719,762
Net gain /(loss) arising from derecognition of financial assets measured at amortised cost		-	-	(392)	-
Total operating income		**4,347,718**	**3,835,761**	**8,451,130**	**7,453,223**
General and administrative expenses	17	(1,370,393)	(1,136,387)	(2,646,166)	(2,252,728)
Operating profit before impairment		**2,977,325**	**2,699,374**	**5,804,964**	**5,200,495**
Net impairment loss on financial assets	18	(314,593)	(621,351)	(754,650)	(1,260,421)
Operating profit after impairment		**2,662,732**	**2,078,023**	**5,050,314**	**3,940,074**
Share of profit/ (loss) of associates and joint ventures		18,179	(26,143)	49,169	12,491
Group profit for the period before tax		**2,680,911**	**2,051,880**	**5,099,483**	**3,952,565**
Taxation charge		(49,765)	(31,077)	(81,881)	(58,301)
Group profit for the period after tax		**2,631,146**	**2,020,803**	**5,017,602**	**3,894,264**
Attributable to:					
Equity holders of the Group		2,630,841	2,020,621	5,017,068	3,893,839
Non-controlling interest		305	182	534	425
Group profit for the period after tax		**2,631,146**	**2,020,803**	**5,017,602**	**3,894,264**
Earnings per share	20	0.45	0.34	0.85	0.65

The attached notes 1 to 27 form an integral part of these Group condensed consolidated interim financial statements.
The independent auditors' report on review of the Group condensed consolidated interim financial statements is set out on page 1.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Unaudited three months period ended 30 June 2018 AED 000	Unaudited three months period ended 30 June 2017 AED 000	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Group profit for the period after tax	2,631,146	2,020,803	5,017,602	3,894,264
Other comprehensive income				
Items that will not be reclassified subsequently to Income statement:				
Actuarial gains / (losses) on retirement benefit obligations	-	-	-	-
Movement in fair value reserve (equity instruments):				
- Net change in fair value	(94,998)	-	(98,965)	-
- Net amount transferred to retained earnings	57,776	-	57,776	-
Items that may be reclassified subsequently to Income statement:				
Cost of hedging for forward element of a forward and currency basis spread excluded from hedge effectiveness testing:				
Net change in the cost of hedging	(38,300)	-	20,385	-
Cash flow hedges:				
- Effective portion of changes in fair value	(90,723)	103,342	68,152	168,762
Fair value reserve (debt instruments):				
- Net change in fair value	(22,463)	-	(59,885)	-
- Net amount transferred to income statement	(3,637)	-	(7,947)	-
Fair value reserve (available-for-sale financial assets):				
- Net change in fair value	-	(35,205)	-	60,352
- Net amount transferred to income statement	-	(18,937)	-	(61,151)
Currency translation reserve	(38,384)	9,677	(30,856)	(127,409)
Hedge of a net investment in foreign operations	17,778	(814)	9,894	(814)
Other comprehensive income for the period	(212,951)	58,063	(41,446)	39,740
Total comprehensive income for the period	2,418,195	2,078,866	4,976,156	3,934,004
Attributable to:				
Equity holders of the Bank	2,417,890	2,078,684	4,975,622	3,933,579
Non-controlling interest	305	182	534	425
Total comprehensive income for the period	2,418,195	2,078,866	4,976,156	3,934,004

The attached notes 1 to 27 form an integral part of these Group condensed consolidated interim financial statements. The independent auditors' report on review of the Group condensed consolidated interim financial statements is set out on page 1.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Notes	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
OPERATING ACTIVITIES			
Group profit for the period before tax		5,099,483	3,952,565
Adjustment for non cash items	24	812,780	1,630,561
Operating profit before changes in operating assets and liabilities		**5,912,263**	**5,583,126**
(Increase)/decrease in interest free statutory deposits		425,939	(2,700,110)
(Increase)/decrease in certificate of deposits with Central Bank maturing after three months		(7,812,447)	(12,901,275)
(Increase)/decrease in amounts due from banks maturing after three months		(10,762,644)	(1,949,428)
Increase/(decrease) in amounts due to banks maturing after three months		(52,381)	(3,227,347)
(Increase)/decrease in other assets		549,069	2,374,942
Increase/(decrease) in other liabilities		(703,140)	(726,860)
(Increase)/decrease in positive fair value of derivatives		(1,306,990)	689,015
Increase/(decrease) in negative fair value of derivatives		1,478,503	(688,405)
Increase/(decrease) in customer deposits		9,971,052	10,252,330
Increase/(decrease) in islamic customer deposits		(1,486,298)	(1,138,428)
(Increase)/decrease in trading securities		-	(752,164)
(Increase)/decrease in loans and receivables		(12,311,692)	(15,006,927)
(Increase)/decrease in Islamic financing receivables		(3,035,238)	176,441
		(19,134,004)	**(20,015,090)**
Taxes paid		(67,640)	(39,310)
Net cash flows from/(used in) operating activities		**(19,201,644)**	**(20,054,400)**

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Notes	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
INVESTING ACTIVITIES			
(Increase)/decrease in investment securities		(5,577,967)	(1,331,784)
(Increase)/decrease in investments in associates and joint ventures		43,029	36,336
Addition of property and equipment		(243,618)	(155,307)
Disposal of property and equipment		5,222	-
Net cash flows from/(used in) investing activities		**(5,773,334)**	**(1,450,755)**
FINANCING ACTIVITIES			
Issuance of debt issued and other borrowed funds	11	6,907,514	5,002,872
Repayment of debt issued and other borrowed funds	11	(6,765,993)	(7,812,167)
Repayment of sukuk borrowing	12	(1,836,250)	(1,836,250)
Interest on Tier I capital notes		(293,860)	(293,831)
Dividends paid		(2,220,749)	(2,220,749)
Net cash flows from /(used in) financing activities		**(4,209,338)**	**(7,160,125)**
Increase/(decrease) in cash and cash equivalents (refer Note 24)		**(29,184,316)**	**(28,665,280)**

The attached notes 1 to 27 form an integral part of these Group condensed consolidated interim financial statements.
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GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	ATTRIBUTABLE TO EQUITY AND NOTE HOLDERS OF THE GROUP											
	Issued Capital	**Treasury shares**	**Tier I Capital Notes**	**Share premium reserve**	**Legal and Statutory reserve**	**Other reserves**	**Fair value reserve**	**Currency Translation Reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Group Total**
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2018	5,557,775	(46,175)	9,477,076	12,270,124	2,778,888	2,869,533	261,568	(1,219,088)	27,403,808	59,353,509	8,028	59,361,537
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	-	-	-	(118,575)	-	(2,186,971)	(2,305,546)	-	(2,305,546)
Restated balance at 1 January 2018	5,557,775	(46,175)	9,477,076	12,270,124	2,778,888	2,869,533	142,993	(1,219,088)	25,216,837	57,047,963	8,028	57,055,991
Profit for the period	-	-	-	-	-	-	-	-	5,017,068	5,017,068	534	5,017,602
Other comprehensive income for the period	-	-	-	-	-	-	(20,484)	(20,962)	-	(41,446)	-	(41,446)
Gain\loss on sale of FVOCI equity instruments	-	-	-	-	-	-	(57,776)	-	57,776	-	-	-
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(293,860)	(293,860)	-	(293,860)
Dividends paid	-	-	-	-	-	-	-	-	(2,220,749)	(2,220,749)	-	(2,220,749)
Balance as at 30 June 2018	5,557,775	(46,175)	9,477,076	12,270,124	2,778,888	2,869,533	64,733	(1,240,050)	27,777,072	59,508,976	8,562	59,517,538
Balance as at 1 January 2017	5,557,775	(46,175)	9,477,076	12,270,124	2,778,888	2,869,533	110,791	(1,103,009)	21,938,659	53,853,662	7,256	53,860,918
Profit for the period	-	-	-	-	-	-	-	-	3,893,839	3,893,839	425	3,894,264
Other comprehensive income for the period	-	-	-	-	-	-	167,963	(128,223)	-	39,740	-	39,740
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(293,831)	(293,831)	-	(293,831)
Dividends paid	-	-	-	-	-	-	-	-	(2,220,749)	(2,220,749)	-	(2,220,749)
Balance as at 30 June 2017	5,557,775	(46,175)	9,477,076	12,270,124	2,778,888	2,869,533	278,754	(1,231,232)	23,317,918	55,272,661	7,681	55,280,342

Note: No allocation to legal and statutory and other reserves has been made for the six months period ended 30 June 2018 as this will be effected at the year end.

*Dividend paid is net of the amount attributable to treasury shares.

The attached notes 1 to 27 form an integral part of these Group condensed consolidated interim financial statements.
The independent auditors' report on review of the Group condensed consolidated interim financial statements is set out on page 1.

1 CORPORATE INFORMATION

Emirates NBD Bank PJSC (the “Bank”) was incorporated in the United Arab Emirates on 16 July 2007 consequent to the merger between Emirates Bank International PJSC (“EBI”) and National Bank of Dubai PJSC (“NBD”), under the Commercial Companies Law (Federal Law Number 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 1 July 2015, replacing the existing Federal Law No. 8 of 1984.

The condensed consolidated interim financial statements for the period ended 30 June 2018 comprise the financial statements of the Bank and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The Bank is listed on the Dubai Financial Market (TICKER: “EMIRATESNBD”). The Group’s principal business activities are corporate banking, consumer banking, treasury and Islamic banking. The Bank’s website is www.emiratesnbd.com.

The registered address of the Bank is Post Box 777, Dubai, United Arab Emirates (“UAE”).

The parent company of the Group is Investment Corporation of Dubai, a company in which the Government of Dubai is the majority shareholder.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The accounting policies applied by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those applied by the Group in the annual consolidated financial statements for the year ended 31 December 2017, except for changes in accounting policies explained in Note 3.

These condensed consolidated interim financial statements do not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group’s financial statements as at and for the year ended 31 December 2017. In addition, results for the six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2018.

In preparing these condensed consolidated interim financial statements, significant judgments made by the management in applying the Group’s accounting policies and the key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2017 except for the new judgements and estimates explained in Note 3.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

3.1 Changes in accounting policies

The Group has consistently applied the accounting policies as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2017, except the following accounting policies which are applicable from 1 January 2018:

(a) IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represents a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

(i) Classification of financial assets and financial liabilities

Financial assets

On initial recognition, a financial asset is classified as measured: at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit and Loss (FVTPL).

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment:

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment whether contractual cash flows are solely payments of principal and interest:

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

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

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (continued)

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rate.

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Derecognition:

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

(ii) Impairment

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.
- No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(ii) Impairment (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(ii) Impairment (continued)

Write-off

(i) Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(iii) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. The financial guarantee liability is carried at amortised cost when payment under the contract has become probable.

'Loans commitments' are firm irrevocable commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or irrevocable commitments to provide credit are initially measured at fair value and their initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

(iv) Loans and receivables

'Loans and receivables' captions in the statement of financial position include:

- Loans and receivables measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- Loans and receivables measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised in profit or loss, if applicable.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance or due from banks, and the underlying asset is not recognised in the Group's financial statements.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(v) Investment securities

The investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

- Interest revenue using the effective interest method
- ECL and reversals, and
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(vi) Derivatives and hedging

IFRS 9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation. As a result the 80-125% range under IAS 39 is replaced by an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship.

IFRS 9 also introduces rebalancing of hedging relationships, whereby, if a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio under IFRS 9, but the risk management objective for that designated hedging relationship remains the same, the Bank shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Gains and losses arising from changes in the fair value of derivatives that are not the hedging instrument in a qualifying hedge are recognised as they arise in profit or loss. Gains and losses are recorded in Income from trading activities except for gains and losses on those derivatives that are managed together with financial instruments designated at fair value; these gains and losses are included in Other operating income.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

(vi) Derivatives and hedging (continued)

The group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and are thus treated as continuing hedges.

(vii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore not comparable to the information presented for period under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
    - The determination of the business model within which a financial asset is held.
    - The designation and revocation or previous designations of certain financial assets and financial liabilities as measured at FVTPL.
    - The designation of certain investments in equity instruments not held for trading as at FVOCI.

Further information and details on the changes and implications resulting from the adoption of IFRS 9 are disclosed in Note 3.3 and Note 26.

(b) IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures, which was updated to reflect the differences between IFRS 9 and IAS 39, was also adopted by the Bank together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 3.3, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 3.2 and Note 26.

Reconciliations from opening to closing ECL allowances are presented in Notes 26.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.1 Changes in accounting policies (continued)

(c) IFRS 15 Revenue from contracts with customers

This standard on revenue recognition replaces IAS 11, ‘Construction contracts’, and IAS 18,’Revenue’ and related interpretations.

IFRS 15 is more prescriptive, provides detailed guidance on revenue recognition and reduces the use of judgment in applying revenue recognition policies and practices as compared to the replaced IFRS and related interpretations.

Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The Group has assessed that the impact of IFRS 15 is not material on the condensed consolidated interim financial statements of the Group as at the reporting date.

3.2 Changes in estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make judgement, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The Group has consistently applied the estimates and judgements as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2017, except the following estimates and judgements which are applicable from 1 January 2018.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Changes to judgements made in applying accounting policies that have most significant effects on the amounts recognized in the condensed consolidated interim financial statements of the period ended 30 June 2018 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments which impact:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and interest of the principal amount outstanding.

- Calculation of expected credit loss: changes to the assumptions and estimation uncertainties that have a significant impact on expected credit losses for the period ended 30 June 2018 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.2 Changes in estimates and judgements (continued)

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

The Group assessment of significant increases in credit risk is being performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. The Group has established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition.
2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the Group's expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

The Group estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.2 Changes in estimates and judgements (continued)

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology (continued)

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios (continued)

The Group base case scenario will be based on macroeconomic forecasts published by the Group's internal economist group. Upside and downside scenarios will be set relative to the Group base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios will be probability-weighted according to the Group best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

Definition of default

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life

When measuring ECL, the Group must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Governance

In addition to the existing risk management framework, the Group has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance, Risk Management and Economics and will be responsible for reviewing and approving key inputs and assumptions used in the Group expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in the Group financial statements.

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.3 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

Except for the financial statement captions listed in the table below, there have been no changes in the carrying amounts of assets and liabilities on application of IFRS 9 as at 1 January 2018.

	Classification under IAS 39 (31 December 2017)					**Classification under IFRS 9** (1 January 2018)			
	Loans and receivables	Held to maturity	Available for sale	FVTPL	**Balance**	Amortized cost	FVOCI	FVTPL	**Balance**
	AED 000								
Financial assets									
Cash and deposits with Central Bank	71,852,618	-	-	-	**71,852,618**	71,840,210	-	-	**71,840,210**
Due from banks	49,726,135	-	-	-	**49,726,135**	49,583,960	-	-	**49,583,960**
Investment securities:									
Trading securities measured at FVTPL	-	-	-	3,555,297	**3,555,297**	-	-	3,555,297	**3,555,297**
Designated as at FVTPL	-	-	-	5,910	**5,910**	-	-	951,610	**951,610**
Measured at amortised cost	-	1,178,221	-	-	**1,178,221**	13,208,169	-	-	**13,208,169**
Measured at FVOCI – debt instruments	-	-	13,266,375	-	**13,266,375**	-	1,138,372	-	**1,138,372**
Measured at FVOCI – equity instruments	-	-	1,042,439	-	**1,042,439**	-	199,817	-	**199,817**
Loans and receivables	257,604,666	-	-	-	**257,604,666**	256,864,879	-	-	**256,864,879**
Islamic financing receivables	46,487,948	-	-	-	**46,487,948**	45,081,555	-	-	**45,081,555**

3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

3.3 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

The following table analyses the impact, net of tax, on reserves and retained earnings arising as a result of the transition to IFRS 9. The impact relates to the fair value reserve and retained earnings. There is no impact on other components of equity.

	AED 000
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	261,568
Reclassification of investment securities (debt) from available-for-sale to amortized cost	47,448
Reclassification of investment securities (debt and equity) from available-for-sale to FVTPL	(62,361)
Reclassification of equity securities from available-for-sale to FVOCI	(112,567)
Reclassification of investment securities (debt) measured at amortised cost to FVOCI	(14,920)
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	826
Other movements	22,999
Opening balance under IFRS 9 (1 January 2018)	**142,993**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	27,403,808
Reclassification of investment securities (debt and equity) from available-for-sale to FVTPL	32,226
Reclassification of investment securities (debt) from held-to-maturity to FVTPL	1,799
Reclassification of equity securities from available-for-sale to FVOCI	112,567
Remeasurement of impairment under IFRS 9 and other movements	(2,300,758)
Other movements	(32,805)
Opening balance under IFRS 9 (1 January 2018)	**25,216,837**

The following table reconciles the closing balance of financial assets under IAS 39 to the opening balance of financial assets under IFRS 9 on 1 January 2018.

	31 December 2017 (IAS 39)	Remeasurement / Reclassification of financial assets	Remeasurement of impairment and other movements	**1 January 2018 (IFRS 9)**
	--------------------------AED 000--------------------------			
Cash and deposits with Central Bank	**71,852,618**	-	(12,408)	**71,840,210**
Due from Banks	**49,726,135**	-	(142,175)	**49,583,960**
Investment securities:				
Trading securities measured at FVTPL	**3,555,297**	-	-	**3,555,297**
Designated as at FVTPL	**5,910**	945,700	-	**951,610**
Equity securities AFS / FVOCI	**1,042,439**	(842,622)	-	**199,817**
Debt investments at AFS / FVOCI	**13,266,375**	(12,127,177)	(826)	**1,138,372**
Debt investments at HTM / Amortised cost	**1,178,221**	12,049,588	(19,640)	**13,208,169**
Loans and Receivables	**257,604,666**	(51,830)	(687,957)	**256,864,879**
Islamic Financing	**46,487,948**	-	(1,406,393)	**45,081,555**
Total	**444,719,609**	**(26,341)**	**(2,269,399)**	**442,423,869**

4 CASH AND DEPOSITS WITH CENTRAL BANK

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Cash	3,246,627	3,624,504
Statutory and other deposits with Central Banks	31,556,740	31,982,679
Interest bearing placements with Central Banks	235,062	1,118,141
Murabahas and Interest bearing certificates of deposits with Central Banks	32,471,544	35,127,294
Less: Allowances for impairment (Expected credit loss)	(5,702)	-
	67,504,271	71,852,618

The reserve requirements which are kept with the Central Banks of the countries in which the Group operates are not available for use in the Group's day to day operations and cannot be withdrawn without the approval of the Central Banks. The level of reserves required changes periodically in accordance with the directives of the Central Banks.

5 DUE FROM BANKS

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Due from banks in UAE	4,861,202	9,421,589
Due from foreign banks	36,866,911	40,324,841
Less: Allowances for impairment	(137,989)	(20,295)
	41,590,124	49,726,135

6 INVESTMENT SECURITIES

	Domestic* AED 000	Regional** AED 000	International *** AED 000	Total AED 000
TRADING SECURITIES MEASURED AT FVTPL				
Government Bonds	64,695	694,038	4,040,013	4,798,746
Corporate Bonds	144,027	58,710	1,404,391	1,607,128
Equity	-	-	-	-
	208,722	752,748	5,444,404	6,405,874
DESIGNATED AS AT FVTPL				
Equity	183,652	202,287	59,891	445,830
Others	52,769	114,617	165,970	333,356
	236,421	316,904	225,861	779,186
MEASURED AT AMORTISED COST				
Government Bonds	1,388,641	7,977,744	2,858,449	12,224,834
Corporate Bonds	429,100	644,748	1,838,178	2,912,026
	1,817,741	8,622,492	4,696,627	15,136,860
MEASURED AT FVOCI - DEBT INSTRUMENTS				
Government Bonds	-	142,896	303,768	446,664
Corporate Bonds	1,254,249	7,391	408,756	1,670,396
	1,254,249	150,287	712,524	2,117,060
MEASURED AT FVOCI - EQUITY INSTRUMENTS				
Equity	1,589	61,122	2,883	65,594
Others	-	-	-	-
	1,589	61,122	2,883	65,594
Total Investment securities	3,518,722	9,903,553	11,082,299	24,504,574
Less: Allowances for impairment (as applicable)				(43,570)
Net Investment securities				24,461,004

The difference between period end fair value and carrying amount of investments reclassified between the investment categories due to transition is not material.

*Domestic: These are securities issued within UAE.
**Regional: These are securities issued within Middle East.
***International: These are securities issued outside the Middle East region.

6 INVESTMENT SECURITIES (CONTINUED)

Audited 31 December 2017	Domestic* AED 000	Regional** AED 000	International *** AED 000	Total AED 000
HELD FOR TRADING:				
Government bonds	324,188	772,362	913,843	2,010,393
Corporate bonds	176,049	123,260	1,234,288	1,533,597
Equity	11,307	-	-	11,307
	511,544	895,622	2,148,131	3,555,297
HELD TO MATURITY:				
Government bonds	10,828	1,118,923	-	1,129,751
Corporate bonds	33,923	14,547	-	48,470
	44,751	1,133,470	-	1,178,221
AVAILABLE-FOR-SALE:				
Government bonds	1,224,250	5,806,618	2,225,337	9,256,205
Corporate bonds	966,189	701,138	2,342,843	4,010,170
Equity	268,410	443,420	57,725	769,555
Others	67,355	51,713	153,816	272,884
	2,526,204	7,002,889	4,779,721	14,308,814
DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:				
Others	-	130	5,780	5,910
	-	130	5,780	5,910
	3,082,499	9,032,111	6,933,632	19,048,242

*Domestic: These are securities issued within UAE.
**Regional: These are securities issued within Middle East.
***International: These are securities issued outside the Middle East region.

6 INVESTMENT SECURITIES (CONTINUED)

As at 30 June 2018, the carrying value of investments in Abraaj Holdings amounted to AED Nil and the carrying value of investment in funds managed by Abraaj Holdings amounted to AED 52 million which are underpinned by the underlying assets of the respective funds.

Investment Name	Investment Type	Cost (AED million)	Carrying Value (AED million)
Abraaj Holdings	Equity	78	-
The Infrastructure And Growth Capital Fund L.P.	Fund	44	32
The Abraaj Buyout Fund II L.P.	Fund	18	18
IGCF India Portfolio Holding Limited	Fund	2	2
		142	**52**

7 LOANS AND RECEIVABLES

At Amortised Cost	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Overdrafts	129,635,308	124,651,482
Time loans	140,179,265	136,814,451
Loans against trust receipts	9,366,687	7,779,801
Bills discounted	3,395,931	2,596,675
Credit card receivables	5,875,954	5,767,317
Others	510,584	591,617
Gross loans and receivables	288,963,729	278,201,343
Other debt instruments	-	51,357
Total loans and receivables	288,963,729	278,252,700
Less: Allowances for impairment	(20,379,410)	(20,648,034)
	268,584,319	257,604,666
Total of impaired loans and receivables	15,559,746	14,772,946

7 LOANS AND RECEIVABLES (CONTINUED)

Analysis by economic activity	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Manufacturing	5,393,117	6,393,109
Construction	5,328,132	5,696,969
Trade	16,980,820	13,897,772
Transport and communication	1,617,160	2,447,165
Services	5,925,608	5,124,307
Sovereign	145,111,757	139,986,832
Personal	37,042,340	35,315,689
Real estate	35,295,861	35,296,763
Hotels and restaurants	3,005,887	2,666,805
Management of companies and enterprises	12,216,568	12,463,393
Financial institutions and investment companies	13,995,888	13,361,246
Others	7,050,591	5,602,650
Total loans and receivables	288,963,729	278,252,700
Less: Allowances for impairment	(20,379,410)	(20,648,034)
	268,584,319	257,604,666

8 ISLAMIC FINANCING RECEIVABLES

At Amortised Cost	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Murabaha	32,514,390	31,038,125
Credit cards receivable	1,277,603	1,203,012
Wakala	558,056	1,005,933
Istissna'a	1,970,890	1,872,266
Others	1,078,959	1,119,027
Finance lease receivables		
Ijara	18,452,766	17,529,473
Total Islamic financing receivables	55,852,664	53,767,836
Less: Deferred income	(2,097,864)	(2,634,875)
Less: Allowances for impairment	(5,968,016)	(4,645,013)
	47,786,784	46,487,948
Total of impaired Islamic financing receivables	4,954,686	5,538,151

Corporate Ijara assets amounting to AED 2.2 billion [2017: 4.8 billion] and Murabaha assets amounting to AED 1.4 billion [2017: 2.2 billion] were securitised for the purpose of issuance of Sukuk liability (refer Note 12).

8 ISLAMIC FINANCING RECEIVABLES (CONTINUED)

Analysis by economic activity	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Manufacturing	2,426,963	1,691,366
Construction	1,670,143	2,168,691
Trade	7,221,845	6,349,359
Transport and communication	331,023	895,632
Services	1,766,376	1,690,464
Sovereign	980,532	558,814
Personal	26,641,523	25,557,267
Real estate	8,485,715	9,384,740
Hotels and restaurants	79,177	82,019
Management of companies and enterprises	1,047,203	290,842
Financial institutions and investment companies	3,045,952	2,722,103
Others	2,156,212	2,376,539
Total islamic financing and receivables	55,852,664	53,767,836
Less: Deferred Income	(2,097,864)	(2,634,875)
Less: Allowances for impairment	(5,968,016)	(4,645,013)
	47,786,784	46,487,948

9 GOODWILL AND INTANGIBLES

	Goodwill	Intangibles on Acquisition				Total
		Banking license	Software	Customer relationships	Core deposit intangibles	
Unaudited 30 June 2018	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Cost						
Balance as at 1 January	5,553,022	140,084	9,281	157,490	664,174	6,524,051
Foreign exchange movement	(444)	(1,174)	-	-	-	(1,618)
	5,552,578	**138,910**	**9,281**	**157,490**	**664,174**	**6,522,433**
Less: Amortisation and impairment						
Balance as at 1 January	4,903	-	9,281	157,490	664,174	835,848
Amortisation and impairment for the period	-	-	-	-	-	-
Balance as at 30 June	**4,903**	**-**	**9,281**	**157,490**	**664,174**	**835,848**
Net Goodwill and Intangibles	**5,547,675**	**138,910**	**-**	**-**	**-**	**5,686,585**
Audited 31 December 2017						
Cost	5,553,022	140,084	9,281	157,490	664,174	6,524,051
Less: Amortisation and impairment	4,903	-	9,281	157,490	664,174	835,848
Net Goodwill and Intangibles	**5,548,119**	**140,084**	**-**	**-**	**-**	**5,688,203**

10 OTHER ASSETS

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Accrued interest receivable	1,745,705	1,599,981
Islamic Profit receivable	164,975	132,901
Prepayments and other advances	290,440	280,532
Sundry debtors and other receivables	1,466,068	1,288,224
Inventory	1,176,985	1,279,410
Fair value of deposit (a)	105,397	143,492
Others	1,334,755	1,671,621
	6,284,325	6,396,161

(a) On acquisition of Dubai Bank in October 2011, the Group received a deposit from the Ministry of Finance of the UAE amounting to AED 2.8 billion at a discount compared to the market available interest rate. As per the Group policy, the financial liability should be recognised initially at its fair value plus the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Since the deposit was received at an interest rate which is below the market available interest rate, a fair value gain of AED 543 million was recognised in the financial statements in 2011, which will be amortised over the term of the deposit (8 years) at the effective interest rate.

11 DEBT ISSUED AND OTHER BORROWED FUNDS

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Medium term note programme*	32,009,023	32,098,003
Term loans from banks	6,228,741	6,426,875
Borrowings raised from loan securitisations	1,239,374	1,263,970
	39,477,138	39,788,848

*Includes Tier 2 notes amounting to AED 814 million (2017: AED 3,752 million) raised through public and private placements.

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Balance as at 1 January	39,788,848	38,695,734
New issues	6,907,514	10,394,762
Repayments	(6,765,993)	(9,445,340)
Other movements*	(453,231)	143,692
Balance at end of period	39,477,138	39,788,848

*Represents exchange rate movement on debts issued in foreign currency. The Group hedges the foreign currency risk on public issuances through derivative financial instruments.

As at 30 June 2018, the outstanding medium term borrowings totaling AED 39,477 million (31 December 2017: AED 39,789 million) is falling due as below:

	Unaudited 30 June 2018 AED millions	Audited 31 December 2017 AED millions
2018	254	4,080
2019	13,184	13,251
2020	8,325	7,203
2021	2,511	1,726
2022	7,822	7,877
2023	2,156	3,679
2024	542	529
2025	497	160
2026	161	125
2027	764	755
2028	1,413	-
2032	256	257
2037	146	147
2038	439	-
2048	1,007	-
	39,477	39,789

12 SUKUK PAYABLE

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Balance as at 1 January	5,526,649	7,368,138
New issues	-	-
Repayments	(1,836,250)	(1,836,250)
Other movements	(2,619)	(5,239)
Balance at end of period	3,687,780	5,526,649

As at 30 June 2018, the outstanding Sukuk payable totaling AED 3,688 million (31 December 2017: AED 5,527 million) is falling due as below:

	Unaudited 30 June 2018 AED millions	Audited 31 December 2017 AED millions
2018	-	1,836
2021	3,688	3,691
	3,688	5,527

13 OTHER LIABILITIES

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Accrued interest payable	1,787,130	1,621,982
Profit payable to Islamic depositors	113,832	142,691
Managers' cheques	1,197,394	1,350,049
Trade and other payables	2,027,852	1,835,223
Staff related liabilities	885,988	1,030,213
Provision for taxation	77,884	63,643
Others	3,227,251	3,447,512
	9,317,331	9,491,313

14 EQUITY HOLDER FUNDS

At the Annual General Meeting held on 27 March 2018, shareholders approved payment of a cash dividend of 40% of the issued and paid up capital amounting to AED 2,223 million which has been recognised in the interim financial statements as of 30 June 2018.

15 TIER I CAPITAL NOTES

The Group has issued a number of regulatory Tier 1 capital notes with details mentioned in the table below. The notes are perpetual, subordinated and unsecured. The Group can elect not to pay a coupon at its own discretion. Note holders will not have a right to claim the coupon and such event will not be considered an event of default. The notes carry no maturity date and have been classified as equity.

Issuance Month/year	Issued Amount	Coupon rate
September 2014	USD 500 million (AED 1.83 billion)	Fixed interest rate with a reset after six years
May 2013	USD 1 billion (AED 3.67 billion)	Fixed interest rate with a reset after six years
June 2009	AED 4 billion	Fixed interest rate for the first five years and on a floating rate basis thereafter.

16 OTHER OPERATING INCOME

	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Dividend income on equity investment measured at FVOCI	2,871	-
Dividend income on equity investments measured at FVTPL	13,295	-
Dividend income	-	24,801
Gain from sale of debt investment securities measured at FVOCI	7,947	-
Gain from sale of available-for-sale investment securities	-	61,151
Gain / (loss) from investment securities designated at fair value through profit or loss	(91,465)	8,522
Rental income	19,750	25,411
Gain on sale of properties (investment properties / inventories)	890	13,248
Foreign exchange income*	640,271	543,985
Derivative income	58,815	68,381
Other income (net)	103,701	(25,737)
	756,075	719,762

*Foreign exchange income comprises trading and translation gain and gain on dealings with customers.

17 GENERAL AND ADMINISTRATIVE EXPENSES

	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Staff cost	1,654,478	1,469,925
Occupancy cost	190,594	177,037
Equipment & supplies	61,892	57,766
Information technology cost	116,242	92,370
Communication cost	87,589	76,216
Service, legal and professional fees	65,710	39,247
Marketing related expenses	65,888	47,176
Depreciation	190,535	162,764
Amortisation of intangibles	-	18,500
Others	213,238	111,727
	2,646,166	2,252,728

18 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

The charge to the income statement for the net impairment loss on financial assets is made up as follows:

	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Net impairment of cash and deposits with central bank	(6,706)	-
Net impairment of due from banks / other assets	14,621	36,725
Net impairment of investment securities	24,376	44,097
Net impairment of loans and receivables	592,252	886,423
Net impairment of Islamic financing receivables	330,009	320,275
Bad debt written off / (recovery) - net	(199,902)	(27,099)
Net impairment loss for the period	754,650	1,260,421

19 COMMITMENTS AND CONTINGENCIES

At 30 June 2018, the Group's commitments and contingencies are as follows:

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Letters of credit	12,016,531	11,489,707
Guarantees	48,035,819	48,801,287
Liability on risk participations	1,108,142	1,161,869
Irrevocable loan commitments*	16,179,363	25,279,231
	77,339,855	86,732,094

*Irrevocable loan commitments 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.

20 EARNINGS PER SHARE

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders (further adjusted for interest expense on Tier I capital notes) of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all diluted potential ordinary shares, if any.

	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Profit for the period attributable to equity holders	5,017,068	3,893,839
Deduct : Interest on Tier 1 capital notes	(293,860)	(293,831)
Net profit attributable to equity holders	4,723,208	3,600,008
Weighted average number of equity shares in issue ('000)	5,551,872	5,551,872
Basic Earnings per share* (AED)	0.85	0.65

*The diluted and basic Earnings per share were the same for the six months period ended 30 June 2018.

21 DERIVATIVES

	Unaudited 30 June 2018			Audited 31 December 2017		
	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000
Derivatives held for trading	3,631,642	(3,089,566)	476,304,281	2,436,184	(1,948,648)	417,171,559
Derivatives held as cash flow hedges	405,898	(31,712)	12,914,982	379,847	(48,092)	11,761,739
Derivatives held as fair value hedges	137,128	(593,341)	14,473,762	35,489	(246,596)	6,470,889
Derivatives held as hedge of a net investment in foreign operations	9,894	-	271,033	-	(9,159)	355,989
Total	4,184,562	(3,714,619)	503,964,058	2,851,520	(2,252,495)	435,760,176

22 OPERATING SEGMENTS

The Group is organised into the following main businesses:

- Corporate banking represents structured financing, current and savings accounts, customer deposits, overdrafts, trade finance and term loans for government, corporate, commercial customers, investment banking and Islamic products under Al Watani Al Islami;

- Consumer banking represents retail loans and deposits, private banking and wealth management, equity broking services, asset management and consumer financing;

- Treasury activities comprises of managing the Group's portfolio of investments, funds management, and interbank treasury operations;

- Islamic banking activities represent the income and fees earned and expenses paid by the Islamic banking subsidiaries; and

- Other operations of the Group include Emirates NBD Egypt, Tanfeeth, property management, operations and support functions.

22 OPERATING SEGMENTS (CONTINUED)

Unaudited 30 June 2018	Corporate banking AED 000	Consumer banking AED 000	Treasury AED 000	Islamic Banking AED 000	Others AED 000	Total AED 000
Net interest income and income from Islamic products net of distribution to depositors	2,223,626	2,337,697	347,455	808,625	511,633	6,229,036
Net Fees, commission and other income	607,254	1,287,718	95,409	408,710	(176,997)	2,222,094
Total operating Income	2,830,880	3,625,415	442,864	1,217,335	334,636	8,451,130
General and administrative expenses	(234,146)	(998,613)	(67,606)	(568,900)	(776,901)	(2,646,166)
Net impairment loss on financial assets	(411,243)	(154,576)	326	(163,141)	(26,016)	(754,650)
Share of profit of associates and joint ventures	-	-	-	-	49,169	49,169
Taxation charge	(16,303)	(18,672)	(9,795)	-	(37,111)	(81,881)
Group Profit for the Period after tax	2,169,188	2,453,554	365,789	485,294	(456,223)	5,017,602
Segment Assets	277,895,098	59,341,090	60,052,643	56,420,699	23,795,733	477,505,263
Segment Liabilities and Equity	120,765,414	142,673,988	48,902,583	49,437,718	115,725,560	477,505,263

22 OPERATING SEGMENTS (CONTINUED)

Unaudited 30 June 2017	Corporate banking	Consumer banking	Treasury	Islamic Banking	Others	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Net interest income and income from Islamic products net of distribution to depositors	1,773,855	2,134,330	56,969	816,561	403,448	5,185,163
Net Fees, commission and other income	643,736	1,164,286	246,842	360,942	(147,746)	2,268,060
Total operating Income	2,417,591	3,298,616	303,811	1,177,503	255,702	7,453,223
General and administrative expenses	(201,215)	(892,153)	(58,257)	(489,366)	(611,737)	(2,252,728)
Net impairment loss on financial assets	(527,778)	(311,576)	(3,553)	(309,850)	(107,664)	(1,260,421)
Share of profit of associates and joint ventures	-	-	-	-	12,491	12,491
Taxation charge	(4,744)	(3,461)	(615)	-	(49,481)	(58,301)
Group Profit for the Period after tax	1,683,854	2,091,426	241,386	378,287	(500,689)	3,894,264
Segment Assets	264,614,898	54,675,227	49,030,892	55,825,663	32,075,198	456,221,878
Segment Liabilities and Equity	107,891,300	156,964,926	37,175,803	57,032,705	97,157,144	456,221,878

23 RELATED PARTY TRANSACTIONS

Emirates NBD Group is partly owned by Investment Corporation of Dubai (55.8%), a company in which the Government of Dubai is the majority shareholder.

Deposits from and loans to government related entities, other than those that have been individually disclosed, amount to 7% (December 2017: 7%) and 4% (December 2017: 6%) respectively, of the total deposits and loans of the Group.

These entities are independently run business entities, and all financial dealings with the Group are on normal commercial terms.

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

Related party balances and transactions are carried out on normal commercial terms and are as follows:

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Loans and receivables:		
To majority shareholder of the parent	144,869,613	139,581,859
To parent	1,377,288	1,037,082
To directors and related companies	2,099,680	2,259,083
To associates and joint ventures	201,529	420,953
	148,548,110	143,298,977
Customer and Islamic deposits:		
From majority shareholder of the parent	2,882,535	2,891,100
From parent	2,745,800	2,917,016
From associates and joint ventures	762,061	636,983
	6,390,396	6,445,099
Investment in Government of Dubai bonds	128	85,744
Commitments to associates and joint ventures	95,560	24,870

23 RELATED PARTY TRANSACTIONS (CONTINUED)

	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Payments made to associates and joint ventures	83,954	77,447
Payments received from associates and joint ventures	2,515	2,457
Payments made to other related parties	17,509	15,697
Fees received in respect of funds managed by the Group	12,867	23,035
Interest paid to funds managed by the Group	-	1,962
Interest (paid by) / paid to joint ventures	1,090	2,079
Directors sitting fee	6,023	6,303

The total amount of compensation paid to key management personnel of the Group during the period was as follows:

	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Key management compensation:		
Short term employment benefits	46,738	43,308
Post employment benefits	1,097	637

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

24 NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

		Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
(a)	Analysis of changes in cash and cash equivalents during the Period		
	Balance at beginning of period	43,527,409	43,633,310
	Net cash inflow/(outflow)	(29,184,316)	(28,665,280)
	Balance at end of period	14,343,093	14,968,030
(b)	Analysis of cash and cash equivalents		
	Cash and deposits with Central Bank	67,504,271	63,079,476
	Due from banks	41,590,124	46,892,650
	Due to banks	(19,972,116)	(22,464,915)
		89,122,279	87,507,211
	Less : deposits with Central Bank for regulatory purposes	(31,556,740)	(32,177,428)
	Less : certificates of deposits with Central Bank maturing after three months	(20,925,838)	(22,119,250)
	Less : amounts due from banks maturing after three months	(27,760,971)	(20,880,445)
	Add : amounts due to banks maturing after three months	5,464,363	2,637,942
		14,343,093	14,968,030

24 NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
(c) Adjustment for non cash items		
Impairment loss on cash and deposits with central bank	(6,706)	-
Impairment loss on due from banks	14,621	-
Impairment loss on investment securities	24,376	44,097
Impairment loss on loans and receivables	592,252	886,423
Impairment loss on Islamic financing receivables	330,009	320,275
Amortisation of fair value	5,500	50,817
Discount on Investment securities	18,427	23,400
Unrealised foreign exchange gain	(74,508)	(38,646)
Amortisation of intangibles	-	18,500
Depreciation / impairment on property and equipment / Investment property	198,778	162,764
Share of profit / loss of associates and joint ventures	(49,169)	(12,491)
Unrealized (gain)/loss on investments	127,425	30,873
Unrealized (gain)/loss on FV Hedged item	(367,335)	157,797
Gain on sale of properties (inventories)	(890)	(13,248)
	812,780	1,630,561

25 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair Value of assets and liabilities

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

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

25 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

30 June 2018	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Investment Securities				
Trading securities at FVTPL				
Government Bonds	4,798,746	-	-	4,798,746
Corporate Bonds	1,381,512	18,560	207,056	1,607,128
Equity	-	-	-	-
	6,180,258	18,560	207,056	6,405,874
FVOCI - debt instruments				
Government Bonds	432,447	14,217	-	446,664
Corporate Bonds	1,626,098	44,298	-	1,670,396
	2,058,545	58,515	-	2,117,060
FVOCI - equity instruments	61,118	-	4,476	65,594
Designated at FVTPL				
Equity	73,078	-	372,752	445,830
Others	40,082	86,019	207,255	333,356
	113,160	86,019	580,007	779,186
Derivatives				
Positive fair value of derivatives				
Derivatives held for trading	-	3,631,642	-	3,631,642
Derivatives held as cash flow hedges	-	405,898	-	405,898
Derivatives held as fair value hedges	-	137,128	-	137,128
Derivatives held as hedge of a net investment in foreign operations	-	9,894	-	9,894
	-	4,184,562	-	4,184,562
Negative fair value of derivatives				
Derivatives held for trading	-	(3,089,566)	-	(3,089,566)
Derivatives held as cash flow hedges	-	(31,712)	-	(31,712)
Derivatives held as fair value hedges	-	(593,341)	-	(593,341)
Derivatives held as hedge of a net investment in foreign operations	-	-	-	-
	-	(3,714,619)	-	(3,714,619)
	8,413,081	633,037	791,539	9,837,657

25 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	Trading securities at FVTPL	Designated at FVTPL	FVOCI - debt instruments	FVOCI– equity instruments	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 31 December 2017	-	-	-	832,907	832,907
Impact of IFRS 9 at 1 January 2018	-	677,403	-	(709,598)	(32,195)
Balance as at 1 January 2018	-	677,403	-	123,309	800,712
Total gains or losses:	-	-	-	-	-
- in profit or loss	-	(81,248)	-	-	(81,248)
- in other comprehensive income	-	-	-	(55)	(55)
Purchases	207,056	-	-	-	207,056
Issues	-	-	-	-	-
Settlements and other adjustments	-	(16,148)	-	(118,778)	(134,926)
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Balance as at 30 June 2018	207,056	580,007	-	4,476	791,539

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental.

During the period ended 30 June 2018 no financial assets measured at FVOCI were transferred from Level 1 to Level 2 or from Level 2 to Level 1 (2017: AED Nil).

25 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

Audited 31 December 2017	Level 1	Level 2	Level 3	Total
	AED 000	AED 000	AED 000	AED 000
Investment Securities				
HELD FOR TRADING				
Government Bonds	2,010,393	-	-	2,010,393
Corporate Bonds	1,496,872	36,725	-	1,533,597
Equity	11,307	-	-	11,307
Others	-	-	-	-
	3,518,572	36,725	-	3,555,297
AVAILABLE-FOR-SALE				
Government bonds	9,141,137	115,068	-	9,256,205
Corporate bonds	3,996,811	13,359	-	4,010,170
Equity	113,827	297	655,431	769,555
Others	-	95,408	177,476	272,884
	13,251,775	224,132	832,907	14,308,814
DESIGNATED AT FVTPL				
Others	-	5,910	-	5,910
	-	5,910	-	5,910
Derivatives				
Positive fair value of derivatives				
Derivatives held for trading	-	2,436,184	-	2,436,184
Derivatives held as cash flow hedges	-	379,847	-	379,847
Derivatives held as fair value hedges	-	35,489	-	35,489
Derivatives held as hedge of a net investment in foreign operations	-	-	-	-
	-	2,851,520	-	2,851,520
Negative fair value of derivatives				
Derivatives held for trading	-	(1,948,648)	-	(1,948,648)
Derivatives held as cash flow hedges	-	(48,092)	-	(48,092)
Derivatives held as fair value hedges	-	(246,596)	-	(246,596)
Derivatives held as hedge of a net investment in foreign operations	-	(9,159)	-	(9,159)
	-	(2,252,495)	-	(2,252,495)
	16,770,347	865,792	832,907	18,469,046

25 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

	Available for sale financial assets	Financial assets designated at fair value through profit or loss	Financial assets held for trading	Total
	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2017	1,106,579	-	-	1,106,579
Total gains or losses:				
- in profit or loss	-	-	-	-
- in other comprehensive income	22,748	-	-	22,748
Purchases	-	-	94,016	94,016
Issues	-	-	-	-
Settlements and other adjustments	(302,105)	-	(94,016)	(396,121)
Transfers into Level 3	5,685	-	-	5,685
Transfers out of Level 3	-	-	-	-
Balance as at 31 December 2017	832,907	-	-	832,907

26 RISK MANAGEMENT

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

Amounts arising from ECL

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument as a result of the adoption of IFRS 9: Financial instruments.

i) Loans and receivables, undrawn irrevocable commitments and financial guarantee contracts issued

	Unaudited 30 June 2018		**Unaudited 30 June 2017**	
AED 000	**ECL**	**Specific**	**Collective**	**Total**
Balance at 1 January (as per IAS 39)	20,648,034	13,355,890	6,237,306	19,593,196
Opening adjustments under IFRS 9	748,354	-	-	-
Balance at 1 January (Adjusted opening as per IFRS 9)	21,396,388	13,355,890	6,237,306	19,593,196
Allowances for impairment made during the period	1,175,715	820,455	541,921	1,362,376
Write back / recoveries made during the period	(583,463)	(475,953)	-	(475,953)
Amounts written off during the period	(1,612,568)	(254,190)	-	(254,190)
Exchange and other adjustments	3,338	(1,054)	(2,924)	(3,978)
Closing balance	**20,379,410**	**13,445,148**	**6,776,303**	**20,221,451**

26 RISK MANAGEMENT (CONTINUED)

Amounts arising from ECL (continued)

Loss allowance (continued)

ii) Islamic financing receivables, undrawn irrevocable commitments and financial guarantee contracts issued

	Unaudited 30 June 2018	Unaudited 30 June 2017		
AED 000	**ECL**	**Specific**	**Collective**	**Total**
Balance at 1 January (as per IAS 39)	4,645,011	3,971,709	782,391	4,754,100
Opening adjustments under IFRS 9	1,665,996	-	-	-
Balance at 1 January (Adjusted opening as per IFRS 9)	6,311,007	3,971,709	782,391	4,754,100
Allowances for impairment made during the period	586,604	679,804	(139,190)	540,614
Write back / recoveries made during the period	(256,595)	(220,339)	-	(220,339)
Amounts written off during the period	(671,027)	(384,616)	-	(384,616)
Exchange and other adjustments	(1,973)	116	12	128
Closing balance	**5,968,016**	**4,046,674**	**643,213**	**4,689,887**

27 OTHER SIGNIFICANT EVENTS

The Group has entered into an agreement with Sberbank of Russia to acquire its 99.85% stake in Denizbank A.S. In accordance with the signed agreement, the consideration for 99.85% equals Turkish Lira (TRY) 14.609 billion under a locked box mechanism, based on consolidated equity capital of Denizbank A.S. as of October 31, 2017.

Denizbank A.S has a network of 751 branches, with 708 branches in Turkey and 43 in other territories (Austria, Germany, Bahrain, Moscow and Cyprus), approximately 11.8 million customers, 14,100 employees and its shareholders' equity amounted to TRY 13,748 million (as reported locally) as of 31 March 2018.

The transaction is subject to regulatory approval in Turkey, Austria, Russia, the UAE and other relevant jurisdictions where Denizbank A.S. operates and is expected to close by end of the year.