Investment Corporation of Dubai and its subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 June 2018

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Investment Corporation of Dubai ("ICD") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim consolidated statement of financial position as at 30 June 2018 and the related interim consolidated income statement and interim consolidated statement of comprehensive income, 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 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 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. 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:
Joseph Murphy
Partner
Registration No. 492

22 October 2018

Dubai, United Arab Emirates

INTERIM CONSOLIDATED INCOME STATEMENT
For the six-month period ended 30 June 2018

	Notes	***Six-month period ended 30 June*** 2018 AED'000 (Unaudited)	2017 AED'000 (Unaudited)
Revenues	19	**115,114,326**	93,259,985
Cost of revenues		**(97,245,258)**	(76,966,853)
		17,869,068	16,293,132
Other income		**2,225,336**	2,280,981
Net (loss) / gain from derivative instruments		**(443,021)**	481,495
General, administrative and other expenses		**(9,226,277)**	(8,296,914)
Net impairment losses on financial assets	3	**(835,753)**	(1,298,078)
Other finance income		**892,689**	824,454
Other finance costs		**(2,830,993)**	(2,090,959)
Share of results of associates and joint ventures - net	8	**2,827,320**	2,355,495
PROFIT FOR THE PERIOD BEFORE INCOME TAX		**10,478,369**	10,549,606
Income tax expense - net		**(436,697)**	(198,630)
PROFIT FOR THE PERIOD		**10,041,672**	10,350,976
Attributable to:			
The equity holder of ICD		**7,472,862**	8,261,608
Non-controlling interests		**2,568,810**	2,089,368
		10,041,672	10,350,976

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2018

	Six-month period ended 30 June	
	2018 AED'000 (Unaudited)	*2017 AED'000 (Unaudited)*
PROFIT FOR THE PERIOD	**10,041,672**	10,350,976
Other comprehensive income		
Other comprehensive (loss) / income that are / to be reclassified to consolidated income statement in subsequent periods:		
Net movement in fair value of available-for-sale investments	**-**	(5,433)
Net movement in fair value of debt instruments measured at fair value through other comprehensive income ("FVOCI")	**(61,559)**	-
Net movement in fair value of cash flow hedges	**212,325**	143,261
Net movement in cost of hedging	**20,385**	-
Foreign currency translation differences - net	**(140,245)**	124,347
Group's share in other comprehensive (loss) / gain of equity accounted investees	**(468,772)**	186,046
Net other comprehensive (loss) / income that are / to be reclassified to consolidated income statement in subsequent periods	**(437,866)**	448,221
Other comprehensive (loss) / income not to be reclassified to consolidated income statement in subsequent periods:		
Net movement in fair value of equity instruments measured at FVOCI	**(920,634)**	-
Actuarial gain on defined benefit plans	**65,972**	12,869
Group's share in other comprehensive (loss) / gain of equity accounted investees	**(28,797)**	21,791
Net other comprehensive (loss) / income not to be reclassified to consolidated income statement in subsequent periods	**(883,459)**	34,660
Other comprehensive (loss) / income for the period	**(1,321,325)**	482,881
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**8,720,347**	10,833,857
Attributable to:		
The equity holder of ICD	**6,209,659**	8,698,899
Non-controlling interests	**2,510,688**	2,134,958
	8,720,347	10,833,857

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	***30 June 2018 AED'000 (Unaudited)***	*31 December 2017 AED'000 (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**174,348,090**	172,924,480
Intangible assets	6	**26,134,397**	26,416,408
Investment properties	7	**17,622,755**	16,659,973
Development properties		**1,583,045**	1,222,414
Investments in associates and joint ventures	8	**51,850,619**	47,302,127
Investment securities	9	**25,310,437**	23,545,069
Other non-current assets		**16,828,962**	21,844,909
Islamic financing and investment products	10	**28,774,122**	27,795,434
Loans and receivables	11	**93,108,739**	90,545,706
Cash and deposits with banks	12	**3,831,372**	1,721,688
Positive fair value of derivatives		**2,764,540**	1,966,517
Deferred tax assets		**205,269**	176,350
		442,362,347	432,121,075
Current assets			
Investment securities	9	**9,319,860**	5,752,037
Inventories		**12,287,732**	11,085,275
Trade and other receivables		**39,007,644**	35,852,720
Islamic financing and investment products	10	**35,635,739**	34,970,602
Loans and receivables	11	**172,613,059**	164,951,227
Cash and deposits with banks	12	**136,864,406**	152,184,286
Positive fair value of derivatives		**1,768,079**	1,223,566
Customer acceptances		**6,805,686**	6,111,947
		414,302,205	412,131,660
Assets classified as held for sale	13	**2,217,184**	41,167
		416,519,389	412,172,827
TOTAL ASSETS		**858,881,736**	844,293,902

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2018

	Notes	***30 June 2018 AED'000 (Unaudited)***	*31 December 2017 AED'000 (Audited)*
EQUITY AND LIABILITIES			
Equity attributable to the equity holder of ICD			
Capital	14	**64,549,560**	64,530,179
Retained earnings		**117,070,953**	111,737,007
Other reserves	15	**8,314,243**	13,735,628
		189,934,756	190,002,814
Non-controlling interests	16	**37,439,807**	37,469,258
Total equity		**227,374,563**	227,472,072
Non-current liabilities			
Employees' end of service benefits		**3,711,291**	3,610,298
Borrowings and lease liabilities		**159,822,972**	156,165,743
Negative fair value of derivatives		**2,098,499**	1,668,404
Other non-current payables		**12,339,289**	13,105,776
Customer deposits		**5,793,683**	7,576,160
Islamic customer deposits		**208,616**	56,216
Deferred tax liabilities		**1,725,167**	1,558,365
		185,699,517	183,740,962
Current liabilities			
Employees' end of service benefits		**14,614**	16,451
Borrowings and lease liabilities		**55,965,369**	61,435,936
Negative fair value of derivatives		**1,850,453**	1,116,554
Trade and other payables		**66,047,459**	59,684,461
Customer deposits		**258,992,094**	247,255,273
Islamic customer deposits		**55,625,923**	57,047,294
Current income tax liabilities		**324,204**	400,284
Customer acceptances		**6,805,686**	6,111,947
		445,625,802	433,068,200
Liabilities related to assets classified as held for sale	13	**181,854**	12,668
		445,807,656	433,080,868
Total liabilities		**631,507,173**	616,821,830
TOTAL EQUITY AND LIABILITIES		**858,881,736**	844,293,902

Director

Director

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the six-month period ended 30 June 2018

	Notes	*Six-month period ended 30 June* **2018** **AED'000** **(Unaudited)**	*2017* *AED'000* *(Unaudited)*
OPERATING ACTIVITIES			
Profit for the period before income tax		**10,478,369**	10,549,606
Adjustments for:			
Depreciation and impairment on property, plant and equipment and investment properties (net of reversals)		**7,722,268**	6,573,339
Amortisation and impairment of intangible assets and advance lease rental		**749,467**	709,963
Impairment allowance on loans and receivables - net	11	**592,252**	886,423
Impairment allowance on Islamic financing and investment products - net	10	**341,813**	320,275
Impairment loss on investment securities		**24,376**	44,097
Impairment allowance on other financial assets		**9,182**	-
Net gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft		**(248,272)**	(368,338)
Fair value change in investments securities measured at fair value through profit or loss ("FVTPL") - net		**166,225**	(7,834)
Gain on disposal of investment in associates		**(451,070)**	(32,733)
Other finance income		**(892,689)**	(824,454)
Other finance costs		**2,830,993**	2,070,890
Share of results of associates and joint ventures - net	8	**(2,827,320)**	(2,355,495)
Provision for employees' end of service benefits		**690,945**	623,722
Loss on disposal of assets and liabilities classified as held for sale		**(42)**	28,000
Unrealised loss on derivatives		**(640,314)**	137,309
Net gain on sale of investment securities		**(47,160)**	(134,434)
		18,499,023	18,220,336
Changes in:			
Inventories		**(1,200,225)**	(711,049)
Trade and other receivables		**(2,923,557)**	1,299,734
Trade and other payables		**5,623,313**	2,007,792
Loans and receivables (banking operations)		**(11,556,904)**	(15,790,773)
Statutory deposits (banking operations)		**425,939**	(2,700,110)
Deposits with banks with original maturity over three months (banking operations)		**(18,412,593)**	(14,854,908)
Customer deposits including Islamic customer deposits (banking operations)		**8,685,373**	10,078,225
Due to banks with original maturity over three months (banking operations)		**(52,381)**	(2,885,472)
Fair value of derivatives - net		**451,966**	(653,877)
Islamic financing and investment products with original maturity over three months (banking operations)		**(1,429,410)**	611,928
Other non-current assets		**2,637,490**	1,808,221
Other non-current payables		**(597,301)**	(69,645)
Net cash generated from / (used in) operations		**150,733**	(3,639,598)

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six-month period ended 30 June 2018

	Notes	***Six-month period ended 30 June*** 2018 AED'000 (Unaudited)	*2017 AED'000 (Unaudited)*
OPERATING ACTIVITIES (continued)			
Employees' end of service benefits paid		**(530,576)**	(498,483)
Income tax paid		**(374,894)**	(318,629)
Exchange translation reserve and other movements		**(108,311)**	(191,693)
Net cash used in operating activities		**(863,048)**	(4,648,403)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets, investment properties and development properties		**(9,687,643)**	(7,093,347)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties and development properties		**1,507,370**	1,357,800
Acquisition of additional non-controlling interest in a direct subsidiary		**(294,382)**	-
Proceeds from disposal of investments in associates		**526,186**	112,966
Transfer / acquisition of subsidiaries – net of cash acquired		**-**	(402,569)
Proceeds from disposal of assets and liabilities classified as held for sale		**28,720**	1,538,153
Other finance income received		**676,606**	867,201
Net movement in investment securities		**(6,185,852)**	(2,407,132)
Investments in associates and joint ventures		**(1,480,909)**	(61,531)
Dividend from associates and joint ventures	8	**2,128,129**	1,372,888
Net movement in Islamic financing and investment products with original maturity over three months (non-banking operations)		**(2,032,543)**	(3,478,142)
Net movement in deposits with banks with original maturity over three months (non-banking operations)		**(4,072,466)**	(984,842)
Net cash used in investing activities		**(18,886,784)**	(9,178,555)
FINANCING ACTIVITIES			
Interest on Tier 1 Capital Notes issued by the banking subsidiary		**(293,860)**	(293,831)
Distributions paid to the Government		**(5,669,838)**	(3,811,569)
Net movement in borrowings and lease liabilities		**(4,394,931)**	(6,611,540)
Other finance costs paid		**(2,685,061)**	(1,923,252)
Dividend paid to the non-controlling interests		**(1,178,690)**	(1,056,120)
Net cash used in financing activities		**(14,222,380)**	(13,696,312)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(33,972,212)**	(27,523,270)
Cash and cash equivalents at the beginning of the period		**58,323,186**	58,398,413
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**24,350,974**	30,875,143

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six-month period ended 30 June 2018

Cash and cash equivalents noted above have been computed as presented below:

	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*	*30 June 2017 AED'000 (Unaudited)*
Cash and deposits with banks - current	**136,864,406**	152,184,286	139,791,244
Islamic financing and investment products with original maturity of less than three months (non–banking operations)	**2,344,818**	2,414,740	3,998,983
Due to banks	**(19,972,115)**	(21,311,192)	(22,055,732)
Bank overdrafts	**(166,746)**	(247,076)	(193,326)
Due to banks with original maturity of more than three months	**5,464,362**	5,516,743	2,571,143
Deposits with Central Banks for regulatory purposes (note 12)	**(31,556,740)**	(31,982,679)	(32,177,428)
Murabaha and interest bearing certificates of deposits with Central Banks with original maturity of more than three months	**(20,925,838)**	(13,119,093)	(22,119,250)
Due from other banks and deposits with other banks with original maturity of more than three months	**(47,701,173)**	(35,132,543)	(38,940,491)
	24,350,974	58,323,186	30,875,143

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
For the six-month period ended 30 June 2018

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 14)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 15)*	*Total AED'000*	*Non-controlling interests AED'000 (see note 16)*	*Total equity AED'000*
Balance at 1 January 2018 (audited)	64,530,179	111,737,007	13,735,628	190,002,814	37,469,258	227,472,072
Impact on adoption of IFRS 9	-	2,016,600	(3,800,560)	(1,783,960)	(1,023,433)	(2,807,393)
Impact on adoption of IFRS 15	-	2,028,708	(217,215)	1,811,493	(224)	1,811,269
Restated balance at 1 January 2018	64,530,179	115,782,315	9,717,853	190,030,347	36,445,601	226,475,948
Profit for the period	-	7,472,862	-	7,472,862	2,568,810	10,041,672
Other comprehensive income / (loss) for the period	-	85,291	(1,348,494)	(1,263,203)	(58,122)	(1,321,325)
Total comprehensive income for the period	**-**	**7,558,153**	**(1,348,494)**	**6,209,659**	**2,510,688**	**8,720,347**
Distributions to the Government of Dubai (the "Government")	-	(6,169,838)	-	(6,169,838)	-	(6,169,838)
Contribution from the Government	19,381	-	-	19,381	-	19,381
Interest on Tier 1 capital notes	-	-	-	-	(293,860)	(293,860)
Dividend paid to non-controlling interests	-	-	-	-	(1,178,690)	(1,178,690)
Arising on acquisition of a subsidiary	-	-	-	-	52,050	52,050
Change in Group's ownership in existing subsidiaries	-	(164,870)	(2,706)	(167,576)	(126,806)	(294,382)
Transfers (see note 15)	-	(1,313)	1,313	-	-	-
Transfers upon disposal of FVOCI instruments	-	54,046	(54,046)	-	-	-
Other movements	-	12,460	323	12,783	30,824	43,607
Balance at 30 June 2018	**64,549,560**	**117,070,953**	**8,314,243**	**189,934,756**	**37,439,807**	**227,374,563**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited) (continued)
For the six-month period ended 30 June 2018

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 14)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 15)*	*Total AED'000*	*Non-controlling interests AED'000 (see note 16)*	*Total equity AED'000*
Balance at 1 January 2017	65,329,584	95,267,939	13,064,671	173,662,194	35,717,848	209,380,042
Profit for the period	-	8,261,608	-	8,261,608	2,089,368	10,350,976
Other comprehensive income for the period	-	34,660	402,631	437,291	45,590	482,881
Total comprehensive income for the period	-	8,296,268	402,631	8,698,899	2,134,958	10,833,857
Distributions to the Government	-	(4,136,569)	-	(4,136,569)	-	(4,136,569)
Interest on Tier 1 capital notes	-	-	-	-	(293,831)	(293,831)
Dividend paid to non-controlling interests	-	-	-	-	(1,056,120)	(1,056,120)
Arising on acquisition of a subsidiary	-	-	-	-	19,692	19,692
Transfers (see note 15)	-	16,141	4,236	20,377	(20,377)	-
Other movements	-	(217,410)	4,477	(212,933)	174,107	(38,826)
Balance at 30 June 2017	65,329,584	99,226,369	13,476,015	178,031,968	36,676,277	214,708,245

1 ACTIVITIES

Investment Corporation of Dubai ("ICD"), an entity wholly owned by the Government of Dubai, was established in Dubai on 3 May 2006 under Emiri Decree 11 of 2006 issued by H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of United Arab Emirates ("UAE") and The Ruler of Dubai.

ICD is a principal investment arm of the Government and was capitalised with the subsequent transfer of certain of the Government's portfolio of investments from the Department of Finance-Investments Division. ICD's role is to supervise the Government's investment portfolio, adding value through the implementation of best practice corporate governance and embracing a global investment strategy.

The address of ICD's registered office is at PO Box 333888, Dubai, UAE.

These interim condensed consolidated financial statements for the six-month period ended 30 June 2018 were approved by the Board of Directors of ICD on 22 October 2018.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

a) Statement of compliance

The interim condensed consolidated financial statements of ICD and its subsidiaries (together referred to as the "Group") for the six-month period ended 30 June 2018 have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34").

These interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. In addition, results for the six-month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

b) Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention except for the measurement of:

- Financial assets measured at FVOCI;
- Financial assets measured at FVTPL;
- Derivative financial instruments; and
- Recognised assets and liabilities that are hedged and measured at fair value in respect of the risk that is hedged.

c) Functional and presentation currency

The interim condensed consolidated financial statements are prepared in United Arab Emirates Dirham ("AED"). The functional currency of ICD and a majority of its subsidiaries is AED. Certain subsidiaries have functional currencies other than AED. Their balances have been translated into AED for the purpose of these consolidated financial statements.

Numbers have been rounded to the nearest thousand dirham ("AED'000") except when otherwise indicated.

d) Comparative information

Certain comparative figures have been reclassified, either to conform to the current period's classification, for better presentation of the interim condensed consolidated financial statements, or in accordance with the relevant requirement of International Financial Reporting Standards ("IFRS") with no change to the total equity or profit for the period ended 30 June 2017. These mainly relate to reclassification between general, administrative and other expenses and cost of revenues.

2 ACCOUNTING POLICIES (continued)

2.2 NEW ACCOUNTING 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 consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards (including IFRS and IAS), amendments to the existing standards and interpretations effective as of 1 January 2018, as explained below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The following new and revised IFRS which are effective for annual periods beginning on or after 1 January 2018 have been adopted by the Group:

a) *IFRS 15: Revenue from Contracts with Customers*
The Group has adopted IFRS 15 on the date of initial application i.e., 1 January 2018. As a result, the Group has changed its accounting policy for revenue recognition.

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes the existing revenue guidance found across several Standards and Interpretations within IFRS and IAS. It establishes a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised when (or as) a performance obligation is satisfied i.e., when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. A customer obtains control when it has the ability to direct the use of and obtain substantially all of the benefits from the good or service. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer (excluding amounts collected on behalf of third parties).

The Group has adopted IFRS 15 using the cumulative method i.e., by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018 (see notes 2.2.1 and 2.2.2). Therefore, the comparative information has not been restated and continues to be reported under the old accounting standards.

The significant changes in the Group's accounting policies upon adoption of IFRS 15 are:

Revenue recognition - sale of real estate properties

Under old accounting standards, revenue was recognised only when significant risks and rewards of ownership of real estate had been transferred to the buyer. However under IFRS 15, when any of the criteria for recognising revenue over the period of time is met, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. This is measured as the proportion of contract costs incurred for work performed to date over the estimated total contract costs. Variations in contract work are included to the extent that it is probable that the customer will approve such variations.

b) *IFRS 9: Financial Instruments*
The Group has adopted IFRS 9, resulting in a change in the classification and measurement of financial instruments, impairment of financial assets and hedging policy of the Group on the date of initial application i.e., 1 January 2018. Until 31 December 2017, the Group applied the provisions of IAS 39: Financial Instruments: Recognition and Measurement to account for its financial instruments.

As permitted by transitional provisions of IFRS 9, the Group elected not to restate its comparative figures. Any adjustments to carrying amount of financial assets and liabilities at the date of transition were recognised in opening retained earnings and other reserves of the current period.

Classification of financial assets

Initial recognition

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

2 ACCOUNTING POLICIES (continued)

2.2 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

Classification of financial assets (continued)

Financial assets measured at amortised cost

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

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

Financial assets measured at FVOCI

a) Debt instruments

Debt instruments may be classified as at FVOCI, where the contractual cash flows are solely payments of principal and interest on the outstanding principal, and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling the underlying financial assets.

b) Equity instruments

In case of equity instruments which are not held for trading or designated at FVTPL, the Group may irrevocably elect to recognise subsequent changes in other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets measured at FVTPL

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 FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

Business model assessment
The Group entities make an assessment of the objective of a business model in which a financial 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 frequency, volume and timing of trades of financial assets in prior periods, the reasons for such trades and its expectations about the future trading activity. However, information about trading 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;
- how the performance of the portfolio is evaluated and reported to the management; and
- 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.

Financial assets that are held for trading 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 outstanding principal.

In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principal, 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.

2 ACCOUNTING POLICIES (continued)

2.2 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

Classification of financial assets (continued)

Reclassification

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

Derecognition

From 1 January 2018, any cumulative gain/loss recognised in the consolidated statement of other comprehensive income in respect of an equity instrument designated as FVOCI is reclassified to retained earnings upon derecognition.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model followed under IAS 39 with a forward-looking 'expected credit losses' ('ECL') model. Assessing how changes in economic factors affect ECL requires considerable judgement. ECL are determined on a probability-weighted basis.

The Group recognises impairment allowances for ECLs on the following instruments that are not measured at FVTPL:

- financial assets that are debt instruments carried at amortised cost or FVOCI;
- lease receivable in the scope of IAS 17;
- financial guarantee contracts issued;
- loan commitments issued; and
- contract assets (as defined in IFRS 15).

The Group measures impairment allowances either using the general or simplified approach as considered appropriate.

Under the general approach, impairment allowances are measured at an amount equal to 12-month ECL except when there has been a significant increase in credit risk since inception. In such cases, the Group measures impairment allowances at an amount equal to credit loss expected over the life of the financial asset.

Under the simplified approach, impairment allowances are always measured at an amount equal to lifetime ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: measured 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 upon such drawdown; and
- financial guarantee contracts: measured as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured / Modified financial assets

If the terms of a financial asset are renegotiated, 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 derecognised and ECLs are measured as follows:

2 ACCOUNTING POLICIES (continued)

2.2 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

Impairment of financial assets (continued)

Measurement of ECL (continued)

Restructured / Modified financial assets (continued)

- if the expected modification / restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included when 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 when 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 measured 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 reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties or other economic factors.

Derivative financial instruments 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 practices. The new model no longer specifies quantitative measures for hedge effectiveness testing and does not permit hedge de-designation. As a result, the 80-125% range used 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 Group's 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 Group's risk management objective for that designated hedging relationship remains the same, the Group may adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

At the date of initial application of IFRS 9, all of the Group's existing designated hedges met the IFRS 9 requirements and are thus treated as continuing hedges.

IFRS 7 Financial Instruments

IFRS 7 disclosures were updated to reflect the differences between IFRS 9 and IAS 39, and are adopted by the Group together with IFRS 9, for the period beginning 1 January 2018.

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

2 ACCOUNTING POLICIES (continued)

2.2 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

2.2.1 Impact on transition of IFRS 9 and IFRS 15

	Before adoption of IFRS 9 and IFRS 15 (31 December 2017)			**After adoption of IFRS 9 and IFRS 15 (1 January 2018)**				
						Classification under IFRS 9		
	Classification		***Original carrying value AED'000***	***Net impact on transition (see 2.2.2) AED'000***	***New carrying value AED'000***	***Amortised cost AED'000***	***FVOCI AED'000***	***FVTPL AED'000***
Financial assets								
Investment securities at fair value	FVTPL		4,658,926	-	5,604,626	-	-	5,604,626
Investment securities at fair value	Available-for-sale investments		22,682,003	17,164	9,711,230	-	6,583,459	3,127,771
Investment securities at amortised cost	Held-to-maturity investments		1,956,177	(14,396)	13,984,018	13,913,741	3,951	66,326
Investment securities			29,297,106	2,768	29,299,874	13,913,741	6,587,410	8,798,723
Islamic financing and investment products	Loans and receivables		62,766,036	(1,406,393)	61,359,643	61,359,643	-	-
Loans and receivables	Loans and receivables		255,496,933	(739,787)	254,757,146	254,757,146	-	-
Cash and deposits with banks	Loans and receivables		153,905,974	(154,588)	153,751,386	153,751,386	-	-
Trade and other receivables	Loans and receivables		29,294,248	(169,306)	29,124,942	29,124,942	-	-
Positive fair value of derivatives	Derivative Instruments		3,190,083	(9,805)	3,180,278	-	-	3,180,278
		(A)	**533,950,380**	**(2,477,111)**	**531,743,269**	**512,906,858**	**6,587,410**	**11,979,001**
Other assets								
Investments in associates and joint ventures	-	**(B)**	**47,302,127**	**1,520,441**	**48,822,568**	**-**	**-**	**-**
Financial liabilities								
Trade and other payables	Amortised cost	**(C)**	**(42,587,319)**	**(39,454)**	**(42,626,773)**	**(42,626,773)**	**-**	**-**
Total		**[(A)+(B)+(C)]**	**538,665,188**	**(996,124)**	**537,669,064**	**470,280,085**	**6,587,410**	**11,979,001**
Equity attributable to equity holder of ICD								
Retained earnings	-		111,737,007	4,045,308	115,782,315	-	-	-
Cumulative changes in fair value	-		2,741,434	(3,652,836)	(911,402)	-	-	-
Hedge reserve	-		(951,207)	(39,396)	(990,603)	-	-	-
Translation reserve	-		(1,715,096)	(217,215)	(1,932,311)	-	-	-
Legal and statutory reserve	-		2,983,799	(108,328)	2,875,471	-	-	-
		(D)	**114,795,937**	**27,533**	**114,823,470**	**-**	**-**	**-**
Non-controlling interests	-	**(E)**	**37,469,258**	**(1,023,657)**	**36,445,601**	**-**	**-**	**-**
Total		**[(D)+(E)]**	**152,265,195**	**(996,124)**	**151,269,071**	**-**	**-**	**-**

2 ACCOUNTING POLICIES (continued)

2.2 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

2.2.2 The following table shows the impact on transition under IFRS 9 and IFRS 15 on 1 January 2018:

		IFRS 9					**IFRS 15**			
		Retained earnings ECL / re-measurement impact AED'000	***Retained earnings re-classification impact AED'000***	***Cumulative changes in fair value re-classification / re-measurement impact AED'000***	***Hedge reserve AED'000***	***Legal and statutory reserve AED'000***	***Retained earnings AED'000***	***Translation reserve AED'000***	***Non-controlling interests AED'000***	***Net impact on transition AED'000***
Financial assets										
Investment securities										
- Held-to-maturity investments		(640)	-	(8,319)	-	-	-	-	(5,437)	(14,396)
- Available-for-sale investments		80,128	3,418,069	(3,488,692)	-	-	-	-	7,659	17,164
Islamic financing and investment products		(784,205)	-	-	-	-	-	-	(622,188)	(1,406,393)
Loans and receivables		(412,505)	-	-	-	-	-	-	(327,282)	(739,787)
Cash and deposits with banks		(86,200)	-	-	-	-	-	-	(68,388)	(154,588)
Trade and other receivables		(161,709)	-	-	-	-	(3,914)	-	(3,683)	(169,306)
Positive fair value of derivatives		(18,292)	-	12,825	-	-	-	-	(4,338)	(9,805)
	(A)	(1,383,423)	3,418,069	(3,484,186)	-	-	(3,914)	-	(1,023,657)	(2,477,111)
Other assets										
Investments in associates and joint ventures	**(B)**	(226,092)	208,046	(168,650)	(39,396)	(108,328)	2,072,076	(217,215)	-	1,520,441
Financial liabilities										
Trade and other payables	**(C)**	-	-	-	-	-	(39,454)	-	-	(39,454)
Total impact on adoption of IFRS 9 and IFRS 15	**[(A)+(B)+(C)]**	**(1,609,515)**	**3,626,115**	**(3,652,836)**	**(39,396)**	**(108,328)**	**2,028,708**	**(217,215)**	**(1,023,657)**	**(996,124)**

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the key sources of estimation and uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2017, except the following estimates, judgments and assumptions which are applicable from 01 January 2018 with respect to the adoption of IFRS 15 & IFRS 9.

Classification of financial assets as per IFRS 9

Upon classification of financial assets, the Group makes judgements and estimates to:

- Assess the business model within which the assets are held and whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amounts outstanding.
- Determine the classification of certain financial assets as measured at FVTPL or at FVOCI.
- Determine fair value at the time of reclassification i.e. on initial adoption of IFRS 9.

Significant increase in credit risk

While estimating ECL, the Group assumes that the credit risk on a financial asset has significantly increased since initial recognition, when there is an objective evidence or key risk indicators for these financial assets.

IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

The Group performed the following analysis to find objective evidence or key risk indicators of increased credit risk:

- The Group compares the risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding risk of default at inception.
- Additional qualitative reviews have been performed to assess the significant increase in credit risk and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

Macroeconomic factors and forward looking information

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

Definition of default

The definition of default followed by the Group for impairment assessment is in line with the guidelines of IFRS 9. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Expected Life

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Satisfaction of performance obligations.

The Group assesses each of its contracts with customers to determine whether performance obligations are satisfied over a period of time or at a single point in time in order to determine the appropriate method of revenue recognition.

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Determination of transaction prices

The Group determines the transaction price in respect of each of its contracts with customers. In doing so, the Group assesses the impact of any variable consideration, any significant financing component and any non-cash consideration included in the contract.

Allocation of transaction price to performance obligation in contracts with customers

A transaction price is allocated to each performance obligation on the basis of their stand-alone selling prices. The Group estimates standalone selling price as a price at which a promised good or service is sold separately to a customer in the market. In cases where an observable market price is not available, 'the adjusted market assessment approach', 'the expected cost plus margin approach' or 'the residual method', as relevant, may be used to estimate the stand-alone selling price.

Method to recognise revenue over a period of time

The Group exercises significant judgment to evaluate whether to apply the input method or output method in allocating the transaction price to performance obligations where revenue is recognised over a period of time. The Group may select an appropriate output or input method based on business segment or products or services in such business segment. However, the Group applies the method consistently to similar performance obligations and in similar circumstances.

In applying the input method, the Group estimates the costs to complete the projects in order to determine the amount of revenue to be recognised. The Group uses the output method where performance is measured based on the direct value of the goods or services transferred to date to the customers, in comparison to the remaining goods or services to be provided under the contract.

Transfer of control in contract with customer

Where the Group determines that performance obligations are satisfied at a single point in time, revenue is recognised when control over the asset is transferred to the customer. Significant judgement is required to evaluate when 'control' is transferred to the customer.

3 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

This includes impairment losses (net of recoveries) amounting to AED 934,065 thousand (unaudited) (six-month period ended 30 June 2017: AED 1,206,698 thousand (unaudited)) relating to "Loans and receivables" and "Islamic financing and investment products" held by the Group's banking subsidiary (the "Bank") (see notes 10 and 11). The above impairment losses were offset by AED 199,902 thousand representing recovery of bad debts previously written off.

4 BUSINESS COMBINATIONS

a) Acquisition of ALEC Engineering & Contracting LLC

During the prior period, the Group acquired 90% of the shares in ALEC Engineering & Contracting LLC ("ALEC").

The principal activity of ALEC is to engage in engineering and construction contracting.

	Fair value AED'000
Fair value of the net assets acquired at the date of acquisition	**418,661**
Less: Fair value of non-controlling interests	(43,506)
Group's share of net assets acquired	**375,155**
Goodwill	**636,510**
Purchase consideration (see below)	**1,011,665**

	AED'000
Consideration paid	921,665
Deferred consideration	90,000
Total purchase consideration	**1,011,665**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	519,096
Consideration paid	(921,665)
Net cash outflow on acquisition	**(402,569)**

b) Acquisition of Carmel Capital

During August 2017, the Group acquired 100% of the shares in Carmel Capital (immediate owner of AWAS Aviation Capital Designated Activity Company ("AACDAC")). Carmel Capital and AACDAC, are together referred to as "AWAS", whose primary business is the leasing of commercial aircraft.

	Fair value AED'000
Fair value of the net assets acquired at the date of acquisition	**8,002,133**
Goodwill	**168,392**
Purchase consideration	**8,170,525**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	1,673,665
Consideration paid	(8,170,525)
Net cash outflow on acquisition	**(6,496,860)**

c) The Group acquired / incorporated a number of other immaterial subsidiaries during the current period. Moreover, during the current period the Group's shareholding in a number of subsidiaries changed and individually these had no significant impact on the Group.

d) The Bank has entered into an agreement with Sberbank of Russia to acquire a 99.85% stake in Denizbank A.S. The transaction is subject to regulatory approval in the relevant jurisdictions where Denizbank A.S. operates.

5 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements AED'000	*Furniture, fixtures and office equipment AED'000*	*Plant, machinery equipment and vehicles AED'000*	*Oil and gas interests AED'000*	*Aircraft, Aircraft engines and parts AED'000*	*Capital work-in-progress (CWIP) AED'000*	*Total AED'000*
Six-month period ended 30 June 2018 (Unaudited)							
Additions during the period	**213,457**	**161,778**	**2,053,993**	**647,326**	**2,143,024**	**6,745,569**	**11,965,147**
Transfers from CWIP	**144,269**	**59,335**	**226,104**	**-**	**6,566,600**	**(6,996,308)**	**-**
Disposals during the period (net book value)	**6,077**	**5,189**	**5,805**	**-**	**446,546**	**31,329**	**494,946**
Impairment and depreciation charge for the period	**771,393**	**336,155**	**2,032,980**	**573,642**	**3,856,081**	**643**	**7,570,894**
Acquired on business combination	**208,974**	**6,716**	**22,475**	**-**	**-**	**101,438**	**339,603**
Transfer to assets held for sale for the period (net book value)	**-**	**-**	**-**	**-**	**(2,418,654)**	**(220,537)**	**(2,639,191)**
Six-month period ended 30 June 2017 (Unaudited)							
Additions during the period	43,408	160,588	2,150,157	655,554	2,131,701	3,711,278	8,852,686
Transfers from CWIP	327,624	116,996	213,873	-	4,900,637	(5,559,130)	-
Disposals during the period (net book value)	363	10,296	13,997	-	843,848	40,817	909,321
Impairment and depreciation charge for the period	645,427	332,451	1,788,521	671,253	3,023,370	14,774	6,475,796
Acquired on business combination	96,996	7,041	26,785	-	-	-	130,822

6 INTANGIBLE ASSETS

	Licences, exclusive rights and right to use AED'000	*Goodwill AED'000*	*Customer relationships and order backlog AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Brands, trade names and contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Six-month period ended 30 June 2018 (Unaudited)								
Additions during the period	**-**	**-**	**259**	**48,424**	**118,144**	**-**	**188,838**	**355,665**
Impairment and amortisation charge for the period	**200,883**	**-**	**60,597**	**140,127**	**9,605**	**42,963**	**-**	**454,175**
Six-month period ended 30 June 2017 (Unaudited)								
Additions during the period	-	-	58	41,632	73,732	114	123,215	238,751
Impairment and amortisation charge for the period	205,637	-	43,069	115,869	28,385	74,961	-	467,921
Acquired on business combination	-	852,345	-	-	-	-	-	852,345

7 INVESTMENT PROPERTIES

	Six-month period ended 30 June	
	2018 AED'000 (Unaudited)	*2017 AED'000 (Unaudited)*
Additions during the period	**1,001,942**	670,420
Acquired on business combination	**224,132**	-
Depreciation and impairment charge for the period	**151,374**	97,543

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Investment in associates	**29,554,466**	28,444,564
Investment in joint ventures	**22,296,153**	18,857,563
	51,850,619	47,302,127

	Six-month period ended 30 June	
	2018 AED'000 (Unaudited)	*2017 AED'000 (Unaudited)*
Investments made during the period (see note 8.1)	**4,173,927**	61,531
Share of results of associates and joint ventures for the period - net	**2,827,320**	2,355,495
Dividends received during the period	**2,128,129**	1,372,888
Impact on adoption of IFRS 9	**(334,420)**	-
Impact on adoption of IFRS 15	**1,854,861**	-
Disposals during the period	**(1,319,226)**	(80,233)
Translation difference	**(394,011)**	192,361

8.1 Investments made during the period includes:

a) Subscription to rights shares of AED 1,459,466 thousand (unaudited) issued by one of its associates; and

b) Conversion of an outstanding loan to an associate of AED 2,693,018 thousand (unaudited) into investment in an associate.

9 INVESTMENT SECURITIES

	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Measured at FVOCI	**6,424,167**	-
Measured at FVTPL	**12,188,498**	4,658,926
At amortised cost	**16,017,632**	-
Available-for-sale investments	**-**	22,682,003
Held-to-maturity investments	**-**	1,956,177
Total investment securities	**34,630,297**	29,297,106
Disclosed as follows:		
Non-current assets	**25,310,437**	23,545,069
Current assets	**9,319,860**	5,752,037
	34,630,297	29,297,106

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

As at the period / year end, financial instruments measured at fair value, are categorised as follows:

30 June 2018 (Unaudited)

	Total AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
Measured at FVTPL	**12,188,498**	**9,910,199**	**114,579**	**2,163,720**
Measured at FVOCI	**6,424,167**	**5,426,631**	**795,595**	**201,941**
Derivative financial instruments – net	**583,667**	**(131,547)**	**652,558**	**62,656**
	19,196,332	**15,205,283**	**1,562,732**	**2,428,317**

31 December 2017 (Audited)

	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Available-for-sale investments	22,682,003	19,786,177	838,868	2,056,958
Held at FVTPL	4,658,926	4,131,490	52,635	474,801
Derivative financial instruments - net	405,125	(364,376)	522,392	247,109
	27,746,054	23,553,291	1,413,895	2,778,868

During the current or prior period, there have been no transfers between Level 1 and Level 2 of the fair value hierarchy.

9 INVESTMENT SECURITIES (continued)

The following table shows a reconciliation of the opening and closing amounts of investments classified within Level 3 of the fair value hierarchy:

	Six-month period ended 30 June	
	2018 AED'000 (Unaudited)	*2017 AED'000 (Unaudited)*
Balance at the beginning of the period	**2,778,868**	2,815,619
Impact on adoption of IFRS 9	**(32,195)**	-
Restated balance at the beginning of the period	**2,746,673**	2,815,619
Investments made during the period	**335,138**	160,419
Settlements / disposals of investments during the period	**(438,397)**	(318,952)
Net fair value movement during the period	**(276,862)**	(62,034)
Net transfers into level 3	**61,765**	6,979
Balance at the end of the period	**2,428,317**	2,602,031

10 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Murabaha	**31,967,052**	30,591,525
Ijara	**18,452,766**	17,529,473
Wakala	**16,134,482**	16,687,923
Mudaraba	**819,175**	934,321
Istisna'a	**2,235,750**	2,236,457
Credit cards receivable	**1,277,603**	1,203,012
Others	**1,897,131**	1,159,520
	72,783,959	70,342,231
Less: Deferred income	**(2,097,864)**	(2,634,875)
Less: Allowance for impairment (see note below)	**(6,276,234)**	(4,941,320)
Net Islamic financing and investment products	**64,409,861**	62,766,036
Total of impaired Islamic financing and investment products	**5,518,029**	6,127,068

10 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Analysis by economic activity:		
Services and personal loans	**28,407,899**	27,247,731
Construction and real estate	**9,930,584**	11,456,082
Trade	**7,221,845**	6,349,359
Financial services	**20,471,384**	19,667,476
Transport and communication	**62,160**	622,002
Manufacturing	**2,426,963**	1,691,366
Others	**4,263,124**	3,308,215
	72,783,959	70,342,231
Less: Deferred income	**(2,097,864)**	(2,634,875)
Less: Allowance for impairment (see note below)	**(6,276,234)**	(4,941,320)
Net Islamic financing and investment products	**64,409,861**	62,766,036
Disclosed as follows:		
Non-current assets	**28,774,122**	27,795,434
Current assets	**35,635,739**	34,970,602
Net Islamic financing and investment products	**64,409,861**	62,766,036

	Six-month period ended 30 June	
	2018 AED'000 (Unaudited)	*2017 AED'000 (Unaudited)*
Movement in allowance for impairment:		
Balance at the beginning of the period	**4,941,320**	5,050,407
Impact on adoption of IFRS 9	**1,666,103**	-
Restated balance at the beginning of the period	**6,607,423**	5,050,407
Allowance for impairment made during the period (net of recoveries (see note 3)	**341,813**	320,275
Amounts written-off during the period	**(671,027)**	(384,616)
Exchange and other adjustments	**(1,975)**	128
Balance at the end of the period	**6,276,234**	4,986,194

11 LOANS AND RECEIVABLES

Loans and receivables represent the receivables arising from the banking operations of the Group carried out through the Bank. The details of loans and receivables are as follows:

	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Overdrafts	**129,635,308**	124,651,482
Time loans	**137,316,744**	134,706,718
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
	286,101,208	276,093,610
Other debt instruments	**-**	51,357
Less: Allowance for impairment (see note below)	**(20,379,410)**	(20,648,034)
Net loans and receivables	**265,721,798**	255,496,933
Disclosed as follows:		
Non-current assets	**93,108,739**	90,545,706
Current assets	**172,613,059**	164,951,227
Net loans and receivables	**265,721,798**	255,496,933
Total of impaired loans and receivables	**15,559,746**	14,772,946

	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Analysis by economic activity:		
Services (includes financial services)	**19,839,298**	18,388,352
Personal	**37,042,340**	35,315,689
Sovereign	**143,734,032**	139,025,370
Construction and real estate	**40,597,101**	40,830,381
Manufacturing	**5,393,117**	5,601,206
Trade	**15,888,091**	13,895,877
Transport and communication	**1,513,482**	2,355,244
Others	**22,093,747**	20,732,848
	286,101,208	276,144,967
Less: Allowance for impairment (see note below)	**(20,379,410)**	(20,648,034)
Net loans and receivables	**265,721,798**	255,496,933

11 LOANS AND RECEIVABLES (continued)

	Six-month period ended 30 June	
	2018	2017
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Movement in allowances for impairment:		
Balance at the beginning of the period	**20,648,034**	19,593,196
Impact on adoption of IFRS 9	**748,354**	-
Restated balance at the beginning of the period	**21,396,388**	19,593,196
Allowance for impairment made during the period (net of recoveries (see note 3))	**592,252**	886,423
Amounts written-off during the period	**(1,612,568)**	(254,190)
Exchange and other adjustments	**3,338**	(3,978)
Balance at the end of the period	**20,379,410**	20,221,451

12 CASH AND DEPOSITS WITH BANKS

Cash and deposits with banks include reserve requirements maintained by the Bank with the Central Bank of the UAE (the "Central Bank") and the various Central banks of countries in which the Bank operates (collectively the "Central Banks"). The reserves placed with the Central Banks are not available for use in the Bank'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.

13 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Aircraft held for sale

As at 30 June 2018, one of the Group's subsidiaries had entered into agreements for the sale of nine aircraft and three forward order aircraft which met the criteria of IFRS 5 to be classified as held for sale (31 December 2017: One aircraft).

14 CAPITAL

Capital represents the permanent capital provided by the Government and subsequent contributions in cash or in kind by the Government, less returns made by ICD in cash or in kind.

15 OTHER RESERVES (Unaudited)

	Legal and Statutory reserve AED'000	*Capital reserve AED'000*	*Merger reserve AED'000*	*Cumulative changes in fair value AED'000*	*Hedge reserve AED'000*	*General reserve AED'000*	*Asset replacement reserve AED'000*	*Translation reserve AED'000*	*Treasury shares AED'000*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2018 (audited)	2,983,799	1,016,791	9,179,312	2,741,434	(951,207)	812,703	5,228	(1,715,096)	(299,042)	(38,294)	13,735,628
Impact on adoption of IFRS 9	(108,328)	-	-	(3,652,836)	(39,396)	-	-	-	-	-	(3,800,560)
Impact on adoption of IFRS 15	-	-	-	-	-	-	-	(217,215)	-	-	(217,215)
Restated balance at 1 January 2018	2,875,471	1,016,791	9,179,312	(911,402)	(990,603)	812,703	5,228	(1,932,311)	(299,042)	(38,294)	9,717,853
Unrealised loss on fair value of investment securities at FVOCI (net)	-	-	-	(914,090)	-	-	-	-	-	-	(914,090)
Unrealised gain on fair value of hedging instruments (net)	-	-	-	-	160,798	-	-	-	-	-	160,798
Share in other comprehensive loss of equity accounted investees (net)	-	-	-	(43,492)	(75,639)	-	-	(376,143)	-	-	(495,274)
Foreign currency translation differences (net)	-	-	-	-	-	-	-	(134,022)	-	-	(134,022)
Reserves transferred to interim consolidated income statement	-	-	-	2,217	31,877	-	-	-	-	-	34,094
Other comprehensive (loss) / income during the period	-	-	-	(955,365)	117,036	-	-	(510,165)	-	-	(1,348,494)
Transfers from / (to) retained earnings (net)	344	(802)	-	1,128	-	(2,309)	2,952	-	-	-	1,313
Change in Group's ownership in existing subsidiaries	3	-	-	-	(22)	-	-	(2,569)	-	(118)	(2,706)
Transfers upon disposal of FVOCI instruments	-	-	-	(54,046)	-	-	-	-	-	-	(54,046)
Other movements	-	(73,255)	(2,282)	2	-	-	-	-	-	75,858	323
Total at 30 June 2018	**2,875,818**	**942,734**	**9,177,030**	**(1,919,683)**	**(873,589)**	**810,394**	**8,180**	**(2,445,045)**	**(299,042)**	**37,446**	**8,314,243**

15 OTHER RESERVES (Unaudited) (continued)

	Legal and Statutory reserve AED'000	*Capital reserve AED'000*	*Merger reserve AED'000*	*Cumulative changes in fair value AED'000*	*Hedge reserve AED'000*	*General reserve AED'000*	*Asset replacement reserve AED'000*	*Translation reserve AED'000*	*Treasury shares AED'000*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2017 (audited)	2,864,243	1,422,329	9,179,312	2,800,397	(1,185,106)	655,861	13,180	(2,238,749)	(74,014)	(372,782)	13,064,671
Unrealised gain on fair value of available-for-sale instruments	-	-	-	23,128	-	-	-	-	-	-	23,128
Unrealised gain on fair value of hedging instruments (net)	-	-	-	-	14,022	-	-	-	-	-	14,022
Share in other comprehensive gain / (loss) of equity accounted investees (net)	-	-	-	92,574	(108,820)	-	-	196,307	-	-	180,061
Foreign currency translation differences (net)	-	-	-	-	-	-	-	166,361	-	-	166,361
Reserves transferred to interim consolidated income statement	-	-	-	(34,972)	54,031	-	-	-	-	-	19,059
Other comprehensive income / (loss) during the period	-	-	-	80,730	(40,767)	-	-	362,668	-	-	402,631
Transfers from / (to) retained earnings (net)	428	(18)	-	-	-	-	2,287	293	-	1,246	4,236
Other movements	1	(414,674)	-	507	-	-	-	11	74,014	344,618	4,477
Total at 30 June 2017	2,864,672	1,007,637	9,179,312	2,881,634	(1,225,873)	655,861	15,467	(1,875,777)	-	(26,918)	13,476,015

16 NON-CONTROLLING INTERESTS

Non-controlling interests includes three series of regulatory Tier 1 Capital notes ("Capital Notes") issued in 2009 ("2009 Notes"), 2013 ("2013 Notes") and 2014 ("2014 Notes") by the Bank amounting to AED 4 billion, USD 1 billion (AED 3.65 billion (net of issuance cost)) and USD 500 million (AED 1.83 billion (net of issuance cost)) respectively. The 2009 Notes were issued at a fixed interest rate for the first five years and on a floating rate basis thereafter. The 2013 Notes and 2014 Notes were issued at a fixed interest rate with a reset after six years. These Capital Notes are perpetual, subordinated and unsecured. The Bank can elect not to pay a coupon at its own discretion. Noteholders will not have a right to claim the coupon and such event will not be considered an event of default. These Capital Notes have been classified under equity as "non-controlling interests".

17 COMMITMENTS AND CONTINGENCIES

(a) Investment commitments

The Group has the following investment commitments as at the period-end / year-end:

	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Investment securities	**875,750**	910,019

(b) Operating lease commitments

Group as a lessee	***30 June 2018 AED'000 (Unaudited)***	*31 December 2017 AED'000 (Audited)*
Within one year	**12,322,177**	12,579,404
After one year but not more than five years	**40,185,386**	40,913,222
More than five years	**33,759,751**	36,623,349
	86,267,314	90,115,975

Group as a lessor	***30 June 2018 AED'000 (Unaudited)***	*31 December 2017 AED'000 (Audited)*
Within one year	**5,708,073**	5,578,823
After one year but not more than five years	**16,014,633**	14,489,037
More than five years	**8,033,594**	7,127,768
	29,756,300	27,195,628

17 COMMITMENTS AND CONTINGENCIES (continued)

(c) Capital commitments

Capital expenditure contracted for and still outstanding at the reporting date, is as follows:

	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Capital commitments for the purchase of aircraft:		
Within one year	**22,903,977**	21,162,657
After one year but not more than five years	**102,791,994**	82,365,532
More than five years	**193,112,173**	221,270,022
	318,808,144	324,798,211
Contractual capital commitment in relation to other non-financial assets	**18,713,680**	17,894,322
Group's share of associates and joint ventures' capital expenditure commitments	**8,448,884**	9,571,427
	345,970,708	352,263,960

(d) Assets held in fiduciary capacity

The Group's financial services subsidiaries hold assets in a fiduciary capacity and provide custodian services to some of their customers. The underlying assets held in a custodial or fiduciary capacity are excluded from the Group consolidated financial statements.

(e) Contingencies

The Group has the following contingent liabilities at the period-end / year-end:

	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Letters of credit	**15,251,597**	14,358,163
Letters of guarantee (including performance bonds)	**54,931,427**	55,401,997
Liabilities on risk participation	**1,108,142**	1,161,869
Group's share of guarantees issued by associates and joint ventures	**8,320,764**	8,125,586
Group's share of letters of credit issued by associates and joint ventures	**944,962**	834,708
Third party claims*	**340,551**	251,925

* There are various claims against the subsidiaries and equity accounted investees of the Group initiated by their respective contractors, customers and other counterparties in respect of delays in work or non-fulfilment of contractual obligations. The Group's management believes that the respective entities have strong cases in respect of these contingencies and the chances of outflow are remote. Accordingly, no liability is recognised in respect of these contingencies.

17 COMMITMENTS AND CONTINGENCIES (continued)

(e) Contingencies (continued)

In addition to the above, the approved rehabilitation plan of one of the Group's subsidiaries includes performance bonds and payment guarantees of AED 1,448,582 thousand (unaudited) as at 30 June 2018 (31 December 2017: AED 1,762,468 thousand (audited)) issued in the normal course of business. As at 30 June 2018, the management estimates that AED 3,543 thousand (unaudited) (31 December 2017: AED 247,209 thousand (audited)) may crystallise and accordingly a provision was recognised for "rehabilitation liabilities". This provision for rehabilitation liabilities is subject to debt to equity swap and cash settlement. As at 30 June 2018, a derivative asset of AED 2,584 thousand (unaudited) (31 December 2017: AED 221,312 thousand (audited)) was accounted for representing the difference between the carrying value of the rehabilitation liabilities subject to debt to equity swap settlement and the fair value of the shares to be issued as a result of the debt to equity swap settlement.

(f) Operational commitments

One of the Group's subsidiaries has operational commitments of AED 3,774,397 thousand (unaudited) relating to sales and marketing as at 30 June 2018 (31 December 2017: AED 3,622,687 thousand (audited)).

(g) Undrawn loan commitments

The Group's banking operations (including Group's share of associates) have undrawn loan commitments of AED 26,351,473 thousand (unaudited) outstanding at 30 June 2018 (31 December 2017: AED 34,015,156 thousand (audited)). This represents a contractual commitment to permit drawdowns 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 drawdown have to be fulfilled, the total contract amounts do not necessarily represent exact future cash requirements.

18 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent owner, associated companies, joint ventures, directors and key management personnel of the Group, and entities jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management of individual Group subsidiaries.

The Group enters into transactions with government-owned entities in the normal course of business. Such entities include various utility companies, port authorities etc. In accordance with the exemption in the revised IAS 24, management has concluded not to disclose such transactions which are entered in the normal course of business with the said related government entities.

a) Significant transactions with related parties included in the interim consolidated income statement are as follows:

	Purchase of goods and services (including cost of revenues) AED'000 (Unaudited)	***Sale of goods and services (including revenue) AED'000 (Unaudited)***	***Other finance income AED'000 (Unaudited)***	***Other finance costs AED'000 (Unaudited)***
Six-month period ended 30 June 2018:				
Associates and joint ventures	**1,958,722**	**1,932,310**	**220,237**	**238,230**
Government, Ministry of Finance of the UAE and other related parties	**48,361**	**309,884**	**185,469**	**190,932**

18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Significant transactions with related parties included in the interim consolidated income statement are as follows: (continued)

	Purchase of goods and services (including cost of revenues) AED'000 (Unaudited)	*Sale of goods and services (including revenue) AED'000 (Unaudited)*	*Other finance income AED'000 (Unaudited)*	*Other finance costs AED'000 (Unaudited)*
Six-month period ended 30 June 2017:				
Associates and joint ventures	1,678,575	1,349,186	293,257	175,588
Government, MOF and other related parties	61,239	489,982	202,312	157,752

b) Significant amounts due from / to related parties included in the interim consolidated statement of financial position are as follows:

	30 June 2018		*31 December 2017*	
	Receivables AED'000 (Unaudited)	***Payables AED'000 (Unaudited)***	*Receivables AED'000 (Audited)*	*Payables AED'000 (Audited)*
Associates and joint ventures	**21,244,535**	**12,643,622**	26,511,389	12,527,882
Government, MOF and other related parties	**156,777,682***	**14,169,362**	153,574,571*	13,889,732
	178,022,217	**26,812,984**	180,085,960	26,417,614

* This includes an amount of AED 144,869,613 thousand (unaudited) as at 30 June 2018 (31 December 2017: AED 139,581,859 thousand (audited)), which represents loans and receivables provided by the Bank to the Government.

c) The investments made in associates and joint ventures, Group's share of results of associates and joint ventures and the dividends received from them during the current and prior period are disclosed in note 8 to these interim condensed consolidated financial statements. The distributions to the Government have been disclosed in the interim consolidated statement of changes in equity.

19 OPERATING SEGMENTS

The following tables present revenue and profit related information of the Group's operating segments for the six-month period ended 30 June 2018 and 30 June 2017:

	Banking and other financial services AED'000	***Transportation and related services AED'000***	***Oil and gas products/ services AED'000***	***Others AED'000***	***Total AED'000***
Six-month period ended 30 June 2018 (Unaudited)					
Revenues					
Banking and other financial services	11,280,129	-	-	-	11,280,129
Lease revenue	19,457	2,077,077	-	434,992	2,531,526
Revenue from contracts with customers – IFRS 15					
- Over a period of time	-	50,390,066	-	4,290,834	54,680,900
- Single point in time	116,288	3,258,507	36,746,340	6,500,636	46,621,771
Total revenue from external customers	**11,415,874**	**55,725,650**	**36,746,340**	**11,226,462**	**115,114,326**
Results:					
Profit for the period before tax	**6,210,896**	**(408,703)**	**1,434,789**	**3,241,387**	**10,478,369**
Six-month period ended 30 June 2017 (Unaudited)					
Revenues					
Revenue from external customers	10,023,005	49,239,042	24,848,810	9,149,128	93,259,985
Results:					
Profit for the period before tax	4,959,878	1,061,153	1,823,201	2,705,374	10,549,606

The following table presents assets and liabilities related information of the Group's operating segments as at 30 June 2018 and 31 December 2017:

	Banking and other financial services AED'000	***Transportation and related services AED'000***	***Oil and gas products/ services AED'000***	***Others AED'000***	***Total AED'000***
At 30 June 2018* (Unaudited)					
Segmental Assets	**504,624,554**	**190,920,785**	**45,603,187**	**115,516,026**	**856,664,552**
Segmental Liabilities	**414,642,065**	**147,231,380**	**22,975,565**	**46,476,309**	**631,325,319**
At 31 December 2017* (Audited)					
Segmental Assets	497,260,109	187,491,492	46,770,982	112,730,152	844,252,735
Segmental Liabilities	406,721,773	140,082,940	23,216,606	46,787,843	616,809,162

*Assets and liabilities classified as held for sale as at 30 June 2018 and 31 December 2017 have not been considered for IFRS 8 – Operating Segments disclosures.