NOOR BANK 10 TEN YEARS

Annual Report of Fatwa and Shari'a Supervisory Board

Audit Report

2017 Consolidated Financial Statements

NOOR BANK

بسم الله الرحمن الرحيم

Shari'a Supervisory Committee Report for the Financial Year Ended 31/12/2017

To the Stakeholders of Noor Bank

Assalam Alaikum Wa Rahmatullah

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions undertaken by Noor Bank for the period starting 1st of January 2017 ending 31st December, 2017. We have also conducted our review to form an opinion as to whether Noor Bank has complied with Shari'a rules and principles and also with the specific fatwas, rulings and guidelines issued by us.

Noor Bank's Management is responsible for ensuring that Noor Bank conducts its business in accordance with Shari'a Rules and Principles. It is our responsibility to form an independent opinion, based on our review of the operations of Noor Bank, and to report to you.

We conducted our pre and post execution reviews via the Sharia Department which include integrated Sharia audit in collaboration with Internal Audit Department of the bank. The review techniques include examining on a sampling basis each type of transaction, the relevant documents and procedures adopted by Noor Bank.

We planned and performed our review so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that Noor Bank has in general not violated the Shari'a rules and principles.

We held 3 Shari'a Supervisory Committee (SSC) Meetings and numerous consultations through emails and telephonic conversations in which 101 resolutions were passed by the SSC during the year.

In our opinion:

1. The contracts, transactions, and dealings entered into by Noor Bank for the period starting 1st of January 2017 ending 31st December, 2017 that we have reviewed were in compliance with the Shari'a rules and principles in general; audit findings identified are immediately rectified to make them compliant with Shari'a rules and principles ;
2. The allocation of profits and losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shari'a rules and principles;
3. Any earnings that have been realized from sources or by means not recognized by Shari'a rules and principles, have been set aside initially to be disposed of to charitable causes under the supervision of the SSC; and
4. The zakat amount will be calculated at the holding company level (Noor Investment Group) since Noor Bank is part of the Group.

We pray to Allah Almighty to grant all the guidance and straight-forwardness.

Members of the Shari'a Supervisory Committee - Noor Bank

Dr. Mohamed Ali Elgari (Chairman)	Dr. Mohd Daud Bakar (Member)	Amjad Naser (Member)

Noor Bank PJSC

Directors’ report and consolidated financial statements for the year ended 31 December 2017

Noor Bank PJSC

Directors' report and consolidated financial statements for the year ended 31 December 2017

Noor Bank PJSC

Directors' report for the year ended 31 December 2017

The Board of Directors are pleased to submit their report on the activities of Noor Bank PJSC ("the Bank") together with the audited consolidated financial statements for the year ended 31 December 2017.

Principal activities

The principal activities of the Bank are carrying out banking, financing and investing activities through various Islamic financing instruments such as Murabahah, Wakalah, Tawarruq, Istisna, Islamic sukuk and Ijarah. The activities of the Bank are conducted in accordance with the Islamic Shari'a principles and in compliance with the provisions of the Memorandum and Articles of Association of the Bank.

Results

The consolidated statement of financial position of the Bank as at 31 December 2017, together with its consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended are set out in the accompanying consolidated financial statements.

Dividends

The Board of Directors do not propose any dividends for the year ended 31 December 2017.

Composition of the Board of Directors

The Board of Directors of the Bank comprised of the following individuals during the year ended 31 December 2017:

H.H. Sheikh Ahmed bin Mohd bin Rashed Al Maktoum (Chairman)
H.E. Lt. Gen. Musabbeh Rashid Musabbeh Alfattan Alfalasi (Vice Chairman)[1]
Mr. Edris Mohammad Rafi Mohammad Saeed Alrafi (Vice Chairman)[3]
H.E. Abdullah Mohamed Saeed AlGhobash[2]
Mr. Sultan Ahmad Sultan bin Sulayem[1]
Mr. Essa Abdulfattah Kazim Almulla
Dr. Mohammed Ahmed Al Zarooni[3]
Dr. Amina Abdulwahed Hassan AlRustamani[3]
Mr. Raed Mohammed Khalifa Kajoor Al Nuaimi[3]
Mr. Rashid Mohamed Rashid Al Mutawa[4]
Mr. Narayanan Rajagopalan Yegna[3]
Mr. Hussain Ahmad Dhaen Al Qemzi[5]

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[1] Resigned effective 27th February 2017
[2] Resigned effective 25th January 2017
[3] Appointed effective 14th February 2017
[4] Appointed effective 1st March 2017
[5] Resigned effective 31st October 2017

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors on 15 February 2018.

……………………
Director

……………………
Director

Independent auditor's report to the shareholders of Noor Bank PJSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Noor Bank PJSC (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matters	• Impairment of investments in Islamic financing instruments; and • Fair valuation of the Group's investment properties.

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T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Our audit approach (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the shareholders of Noor Bank PJSC (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Impairment of investments in Islamic financing instruments We focused on this area because the Directors and management make complex and subjective judgements over both timing of recognition of impairment and the estimation of the size of any impairment. Impairment allowances represent management's best estimate of the losses incurred within the Islamic financing portfolio at the balance sheet date. They are calculated on a collective basis for portfolios of performing Islamic financing instruments of a similar nature and on an individual basis for non-performing Islamic financing instruments. The calculation of both collective and individual impairment allowances is inherently judgemental. The calculation of collective provision is based on statistical models which approximate the impact of current economic and credit conditions by reference to historic loss experience in portfolios of similar Islamic financing instruments. The inputs to and assumptions underpinning these models are subject to judgement, including key assumptions as to the probability of default, the loss given default and the loss emergence period. For specific impairments, judgement is required to estimate the expected future cash flows related to that Islamic financing instrument, including the value of collateral. As disclosed in note 6, as at 31 December 2017, the Group has recognised provisions of AED 1,015 million and AED 912 million for collective impairment allowances and specific impairment allowances, respectively. The Group has significant exposures to certain government related entities ('GREs'). These entities have been facing financial difficulties and exposures have been restructured. Assessments of any required provisions have been made by management not only based on discounted future cash flows including estimates of asset disposal values, but also taking into account other support which management expects to be available to the Group against such exposures.	We performed the following substantive audit procedures with regards to impairment of Islamic facilities. We performed detailed testing on the internal models used to calculate the collective impairment. This testing typically included identification of past due financing on a sample basis, testing of extraction of data, the appropriateness of assumptions used in the models, the valuation of collateral as per the Group's internal policy and re-performance of impairment calculations. For specific impairment allowances, the appropriateness of provisioning assumptions was independently assessed for a sample of Islamic financing exposures across the portfolio selected on the basis of risk and the significance of each financing amount. An independent view was formed on the levels of provisions booked based on the detailed loan and counterparty information in the credit file. Our testing involved examination of a sample of credit facilities which had not been identified as potentially impaired and formed our own judgement as to whether that was appropriate including the use of external evidence in respect of the relevant counterparties, where available. In the case of some impairment provisions, we formed a different view from that of management, but in our view the differences were within a reasonable range of outcomes in the context of the overall Islamic financing facilities and the uncertainties disclosed in the consolidated financial statements. For certain significant GRE exposures, we obtained evidence of the additional support available to the Group. We held discussions with the senior management of the Group and those charged with governance concerning the basis on which they are satisfied that such support will be available when and to the extent needed.

Independent auditor's report to the shareholders of Noor Bank PJSC (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Fair valuation of Group's investment properties	
The Group's investment properties held at fair value amount to AED 1.2 billion as at 31 December 2017, as set out in note 8. The valuation of the Group's investment properties are inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income or selling value for that particular property. This process is considered to be a key audit matter due to the significant judgement required in determining the assumptions to be used to estimate the fair valuation for investment properties. The valuations were carried out by professional third party valuation companies. The valuers were engaged by the Group, and performed their work in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). In determining a property's valuation, the valuers take into account current market prices for similar properties in a similar location and condition. If such conditions are not present, the valuers make an allowance for differences from the comparable properties and adjust their assessment of the valuation accordingly. If prices for comparable properties are not available, the valuer make use of appropriate valuation technique to arrive at the fair valuation.	We evaluated the competence, capabilities and objectivity of professional third party valuation firms (the "experts") engaged for valuing the investment properties as at 31 December 2017. We evaluated the appropriateness of the experts' work by considering the nature and content of the instructions provided to the experts by the Group. Where the experts' work involved valuation techniques which needed significant use of source data provided by the Group's management, the relevance, completeness and accuracy of that source data was evaluated. The relevance and reasonableness of the expert's findings or conclusions for certain investment properties was considered by engaging our own in-house valuation experts to assess and evaluate the work performed and assumptions used by the third party valuation firm. We reviewed the disclosures included in the Group's financial statements for the year ended 31 December 2017 for the appropriateness of disclosures made in relation to fair valuation of investment properties.

Independent auditor’s report to the shareholders of Noor Bank PJSC (continued)

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor’s report, and the Fatwa and Sharia Supervisory Board report, which is expected to be made available to us after that date, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Fatwa and Sharia Supervisory Board report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, , and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent auditor's report to the shareholders of Noor Bank PJSC (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- we have obtained all the information we considered necessary for the purposes of our audit;

- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

- the Group has maintained proper books of account;

- the financial information included in the Directors' report is consistent with the books of account of the Group;

- as disclosed in note 9 to the consolidated financial statements the Group has purchased shares during the financial year ended 31 December 2017;

- note 26 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted; and

- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Bank, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2017.

Independent auditor's report to the shareholders of Noor Bank PJSC (continued)

Report on other legal and regulatory requirements (continued)

- Note 23 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2017.

PricewaterhouseCoopers
15 February 2018

Douglas O' Mahony
Registered Auditor Number 834
Place: Dubai, United Arab Emirates

Noor Bank PJSC

Consolidated statement of financial position

As at 31 December 2017

	Note	2017 AED'000	2016 AED'000
ASSETS			
Cash and balances with the UAE Central Bank	4	4,577,677	3,376,938
Due from banks	5	4,880,190	5,525,828
Investments in Islamic financing instruments	6	27,449,688	25,918,388
Investments in Islamic sukuk	7	3,726,988	4,056,681
Investment properties	8	1,178,947	1,186,117
Other assets	9,30	681,821	333,442
Property and equipment	10	173,227	193,720
Total assets		42,668,538	40,591,114
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	11,30	30,329,118	29,802,499
Due to banks	12	1,908,507	2,553,730
Sukuk financing instruments	13	1,836,450	1,836,450
Other liabilities	14,30	2,744,205	1,048,496
Total liabilities		36,818,280	35,241,175
EQUITY			
Share capital	15	3,574,895	3,357,895
Tier 1 sukuk	16	1,836,500	1,836,500
Statutory reserve	17	286,779	249,690
Revaluation surplus on land and buildings	10	118,884	121,767
Fair value reserve on available-for-sale Islamic sukuk		(7,250)	(34,454)
Retained earnings/(accumulated losses)		40,450	(181,459)
Total equity		5,850,258	5,349,939
Total equity and liabilities		42,668,538	40,591,114

These consolidated financial statements were approved by the Board of Directors on 15 February 2018 and signed on its behalf by:

……………………………… ………………………………

Director Director

Consolidated income statement
for the year ended 31 December 2017

	Note	2017 AED'000	2016 AED'000
Operating income			
Income from Islamic financing and sukuk	18	1,541,084	1,350,420
Depositors' and sukuk holders' share of profit	19	(389,032)	(347,244)
Net income from Islamic financing		1,152,052	1,003,176
Fee and other income, net of charges	20	747,235	627,101
Gain on investments in Islamic sukuk	21	58,141	70,029
Change in fair value of investment properties	8	(9,825)	-
Total operating income		1,947,603	1,700,306
Operating expenses			
Staff costs	22	(532,224)	(497,729)
General and administrative expenses	23	(168,604)	(159,872)
Depreciation	10	(30,862)	(30,769)
Total operating expenses		(731,690)	(688,370)
Operating profit before impairment charge		1,215,913	1,011,936
Impairment charge on Islamic financing instruments	6	(838,024)	(645,032)
Impairment loss on equity investments		(7,000)	-
Profit for the year		370,889	366,904

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Note	2017 AED'000	2016 AED'000
Profit for the year		370,889	366,904
Other comprehensive income			
Items that may be subsequently transferred to income statement			
Fair value reserve on available-for-sale Islamic sukuk			
- Net changes in fair value	7	57,703	22,831
- Net realised gain transferred to income statement	21	(30,499)	(51,635)
Total other comprehensive income/(loss)		27,204	(28,804)
Total comprehensive income for the year		398,093	338,100

The accompanying notes on pages 14 to 71 form an integral part of these consolidated financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Share capital AED'000	Tier 1 sukuk AED'000	Statutory reserve AED'000	Revaluation surplus on land and buildings AED'000	Fair value reserve on available- for-sale Islamic sukuk AED'000	Retained earnings/ (accumulated losses) AED'000	Total AED'000
At 1 January 2016	3,357,895	-	213,000	124,650	(5,650)	(177,295)	3,512,600
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	366,904	366,904
Other comprehensive loss for the year	-	-	-	-	(28,804)	-	(28,804)
Total comprehensive income for the year	-	-	-	-	(28,804)	366,904	338,100
Other equity movements							
Tier 1 sukuk issuance (Note 16)	-	1,836,500	-	-	-	-	1,836,500
Tier 1 sukuk issuance cost	-	-	-	-	-	(11,239)	(11,239)
Tier 1 sukuk profit distribution (Note 16)	-	-	-	-	-	(57,390)	(57,390)
Transfer to statutory reserve (Note 17)	-	-	36,690	-	-	(36,690)	-
Transfer from revaluation surplus on buildings to accumulated losses	-	-	-	(2,883)	-	2,883	-
Dividends paid for 2015 (Note 15(iii))	-	-	-	-	-	(268,632)	(268,632)
At 31 December 2016	**3,357,895**	**1,836,500**	**249,690**	**121,767**	**(34,454)**	**(181,459)**	**5,349,939**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	370,889	370,889
Other comprehensive income for the year	-	-	-	-	27,204	-	27,204
Total comprehensive income for the year	-	-	-	-	27,204	370,889	398,093
Other equity movements							
Share capital issued (Note 15(ii))	217,000	-	-	-	-	-	217,000
Tier 1 sukuk profit distribution (Note 16)	-	-	-	-	-	(114,774)	(114,774)
Transfer to statutory reserve (Note 17)	-	-	37,089	-	-	(37,089)	-
Transfer from revaluation surplus on buildings to retained earnings	-	-	-	(2,883)	-	2,883	-
At 31 December 2017	**3,574,895**	**1,836,500**	**286,779**	**118,884**	**(7,250)**	**40,450**	**5,850,258**

Consolidated statement of cash flows
for the year ended 31 December 2017

	Note	2017 AED'000	2016 AED'000
Operating activities			
Profit for the year		370,889	366,904
Adjustments for:			
Impairment charge on Islamic financing instruments	6	838,024	645,032
Impairment loss on equity instruments		7,000	-
Depreciation of property and equipment	10	30,862	30,769
Provision for employees' end of service benefits	24	6,828	6,532
Change in fair value of investment properties	8	9,825	-
Loss/(profit) on disposal of investment properties		1,112	(978)
Gain on investments in Islamic sukuk		(58,141)	(70,029)
Amortisation of (discount)/premium on held-to-maturity Islamic sukuk		(343)	890
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(20,406)	8,675
Operating cash flows before changes in operating assets and liabilities		1,185,650	987,795
Changes in operating assets and liabilities:			
Statutory reserve with the UAE Central Bank	4	(72,199)	(257,008)
Due from banks	4	759,625	998,087
Investments in Islamic financing instruments	6,8	(2,381,590)	(3,401,394)
Investments in Islamic sukuk – held-for-trading		270,865	(731,592)
Other assets	9	(348,879)	(12,984)
Customer deposits	11	526,619	(2,346,242)
Due to banks	4	352,503	557,055
Payment of employees' end of service benefits	24	(12,104)	(1,122)
Other liabilities	14	1,700,985	(2,537)
Net cash generated from/(used in) operating activities		1,981,475	(4,209,942)
Investing activities			
Investments in Islamic sukuk		144,516	(842,881)
Proceeds from disposal of investment properties		8,499	91,441
Redemption of certificates of deposits	4	-	1,700,000
Additions in equity instruments		(6,500)	-
Proceeds from disposal of property and equipment		1,001	-
Additions to property and equipment	10	(11,370)	(7,271)
Net cash generated from investing activities		136,146	941,289
Financing activities			
Share capital issued	15	217,000	-
Repayment of Wakalah term deposits		-	(544,192)
Issuance of Tier 1 sukuk	16	-	1,836,500
Tier 1 sukuk issuance cost		-	(11,239)
Tier 1 sukuk profit distribution	16	(114,774)	(57,390)
Dividend payment	15	-	(268,632)
Net cash generated from financing activities		102,226	955,047
Net increase/(decrease) in cash and cash equivalents		2,219,847	(2,313,606)
Cash and cash equivalents at the beginning of the year		1,827,312	4,149,593
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		20,406	(8,675)
Cash and cash equivalents at the end of the year	4	4,067,565	1,827,312

1 Incorporation and principal activities

Noor Bank PJSC ("the Bank") was incorporated on 26 March 2007 as a Public Joint Stock Company under UAE Federal Law No. 8 of 1984 (as amended) and is regulated by the Central Bank of the United Arab Emirates ("UAE"). The Bank has its registered office at Emaar Square, Building No. 1, Sheikh Zayed Road, P.O. Box 8822, Dubai, UAE. The Bank was registered with the Securities and Commodities Authority ("SCA") on 26 April 2007 and commenced its operations thereafter.

UAE Federal Law No. 2 of 2015 ("Companies Law") which is applicable to the Bank has come into effect from 1 July 2015. The Bank is in compliance with the provisions of the Companies Law.

The principal activities of the Bank are carrying out banking, financing and investing activities through various Islamic financing instruments such as Murabahah, Wakalah, Tawarruq, Ijarah, Istisna' and Islamic sukuk. The activities of the Bank are conducted in accordance with the Shari'a rules and principles as applied and interpreted by the Bank's Fatwa and Shari'a Supervisory Board and in compliance with the provisions of the Memorandum and Articles of Association of the Bank.

The Bank has following fully owned special purpose entities ("SPE"):

Name of entity	**Activity**	**Place of incorporation**	**Date of incorporation**
Noor Sukuk Company Limited (Note 14)	Special purpose entity	Cayman Islands	April 2015
Noor Tier 1 Sukuk Limited (Note 17)	Special purpose entity	Cayman Islands	August 2015
Noor Structured Certificates Ltd. (Note 12)	Special purpose entity	Cayman Islands	July 2016
Noor Derivatives Limited*	Special purpose entity	Cayman Islands	April 2017

* An entity established to facilitate the Bank's Islamic derivative transactions.

The consolidated financial statements for the year ended 31 December 2017 comprise the Bank and its SPEs (together referred to as "the Group").

Noor Investment Group LLC ("NIG"), the ultimate parent company, holds 91% of the shareholding in the Bank.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board (IASB).

2 Basis of preparation (continued)

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for the fair value measurement of following items in the consolidated statement of financial position:

- Investments in Islamic sukuk classified as at fair value through income statement and available-for-sale.
- Investment properties.
- Buildings classified under property and equipment.
- Islamic derivatives

2.3 Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the functional currency of the Bank and its subsidiaries, being the currency of primary economic environment in which the entities operate. Except as indicated, the consolidated financial statements have been rounded to the nearest thousand.

2.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described as follows:

(a) Impairment of investments in Islamic financing instruments

The Bank reviews its Islamic financing portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recognised, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may also include observable data indicating that there has been an adverse change in the collections from customers in a group. Management uses estimates based on historical loss experience for financing with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its cash flows. The cash flows include any additional support available to the Group, including guarantees and any other assets which management expects to be made available to the Bank. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

(b) Classification of investments in Islamic sukuk as held-to-maturity ("HTM")

In accordance with IAS 39 guidance, the Bank classifies its investments in Islamic sukuk with fixed or determinable payments and fixed maturities as HTM which requires significant judgment in evaluating Bank's intention and ability to hold such investments until their maturity. Except for certain specific circumstances, any sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as available-for-sale, and would prevent the Group from classifying investment in Islamic sukuk as HTM for the current year.

(c) Fair valuation of investment properties and buildings under property and equipment

The fair valuation of investment properties and buildings under property and equipment is based on estimated value as determined by an independent valuation expert in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). In undertaking the valuation the valuation experts have made a number of assumptions and relied upon various sources of information. Management reviews the assumptions based on their reasonable knowledge and other information available about the properties.

2.5 New standards, amendments to published standards and interpretations effective for the Group's accounting period beginning on 1 January 2017

There are no applicable IFRSs or IFRIC interpretations that were effective for the first time for the accounting period beginning on 1 January 2017 that have had a material impact on the Group's consolidated financial statements.

2.6 New standards and amendments to published standards and interpretations issued but not yet effective for the Group's accounting period beginning 1 January 2017 and not early adopted by the Group

New standards and significant amendments to standards applicable to the Group	Effective date
IFRS 15, 'Revenue from contracts with customers' This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus 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 recognises revenue to depict the transfer of 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 cohesive 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.	1 January 2018

2 Basis of preparation (continued)

2.6 New standards and amendments to published standards and interpretations issued but not yet effective for the Group's accounting period beginning 1 January 2017 and not early adopted by the Group (continued)

New standards and significant amendments to standards applicable to the Group	Effective date
Amendment to IFRS 15, 'Revenue from contracts with customers' These amendments comprise clarifications on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard. There is no material impact on the consolidated financial statements of the Group from the adoption of above new standard on 1 January 2018.	1 January 2018
IFRS 9, 'Financial instruments' IFRS 9 addresses the classification, measurement, recognition and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. In line with the IFRS 9 transition provisions, the Group has elected not to re-state comparative periods and will adjust its retained earnings at 01 January 2018 to reflect the application of requirements under the new standard. The application of contractual cash flow characteristics and business model tests would change the classification and measurement of certain financial assets under IFRS 9 as compared to IAS 39. The resultant changes in classification and measurement are not expected to have any material impact on the Group's classification of financial assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than the incurred credit losses basis as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The transition to IFRS 9 is expected to reduce the Group' equity by an amount in the range of 0.50% - 0.75% of the total assets as at 01 January 2018. The Group continues to refine the impairment model and related processes leading up to 31 March 2018 reporting. The new standard also introduces expanded disclosure requirements which may change the nature and extent of the Group's disclosures about its financial instruments in 2018.	1 January 2018

2 Basis of preparation (continued)

2.6 New standards and amendments to published standards and interpretations issued but not yet effective for the Group's accounting period beginning 1 January 2017 and not early adopted by the Group (continued)

New standards and significant amendments to standards applicable to the Group	Effective date
IFRS 16, 'Leases' This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. The Group is assessing the impact of the new standard on the consolidated financial statements.	1 January 2019

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2017 that would be expected to have a material impact on the consolidated financial statements of the Group.

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which the control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary’s net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Group. They are shown separately in the consolidated statements of financial position, comprehensive income and changes in equity. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary.

The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Business combinations involving entities under common control are excluded from the scope of IFRS 3, Business Combinations and, accordingly, the directors of the Company are responsible for determining a suitable accounting policy for such business combinations. The directors have elected to use the uniting of interests method to account for business combinations involving entities under common control and to account for such business combinations prospectively, under the predecessor basis of accounting. Under the uniting of interests method, there is no requirement to fair value the assets and liabilities of the acquired entities and hence no goodwill arises on consolidation. The difference between the cost of the acquisition and the Group's share of the issued and paid up share capital of the acquired entity is recognised as a merger reserve in equity.

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) Transactions with the non-controlling interest holders

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

3 Significant accounting policies (continued)

3.2 Foreign currency translation

Foreign currency transactions are translated into the functional currency (UAE Dirham) using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, as part of ‘net foreign exchange income’ under “fee and other income, net of charges”.

3.3 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, balances held with the UAE Central Bank, deposits and balance due from banks or due to banks and placements with original maturity of less than three months, excluding statutory deposits required to be maintained with the UAE Central Bank.

3.4 Due from banks

Amounts due from banks are initially recognised at fair value and subsequently measured at amortised cost less any amounts written off and provision for impairment, if any. Impairment of amounts due from banks is assessed as outlined in the accounting policy of impairment of financial assets (Note 3.9).

3.5 Investments in Islamic financing instruments

Investments in Islamic financing instruments are non-derivative financial assets originated or acquired by the Group with fixed or determinable payments that are not quoted in an active market.

Investments in Islamic financing instruments are initially measured at fair value including transaction costs associated with the investments in Islamic financing instruments, if any, as soon as the customer is bound by the financing agreement to drawdown the financing amount.

Investments in Islamic financing instruments are subsequently measured at amortised cost using the effective profit method (note 3.15).

3 Significant accounting policies (continued)

3.6 Investments in Islamic sukuk

3.6.1 Classification

The Group classifies its investments in Islamic sukuk in the following categories: held-to-maturity ("HTM") investments in Islamic sukuk, available-for-sale ("AFS") investment in Islamic sukuk and financial assets at fair value through income statement ("FVTPL"). Management determines the classification of its investments at initial recognition.

Held-to-maturity

Investments in Islamic sukuk at HTM are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell or reclassify other than an insignificant amount from the HTM category, the entire category would be reclassified as AFS.

Available-for-sale

Investments in Islamic sukuk at AFS are those non-derivative financial assets that are designated as AFS or are not classified as (a) investments in Islamic financing instruments, (b) HTM investments or (c) financial assets at fair value through income statement.

Financial assets and financial liabilities at fair value through the income statement

Investments in Islamic sukuk and financial liabilities are classified as at FVTPL when either held-for-trading or when initially designated as at FVTPL.

3.6.2 Recognition and measurement

Regular-way purchases and sales are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments in Islamic sukuk are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through income statement. Financial assets carried at fair value through income statement are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments in Islamic sukuk have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership. AFS and FVTPL financial assets are subsequently measured at fair value. HTM financial assets are subsequently carried at amortised cost using the effective profit method. Impairment on investments in Islamic sukuk classified as HTM is assessed as outlined in the accounting policy of impairment of financial assets (Note 3.9).

Gains and losses arising from changes in the fair value of AFS financial assets are recognised in other comprehensive income, until the investment in Islamic sukuk is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity through other comprehensive income is recognised in the consolidated income statement.

3 Significant accounting policies (continued)

3.6 Investments in Islamic sukuk (continued)

3.6.2 Recognition and measurement (continued)

Foreign currency gains and losses arising on amortisation of AFS financial assets are directly recognised in the consolidated income statement.

Gains or losses arising from changes in the fair value of the FVTPL category are presented in the consolidated income statement within gain on investments in Islamic sukuk in the period in which they arise. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between the carrying values and fair value estimates of financial assets and liabilities. The fair values of quoted investments in active markets are based on current bid prices, as the Group considers the bid to be most representative of fair value. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. In rare cases when the fair value of unlisted securities cannot be determined reliably, the securities are carried at cost less impairment.

Profit earned whilst holding investments in Islamic sukuk is reported as part of income from Islamic financing and sukuk in the consolidated income statement.

The Group assesses at each reporting date whether there is objective evidence that investments in Islamic sukuk are impaired. In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement, is removed from equity and recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement if there are subsequent increases in fair value. If, in a subsequent period, the fair value of a non-equity sukuk instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment is reversed through the consolidated income statement.

3.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation except for land and buildings, which are carried at fair value based on periodic valuations by an external independent valuer, less subsequent depreciation.

3 Significant accounting policies (continued)

3.7 Property and equipment (continued)

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Increase in the carrying amount arising on revaluation of buildings is recognised in the consolidated statement of other comprehensive income under 'Revaluation surplus on land and buildings'. Increase that offsets previous decreases of the same asset are recognised in the consolidated income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated income statement. Decrease that offsets previous increases of the same asset are charged against revaluation reserves directly in the consolidated statement of other comprehensive income; all other decreases are charged to the consolidated income statement.

Each year, the difference between the depreciation charge based on the revalued carrying amount of the asset and depreciation charge based on the asset's original cost or previous revalued amount is transferred from the revaluation reserve to retained earnings/accumulated losses.

Depreciation on property and equipment is calculated on the straight-line method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

Years	
Buildings	25
Leasehold improvements	10
Furniture, fittings and equipment	5
Vehicles	5
Computer equipment and software	3-5

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings/accumulated losses.

Capital work-in-progress is stated at cost incurred from the date of commencement of the project to the date on which it is commissioned. When commissioned, capital work-in-progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Group's accounting policies.

3 Significant accounting policies (continued)

3.8 Investment property

Investment property comprises property held for rental yields and for capital appreciation. It is not held for purposes of the Group's own use as part of property and equipment. Investment property is initially recognised at cost, including transaction expenses. Subsequent to initial recognition, investment property is carried at fair value.

Fair value of the investment property is determined on the basis of valuation undertaken by an independent valuer who holds a recognised and relevant qualification and has recent experience in the location and category of the investment property being valued. Gains and losses arising from changes in the fair value are recognised in the consolidated income statement in the period in which they arise.

If an item of property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation surplus/loss of property and equipment under IAS 16. If a fair value gain reverses a previous revaluation loss, the gain is recognised in the consolidated income statement, to the extent of that revaluation loss. On subsequent disposal of an investment property, the revaluation surplus is transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through the income statement.

3.9 Impairment of financial assets

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. If an Islamic financing instrument has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The calculation also takes into account any additional support available to the Group, including guarantees and any other assets which management expects to be made available to the Bank.

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3 Significant accounting policies (continued)

3.9 Impairment of financial assets (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated

Future cash flows in a group of Islamic financing instruments that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets reflect and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a financial asset is uncollectable, it is written off against the related provision for impairment. If no related provision exists, it is written off to the consolidated income statement. Subsequent recoveries are credited to the consolidated income statement.

If the amount of impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited to the consolidated income statement.

When the terms and conditions of financial assets that have been classified as past due are re-negotiated, the terms and conditions of the new contractual arrangement apply in determining whether the financial asset remains past due.

3.10 Impairment of non-financial assets

Assets that have an indefinite useful life, not subject to amortisation, are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed for possible reversal of impairment at each reporting date.

3 Significant accounting policies (continued)

3.11 Fiduciary activities

Assets and the income arising on the Group's fiduciary activities, where it acts in a fiduciary capacity such as nominee, trustee or agent, are excluded from these consolidated financial statements. Income earned by the Group from its fiduciary services is recognised in accordance with the accounting policy on fees and other income (Note 3.17).

3.12 Financial liabilities

All financial liabilities are initially recognised at fair value less transaction costs. Subsequently, financial liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost using the effective profit method. Amortised cost is calculated by taking into account any discount or premium on settlement.

3.13 Employee benefits

(a) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the consolidated income statement in the periods during which services are rendered by employees.

Pension contributions are made in respect of UAE and GCC national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security.

(b) Defined benefit plan

The provision for defined benefit obligation for the end of service benefits due to non-UAE nationals in accordance with the UAE Labour Law is calculated annually using the projected unit credit method in accordance with IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The provision arising is disclosed as 'provision for employee's end of service benefits' in the consolidated statement of financial position under 'other liabilities'.

3 Significant accounting policies (continued)

3.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3.15 Revenue recognition on Islamic financing instruments

Income from Islamic financing and sukuk is recognised in the consolidated income statement for all profit-bearing Islamic financing instruments below using the effective profit method.

The effective profit method is a method of calculating the amortised cost of a financing asset or liability and of allocating the income from Islamic financing and sukuk and depositors' share of profit. The effective profit rate is the rate that exactly discounts the estimated future cash payments (including all fees received that form an integral part of the effective profit rate) over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financing asset or liability.

3.15.1 Murabahah

(a) Definition

An agreement whereby the Group sells to a customer a physical asset, commodity, goods, or shares, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin. The settlement specified in the agreement is normally either on deferred lump sum basis or an instalment basis.

(b) Revenue recognition

Income on Murabahah financing is recognised on a time apportioned basis over the period of the Murabahah contract, using the effective profit method.

3.15.2 Ijarah

(a) Definition

An agreement whereby the Group (lessor) leases to a customer (lessee) a service or the usufruct of an owned or rented physical asset which either exists currently or is to be constructed in future (forward lease), for a specific period of time and against certain rental instalments. The Ijarah could end by transferring the ownership of the asset to the lessee through an independent mode at the end of the agreement.

(b) Revenue recognition

Income from Ijarah investments are recognised on a time apportioned basis over the lease term, using the effective profit method.

3 Significant accounting policies (continued)

3.15 Revenue recognition on Islamic financing instruments (continued)

3.15.3 Mudarabah

(a) Definition

An agreement between the Group and its customer where one party provides the funds and is called Rab al-Mal and the other provides efforts and expertise and is called the Mudarib. The Mudarib is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudarabah profit. The Mudarib is responsible for all losses arising from misconduct, negligence or violation of the conditions of the agreement. In all other instances, the losses are borne by the Rab-al-Mal.

(b) Revenue recognition

Income or losses on Mudarabah investments, where the Group is the Rab-al-Mal are recognised using effective profit method if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib and the losses are recognised upon their declaration by the Mudarib.

3.15.4 Wakalah

(a) Definition

An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a fee (a lump sum of money or a percentage above the anticipated profits). Similarly, the Group also obtains money to be invested under wakalah agreement which is recognised as a liability in its consolidated financial statements.

(b) Revenue recognition

The estimated income or expenses from a Wakalah is recognised using effective profit method over the period of the investment as a liability, adjusted by the actual income or expense when received.

3.15.5 Tawarruq

(a) Definition

An agreement between two parties, whereby the Group, directly or indirectly, buys an asset and immediately sells it to a customer on a deferred payment basis. The Group on behalf of the customer then sells the same asset to a third party (or the customer himself sells directly) for immediate delivery and payment. The customer is given the sales proceeds and has a deferred payment obligation to the Group at a marked-up price.

3 Significant accounting policies (continued)

3.15 Revenue recognition on Islamic financing instruments (continued)

3.15.5 Tawarruq (continued)

(b) Revenue recognition

Income or losses on Tawarruq financing are recognised using effective profit method over the deferred payment period.

3.15.6 Istisna'

(a) Definition

An agreement whereby the Group (Al-Saane') provides funds to a customer (Al-Mustasne) for the development of an asset according to pre-agreed specifications at a specific price and date.

(b) Revenue recognition

Istisna' revenue and the associated profit margin (difference between the cash price of the asset sold to the customer and the Group's total Istisna' cost) is recognised using effective profit method.

3.16 Depositors' share of profit

Depositors' share of profit is recognised in the consolidated income statement for all profit-bearing Islamic deposits using the effective profit method.

3.17 Fees and other income

Fees and other income from banking services are recognised on an accrual basis as the service is performed, when it is probable that associated economic benefits will flow to the Group and a reliable estimate of amount can be made. Fees and commission income and expense that are integral to the effective profit rate on a financial asset or liability are included in the measurement of the effective profit rate.

Other fees and commission income earned and expense incurred from the provision of services are recognised as revenue and expense, as and when the services are rendered.

Foreign exchange income on foreign exchange transactions undertaken on behalf of customers is recognised as and when these transactions are completed.

3.18 Zakat

Zakat is computed in accordance with the Bank's Fatwa and Shari'a Supervisory Board decisions and it is the Bank's shareholders' responsibility to pay the Zakat on their respective share and therefore it is not recorded in the consolidated financial statements of the Group.

3 Significant accounting policies (continued)

3.19 Allocation of profit

Allocation of profits between depositors and shareholders is calculated according to the Group's standard procedures and is approved by the Bank's Fatwa and Shari'a Supervisory Board.

3.20 Financial guarantees

Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. The premium received is recognised in the consolidated income statement over the life of the guarantee.

3.21 Government grants

Non-monetary grants in the form of land received from the government are recognised at fair value and credited to the consolidated income statement when there is reasonable assurance that the grant will not be revoked.

3.22 Repossessed properties

When the Group acquires and becomes the legal owner of a collateralised property against full and final settlement of an Islamic financing contract, the respective contract is terminated, the related outstanding balance is de-recognised and property is recognised at the carrying amount of the Islamic financing. If the fair value of the repossessed property is lower than the carrying amount of the outstanding Islamic financing balance, the balance is first impaired to the extent of the shortfall. The subsequent measurement will depend on the intended use and classification of the repossessed property as follows:

- The property is classified as "Investment property" (Note 3.8) in case of indeterminate use, or holding it for capital appreciation and/or rental yield;
- The property is classified as "Property and equipment" (Note 3.7) if the Group intends to retain the property for self-use.
- The property is classified as "Non-current asset held for sale" and measured at the lower of its carrying amount and fair value less costs to sell, if sale of the property is highly probable, management is committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan is initiated.

3.23 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Own equity instruments of the Bank which are acquired by it (treasury shares/Tier 1 sukuk) are recognised and deducted directly in equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

3 Significant accounting policies (continued)

3.23 Equity instruments (continued)

Tier 1 sukuk are perpetual Mudarabah sukuk which are not redeemable by sukuk holders and bear an entitlement to profit distributions that is non-cumulative and at the discretion of the Bank. Accordingly Tier 1 sukuk are presented in equity as a component of equity instruments issued by the Group.

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group shareholders and Board of Directors, respectively. Dividends on ordinary shares which are approved after the reporting date are disclosed as a non-adjusting event after the reporting date.

3.24 Islamic derivative financial instruments

An Islamic derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Group enters into a variety of Islamic derivative financial instruments to manage the exposure to profit and foreign exchange rate risks, including unilateral promise to buy/sell currencies and Islamic swaps.

Promises to buy or sell currencies are promises to either buy or sell a specified currency at a specified price and date in the future. The actual transactions are executed on the value dates, by exchanging the purchase or sell offers and acceptances between the counterparties. Promises to buy or sell currencies are recognised at fair value with movements taken to the consolidated income statement from the date of entering into the contract.

Islamic swaps are based on a Waa'd (promise) structure between two parties to buy a specified Shari'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. Islamic swaps comprise profit rate swaps and currency swaps. In case of profit rate swaps, counterparties generally exchange fixed and floating rate profit payments by executing the purchase / sale of a commodity under “Murabahah Sale Agreement” in a single currency. In case of Islamic currency swaps, profit payments as well as the cost of the underlying commodity are exchanged in different currencies, by executing the purchase or sale of commodities under “Murabahah Sale Agreements”.

Islamic derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising fair value gains and losses depends on whether Islamic derivative financial instruments are held-for-trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of Islamic derivatives held-for-trading are recognised in the consolidated income statement.

Islamic derivatives embedded in hybrid contracts are separated from the host contracts and accounted for separately when the economic risk and characteristics of the embedded derivative are not closely related to those of the host contracts, a separate instrument with the same terms would meet the definition of derivative and the entire instrument is measured at fair value with changes in fair value recognised in the income statement.

4 Cash and balances with the UAE Central Bank

	2017 AED'000	2016 AED'000
Cash in hand	129,397	155,075
Balances with the UAE Central Bank:		
- Current account	1,135,693	481,475
- Certificate of deposit	500,000	-
- Statutory deposits	2,812,587	2,740,388
	4,577,677	3,376,938

The statutory deposits with the UAE Central Bank are not available to finance the day to day operations of the Group, except in a crisis situation. Cash in hand, current account balances and statutory deposits with the UAE Central Bank are non-profit bearing. Certificate of deposit with the UAE Central Bank carries a profit rate of 1.2% per annum.

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2017 AED'000	2016 AED'000
Cash and balances with the UAE Central Bank	4,577,677	3,376,938
Due from banks	4,880,190	5,525,828
Due to banks	(1,908,507)	(2,553,730)
	7,549,360	6,349,036
Less: Statutory deposits with the UAE Central Bank	(2,812,587)	(2,740,388)
Less: Net due from banks having original maturity of more than 3 months	(669,208)	(1,781,336)
Cash and cash equivalents	4,067,565	1,827,312

5 Due from banks

	2017 AED'000	2016 AED'000
Current account with banks	574,092	866,522
Export bills (Murabahah)	1,766,270	1,076,026
Deposits with banks – (Wakalah & Murabahah)	2,539,828	3,583,280
	4,880,190	5,525,828

6 Investments in Islamic financing instruments

	2017 AED'000	2016 AED'000
Murabahah	21,808,761	20,596,552
Ijarah	7,508,009	7,004,957
Mudarabah	59,917	64,271
Gross investments in Islamic financing instruments	29,376,687	27,665,780
Less: allowance for impairment	(1,926,999)	(1,747,392)
Net investments in Islamic financing instruments	27,449,688	25,918,388

Movement in allowance for impairment:

	2017 AED'000	2016 AED'000
At 1 January	1,747,392	1,302,145
Charge for the year, net of recoveries/reversals	838,024	645,032
	2,585,416	1,947,177
Written off during the year, net of write backs	(658,417)	(199,785)
At 31 December	1,926,999	1,747,392

The investments in Islamic financing instruments are further analysed as follows:

	2017 AED'000	2016 AED'000
Performing	27,313,001	25,475,912
Past due but not impaired	787,966	767,266
Impaired	1,275,720	1,422,602
Gross investments in Islamic financing instruments	29,376,687	27,665,780
Less: allowance for impairment	(1,926,999)	(1,747,392)
Net investments in Islamic financing instruments	27,449,688	25,918,388

Below is the analysis of impaired balances:

	2017 AED'000	2016 AED'000
Impaired but not past due	27,176	39,486
Past due and impaired	1,248,544	1,383,116
	1,275,720	1,422,602

Below is the ageing analysis of past due but not impaired balances:

	2017 AED'000	2016 AED'000
1 – 29 days	257,068	271,076
30 – 59 days	334,775	214,270
60 – 89 days	174,337	231,121
90 days and above	21,786	50,799
	787,966	767,266

6 Investments in Islamic financing instruments (continued)

Economic sector risk concentration (refer to note 26 for related party credit risk concentration) of investments in Islamic financing instruments is as follows:

	2017 AED'000	2016 AED'000
Personal	10,290,328	9,383,476
Real estate	3,727,268	2,830,827
Financial institutions and investment companies	3,363,089	3,736,735
Trade	2,541,925	2,875,333
Transport, storage and communication	2,043,947	2,211,957
Manufacturing	1,320,914	1,121,422
Construction	947,698	961,019
Retail	817,661	945,956
Other services	4,323,857	3,599,055
Gross investment in Islamic financing instruments	29,376,687	27,665,780
Less: allowance for impairment	(1,926,999)	(1,747,392)
Net investment in Islamic financing instruments	27,449,688	25,918,388

7 Investments in Islamic sukuk

	2017 AED'000	2016 AED'000
Available-for-sale	2,476,174	2,402,787
Held-to-maturity	665,269	825,126
Held-for-trading	585,545	828,768
	3,726,988	4,056,681

At 31 December 2017, the fair value of the held-to-maturity Islamic sukuk portfolio was AED 685 million (31 December 2016: AED 854 million).

During the year ended 31 December 2017, the Group recognised a net fair value gain on available-for-sale investments in Islamic sukuk of AED 57.7 million (31 December 2016: net fair value gain AED 22.8 million) in other comprehensive income under "Fair value reserve on available-for-sale Islamic sukuk".

At 31 December 2017, Islamic sukuk with a market value of AED 745 million (31 December 2016: AED 627 million) have been pledged as collateral against investment deposits of AED 650 million from financial institutions (31 December 2016: AED 588 million) (Note 12).

The Group holds certain Islamic sukuk in a fiduciary capacity on behalf of customers without recourse to itself and, accordingly, these sukuk are not included in the Group's Islamic sukuk portfolio as at 31 December 2017 (Note 25).

8 Investment properties

	2017 AED'000	2016 AED'000
At 1 January	1,186,117	1,231,715
Additions during the year	12,266	44,865
Disposals during the year	(9,611)	(90,463)
Change in fair value during the year	(9,825)	-
At 31 December	1,178,947	1,186,117

The carrying value of investment properties represents their fair value as determined by an independent valuation expert in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). The basis for determination of fair value are the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. During the year ended 31 December 2016, no revaluation gain/loss was recognised on investment properties as the amount was not significant.

9 Other assets

	2017 AED'000	2016 AED'000
Due from related parties (Note 26)	400,713	41,647
Accrued income on investments in Islamic financing and sukuk	194,331	192,472
Islamic derivatives (Note 14 (i))	36,218	16,225
Equity investments in related companies (Note (i) below)	26,530	27,030
Prepayments and advances (Note 30)	13,197	21,160
Investment in associate (Note (i) below)	1,500	1,500
Fee and other income receivable	2,324	13,628
Others	7,008	19,780
	681,821	333,442

(i) Equity investments in related companies held as available-for-sale financial assets and investment in associate at 31 December 2017 and 2016, represent the Bank's share of its investment in the following entities. The Group has purchased equity shares amounting to AED 6.5 million during the year ended 31 December 2017 (31 December 2016: Nil).

	Shareholding structure	
	Noor Bank PJSC	Noor Investment Group LLC
Noor Takaful Family P.J.S.C.	10%	90%
Noor Takaful General P.J.S.C.	10%	90%
Premium Marketing LLC	10%	90%
Noor BPO LLC	30%	70%

10 Property and equipment

	Buildings AED'000	Leasehold improvements AED'000	Vehicles AED'000	Computer and office equipment AED'000	Capital work-in-progress AED'000	Total AED'000
Cost / fair value						
At 1 January 2017	172,820	18,929	2,361	225,309	7,101	426,520
Additions during the year	-	-	1,210	3,759	6,401	11,370
Transfers during the year	-	-	-	3,824	(3,824)	-
Disposals during the year	-	-	(2,156)	-	-	(2,156)
At 31 December 2017	172,820	18,929	1,415	232,892	9,678	435,734
Accumulated depreciation						
At 1 January 2017	39,549	14,556	1,718	176,977	-	232,800
Charge for the year	8,334	1,881	211	20,436	-	30,862
Disposals during the year	-	-	(1,155)	-	-	(1,155)
At 31 December 2017	47,883	16,437	774	197,413	-	262,507
Net book value						
At 31 December 2017	124,937	2,492	641	35,479	9,678	173,227

The fair value of the Group's buildings was determined by an independent valuation expert in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS") as at 31 December 2016, as updated on 31 December 2017. During the years ended 31 December 2017 and 31 December 2016, no revaluation gain/loss was recognised on buildings as the amount was not considered significant. Had there been no revaluation, the carrying value of buildings would have been AED 80.8 million at 31 December 2017 (31 December 2016: AED 85.95 million).

Buildings are located at Emaar Square, Dubai, and are used as the Bank's Head Office premises.

10 Property and equipment (continued)

	Buildings AED'000	Leasehold improvements AED'000	Vehicles AED'000	Computer and office equipment AED'000	Capital work-in-progress AED'000	Total AED'000
Cost / fair value						
At 1 January 2016	172,820	18,929	1,745	213,209	26,188	432,891
Additions during the year	-	-	616	-	6,655	7,271
Transfers	-	-	-	25,742	(25,742)	-
Write-offs	-	-	-	(13,642)	-	(13,642)
At 31 December 2016	172,820	18,929	2,361	225,309	7,101	426,520
Accumulated depreciation						
At 1 January 2016	31,215	12,663	1,379	170,416	-	215,673
Charge for the year	8,334	1,893	339	20,203	-	30,769
Write-offs	-	-	-	(13,642)	-	(13,642)
At 31 December 2016	39,549	14,556	1,718	176,977	-	232,800
Net book value						
At 31 December 2016	133,271	4,373	643	48,332	7,101	193,720

11 Customer deposits

	2017 AED'000	2016 AED'000
Current accounts (Qard-e-Hasan) (Note 30)	9,303,241	9,892,215
Term accounts (Wakalah, Murabahah & Mudarabah)	11,853,136	10,409,062
Savings accounts (Mudarabah)	4,176,547	4,894,520
Escrow accounts (Qard-e-Hasan & Mudarabah)	4,737,049	4,332,700
Margin accounts	259,145	274,002
	30,329,118	29,802,499

12 Due to banks

	2017 AED'000	2016 AED'000
Current accounts	296,860	612,309
Investment deposits (Wakalah & Murabahah)	1,611,647	1,941,421
	1,908,507	2,553,730

At 31 December 2017, Islamic sukuk with a market value of AED 745 million (31 December 2016: AED 627 million) have been pledged as collateral against investment deposits of AED 650 million from financial institutions (31 December 2016: AED 588 million) (Note 7).

13 Sukuk financing instruments

In April 2015, the Bank through its Shari'a compliant financing arrangement, established a Trust Certificate Issuance Programme for USD 3 billion ("the Programme"). As a part of the Programme, the first series of the trust certificates amounting to USD 500 million (AED 1,836.5 million) were issued and listed on NASDAQ Dubai on 29 April 2015.

The terms of the Programme include notional allocation of certain identified assets ("the Co-owned Assets") to Noor Sukuk Company Limited, Cayman Islands ("the Issuer or SPE"), a special purpose entity formed for the issuance of the sukuk. In substance, these co-owned assets shall continue to remain under the control of the Bank and shall continue to be serviced by the Bank.

These sukuk will mature in five years and are expected to pay profit to the sukuk holders semi-annually based on 5 year mid-swap rate + 1.3% at the time of issuance.

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

14 Other liabilities

	2017 AED'000	2016 AED'000
Sundry customer balances (Note 30)	1,861,945	31,662
Sundry disbursements payable	284,624	320,459
Managers cheques	172,980	178,385
Accrued expenses	153,553	133,795
Accrued depositors' share of profit	79,655	80,738
Employees' end of service benefits (Note 24)	32,164	37,440
Sundry collection accounts	20,354	43,546
Islamic derivatives (Note (i) below)	10,556	54,714
Switch settlements payable, net	10,470	30,960
Late payment fee (Note (ii) below)	9,728	6,976
Due to related parties (Note 26)	8,065	9,037
Deferred income from Islamic financing	5,111	7,142
Other payables	95,000	113,642
	2,744,205	1,048,496

(i) Islamic derivatives represent the mark-to-market fair valuation of Promise to buy or sell currency contracts and profit rate swaps held by the Group. The contractual notional value on Promise to buy or sell currency contracts amounted to AED 686 million at 31 December 2017 (31 December 2016: AED 699 million). The contractual notional value on profit rate swaps amounted to AED 4.0 billion as at 31 December 2017 (31 December 2016: AED 4.2 billion).

(ii) Late payment fees pertain to the collection for delay in payments by customers. The Fatwa and Shari'a Supervisory Board decides on an amount allowable to be taken by the Bank to cover the actual cost due to the delay in payment by the customers. The remaining amount and any such additional income received, which the Fatwa and Shari'a Supervisory Board determines to be non-sharia compliant, is donated to charity under its supervision. During the year ended 31 December 2017, the Group has paid AED 5.3 million (31 December 2016: AED 2.8 million) to charity in respect of late payment fees collected from customers.

15 Share capital

	2017 AED'000	2016 AED'000
Authorised share capital:		
6,500 million shares (2016: 3,357.9 million shares) of AED 1 each	6,500,000	3,357,895
Issued and fully paid up share capital:		
3,574.9 million shares (2016: 3,357.9 million shares) of AED 1 each	3,574,895	3,357,895

(i) During the year ended 31 December 2017, the Bank's Articles of Association were amended and as per the new articles, the authorised share capital of the Bank has been increased to AED 6,500 million comprising of 6,500 million shares having a nominal value of AED 1 per share.

15 Share capital (continued)

(ii) During the year ended 31 December 2017, 217 million shares were issued at par value and subscribed to by NIG. The share capital issued is fully paid up and approved by the Board of Directors, the shareholders in the General Meeting of the Bank and the UAE Central Bank.

(iii) The Board of Directors of the Bank do not propose any dividends for the year ended 31 December 2017 (31 December 2016: Nil). During the year ended 31 December 2016, the proposed dividend for the year ended 31 December 2015 amounting to AED 268.6 million was distributed to the shareholders upon their approval in the Annual General Meeting.

16 Tier 1 sukuk

In May 2016, the Bank issued Shari'a compliant Tier 1 sukuk through an SPE, Noor Tier 1 sukuk Limited, ("the issuer") amounting to USD 500 million (AED 1,836.5 million) at a par value of USD 1,000 (AED 3,673) per sukuk.

Tier 1 sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudarabah Agreement. These sukuk are expected to pay profit semi-annually based on 5 year mid-swap rate + 4.91% at the time of issuance on 1st June and 1st December of each year ("the profit payment date") commencing from 1st December 2016. The expected profit rate will be reset to a new fixed rate on the basis of the then prevailing 5 year mid-swap rate + 4.91% on 1 June 2021 ("the first reset date") and every 5 years thereafter. These sukuk are listed on NASDAQ Dubai and callable by the Bank on 1st June 2021 ("the first call date") or any profit payment date thereafter subject to certain redemption conditions. As at 31 December 2016, the related parties held Tier 1 sukuk amounting to USD 20.7 million (AED 76.2 million) (note 26). The net proceeds of Tier 1 are invested by the Bank in its general business activities on a co-mingling basis.

At the Issuer's sole discretion, it may elect not to make any Mudarabah profit distributions expected and the event is not considered an event of default. In such event, the Mudarabah profit will not be accumulated but forfeited to the issuer. If the issuer makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on ordinary shares issued by the Bank, or (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire ordinary shares issued by the Bank.

17 Statutory reserve

The UAE Federal Law No. 8 of 1984 (as amended), and the UAE Federal Law No. (2) of 2015 and the Articles of the Bank, require that 10% of the net profit for the year should be transferred to a statutory reserve until such time as the balance in the reserve equals 50% of the issued share capital. Accordingly, an amount of AED 37.1 million (31 December 2016: AED 36.7 million) has been transferred to the statutory reserve for the year ended 31 December 2017. This reserve is not available for distribution.

18 Income from Islamic financing and sukuk

	2017 AED'000	2016 AED'000
Murabahah	1,105,910	975,727
Ijarah	269,893	202,255
Wakalah	38,307	41,126
	1,414,110	1,219,108
Profit income on Islamic sukuk	126,974	131,312
Total income from Islamic financing and sukuk	1,541,084	1,350,420

19 Depositors' and sukuk holders' share of profit

	2017 AED'000	2016 AED'000
Term accounts	273,312	241,245
Savings & Escrow accounts	62,051	52,040
Sukuk holders' profit on sukuk issued	53,669	53,959
	389,032	347,244

20 Fee and other income, net of charges

	2017 AED'000	2016 AED'000
Net foreign exchange income	241,520	196,768
Transactional and deposit related fees	186,316	189,532
Facility syndication and processing fees	175,930	163,639
Trade services related fees	74,248	72,758
Fees from credit cards	29,980	20,491
Fair value gain/(loss) on Islamic derivatives	28,137	(22,266)
Other income	11,104	6,179
	747,235	627,101

21 Gain on investments in Islamic sukuk

	2017 AED'000	2016 AED'000
Available-for-sale – realised gain	30,499	51,635
Held-for-trading	27,642	18,394
	58,141	70,029

22 Staff costs

	2017 AED'000	2016 AED'000
Salaries and allowances	429,517	404,934
Outsourced staff cost	57,993	57,951
Provision for employees' end of service benefits (Note 24)	6,828	6,532
Others	37,886	28,312
	532,224	497,729

23 General and administrative expenses

	2017 AED'000	2016 AED'000
Facilities management	56,313	49,377
IT related expenses	39,845	35,350
Marketing and advertisement	19,683	18,388
Legal and professional	17,938	18,136
Printing and stationery	10,885	10,405
Communication costs	7,424	7,087
Directors' fee	6,504	11,276
Travelling expenses	2,535	2,935
Other expenses	7,477	6,918
	168,604	159,872

Social contributions of AED 60,000 were made during the year ended 31 December 2017 (31 December 2016: Nil).

24 Provision for employees' end of service benefits

	2017 AED'000	2016 AED'000
At 1 January	37,440	32,030
Provided during the year (Note 22)	6,828	6,532
Paid during the year	(12,104)	(1,122)
At 31 December	32,164	37,440

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the reporting date, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 3.08% (31 December 2016: 2.52%). Management has assumed average annual increment/promotion costs of 4.0% (31 December 2016: 3.0%). The present value of the obligation as at 31 December 2017 is not materially different from the provision computed in accordance with the UAE Labour Law.

25 Fiduciary assets

At 31 December 2017, the Group held Islamic sukuk with a market value of AED 2.1 billion (31 December 2016: AED 2.0 billion) in a fiduciary capacity on behalf of customers' without recourse to itself. Accordingly, these Islamic sukuk are not included as part of the Group's own Islamic sukuk portfolio (Note 7).

26 Related party balances and transactions

The Group, in the normal course of business, enters into transactions with individuals and other business enterprises that fall within the definition of a related party as defined in IAS 24, 'Related party Disclosures' at commercial terms and profit rates. Other related parties include shareholders of the Bank and other entities controlled by the Board members of the Bank. Balances and transactions with related parties are as follows:

Year ended 31 December 2017	**The parent**	**Directors and key management personnel**	**Associate and other related parties**	**Total**
	AED'000	AED'000	AED'000	AED'000
Related party balances:				
Assets:				
Investments in Islamic financing instruments	-	29,105	226,862	255,967
Due from related parties (Note 9)	379,717	-	20,996	400,713
Accrued income from Islamic financing instruments	-	2,972	94	3,066
Equity investments in related companies (Note 9)	-	-	26,530	26,530
Investment in associate (Note 9)	-	-	1,500	1,500
Liabilities:				
Customer deposits	392,186	132,083	545,123	1,069,392
Accrued depositors' share of profit	-	2,718	3,159	5,877
Due to related parties	-	-	8,065	8,065
Off balance sheet:				
Contingent liabilities	-	87,589	841	88,430

Year ended 31 December 2017	**The parent**	**Directors and key management personnel**	**Associate and other related parties**	**Total**
	AED'000	AED'000	AED'000	AED'000
Related party transactions:				
Income from Islamic financing	1,004	322	23,291	24,617
Depositors' share of profit	-	3,210	5,460	8,670
Staff costs	-	-	155,729	155,729
Remuneration	-	19,266	-	19,266
Fee and other income	3,777	19	70,417	74,213
Tier 1 sukuk profit distribution	-	-	105	105

26 Related party balances and transactions (continued)

Year ended 31 December 2016	**The parent** AED'000	**Directors and key management personnel** AED'000	**Associate and other related parties** AED'000	**Total** AED'000
Related party balances:				
Assets:				
Investments in Islamic financing instruments	-	13,486	630,028	643,514
Due from related parties and investments (Note 9)	254	-	41,393	41,647
Accrued income from Islamic financing instruments	-	1,433	1,063	2,496
Equity investments in related companies (Note 9)	-	-	27,030	27,030
Investment in associate (Note 9)	-	-	1,500	1,500
Liabilities:				
Customer deposits	118,760	89,066	287,226	495,052
Due to related parties	-	-	9,037	9,037
Accrued depositors' share of profit	-	111	4,755	4,866
Equity:				
Tier 1 sukuk holding (Note 16)	66,880	-	9,356	76,236
Off balance sheet:				
Contingent liabilities	-	4,100	8,823	12,923
Related party transactions:				
Income from Islamic financing	-	203	20,657	20,860
Depositors' share of profit	-	103	2,866	2,969
Staff costs recharged to the Bank	-	-	154,324	154,324
General and administrative expenses recharged by the Bank	-	-	1,779	1,779
Remuneration	-	45,712	-	45,712
Fee and other income	-	1,347	65,981	67,328
Tier 1 sukuk profit distribution	4,077	-	-	4,077

In accordance with the requirements of notice no. 226 / 2015 dated 26 August 2015 and issued by the UAE Central Bank, the Group has complied with article (91) of Union Law No. (10) of 1980.

27 Contingent liabilities and commitments

(a) Contingent liabilities

	2017 AED'000	2016 AED'000
Undrawn credit commitments – Revocable	3,827,026	5,757,186
Undrawn credit commitments – Irrevocable	2,604,017	2,859,819
Letters of credit	368,845	263,927
Guarantees	2,132,572	2,520,668
	8,932,460	11,401,600

Undrawn credit commitments represent unused portions of authorisations to extend credit in the form of financing, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss for an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers' maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest, since it results from the possibility of unused portions of finance authorisations being drawn by the customer and, second, from these drawings subsequently not being paid as due. The Group monitors the term to maturity of the credit commitments because longer term commitments generally have a greater degree of credit risk than the shorter term commitments. The total outstanding contractual amount of the commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as financings. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

(b) Capital commitments

At 31 December 2017, the Group has capital commitments of AED 5.2 million (31 December 2016: AED 3.9 million) mainly relating to purchase of furniture, fixtures, computer equipment and development/upgrading of software.

28 Segmental reporting

Reportable segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. The Group's reportable segments are organized into three major segments as follows:

- Retail banking – Principally serves individuals, high net worth customers and small sized businesses.
- Corporate banking – Principally handling financing/ trade facilities and deposit related services for medium and large sized corporate and institutional customers.
- Treasury and others – Treasury comprises of activities to manage the Bank's overall liquidity and market risk and provides treasury services to customers. Others comprise of functions other than above core lines of business.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment operating income represents the profit earned by each segment without allocation of expenses and impairment charge on Islamic financing instruments.

Year ended 31 December 2017	**Retail banking** AED'000	**Corporate banking** AED'000	**Treasury and others** AED'000	**Total** AED'000
Net income from Islamic financing	438,484	510,437	203,131	1,152,052
Fee and other income	381,201	283,722	130,628	795,551
Total income	819,685	794,159	333,759	1,947,603
Total expenses				(731,690)
Operating profit before impairment on investments in Islamic financing instruments				1,215,913
Impairment charge on Islamic financing instruments				(838,024)
Impairment loss on equity investments				(7,000)
Profit for the year				370,889
As at 31 December 2017				
Segment assets	10,057,950	21,449,347	11,161,241	42,668,538
Segment liabilities	12,260,598	18,445,034	6,112,648	36,818,280

28 Segmental reporting (continued)

Year ended 31 December 2016	**Retail banking** AED'000	**Corporate banking** AED'000	**Treasury and others** AED'000	**Total** AED'000
Net income from Islamic financing	405,734	387,418	210,024	1,003,176
Fee and other income	309,318	349,929	37,883	697,130
Total income	715,052	737,347	247,907	1,700,306
Total expenses				(688,370)
Operating profit before impairment on investments in Islamic financing instruments				1,011,936
Impairment charge on Islamic financing instruments				(645,032)
Profit for the year				366,904
As at 31 December 2016				
Segment assets	9,584,442	20,683,964	10,322,708	40,591,114
Segment liabilities	11,826,872	18,379,380	5,034,923	35,241,175

29 Risk management

The Group manages all of its risk proactively through a well-established enterprise risk management practice.

The Group is exposed to the following risks in the course of its regular business:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
    - Compliance risk
    - Legal risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

29 Risk management (continued)

Risk management philosophy and framework

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors of the Group has overall responsibility for setting the risk appetite and ensuring risk is effectively managed through a robust Enterprise Risk Management (ERM) framework. Board and Management level committees have been established, as part of the Group's corporate governance structure, to oversee the performance and operations of the Group. Some of these committees are responsible specifically for overseeing execution of the ERM strategy and monitoring performance against the Group's risk management framework:

Board Level Committees

Board Executive and Credit Committee ("BECC")

The BECC is responsible to assist the Board Risk Committee and Board Audit Committee in ensuring that overall governance structure and processes are enforced and that the Group has an adequate and appropriate system of risk management and internal control. The BECC is also responsible for approving credit related matters that fall within their terms of reference and exceed the thresholds established for the Management Credit Committee.

Board Risk Committee ("BRC")

The BRC is responsible for overseeing and regularly monitoring the Group's risk governance framework, enterprise risk management, capital, liquidity and funding planning ensuring an effective system of risk management and controls are implemented. The BRC is also responsible for overseeing compliance within approved risk policies and tolerance levels and works with management to refine risk strategy that is aligned to the Group's long term strategy

Board Audit Committee ("BAC")

The BAC is responsible to assist the Board in fulfilling its oversight responsibilities of the financial reporting process, the system of internal control, the audit and whistleblowing processes, the Group's process for monitoring compliance with laws and regulations and the Code of Conduct. The BAC is supported by Internal Audit in these areas. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the BAC.

29 Risk management (continued)

Risk management philosophy and framework (continued)

Board Level Committees (continued)

Board Nomination and Compensation Committee ("BNCC")

The BNCC is responsible for the composition of the Board and its committees, their performance, succession planning and remuneration approach for the Board and senior management (the Chief Executive Officer and his or her direct reports excluding administrative assistants, hereafter referred to as the Senior Management). The BNCC also reviews Human Resources' strategy and policies.

Senior Management Level Committees

Management Committee ("Mancom")

The Management Committee is responsible for overseeing and managing day-to-day business and ensures the operational performance of the Group is meeting or exceeding set performance targets and authorises actions to maintain, enhance or correct service delivery issues. The Mancom is also responsible for guiding, shaping, approving and monitoring a coherent set of projects in line with the Group's long term strategy that will maintain and enhance the Bank's progress towards its future vision, recommending investment and expenditure to the Board Executive and Credit Committee (BECC) in line with that goal. In fulfilling its purpose, the Management Committee translates the decisions of the Board of Directors regarding the operation and management of the Group and regularly reports, through its Chairperson, to the BECC.

Enterprise Risk Management Committee ("ERMC")

The ERMC is responsible for building a risk intelligent enterprise, ensuring a suitable and an effective risk management approach is incorporated into the day-to-day operations. The ERMC interacts with other management level committees to ensure risks are consolidated and incorporated within the business plan (strategy and financials) and business operations. In fulfilling its purpose, the ERMC is responsible to translate the decisions of the Board regarding enterprise risk management ("ERM"), support the Chief Executive Officer and the Chief Risk Officer in decision-making related to ERM, and report regularly through its Chairperson to the BRC regarding matters related to its primary purpose and operational risks.

Management Credit Committee ("MCC")

The MCC is responsible for taking credit decisions within the authority levels established by the Board of Directors, recommending new credit policies and changes to existing ones, and the future direction of the credit activities in the Group. The MCC is also responsible to monitor and review the Group's financing activities within an approved threshold, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner. The MCC regularly reports to the BECC and BRC through its Chairperson and the Chief Risk Officer regarding matters related to its primary purpose.

29 Risk management (continued)

Risk management philosophy and framework (continued)

Senior Management Level Committees (continued)

Asset Liability Committee ("ALCO")

The ALCO is responsible to actively monitor and manage committed and outstanding assets and liabilities, and to recommend appropriate funding, investment, and hedging strategies. In addition, the ALCO is responsible for ensuring continuous liquidity required for growth while complying with the regulatory requirements. The ALCO regularly reports to the BRC through the Chief Risk Officer regarding matters related to market and liquidity risks.

29.1 Credit risk

Credit risk is the risk emanating when a counter party of the Group does not fulfil its contractual obligation or the quality of an issuer deteriorates. It arises principally from financing, trade finance and treasury activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by country, product, industry, and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification.

The Group's total credit portfolio and therefore the maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

	2017 AED'000	2016 AED'000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Balances with the UAE Central Bank	4,448,280	3,221,863
Due from banks	4,880,190	5,525,828
Investments in Islamic financing instruments	27,449,688	25,918,388
Investment in Islamic sukuk	3,726,988	4,056,681
Other assets (excluding prepayments)	675,340	319,201
	41,180,486	39,041,961
Credit risk exposures relating to off-balance sheet items are as follows:		
Contingencies and commitments	5,105,434	5,644,414

The above table excludes revocable commitments and represents a worst case scenario of credit risk exposure of the Group at the reporting date without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position at the reporting date.

At 31 December 2017, 67% (31 December 2016: 66%) of the total maximum exposure arises from investments in Islamic financing instruments for which credit quality and risk concentration are disclosed in Note 6.

29 Risk management (continued)

29.1 Credit risk (continued)

The table below presents an analysis of balances due from banks and investment in Islamic sukuk based on ratings obtained from external rating agencies:

	2017		2016	
	Due from banks AED'000	Investments in Islamic sukuk AED'000	Due from banks AED'000	Investments in Islamic sukuk AED'000
AAA to AA-	28,131	-	9,949	146,793
A+ to BBB-	2,400,357	1,813,728	3,841,570	2,034,553
BB+ & below	1,683,525	1,016,570	792,390	840,570
Unrated	768,177	896,690	881,919	1,034,765
	4,880,190	3,726,988	5,525,828	4,056,681

The unrated investment in Islamic sukuk are issued by the Governments and local reputed companies. The unrated balances with the banks are with reputed international banks. There are no past due or impaired balances with the banks.

Following are the risk management policies adopted by the Group to ensure credit quality and minimise the risk of concentration:

(a) Credit rating and measurement

The risk rating system is the basis for determining the credit risk of the Group's asset portfolio (except the consumer assets) and thus asset pricing, portfolio management, determining finance loss provisions and reserves and the basis for credit approval authority delegation. A standard numeric credit risk-grading system is being used by the Group which is based on the Group's internal estimate of probability of default, with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty's financial position, past experience and other factors.

Performing clients are rated on a scale of NOR1 to NOR7, each grade being associated with a Probability of Default ("PD"). Non-performing clients are rated NPA-1, NPA-2 and NPA-3, corresponding to the Substandard, Doubtful and Loss classifications as per *Clarifications and Guidelines Manual for Circular No. 28/2012* issued by the UAE Central bank. The Group's internal credit grades have also been mapped to external agency ratings for better comparison.

(b) Credit approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by the Group's Management Credit Committee ("MCC") within the authorities delegated by the Board of Directors.

29 Risk management (continued)

29.1 Credit risk (continued)

(c) Credit monitoring

The Group regularly monitors credit exposures and external trends which may impact risk management outcomes. Internal risk management reports are presented to the Chief Risk Officer / Chief Credit Officer and Board Risk Committee, containing information on key variables; portfolio delinquency and financing impairment performance.

All Corporate exposures accounts are monitored carefully for performance and reviewed formally on an annual basis or earlier. Group has robust policies for client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed well in time. An exposure is categorised as watch list or non-performing as per UAE Central Bank guidelines.

All non-performing accounts are monitored closely by the Remedial Management Unit of the Group directly reporting to the Chief Risk Officer. Such accounts are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exit of the account etc.

With respect to the Group's consumer portfolio, asset quality is monitored closely with 30/60/90 days past due accounts and delinquency trends are monitored continuously for each Consumer Product of the Group. Accounts which are past due are subject to collection process, managed independently by the risk function.

(d) Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit etc. Risk mitigation policies control the approval of collateral types.

Collateral is valued in accordance with the Group's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financings is maintained at fair value.

29 Risk management (continued)

29.1 Credit risk (continued)

Collateral and other credit enhancements possessed or called upon

During the year, the Group obtained assets by taking possession of collateral as follows:

	31 December 2017			**31 December 2016**		
	Retail AED'000	Corporate AED'000	Total AED'000	Retail AED'000	Corporate AED'000	Total AED'000
Property	12,266	-	12,266	44,865	-	44,865
Vehicles	2,348	-	2,348	945	-	945
	14,614	-	14,614	45,810	-	45,810

Repossessed collateral is either disposed of or is classified as investment property in accordance with the Group's approved policy.

(e) Offsetting financial instruments

The Group has not entered in significant master netting arrangement with counterparties which enable them to settle transactions on net basis. In absence of such agreements the financial asset and liabilities are settled on gross basis.

29 Risk management (continued)

29.2 Liquidity risk

Liquidity risk is the risk that the Group is not in a position to fund growth in assets or meet obligations as they become due. Liquidity risk arises in the normal course of business by taking shorter term deposits, often repayable on demand or at short notice, and using these deposits to fund credit facilities over medium to longer periods. The Group has defined the liquidity risk appetite at a level so as to ensure that the Group has a controlled liquidity risk position with adequate cash or cash equivalents to be able to meet its financial obligations, in all foreseeable circumstances and without incurring substantial additional costs.

Asset Liability Committee (ALCO)

The ALCO develops and implements the policy and procedures that translate the Group's goals, objectives, and risk tolerances into operating standards that are well understood by Group staff. ALCO oversees the implementation and maintenance of management information and other systems that identify, measure, monitor and control the bank's liquidity risk.

Liquidity management and monitoring

The Group's daily liquidity management activity is performed by the Treasury Department. Treasury's activity is overseen by the Market Risk team which measures, monitors and reports on liquidity management activity, covering the following activities:

- Monitoring of the maturity profile of assets and liabilities on a continuous basis inclusive of currency wise position analysis;
- Forecasting future cash flows between sources and uses of funds;
- Stress testing based on the sensitivity analysis of key factors and combined events:
- Measuring Key regulatory liquidity indicators e.g. Advances to Stable Resources ratio (ASRR) ratio, Eligible Liquid Assets ratio (ELAR), Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). In addition to these ALCO has also set targets maximum cumulative outflow (MCO) including for a set of various other ratios ensuring proper liquidity measurement;
- Monitoring of concentration risks in deposit sources; and
- Monitoring of early warning indicators to assess the potential impact arising from a series of defined idiosyncratic and systemic stress scenarios.

ALCO has also set internal targets for above measures (wherever applicable) which are generally conservative than the requirements set by the regulator.

Liquidity Contingency plan

The Group has a formal liquidity contingency plan approved by Board of Directors (BOD) that contains clearly documented management action triggers for each type of event and recommended actions against those events with defined roles and responsibilities for key personnel.

29 Risk management (continued)

29.2 Liquidity risk (continued)

(a) The following table presents the cash flow analysis of remaining contractual maturities of Group's financial liabilities on an undiscounted basis, relating to both principal and profit payments:

	Carrying amount AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	More than 5 years AED'000	Total AED'000
At 31 December 2017						
Customer deposits	30,329,118	19,516,277	7,604,061	3,500,700	-	30,621,038
Due to banks	1,908,507	909,047	566,570	455,082	-	1,930,699
Sukuk financing instruments	1,836,450	-	51,203	1,913,255	-	1,964,458
Other liabilities	2,739,094	2,739,094	-	-	-	2,739,094
	36,813,169	23,164,418	8,221,834	5,869,037	-	37,255,289
At 31 December 2016						
Customer deposits	29,802,499	23,054,257	4,092,469	2,881,346	8,285	30,036,357
Due to banks	2,553,730	2,549,236	11,282	-	-	2,560,518
Sukuk financing instruments	1,836,450	-	51,203	1,964,458	-	2,015,661
Other liabilities	1,041,354	1,041,354	-	-	-	1,041,354
	35,234,033	26,644,847	4,154,954	4,845,804	8,285	35,653,890

As at 31 December 2017, top 20 customers constitute 33% of total customer deposits (31 December 2016: 36%). Customer deposits due for maturity within 3 months include Escrow account balances and lien marked Qard-E-Hasan (demand) deposit balances which are expected to be retained for longer than 3 months. Remaining customer deposits, although contractually short term in nature, tend to be renewed on maturity and expected to remain with the Bank for a longer term.

29 Risk management (continued)

29.2 Liquidity risk (continued)

(b) Maturity profile of financial assets and financial liabilities

At 31 December 2017	Up to 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	More than 5 years AED'000	Total AED'000
Assets					
Cash and balances with the UAE Central Bank	4,577,677	-	-	-	4,577,677
Due from banks	4,306,648	573,542	-	-	4,880,190
Investments in Islamic financing instruments	1,886,028	3,427,254	11,017,270	11,119,136	27,449,688
Investments in Islamic sukuk	73,458	52,000	1,506,940	2,094,590	3,726,988
Other assets	647,310	-	-	28,030	675,340
Total	11,491,121	4,052,796	12,524,210	13,241,756	41,309,883
Liabilities					
Customer deposits	19,428,127	7,455,212	3,445,779	-	30,329,118
Due to banks	907,097	560,674	440,736	-	1,908,507
Sukuk financing instruments	-	-	1,836,450	-	1,836,450
Other liabilities	2,739,094	-	-	-	2,739,094
Total	23,074,318	8,015,886	5,722,965	-	36,813,169
Net liquidity gap	(11,583,197)	(3,963,090)	6,801,245	13,241,756	4,496,714
Cumulative gap	(11,583,197)	(15,546,287)	(8,745,042)	4,496,714	

29 Risk management (continued)

29.2 Liquidity risk (continued)

(b) Maturity profile of financial assets and financial liabilities (continued)

At 31 December 2016	Up to 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	More than 5 years AED'000	Total AED'000
Assets					
Cash and balances with the UAE Central Bank	3,376,938	-	-	-	3,376,938
Due from banks	4,112,458	1,413,370	-	-	5,525,828
Investments in Islamic financing instruments	2,439,139	2,007,516	10,311,745	11,159,988	25,918,388
Investments in Islamic sukuk	62,097	890	2,016,100	1,977,594	4,056,681
Other assets	290,671	-	-	28,530	319,201
Total	10,281,303	3,421,776	12,327,845	13,166,112	39,197,036
Liabilities					
Customer deposits	22,918,186	4,031,629	2,845,038	7,646	29,802,499
Due to banks	2,542,711	11,019	-	-	2,553,730
Sukuk financing instruments	-	-	1,836,450	-	1,836,450
Other liabilities	1,041,354	-	-	-	1,041,354
Total	26,502,251	4,042,648	4,681,488	7,646	35,234,033
Net liquidity gap	(16,220,947)	(620,872)	7,646,357	13,158,466	3,963,004
Cumulative gap	(16,220,947)	(16,841,819)	(9,195,462)	3,963,004	

29 Risk management (continued)

29.3 Market risk (continued)

Market risk is the potential impact of adverse price movements such as benchmark rates, foreign exchange prices and commodity prices on the earnings/economic value of an asset held by the Group. The exposure to market risk occurs throughout the contract which may negatively affect the earnings and capital of the Group. The market risk unit is responsible for monitoring and reporting this risk in the Group.

(a) Profit rate risk

The following table summarises the financial assets and liabilities of the Group, which are subject to profit rate risk, at carrying amounts categorised by the earlier of contractual re-pricing or maturity dates. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period:

At 31 December 2017	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-profit bearing	Total	Profit rate
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	%
Cash and balances with the UAE Central Bank	500,000	-	-	-	4,077,677	4,577,677	1.20
Due from banks	3,732,556	573,542	-	-	574,092	4,880,190	2.85
Investments in Islamic financing instruments	16,049,527	5,980,972	4,707,249	711,940	-	27,449,688	4.92
Investments in Islamic sukuk	73,457	86,107	1,676,476	1,890,948	-	3,726,988	4.54
	20,355,540	6,640,621	6,383,725	2,602,888	4,651,769	40,634,543	
Liabilities							
Customer deposits	9,936,560	7,422,335	3,446,355	-	9,523,868	30,329,118	1.52
Due to banks	610,237	560,674	440,736	-	296,860	1,908,507	2.21
Sukuk financing instruments	-	-	1,836,450	-	-	1,836,450	2.79
	10,546,797	7,983,009	5,723,541	-	9,820,728	34,074,075	
Net position on balance sheet	9,808,743	(1,342,388)	660,184	2,602,888	(5,168,959)	6,560,468	

29 Risk management (continued)

29.3 Market risk

(a) Profit rate risk (continued)

At 31 December 2016	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-profit bearing	Total	Profit rate
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	%
Cash and balances with the UAE Central Bank	-	-	-	-	3,376,938	3,376,938	-
Due from banks	3,245,936	1,413,370	-	-	866,522	5,525,828	2.72
Investments in Islamic financing instruments	12,818,826	6,912,737	5,785,072	401,753	-	25,918,388	4.92
Investments in Islamic sukuk	62,097	890	2,287,368	1,706,326	-	4,056,681	4.34
	16,126,859	8,326,997	8,072,440	2,108,079	4,243,460	38,877,835	
Liabilities							
Customer deposits	12,670,925	4,014,475	2,813,142	7,645	10,296,312	29,802,499	1.39
Due to banks	1,930,402	11,019	-	-	612,309	2,553,730	1.20
Sukuk financing instruments	-	-	1,836,450	-	-	1,836,450	2.79
	14,601,327	4,025,494	4,649,592	7,645	10,908,621	34,192,679	
Net position on balance sheet	1,525,532	4,301,503	3,422,848	2,100,434	(6,665,161)	4,685,156	

The impact of 1% change in profit rates would impact AED 107 million (31 December 2016: AED 81 million) on the Group's consolidated income statement for the year ended 31 December 2017. The analysis is based on the assumptions that all other variables will remain constant and income simulation for 1 year forecast.

29 Risk management (continued)

29.3 Market risk (continued)

(b) Foreign currency risk

Foreign currency risk represents the risk of change in the fair value of financial assets and financial liabilities due to changes in foreign exchange rates. The Bank manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows through setting limits on the level of exposure by currency. At the end of the year, the Bank had the following significant net foreign currency exposures:

	Balances in Foreign Currency						Balances in local currency	
	USD	EUR	GBP	SAR	Others	Sub-total		Total
At 31 December 2017	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets								
Cash and balances with the UAE Central Bank	956,461	-	-	-	-	956,461	3,621,216	4,577,677
Due from banks	3,777,939	15,414	52,087	18,915	261,843	4,126,198	753,992	4,880,190
Investments in Islamic financing instruments	4,889,520	-	-	170,160	-	5,059,680	22,390,008	27,449,688
Investments in Islamic sukuk	3,726,988	-	-	-	-	3,726,988	-	3,726,988
Other assets	341,970	277	14,884	-	-	357,131	318,209	675,340
	13,692,878	15,691	52,087	203,959	261,843	14,226,458	27,083,425	41,309,883
Liabilities								
Customer deposits	6,285,609	1,715,423	289,406	733,443	438,087	9,461,968	20,867,150	30,329,118
Due to banks	1,318,839	-	24,818	-	933	1,344,590	563,917	1,908,507
Sukuk financing instruments	1,836,450	-	-	-	-	1,836,450	-	1,836,450
Other liabilities	1,858,481	37,241	-	1,466	4	1,897,192	841,902	2,739,094
	11,299,379	1,752,664	314,224	734,909	439,024	14,540,200	22,272,969	36,813,169
Net on-balance sheet foreign currency exposure	2,393,499	(1,736,973)	(262,137)	(530,950)	(177,181)	(313,742)		
Net FX position on account of FX contracts	(755,883)	1,739,753	260,850	507,161	166,376	1,918,257		
Net FX open position	1,637,616	2,780	(1,287)	(23,789)	(10,805)	1,604,515		

29 Risk management (continued)

29.3 Market risk (continued)

(b) Foreign currency risk (continued)

	Balances in Foreign Currency						Balances in local currency	Total
	USD	EUR	GBP	SAR	Others	Sub-total		
At 31 December 2016	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets								
Cash and balances with the UAE Central Bank	1,083,761	-	-	-	-	1,083,761	2,293,177	3,376,938
Due from banks	1,843,641	63,149	96,006	18,804	66,481	2,088,081	3,437,747	5,525,828
Investments in Islamic financing instruments	5,763,494	-	-	347,338	-	6,110,832	19,807,556	25,918,388
Investments in Islamic sukuk	4,056,681	-	-	-	-	4,056,681	-	4,056,681
Other assets	67,979	7,018	5	7,323	2	82,327	236,874	319,201
	12,815,556	70,167	96,011	373,465	66,483	13,421,682	25,775,354	39,197,036
Liabilities								
Customer deposits	6,512,057	2,047,367	287,179	5,486	77,885	8,929,974	20,872,525	29,802,499
Due to banks	1,067,263	-	1,356	-	968	1,069,587	1,484,143	2,553,730
Sukuk financing instruments	1,836,450	-	-	-	-	1,836,450	-	1,836,450
Other liabilities	74,367	32,070	-	3	5	106,445	934,909	1,041,354
	9,490,137	2,079,437	288,535	5,489	78,858	11,942,456	23,291,577	35,234,033
Net on-balance sheet foreign currency exposure	3,325,419	(2,009,270)	(192,524)	367,976	(12,375)	1,479,226		
Net FX position on account of FX contracts	(2,231,943)	2,003,384	191,357	(385,101)	(276,286)	(698,589)		
Net FX open position	1,093,476	(5,886)	(1,167)	(17,125)	(288,661)	780,637		

The impact of an 1% increase/decrease in the foreign exchange rates of the Bank's net on-balance sheet items is AED 2.43 million on the Group's consolidated income statement for the year ended 31 December 2017 (31 December 2016: AED 2.0 million). The analysis is based on the assumptions that all other factors will remain constant.

29 Risk management (continued)

29.3 Market risk (continued)

(c) Price risk

The Bank is exposed to price risk arising from publicly traded investments in Islamic sukuk classified as at fair value through income statement and available-for-sale.

A present value one basis point (PVBP) increase/decrease in the prices will have an impact of AED 1.86 million on the Group's investment portfolio for the year ended 31 December 2017 (31 December 2016: AED 1.99 million). The analysis is based on the assumptions that all other variables will remain constant.

29.4 Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in an active market for identical financial instruments.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

29 Risk management (continued)

29.4 Fair value hierarchy (continued)

The financial instruments and non-financial assets measured at fair value as per the hierarchy are disclosed in the table below:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
As at 31 December 2017			
Financial assets at fair value			
Investments in Islamic sukuk			
- Classified as available-for-sale	2,476,174	-	-
- Classified as held-for-trading	405,985	259,284	-
Islamic derivatives	-	36,218	-
	2,882,159	295,502	-
Financial liabilities			
Islamic derivatives	-	10,556	-
As at 31 December 2016			
Financial assets at fair value			
Investments in Islamic sukuk			
- Classified as available-for-sale	2,402,787	-	-
- Classified as held-for-trading	565,987	259,139	-
Islamic derivatives	-	16,225	-
	2,968,774	275,364	-
Financial liabilities			
Islamic derivatives	-	54,714	-

The different levels for fair values of non-financial assets have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For investment properties and land and buildings, the fair values have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

29 Risk management (continued)

29.4 Fair value hierarchy (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
As at 31 December 2017			
Non-financial assets at fair value			
Investment properties	-	1,178,947	-
Buildings	-	124,937	-
	-	1,303,884	-
As at 31 December 2016			
Non-financial assets at fair value			
Investment properties	-	1,186,117	-
Buildings	-	133,271	-
	-	1,319,388	-

At 31 December 2017, the carrying value of the Group's financial assets and liabilities measured at amortised cost, approximate their fair values. There have been no transfers of financial assets and non-financial assets between Level 1 and Level 2 during the years ended 31 December 2017 or 2016.

29.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed processes, people, technology and infrastructure within the Group, and from external factors other than credit, market and liquidity risks such as those arising from disruptive business events, natural disasters, non-compliance with regulations and generally accepted standards of corporate behaviour.

The Group has sound Operational Risk Management Framework, which outlines approaches to identifying, measuring, reporting and mitigating operational, information security and business continuity risks with forward looking management discipline. The management of operational risk is the primary responsibility of each business or support function and implementation of the framework is co-ordinated by a dedicated team under leadership of Chief Risk Officer, who maintains supervisory oversight and drives improvement in areas such as:

- Adequacy of segregation of duties and controls over critical processes and services
- New products or services launch, changes to existing product or services
- Critical outsourcing and service arrangement with third parties and business partners
- Review of new systems, applications or service delivery solutions
- Review of significant control break-downs, operational losses or near-misses, unethical sales and marketing practices, etc.
- Development of strong risk culture through staff awareness and risk socialization programmes

29 Risk management (continued)

29.5 Operational risk (continued)

Information Security

Information Security risk is increasingly assuming prominent threat potential in digital age. The Group recognizes its key dependencies on systems, people and service processes and the risks, to which they are exposed to both from internal and external factors.

To mitigate these threats, the Group has implemented robust information security framework based on leading international standards like ISO 27000 series and industry best practices.

Business Continuity Management

The Group is committed to ensure continuity and resilience of its key business processes and service deliveries against internal and external disruptive events, natural calamities, etc. To achieve these objectives, the Group has designed and implemented robust Business Continuity Management Framework by identifying disruptive scenarios, developing continuity plans and periodically testing the same for their continued viability.

29 Risk management (continued)

29.6 Capital management and capital adequacy requirement

The Group manages its capital considering both regulatory and economic capital. The Group calculates its risk asset ratio in accordance with requirements and guidelines established by the UAE Central Bank prescribing the ratio of total capital to total risk-weighted assets which is currently set at a minimum of 12% (2016: 12%). This is in line with the assessment and reporting of capital adequacy ratio in accordance with the Basel II Accord as follows:

	2017 AED'000	2016 AED'000
Tier I Capital		
Share capital	3,574,895	3,357,895
Tier 1 sukuk	1,836,500	1,836,500
Statutory reserve	286,779	249,690
Retained earnings/(accumulated losses)	40,450	(181,459)
Less: Other equity investments	(13,250)	(13,500)
	5,725,374	5,249,126
Tier II Capital		
General provision	386,522	364,790
Asset revaluation reserve	(7,250)	(34,454)
Less: Other equity investments	(13,250)	(13,500)
	366,022	316,836
Deductions from Tier I & Tier II Capital		
Investment in other equity investments	-	-
Total regulatory capital	6,091,396	5,565,962
Risk weighted assets		
Credit risk	30,921,732	29,183,223
Market risk	269,044	514,761
Operational risk	2,964,434	2,568,854
Risk weighted assets	34,155,210	32,266,838
Capital adequacy ratio on regulatory capital	17.83%	17.25%
Risk asset ratio on Tier I capital	16.76%	16.27%

The UAE Central Bank introduced issued Basel III capital regulations, which came into effect from 1 February 2017 (parallel reporting for Quarter 2 2017, Quarter 3 2017 and Primary reporting from Quarter 4, 2017 onwards) introducing minimum capital requirements at three levels, Common Equity Tier 1 ('CET 1'), Tier 1 ('T1') and Total Capital.

29 Risk management (continued)

29.6 Capital management and capital adequacy requirement (continued)

The capital adequacy ratio as per Basel III capital regulation are as follows:

	2017 AED'000
CET 1 Capital	
Share capital	3,574,895
Statutory reserve	286,779
Retained earnings	40,450
Asset revaluation reserve	(7,250)
	3,894,874
Additional Tier 1 (AT1) Capital	
Tier 1 sukuk	1,836,500
Total Tier 1 Capital	5,731,374
Tier 2 Capital	
General provision	386,853
Total Tier 2 Capital	386,853
Total regulatory capital	6,118,227
Risk weighted assets	
Credit risk	30,948,232
Market risk	269,044
Operational risk	2,964,434
Risk weighted assets	34,181,710

	2017 Minimum Requirement	2017 Actual Ratio
Common equity tier 1 ratio*	8.25%	11.39%
Tier 1 capital ratio*	9.75%	16.77%
Capital adequacy ratio*	11.75%	17.90%

* Including capital conservation buffer requirement of 1.25%.

29 Risk management (continued)

29.6 Capital management and capital adequacy requirement (continued)

			Credit risk mitigation (CRM)			
Asset classes in 2017	On balance sheet gross outstanding AED'000	Off balance sheet exposure AED'000	Exposure before CRM (net off specific provision and profit in suspense) AED'000	CRM AED'000	Net exposure after CRM, CCF and Other adjustments AED'000	Risk weighted assets AED'000
Claims on sovereigns	6,445,659	-	6,445,659	-	6,445,659	640,943
Claims on non-central government public sector entities	240,273	498,649	738,922	-	489,597	29,953
Claims on multilateral development banks	14,649	-	14,649	-	14,649	7,324
Claims on banks	5,250,315	213,431	5,463,747	(98,790)	5,454,247	2,589,514
Claims on securities firms	7,112		7,112	-	7,112	7,112
Claims on corporates	18,183,304	7,772,519	25,955,822	(1,492,375)	20,124,442	18,768,351
Claims included in the regulatory retail portfolio	4,526,958	466,158	4,993,116	(254,422)	4,526,958	3,311,428
Claims secured by residential property	4,836,178	159,403	4,995,581	-	4,870,137	1,956,875
Claims secured by commercial real estate	993,821	2,895	996,717	-	994,400	994,400
Past due financing	1,273,464	11,690	1,285,154	-	363,826	363,826
Other assets	3,146,978	-	3,146,978	-	2,993,449	2,278,506
	44,918,711	9,124,745	54,043,457	(1,845,587)	46,284,476	30,948,232

The total collateral held by the Group as CRM includes AED 1.5 billion as cash collateral (31 December 2016: AED 2.2 billion as cash collateral).

29 Risk management (continued)

29.6 Capital management and capital adequacy requirement (continued)

			Credit risk mitigation (CRM)			
Asset classes in 2016	On balance sheet gross outstanding AED'000	Off balance sheet exposure AED'000	Exposure before CRM (net off specific provision and profit in suspense) AED'000	CRM AED'000	Net exposure after CRM, CCF and Other adjustments AED'000	Risk weighted assets AED'000
Claims on sovereigns	5,189,677	-	5,189,677	(73,462)	5,189,677	990,280
Claims on non-central government public sector entities	77,336	-	77,336	-	77,336	775
Claims on banks	6,407,480	205,730	6,613,210	(79,601)	6,597,584	3,035,529
Claims on securities firms	7,829	-	7,829	-	7,829	7,829
Claims on corporates	16,810,282	10,551,539	27,361,821	(1,993,361)	18,931,776	17,009,783
Claims included in the regulatory retail portfolio	4,505,248	407,027	4,912,275	(223,092)	4,505,248	3,270,276
Claims secured by residential property	4,578,776	381,560	4,960,336	-	4,692,294	1,944,559
Claims secured by commercial real estate	832,578	5,025	837,603	-	833,583	833,583
Past due financing	1,421,599	13,788	411,082	-	400,159	400,159
Other assets	2,801,753	-	2,674,293	-	2,674,293	1,690,450
	42,632,558	11,564,669	53,045,462	(2,369,516)	43,909,779	29,183,223

29 Risk management (continued)

29.6 Capital management and capital adequacy requirement (continued)

The capital requirement for market risk under the standardised approach is as follows:

	2017		2016	
	Risk weighted assets AED'000	Capital charge AED'000	Risk weighted assets AED'000	Capital charge AED'000
Profit rate risk	257,939	30,953	421,361	50,564
Foreign exchange risk	11,105	1,333	93,400	11,208
	269,044	32,286	514,761	61,772

Capital charge for year ended 31 December 2017 has been calculated at 12% (31 December 2016: 12%).

30 Comparative figures

The following comparative figures have been reclassified to conform to the presentation adopted in the consolidated statement of financial position.

	Previously reported 2016 AED'000	Reclassification 2016 AED'000	After reclassification 2016 AED'000
ASSETS			
Other assets (Note 9)	324,554	8,888	333,442
LIABILITIES			
Customer deposits (Note 11)	29,834,161	31,662	29,802,499
Other liabilities (Note 14)	1,007,946	40,550	1,048,496

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