Ajman Bank PJSC

Reports and consolidated financial statements
for the year ended 31 December 2015

These audited consolidated financial statements are subject to approval of the Central Bank of U.A.E and adoption by shareholders at the annual general meeting.

Ajman Bank PJSC

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Ajman Bank PJSC

Board of Directors' report

The Board of Directors has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2015.

Incorporation and registered offices

Ajman Bank PJSC is incorporated as a Public Joint Stock Company. The Bank and its subsidiaries are collectively referred to as the "Group". The Bank has its registered office at Al Sanad Building, Mushrif Area, Sheikh Zayed Road, P.O. Box 7770, Ajman, United Arab Emirates ("UAE") and was legally incorporated on 17 April 2008. The Bank was registered with the Securities and Commodities Authority ("SCA") on 12 June 2008 and obtained a license from the Central Bank of the UAE to operate as a Head Office on 14 June 2008. On 1 December 2008, the Bank obtained a branch banking license from UAE Central Bank and commenced its operations on 22 December 2008. In addition to its main office in Ajman, the Bank operates through eight branches and one pay office in the UAE.

Principal activities

The principal activities of the Group are to undertake banking, financing and investing activities through various Islamic financing and investing assets such as Murabaha, Mudarba, Musharaka, Wakala, Sukuk and Ijarah. The activities of the Group are conducted in accordance with the Islamic Sharia'a principles and within the provisions of its Memorandum and Articles of Association.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2015 are set out in the accompanying consolidated financial statements.

Dividend

The Directors recommend the distribution of a 7% bonus shares dividend in respect of the year ended 31 December 2015, subject to the Central Bank's approval.

Directors

The following were the Directors of the Bank for the year ended 31 December 2015:

H.E. Sheikh Ammar Bin Humaid Al Nuaimi - Chairman
H.E. Sheikh Ahmed Bin Humaid Al Nuaimi - Deputy Chairman
H.E. Sheikh Rashid Bin Humaid Al Nuaimi
Dr. Ali Rashid Abdulla Al Nuaimi
Mr. Ali Bin Abdullah Al Hamrani
Mr. Salem Rashid Al Khudur
Mr. Yousef Ali Fadil Bin Fadil
Mr. Mohammad Hussain Al Shaali

Auditors

The consolidated financial statements for the year ended 31 December 2015 have been audited by Deloitte & Touche (M.E.) and, being eligible, offer themselves for reappointment.

By order of the Board of Directors

H.E. Sheikh Ammar Bin Humaid Al Nuaimi
Chairman

20 January 2016

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Ajman Bank PJSC** ("the Bank") **and its subsidiaries** (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and its 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Ajman Bank PJSC and its subsidiaries** as at 31 December 2015 and Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte.

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

Other matters

The comparative amounts in the consolidated statement of financial position, consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of change in equity, consolidated statement of cash flow for the year ended and the related explanatory information were audited by another auditor whose report dated 5 February 2015 expressed an unmodified opinion hereon.

Report on other legal and regulatory requirements

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

i) we have obtained all the information, we considered necessary for the purposes of our audit;

ii) 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;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the consolidated financial statements of the Group;

v) note 12 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended 31 December 2015;

vi) note 29 to the consolidated financial statements reflects material related party transactions, and the terms under which they were conducted.

vii) 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 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and

viii) note 34 to the consolidated financial statements reflects the social contributions made during the year.

Further, as required by the UAE Union Law No (10) of 1980, as amended, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)

Musa Ramahi
Partner
Registration Number 872

20 January 2016

Consolidated statement of financial position as at 31 December 2015

	Notes	2015 AED'000	2014 AED'000
ASSETS			
Cash and balances with the Central Bank	9	**1,541,736**	413,234
Due from banks and other financial institutions	10	**251,634**	1,431,373
Islamic financing and investing assets, net	11	**11,130,785**	8,536,309
Investment securities	12	**881,609**	518,547
Investment property	13	**78,000**	52,000
Property and equipment	14	**140,471**	43,848
Other assets	15	**297,413**	235,977
Total assets		**14,321,648**	11,231,288
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	16	**11,012,126**	8,508,742
Due to banks and other financial institutions	17	**1,817,888**	1,329,947
Other liabilities	18	**260,785**	289,431
Total liabilities		**13,090,799**	10,128,120
Equity			
Share capital	19	**1,050,000**	1,000,000
Statutory reserve	20	**26,910**	14,702
Investment fair value reserve		**(19,375)**	(26,407)
Retained earnings		**173,314**	114,873
Total equity		**1,230,849**	1,103,168
Total liabilities and equity		**14,321,648**	11,231,288

H.E. Sheikh Ammar Bin Humaid Al Nuaimi
Chairman

Mohamed Abdulrahman Amiri
Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated income statement
for the year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
Operating income			
Income from Islamic financing and investing assets	22	**488,289**	364,270
Income from investment securities	23	**30,929**	33,456
Fees, commission and other income	24	**79,669**	68,673
Total operating income before depositors' share of profit		**598,887**	466,399
Depositors' share of profits		**(177,269)**	(109,215)
Net operating income		**421,618**	357,184
Expenses			
Staff costs	25	**(163,728)**	(148,195)
General and administrative expenses	26	**(52,748)**	(46,322)
Depreciation of property and equipment	14	**(16,882)**	(13,730)
Impairment charge for Islamic financing and investing assets	11	**(60,903)**	(75,284)
Impairment charge on other receivables		**(5,282)**	(2,257)
Total expenses		**(299,543)**	(285,788)
Profit for the year		**122,075**	71,396
Basic earnings per share (AED)	27	**0.115**	0.068

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Profit for the year	**122,075**	71,396
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Fair value gain on available for sale investment	**10,340**	2,826
Available for sale investments		
Reclassification adjustments relating to available for sale financial assets disposed of in the year	**(3,308)**	(10,023)
Other comprehensive income/(loss) for the year	**7,032**	(7,197)
Total comprehensive income for the year	**129,107**	64,199

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2015

	Share capital AED'000	Statutory reserve AED'000	Investment fair value reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2014	1,000,000	7,562	(19,210)	50,617	1,038,969
Profit for the year	-	-	-	71,396	71,396
Other comprehensive loss	-	-	(7,197)	-	(7,197)
Total comprehensive income for the year	-	-	(7,197)	71,396	64,199
Transfer to statutory reserve	-	7,140	-	(7,140)	-
At 31 December 2014	1,000,000	14,702	(26,407)	114,873	1,103,168
At 1 January 2015	1,000,000	14,702	(26,407)	114,873	1,103,168
Profit for the year	-	-	-	122,075	122,075
Other comprehensive income	-	-	7,032	-	7,032
Total comprehensive income for the year	-	-	7,032	122,075	129,107
Transfer to statutory reserve	-	12,208	-	(12,208)	-
Stock dividend (Note 21)	50,000	-	-	(50,000)	-
Directors' remuneration	-	-	-	(1,426)	(1,426)
At 31 December 2015	**1,050,000**	**26,910**	**(19,375)**	**173,314**	**1,230,849**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2015

	Note	2015 AED'000	2014 AED'000
Cash flow from operating activities			
Profit for the year		**122,075**	71,396
Adjustments for:			
Depreciation of property and equipment		**16,882**	13,730
Impairment charge		**66,185**	77,541
Fair value adjustment of investment securities		**(30,929)**	(33,456)
Realized gain on disposal of investment securities		**3,308**	-
Property and equipment written-off		**1,496**	1,668
Fair value adjustment of investment property		**(4,985)**	(2,039)
Operating cash flows before changes in operating assets and liabilities		**174,032**	128,840
Changes in operating assets and liabilities:			
Change in due from banks and other financial institutions		**(165,263)**	160,121
Change in Islamic financing and investing assets		**(2,655,379)**	(2,828,385)
Change in statutory deposit with the Central Bank		**(78,880)**	(58,957)
Change in other assets		**(61,436)**	(7,225)
Change in Islamic customers' deposits		**2,503,384**	3,029,649
Change in due to banks and other financial institutions		**487,941**	985,077
Change in other liabilities		**(28,646)**	59,731
Cash generated from operations		**175,753**	1,468,851
Payment of Directors' remunerations		**(1,426)**	-
Net cash generated from operating activities		**174,327**	1,468,851
Cash flows from investing activities			
Purchase of investment securities		**(502,698)**	(632,824)
Proceeds from sale of investment securities		**334,332**	638,368
Purchase of property and equipment		**(115,001)**	(16,876)
Increase in investment property		**(21,015)**	-
Net cash used in investing activities		**(304,382)**	(11,332)
Net (decrease)/increase in cash and cash equivalents		**(130,055)**	1,457,519
Cash and cash equivalents at the beginning of the year		**1,558,904**	101,385
Cash and cash equivalents at the end of the year	28	**1,428,849**	1,558,904

The accompanying notes form an integral part of these consolidated financial statements.

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

1. General information

Ajman Bank PJSC and its subsidiaries (the "Bank" or the "Group") is incorporated as a Public Joint Stock Company. The Bank and its subsidiaries are collectively referred to as the "Group". The Bank has its registered office at Al Sanad Building, Mushrif Area, Sheikh Zayed Road, P.O. Box 7770, Ajman, United Arab Emirates ("UAE") and was legally incorporated on 17 April 2008. The Bank was registered with the Securities and Commodities Authority ("SCA") on 12 June 2008 and obtained a license from the Central Bank of the UAE to operate as a Head Office on 14 June 2008. On 1 December 2008, the Bank obtained a branch banking license from UAE Central Bank and commenced its operations on 22 December 2008.

In addition to its main office in Ajman, the Bank operates through eight branches and one pay office in the UAE. The consolidated financial statements combine the activities of the Bank's head office and its branches.

The principal activities of the Bank are to undertake banking, financing and investing activities through various Islamic financing and investing assets such as Murabaha, Mudarba, Musharaka, Wakala, Sukuk and Ijarah. The activities of the Bank are conducted in accordance with the Islamic Sharia'a principles and within the provisions of its Memorandum and Articles of Association.

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

2.2 New and revised IFRSs in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative	1 January 2016

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants	1 January 2016
Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7 and IAS 19	1 January 2016
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) (continued)	1 January 2018

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 15 *Revenue from Contracts with Customers (continued)* The core principle of IFRS 15 is that an entity should recognize 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. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2018
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 *Financial Instruments*, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of IFRS 9 *Financial Instruments* may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

3. Definitions

The following terms are used in the consolidated financial statements with the meaning specified:

Murabaha

Is a contract whereby the Group (the "Seller") sells an asset to its customer (the "Purchaser"), on a deferred payment basis, after purchasing the asset and gaining possession thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. Murabaha profit is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding. The Murabaha sale price is paid by the Purchaser to the Seller on an installment basis over the period of the Murabaha as stated in the contract.

Wakala

Is an agreement between two parties whereby one party is a fund provider (the "Muwakkil") who provides a certain amount of money (the "Wakala Capital") to an agent (the "Wakeel"), who invests the Wakala Capital in a Sharia'a compliant manner and according to the feasibility study or investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle the Wakala profit is distributed on declaration or distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally distributed on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Group may act either as Muwakkil or as Wakeel, as the case may be.

Istisna'a

Is a sale contract between two parties whereby the Bank (the "Sani" or "Seller") undertakes to construct, for its customer (the "Mustasni" or "Purchaser"), a specific asset or property (being "Al-Masnoo") according to certain pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount. The work undertaken is not restricted to be accomplished by the Sani' alone and the whole or part of the construction or development can be undertaken by third parties under the control and responsibility of the Sani'. Under an Istisna'a contract the Bank could be the Sani' or the Mustasni'. Istisna'a profit (difference between the sale price of Al-Masnoo to the customer and the Bank's total Istisna'a cost) is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding.

3. Definitions (continued)

Mudaraba

Is a contract between two parties whereby one party is a fund provider (the "Rab Al Mal") who would provide a certain amount of funds (the "Mudaraba Capital"), to the other party (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity. In principle the Mudaraba profit is distributed on declaration or distribution by the Mudarib. However, since the Mudaraba profit is always reliably estimated it is internally distributed on a time-apportioned basis over the Mudaraba tenure based on the Mudaraba Capital outstanding. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal, provided the Rab Al Mal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences of the same on the Mudaraba. Under the Mudaraba contract the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

Musharaka

Is an agreement between the Group and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The Musharaka Capital may be contributed in cash or in kind, as valued at the time of entering into the Musharaka. The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement. In principle Musharaka profit is distributed on declaration or distribution by the managing partner. However, since the Musharaka profit is always reliably estimated, it is internally distributed on a time-apportioned basis over the Musharaka tenure based on the Musharaka Capital outstanding. Whereas the loss, if any, is shared in proportion to their capital contribution ratios, provided in the absence of the managing partner's negligence, breach or default, the Group receives satisfactory evidence that such loss was due to force majeure and that the managing partner neither was able to predict the same nor could have prevented the negative consequences of the same on the Musharaka.

Ijarah

Is an agreement whereby the Group (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing or acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term or periods, payable on fixed or variable rental basis.

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Ijarah rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rentals (which predominantly represent the cost of the leased assets).

3. Definitions (continued)

Sukuk

These comprise asset backed, Sharia'a compliant trust certificates.

4. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates laws.

The UAE Federal Law No. 2 of 2015 ("Companies Law") has come into force on 1 July 2015. The Bank has twelve months from the effective date of the Companies Law to comply with its provisions (the "transitional provisions") and the Bank has availed of these transitional provisions.

(b) Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments and investment property that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets, goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than that quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial statements are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

The principal accounting policies are set out below:

4. Significant accounting policies (continued)

(c) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has:

- power over the investee,
- exposure, or has rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders and other parties;
- rights raising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial period are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income is attributable to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to shareholders of the Parent.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

4. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss have been recognised in the consolidated statement of comprehensive income and accumulated in equity, the amounts previously recognised in the consolidated statement of comprehensive income and accumulated in equity are accounted for as if the Parent had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Central and other Groups and highly liquid financial assets with original maturities of less than three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value, and are used by the Group in the management of its short term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(e) Due from banks

Due from banks are stated at cost less any amounts written-off and allowance for impairment, if any

(f) Financial instruments

Financial assets and liabilities are recognised when a Bank's entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition

Financial assets

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, 'available for sale investment' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition

Effective profit method

The effective profit method is a method of calculating the amortised cost of a debt instrument and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective profit basis for debt instruments.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

Held-to-maturity (HTM)

Held-to-maturity (HTM) assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, where the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective profit method less any impairment.

Available-for-sale (AFS)

Available-for-sale (AFS) assets are those non-derivative financial assets that are designated as available-for-sale or not classified as (a) financing products, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Islamic financing and investing assets

Islamic financing and investing assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalents, Islamic finance receivables and other receivables) are measured at amortised cost using the effective profit method, less any impairment.

Profit income is recognised by applying the effective profit rate, except for short-term receivables when the effect of discounting is immaterial

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in profit or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective profit rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities (including other liabilities and accruals) are subsequently measured at amortised cost using the effective profit method.

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

4. Significant accounting policies (continued)

(g) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated income statement as incurred.

Depreciation

Depreciation is recognised in statement of income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Leasehold improvements	7
Computers and software	3 to 7
Office furniture and equipment	5
Motor vehicles	5
Buildings	25

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Gain and losses on disposals are determined by comparing proceeds with the carrying amount. The differences are included in the consolidated income statement.

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's accounting policies.

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

4. Significant accounting policies (continued)

(h) Investment property

Investment property is held to earn rental income and/or capital appreciation. Investment property includes cost of initial purchase, developments transferred from property under development, subsequent cost of development, and fair value adjustments. Investment property is reported at valuation based on fair value at the end of the reporting period. The 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, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the consolidated income statement in the period in which these gains or losses arise.

All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred. The fair value of investment property is based on the nature, location and condition of the specific asset.

(i) Customer deposits, placement by banks (Wakala deposits) and other liabilities

Customer deposits, placements by banks (Wakala deposits) and other liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(j) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

(k) Acceptances

Acceptances are recognised as financial liabilities in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments with respect to acceptances have been accounted for as financial assets and financial liabilities

4. Significant accounting policies (continued)

(l) Revenue recognition

Income from Islamic financing and investing assets and investment securities, including fees which are considered an integral part of the effective profit of a financial instrument, are recognized in the consolidated income statement using the effective profit rate method.

(m) Fees and other income

Fees and other income from banking services provided by the Group are recognized on an accrual basis when the service has been provided.

(n) Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

(o) Employees' benefits

The Group provides end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

(p) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized 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 flows (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.

(q) Foreign currency transactions

Transactions denominated in foreign currencies are translated into AED at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the foreign exchange rates ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into AED at the foreign exchange rates ruling on the date of the transaction. Realised and unrealised exchange gains and losses have been dealt within the consolidated income statement.

(r) Donations received

Donations are classified to the appropriate asset category and initially recognized and subsequently measured in accordance with the accounting policy relating to that particular asset category.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

4. Significant accounting policies (continued)

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or group of persons that allocates resources and assesses the performance of the operating segments of an entity. The Group has determined the Bank's Executive Committee as its chief operating decision maker. All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

(t) Fiduciary activities

The Group acts as trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the Group's consolidated financial statements as they are not assets of the Group.

(u) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts or when the Branches intend to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(v) Fair value measurement principles

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the consolidated income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

4. Significant accounting policies (continued)

(v) Fair value measurement principles (continued)

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, using the present value from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred

5. Critical accounting judgments and key sources of estimation of uncertainty

The Group's consolidated financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for certain items are especially critical for the Group's results and financial situation due to their materiality.

Impairment losses on Islamic financing and investing assets

The Group reviews its Islamic financing and investing assets portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of Islamic financing and investing assets before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5. Critical accounting judgments and key sources of estimation of uncertainty (continued)

Held-to-maturity investment securities

In accordance with IAS 39 guidance, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an other than insignificant amount close to maturity – the Group is required to reclassify the entire category as available for sale. Accordingly, the investment securities would be measured at fair value instead of amortised cost.

Investment property

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values have been determined using the residual method. The Residual method is applicable to properties where the value would be maximized if it were to be developed, redeveloped, or refurbished. To arrive at the current market value of the property in its existing state the estimated end development value is calculated, then all costs in carrying out the development are deducted, including cost of the physical construction, professional fees, financing, and developer's profit.

6. Financial risk management

The Group's activities expose it to a variety of financial risks and involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial services business, and the operational risks are an inevitable consequence of being in business. The Group's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, and is subject to risk limits and other controls.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realizable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk Management Framework

Risk management is carried out by the Risk Management Division under policies that are approved by the Board of Directors. The Risk Management Division is responsible for the independent review of risk management and the control environment. The most important types of risks that the Group is exposed to are, credit and concentrations risk, market risk and liquidity risk. Market risk includes profit rate risk, currency risk and price risk. The Group is also subject to operational risks. The independent risk control process does not however, monitor business risks such as changes in the environment, technology and industry. These risks are monitored through the Group's strategic planning process.

6. Financial risk management (continued)

6.1 Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks of the Group.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Executive committee

Executive committee acts as the Board's senior executive management assuring that the Board meets its strategic and operational objectives.

Audit committee

The Audit committee consists of Board members and its purpose is to assist the Board in fulfilling its oversight responsibility by:

- Overseeing the Group's financial reporting processes, maintaining accounting policies, reviewing and approving the financial information;
- Reviewing reports on the internal controls;
- Managing the relationship with the Group's external auditors; and
- Reviewing the internal audit reports and monitors control issues of major significance of the Group.

Sharia Board

The Sharia Board is responsible for Sharia governance in terms of overview and approval of products and documentation in relation to Sharia compatibility and overall Sharia compliance.

Risk & Compliance Committee of the Board ("RCC")

This RCC assists the Board of Directors in discharging its responsibilities with respect to ensuring that the Group's activities comply with the statutory laws and regulations, the system of internal control over financial reporting and with the Group's code of conduct.

Credit committee

Credit committee manages the credit risk of the Group by continuous review of credit limits, policies and procedures, the approval of specific exposures and work out situation, constant revaluation of the financing portfolio and the sufficiency of provisions thereof.

Asset and Liability Committee ("ALCO")

The objective of ALCO is to derive the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of profit rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy. The ALCO is also responsible to ensure that all strategies conform to the Group's risk appetite and levels of exposure as determined by the Board of Directors.

6. Financial risk management (continued)

6.1 Risk management structure (continued)

Human resource committee

Human resource committee manages the resources, performance and requirement of individuals required by Group on time to time basis.

Risk Management Division ("RMD")

The RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process. The RMD is also responsible for credit approval, credit administration, credit risk, market risk, operational risk and overall risk control.

Internal audit

Management processes at the Group are audited periodically by the internal audit function which examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal audit discusses the results of its assessments with management, and reports its findings and recommendations directly to the Audit Committee.

6.2 Risk measurement and reporting systems

The Group measures risks using conventional qualitative methods for credit, market and operational risks. Further, the Group also uses quantitative analysis and methods to support revisions in business and risk strategies as and when required. These analysis and methods reflect both the expected loss likely to arise in normal course of business or unexpected losses in an unforeseen event based on simple statistical techniques and probabilities derived from historical experience. The Group also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur or, in fact, occur.

Monitoring and controlling risks is primarily performed in relation to limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

6.3 Credit risk and concentrations of risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's Islamic financing instruments and investment securities.

Credit risk measurement

The Group's Risk Management Framework assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. The framework has been developed internally and combines statistical analysis with credit officer judgment and is validated, where appropriate, by comparison with externally available data.

The Group's exposure to credit risk is measured on an individual counterparty basis, as well as by group of counterparties that share similar attributes. To reduce the potential of risk concentration, credit limits have been established and are monitored in the light of changing counterparty and market conditions.

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Management of credit risk

The Group's Credit Risk Management Framework includes:

- Establishment of an authorization structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with the authorization structure and limits, prior to facilities being sanctioned to customers; renewals and reviews of facilities are subject to the same review process;
- Diversification of financing and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with the Group's risk management strategy and market trends.

Risks relating to credit-related commitments

The Group makes available to its customers, guarantees and letters of credit which require that the Group makes payments in the event that the customer fails to fulfill certain obligations to other parties. These instruments expose the Group to a similar risk to financing and investing assets and these are monitored by the same control processes and policies.

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Group monitors concentrations of credit risk by industry sectors and geographic location. Identified concentration of credit risk is controlled and managed accordingly.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Concentration of credit risk (continued)

By geographic location

Based on the domicile of the counterparties, the following table sets out the Group's main credit exposures at their carrying amounts, categorized by geographical region:

On balance sheet items

2015	**UAE AED'000**	**GCC AED'000**	**Other AED'000**	**Total AED'000**
Due from banks and other financial institutions	**75,574**	**1,186**	**174,874**	**251,634**
Islamic financing and investing assets:				
- Retail	**2,835,673**	**-**	**342**	**2,836,015**
- Corporate	**8,104,243**	**123,813**	**153,063**	**8,381,119**
- Treasury	**121,362**	**36,712**	**-**	**158,074**
Investment securities				
- Held-to-maturity	**352,227**	**166,747**	**-**	**518,974**
- Available-for-sale	**158,316**		**204,319**	**362,635**
Other assets	**820,953**	**-**	**-**	**820,953**
Total	**12,468,348**	**328,458**	**532,598**	**13,329,404**

2014	**UAE AED'000**	**GCC AED'000**	**Other AED'000**	**Total AED'000**
Due from banks and other financial institutions	642,806	741,824	46,743	1,431,373
Islamic financing and investing assets:				
- Retail	1,946,975	-	3,807	1,950,782
- Corporate	6,265,080	64	441,343	6,706,487
- Treasury	62,600	-	-	62,600
Investment securities	-	-	-	-
- Held-to-maturity	268,209	73,410	-	341,619
- Available-for-sale	94,020	15,440	67,468	176,928
Other assets	342,662	585	8,343	351,590
Total	9,622,352	831,323	567,704	11,021,379

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Concentration of credit risk (continued)

By geographic location (continued)

Off balance sheet items

2015	**UAE AED'000**	**GCC AED'000**	**Other AED'000**	**Total AED'000**
Commitments	**780,232**	**-**	**104,423**	**884,655**
Letters of credit and guarantee	**545,510**	**-**	**-**	**545,510**
Total	**1,325,742**	**-**	**104,423**	**1,430,165**

2014	**UAE AED'000**	**GCC AED'000**	**Other AED'000**	**Total AED'000**
Commitments	560,615	-	105,485	666,100
Letters of credit and guarantee	489,470	-	-	489,470
Total	1,050,085	-	105,485	1,155,570

Credit quality

The credit quality of Islamic financing and investing assets is managed by the Group using internal credit ratings model. The risk rating system is used as a credit risk management tool whereby counter party risks are rated against a set of predetermined standards which also complies with the Central Bank guidelines.

Credit risk rating methodology

The Group's credit risk rating methodology follows the categorization of credit risk assets under the following risk classification/grading system:

	2015 AED'000	2014 AED'000
Neither past due nor impaired	**10,591,838**	8,169,245
Past due but not impaired	**641,718**	443,485
Impaired	**141,652**	107,139
	11,375,208	8,719,869
Less: Provision for impairment	**(244,423)**	(183,560)
	11,130,785	8,536,309

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Credit quality (continued)

Credit risk rating methodology (continued)

	2015 AED'000	2014 AED'000
Neither past due nor impaired:		
AAA-BBB	**5,946,036**	4,718,092
BB-B	**1,782,166**	600,413
Not rated	**2,863,636**	2,850,740
	10,591,838	8,169,245
Past due but not impaired:		
AAA-BBB	**136,092**	204,572
BB-B	**223,990**	3,223
Not rated	**281,636**	235,690
	641,718	443,485
Impaired:		
Sub standard	**6,019**	4,752
Doubtful	**8,638**	3,029
Loss	**126,995**	99,358
	141,652	107,139

Individually impaired by industry sectors

	Overdue			
	90 - 120 days AED'000	120 - 180 days AED'000	More than 180 days AED'000	Total AED'000
2015				
Personal	**2,951**	**4,541**	**106,534**	**114,026**
Manufacturing	**-**	**-**	**11,289**	**11,289**
Trade	**-**	**3,983**	**7,346**	**11,329**
Services	**3,067**	**115**	**322**	**3,504**
Other	**-**	**-**	**1,504**	**1,504**
Total	**6,018**	**8,639**	**126,995**	**141,652**

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Credit quality (continued)

Individually impaired by industry sectors (continued)

	Overdue			
	90 - 120 days AED'000	120 - 180 days AED'000	More than 180 days AED'000	Total AED'000
2014				
Personal	4,752	3,029	79,016	86,797
Manufacturing	-	-	11,289	11,289
Trade	-	-	7,179	7,179
Services	-	-	1,874	1,874
Other	-	-	-	-
Total	4,752	3,029	99,358	107,139

Past due but not impaired

Islamic financing and investing assets less than 90 days past due are not considered impaired, unless information is available to indicate the contrary. Islamic financing and investing assets past due but not impaired comprise:

	2015 AED'000	2014 AED'000
Past due up to 30 days	**298,716**	181,264
Past due 31 to 60 days	**122,707**	209,053
Past due 61 to 90 days	**220,295**	53,168
	641,718	443,485

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Credit quality (continued)

Maximum exposure to credit risk

The maximum exposure to credit risk taking into account the worst case scenario before taking the benefit of any collateral held or other credit enhancements is as follows:

	2015	2014
	AED'000	AED'000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Due from banks and other financial institutions	**251,634**	1,431,373
Islamic financing and investing assets	**11,375,208**	8,719,869
Investment securities	**881,609**	518,547
Other assets	**820,953**	351,589
	13,329,404	11,021,378
Credit risk exposures relating to off-balance sheet items are as follows:		
Contingencies and commitments	**1,430,165**	1,155,570

Risk mitigation and collateral management

The Group seeks to manage its credit risk exposures through diversification of financing and investment activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. The Group actively uses collateral to reduce its credit risk.

The amount and type of collateral depends on assessments of the credit risk of the counterparty. The types of collateral mainly include cash, guarantees, pledge over listed shares and mortgage and liens over properties or other securities over assets. Collateral generally is not held against investments securities and due from banks.

Management monitors the market value of collateral, and wherever necessary the Group requests additional collateral in accordance with the underlying agreement, and considers collateral obtained during its review of the adequacy of the allowance for impairment losses.

Estimates of fair value are generally assessed on an annual basis except in the case of mortgages which are updated when a financing is individually assessed as impaired. In case of sukuk fair value estimates are reviewed at each reporting date. Market values of listed shares are monitored on a monthly basis and in the event of a shortfall, the Group requests additional collateral in accordance with the underlying agreement with the customer. An estimate of fair value of collateral and other security enhancements held against Islamic financing and investing assets are shown below.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Risk mitigation and collateral management (continued)

Particulars	Islamic financing and investing assets 2015 AED'000	Islamic financing and investing assets 2014 AED'000	Collaterals 2015 AED'000	Collaterals 2014 AED'000
Individually impaired				
Property	**55,936**	36,818	**51,647**	36,818
Cash	**3,984**	-	**792**	-
Other	**81,732**	70,321	-	-
Gross amount	**141,652**	107,139	**52,439**	36,818
Impairment loss	**(96,101)**	(75,508)	-	-
Carrying amount	**45,551**	31,631	**52,439**	36,818
Past due but not impaired				
Pledged deposits	**137,825**	20,220	**19,843**	4,909
Property	**226,282**	272,546	**213,760**	257,862
Other	**277,611**	150,719	-	-
Gross amount	**641,718**	443,485	**233,603**	262,771
Carrying amount	**641,718**	443,485	**233,603**	262,771
Neither past due nor impaired				
Pledged deposits	**1,475,570**	867,502	**743,627**	579,287
Debt/Equity securities	**20,508**	201,262	**20,508**	200,809
Property	**3,040,674**	2,264,079	**2,930,863**	2,156,057
Other	**6,055,086**	4,836,402	-	-
Gross amount	**10,591,838**	8,169,245	**3,694,998**	2,936,153
Collective impairment provision	**(148,322)**	(108,052)	-	-
Carrying amount	**10,443,516**	8,061,193	**3,694,998**	2,936,153
Total	**11,130,785**	8,536,309	**3,981,040**	3,235,742
Contingent liabilities				
Cash margin	**170,081**	143,369	**64,190**	34,517
Property	-	8,498	-	8,497
Other	**375,429**	337,603	-	-
Total	**545,510**	489,470	**64,190**	43,014

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Islamic financing and investing assets renegotiated

During the year ended 31 December 2015, Islamic financing and investing assets of AED 180.5 million (31 December 2014: AED 43.3 million) were re-negotiated.

Credit risk in relation to cash and cash equivalents

The Group held cash and cash equivalents of AED 1,263.5 million at 31 December 2015 (31 December 2014: AED 137.5 million) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank and other banks and financial institutions counterparties, which are rated in between A1 and B3 based on rating provided by rating agencies.

Investment securities

The table below presents an analysis of debt securities based on external's ratings or their equivalent.

	2015 AED'000	2014 AED'000
Aa2	**74,800**	-
A1	**208,469**	15,440
A3	**49,060**	-
A2	**36,112**	-
Baa2	**55,967**	37,455
Baa3	-	36,404
Ba1	**36,773**	40,003
Ba2	-	38,036
Ba3	-	-
B	-	73,410
C	**38,994**	29,431
Unrated	**381,434**	248,368
Total	**881,609**	518,547

All of the investment securities (sukuks) as at 31 December 2015 classified as available for sale were neither past due nor impaired.

6. Financial risk management (continued)

6.4 Market risk

Market risk arises from changes in market rates such as market price, foreign exchange and profit rate. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, currency rates and price movements. The Group uses appropriate models, based on standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management.
- Independent mark-to-market valuations, reconciliation of positions and tracking of stop-losses for trading positions are performed on a timely basis.

The policies, procedures and the trading limits are set to ensure the effective implementation of the Group's market risk policies. These policies are reviewed periodically to ensure they remain in line with the Group's overall market risk policies.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets, liabilities and off-balance sheet instruments that mature or re-price in a given period.

The Group is exposed to the effects of fluctuations in the prevailing levels of profit rates which arise from the Islamic financing and investing assets amounting to AED 11,130.7 million (2014: AED 8,536.3 million), investment securities amounting to AED 881.7 million (2014: AED 518.5 million), Due from banks and financial institutions AED 251.6 million (2014:AED 1,431.4 million), customer deposits amounting to AED 11,012.1 million (2014: AED 8,508.7 million) and AED 1,817.8 million (2014: AED 1,329.9 million) from placements by banks.

Sensitivity analysis

The amount mentioned in the table below reflect an equal but opposite potential effect on profit or loss based on assumed 50 basis point negative or positive movement in profit rates with all other variables being constant.

	2015		2014	
	Total AED'000	**Effect on profit/(loss) AED'000**	Total AED'000	Effect on profit/(loss) AED'000
Profit bearing asset	**12,398,279**	**33,257**	10,476,211	20,518
Profit bearing liabilities	**10,990,080**	**32,818**	8,634,284	23,203

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Financial risk management (continued)

6.4 Market risk (continued)

Currency risk

The Group is not significantly exposed to movements in foreign currency exchange rates as its asset and liabilities are mainly denominated in AED, GCC currency or USD.

Price risk

Price risk is the possibility that investment pricing will fluctuate, affecting the fair value of investments and other instruments that derive their value from a particular instrument or index of price.

The Group manages the price risk by maintaining a diversified portfolio in terms of geographical and industry distribution.

The amount mentioned in the table below reflect an equal but opposite potential effect on profit before tax and investments based on assumed 5% strengthening or weakening prices with all other variable constant.

		Impact on equity of the Group	
	Benchmark	**2015**	2014
		AED'000	AED'000
Investment securities at AFS	± 5%	**9,866**	8,846

6.5 Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding, if required.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands.

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

6. Financial risk management (continued)

6.5 Liquidity risk management (continued)

Maturity profile:

The maturity profile of the assets and liabilities at 31 December 2015 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Undated AED'000	Total AED'000
Assets							
Cash and balances with central bank	1,541,736	-	-	-	-	-	1,541,736
Due to banks and other financial institutions	86,371	-	-	91,813	73,450	-	251,634
Available for sales	165,325	-	-	79,256	118,054	-	362,635
Islamic financing and investing assets	2,559,561	962,440	676,179	4,064,444	2,868,161	-	11,130,785
Held to maturity	-	-	-	184,812	334,162	-	518,974
Other assets	292,354	5,059	-	-	-	-	297,413
Investment properties	-	-	-	-	-	78,000	78,000
Property and equipment	-	-	-	-	-	140,471	140,471
Total assets	4,645,347	967,499	676,179	4,420,325	3,393,827	218,471	14,321,648
Liabilities and equity							
Due to banks and other financial institutions	330,525	-	-	1,487,363	-	-	1,817,888
Islamic customers' deposits	5,879,160	3,209,410	1,892,815	15,867	14,874	-	11,012,126
Other liabilities	260,785	-	-	-	-	-	260,785
Equity	-	-	-	-	-	1,230,849	1,230,849
Total liabilities and equity	6,470,470	3,209,410	1,892,815	1,503,230	14,874	1,230,849	14,321,648

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

6. Financial risk management (continued)

6.5 Liquidity risk management (continued)

Maturity profile:

The maturity profile of the assets and liabilities at 31 December 2014 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Undated AED'000	Total AED'000
Assets							
Cash and balances with central bank	413,234	-	-	-	-	-	413,234
Due to banks and other financial institutions	1,431,373	-	-	-	-	-	1,431,373
Available for sales	-	-	-	76,080	100,848	-	176,928
Islamic financing and investing assets	1,596,981	1,109,643	982,734	2,621,713	2,225,238	-	8,536,309
Held to maturity	337,725	3,894	-	-	-	-	341,619
Other assets	-	-	-	-	235,977	-	235,977
Investment properties	-	-	-	-	-	52,000	52,000
Property and equipment	-	-	-	-	-	43,848	43,848
Total assets	3,779,313	1,113,537	982,734	2,697,793	2,562,063	95,848	11,231,288
Liabilities and equity							
Due to banks and other financial institutions	436,494	89,345	178,691	625,417	-	-	1,329,947
Islamic customers' deposits	3,568,808	1,940,890	2,947,307	51,737			8,508,742
Other liabilities	289,431	-	-	-	-	-	289,431
Equity	-	-	-	-	-	1,103,168	1,103,168
Total liabilities and equity	4,294,733	2,030,235	3,125,998	677,154	-	1,103,168	11,231,288

6. Financial risk management (continued)

6.5 Liquidity risk (continued)

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities (Sukuk) for which there is an active and liquid market less any deposits from banks, debt securities (Sukuk) issued, other financings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Central Bank of UAE. Details of the reported Bank's ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2015	2014
At 31 December	**16.41%**	9.31%

6.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Group has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Risk and Compliance Committee identifies and manages operational risk to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Internal Audit Division. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

6.7 Capital management

The Central Bank of the U.A.E. sets and monitors capital requirements for the Group as a whole. The Parent company and overseas banking operations are directly supervised by their local regulators.

The Central Bank of the U.A.E. adopted the Basel II capital regime in November 2009. The Bank calculates its Capital Adequacy Ratio in line with guidelines issued by the Central Bank of the U.A.E. The minimum capital ratio prescribed by the Central Bank is 12% of Risk Weighted Assets (RWA) calculated as per the guidelines issued by them.

6. Financial risk management (continued)

6.7 Capital management (continued)

The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital and retained earnings; and
- Tier 2 capital, which includes fair value reserves relating to unrealized gains / losses on investments classified as available-for-sale and collective impairment provision. The following limits have been applied for Tier 2 capital:
  - Total tier 2 capital shall not exceed 67% of tier 1 capital;
  - Subordinated liabilities shall not exceed 50% of total tier 1 capital; and
  - Collective impairment provision shall not exceed 1.25% of total risk weighted assets.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed 67% of Tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of Tier 1 capital. The Tier 1 capital must be a minimum of 8% of RWA.

The Group's assets are risk weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, commodity risk, and options risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. For U.A.E. Central Bank reporting purposes, the bank is currently following the standardised measurement approach for credit, market and operational risk, as per Pillar 1 of Basel II.

The Group's policy is to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. Historically the Group has followed a conservative dividend policy to increase capital from internal resources to meet future growth.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

There have been no material changes in the Group's management of capital during the year.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Financial risk management (continued)

6.7 Capital management (continued)

The Group is required to report capital resources and risk-weighted assets under the Basel II Pillar 3 framework, as shown in the following table:

	2015 AED'000	2014 AED'000
Tier 1 capital		
Share capital	**1,050,000**	1,000,000
Reserves	**200,224**	129,575
	1,250,224	1,129,575
Tier 2 capital		
General provision and fair value reserve	**128,947**	81,645
Total regulatory capital	**1,379,171**	1,211,220
Risk weighted assets		
Credit risk	**9,872,885**	8,281,904
Market risk	**-**	-
Operation risk	**429,240**	348,279
Total risk weighted assets	**10,302,125**	8,630,183
Capital adequacy ratio on regulatory capital	**13.39%**	14.03%
Capital adequacy ratio on Tier 1 capital	**12.14%**	13.09%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based on the inherent risk it carries. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Finance and Risk Groups, and is subject to review by the Bank's Assets and Liabilities Committee (ALCO) as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

7. Classification of financial assets and liabilities

(a) The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December:

	Available for sale AED'000	Amortised cost AED'000	Total AED'000
2015			
Financial assets:			
Cash and balances with the central banks	-	**1,541,736**	**1,541,736**
Due from banks and other financial institutions	-	**251,634**	**251,634**
Available for sale	**362,635**	-	**362,635**
Islamic financing and investing assets	-	**11,130,785**	**11,130,785**
Held to maturity	-	**518,974**	**518,974**
Other assets	-	**50,433**	**50,433**
Total	**362,635**	**13,493,562**	**13,856,197**
Financial liabilities:			
Islamic customers' deposits	-	**11,012,126**	**11,012,126**
Due to banks and other financial institutions	-	**1,817,888**	**1,817,888**
Other liabilities	-	**53,190**	**53,190**
Total		**12,883,204**	**12,883,204**
2014			
Financial assets:			
Cash and balances with the central banks	-	413,234	413,234
Due from banks and other financial institutions		1,431,373	1,431,373
Available for sale	176,928	-	176,928
Islamic financing and investing assets	-	8,536,309	8,536,309
Held to maturity	-	341,619	341,619
Other assets	-	47,317	47,317
Total	176,928	10,769,852	10,946,780
Financial liabilities:			
Islamic customers' deposits	-	1,329,947	1,329,947
Due to banks and other financial institutions	-	8,508,742	8,508,742
Other liabilities	-	49,209	49,209
Total	-	9,887,898	9,887,898

8. Fair value measurement

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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted profit rates matching maturities of the contracts. Profit rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted profit rates.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

8. Fair value measurement (continued)

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2015				
Financial assets				
Investment securities at AFS	**332,635**	-	**30,000**	**362,635**
Non-financial assets				
Investment property	-	-	**78,000**	**78,000**
At 31 December 2014				
Financial assets				
Investment securities at AFS	147,497	-	29,431	176,928
Non-financial assets				
Investment property	-	-	52,000	52,000

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects.

	Effect on profit or loss		Effect on OCI	
	Favorable AED'000	Unfavorable AED'000	Favorable AED'000	Unfavorable AED'000
31 December 2015	**7,800**	**(7,800)**	**3,000**	**(3,000)**
31 December 2014	5,200	(5,200)	2,943	(2,943)

- In respect of those financial assets and financial liabilities measured at amortised cost, which are of short term nature (up to 1 year), management believes that carrying amount is equivalent to its fair value.
- In respect of investments in sukuks, management has used the quoted price when available to assess fair value or used a present value calculation (PVC) based on market observable inputs.
- Islamic financing and investing assets are fair valued based on PVC which takes into account original underlying cash financing credit grading and expected prepayments. These features are used to estimate the present value of the expected cash flows and using risk-adjusted rates. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted rate, and different assumptions and inputs would yield different results.
- Fair values of deposits from banks and customers are estimated using the PVC methodology, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is considered to be the amount payable at the reporting date.

9. Cash and balances with the Central Bank

(a) The analysis of the Bank's cash and balances with the Central Bank as at 31 December 2015 and 2014 is as follows:

	2015 AED'000	2014 AED'000
Cash on hand	**95,783**	71,662
Balances with the Central Bank:		
Current accounts	**456,370**	55,869
Reserve requirements with the Central Bank (note 9 (c))	**364,583**	285,703
International murabahat with the Central Bank	**625,000**	-
Total	**1,541,736**	413,234

(b) The geographical analysis of the cash and balances with the Central Bank as at 31 December 2015 and 2014 is as follows:

	2015 AED'000	2014 AED'000
Within the U.A.E.	**1,541,736**	413,234
Outside the U.A.E.	**-**	-
Total	**1,541,736**	413,234

(c) The reserve requirements are kept with the Central Bank of the U.A.E. in the respective local currencies and US Dollar. These reserves are not available for use in the Bank's day to day operations, and cannot be withdrawn without the approval of the Central Bank of the U.A.E. The level of reserve required changes every month in accordance with the requirements of the respective central banks' directives. However, as per notice 4310/2008, the Central Bank of the U.A.E. has allowed banks to borrow up to 100% of their AED and US$ reserve requirement limit. As at 31 December 2015, the statutory reserve with the Central Bank of U.A.E amounted to AED 364.6 million (31 December 2014: AED 285.7 million).

10. Due from banks and other financial institutions

(a) The analysis of the Bank's due from banks and financial institutions as at 31 December 2015 and 2014 is as follows:

	2015 AED'000	2014 AED'000
Current accounts (Note 28)	**86,371**	10,018
Wakala deposits with banks	**165,263**	1,421,355
Total	**251,634**	1,431,373

10. Due from banks and other financial institutions (continued)

(b) The geographical analysis of the due from banks and financial institutions as at 31 December 2015 and 2014 is as follows:

	2015 AED'000	2014 AED'000
Within the U.A.E.	**75,574**	643,896
Outside the U.A.E.	**176,060**	787,477
Total	**251,634**	1,431,373

11. Islamic financing and investing assets, net

(a) The analysis of the Bank's Islamic financing and investing assets, net, as at 31 December 2015 and 2014 is as follows:

	2015 AED'000	2014 AED'000
Islamic financing Assets		
Vehicles murabahat	**274,954**	223,133
Commodities murabahat	**4,354,797**	3,745,346
Total murabahat	**4,629,751**	3,968,479
Other Ijarahs	**4,262,397**	3,017,899
Home finance Ijarah	**1,604,864**	929,647
Istisna'a	**2,222**	670
Islamic credit cards	**40,249**	32,809
	5,909,732	3,981,025
Deferred income	**(648,498)**	(569,109)
Total Islamic financing assets	**9,890,985**	7,380,395
Islamic investing Assets		
Musharakat	**136,866**	140,030
Mudaraba	**737,067**	1,199,444
Wakalat	**610,290**	-
Total Islamic investing assets	**1,484,223**	1,339,474
Total Islamic financing and investing assets	**11,375,208**	8,719,869
Provisions for impairment (Note 11(b))	**(244,423)**	(183,560)
Total Islamic financing and investing assets, net	**11,130,785**	8,536,309

11. Islamic financing and investing assets, net (continued)

(b) The movements in the provision for impairment during the years ended 31 December 2015 and 2014 are as follows:

	2015 AED'000	2014 AED'000
Specific		
Balance at 1 January	**75,508**	57,388
Charge for the year	**20,633**	18,141
Write-offs	**(40)**	(21)
Balance at 31 December	**96,101**	75,508
Collective		
Balance at 1 January	**108,052**	50,909
Charge for the year	**40,270**	57,143
Balance at 31 December	**148,322**	108,052
Total specific and collective provision	**244,423**	183,560

(c) The Bank, in the ordinary course of providing finance, holds collateral as security to mitigate credit risk associated with Islamic financing and investing assets. The collaterals include mortgage on land and buildings and lien on savings and investment deposits and equity. The estimated value of collaterals for Islamic financing and investing assets other than retail assets which are mainly asset based financing, is as follows:

	2015 AED'000	2014 AED'000
Property and mortgages	**3,196,270**	2,459,234
Deposits and equities	**848,960**	819,522

(d) The fair value of collaterals that the Bank holds relating to facilities individually determined to be impaired at 31 December 2015 amounts to AED 52.4 million (2014: AED 36.8 million).

(e) The Gross amount of Islamic financing and investing assets, determined to be impaired at 31 December 2015 amounts to AED 141.7 million (2014: AED 107.1 million)

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

11. Islamic financing and investing assets, net (continued)

(f) Analysis of Islamic financing and investing assets, net by industry group and geography as at 31 December 2015 and 2014 are as follows:

	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000
2015			
Economic sector			
Government	**1,582,264**	**12,283**	**1,594,547**
Manufacturing and services	**2,566,274**	**-**	**2,566,274**
Trade	**2,255,528**	**32,342**	**2,287,870**
Financial institutions	**506,532**	**269,305**	**775,837**
Real estate	**738,128**	**-**	**738,128**
Consumer home finance	**2,016,451**	**-**	**2,016,451**
Consumer financing	**1,396,101**	**-**	**1,396,101**
	11,061,278	**313,930**	**11,375,208**
Provision for impairment (Note 11(b))			**(244,423)**
Total			**11,130,785**
2014			
Economic sector			
Government	1,027,605	7,345	1,034,950
Manufacturing and services	2,086,895	110,735	2,197,630
Trade	1,812,022	64	1,812,086
Financial institutions	624,940	283,262	908,202
Real estate	541,474	-	541,474
Consumer home finance	1,350,316	-	1,350,316
Consumer financing	875,211	-	875,211
	8,318,463	401,406	8,719,869
Provision for impairment (Note 11(b))			(183,560)
Total			8,536,309

12. Investment securities

	2015 AED'000	2014 AED'000
Held to maturity - sukuks (Note 12.1(a))	**518,974**	341,619
Available for sale - listed sukuks (Note 12.2(a))	**362,635**	173,712
Available for sale - listed Islamic securities	**-**	3,216
	881,609	518,547

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

12. Investment securities (continued)

12.1 Held to maturity

(a) The geographical analysis of the investment in held to maturity Sukuk as at 31 December 2015 and 2014 is as follows:

	2015 AED'000	2014 AED'000
Within the U.A.E.	**352,227**	268,209
Other G.C.C. Countries	**166,747**	73,410
Total	**518,974**	341,619

(b) Analysis of investment in held to maturity sukuk by industry group as at 31 December 2015 and 2014 is as follows:

	2015 AED'000	2014 AED'000
Government	**259,487**	183,966
Manufacturing and services	**167,540**	74,242
Financial institutions	**-**	10,000
Real estate	**91,947**	73,411
Total	**518,974**	341,619

(c) At 31 December 2015, the quoted market price of the held to maturity Sukuk was AED 512.1 million (31 December 2014: AED 341.6 million) and the Group expects to receive cash flows of AED 513.5 million (31 December 2014: AED 339.9 million) from the redemption of the held to maturity Sukuk on maturity.

12.2 Available for sale

(a) The geographical analysis of the investment in available for sale Sukuk as at 31 December 2015 and 2014 is as follows:

	2015 AED'000	2014 AED'000
Within the U.A.E.	**158,316**	90,805
Other G.C.C. Countries	**165,325**	-
Rest of the World	**38,994**	82,907
Total	**362,635**	173,712

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

12. Investment securities (continued)

12.2 Available for sale (continued)

(b) Analysis of investment in available for sale sukuk by industry group as at 31 December 2015 and 2014 is as follows:

	2015 AED'000	2014 AED'000
Government	165,325	-
Manufacturing and services	-	51,875
Financial institutions	197,310	121,837
Total	**362,635**	173,712

(c) During the year ended 31 December 2015, the Group recognized fair value gain on available for sale investments of AED 10.3 million in the investment fair value reserve (31 December 2014: fair value loss AED 2.8 million).

13. Investment property

(a) Movement in investment properties during the years ended 31 December 2015 and 2014 is as follows:

2015	Properties under construction AED'000	Land AED'000	Total AED'000
Cost:			
Balance at 1 January 2015	-	52,000	52,000
Additions during the year	21,015	-	21,015
Increase in fair value during the year	2,535	2,450	4,985
Balance at 31 December 2015	23,550	54,450	78,000

All of the Group's investment properties are held under free hold interest and located in the U.A.E.

(b) The fair value of the Group's investment properties as at 31 December 2015 is AED 78 million (2014: AED 52 million). The fair value is mainly based on unobservable market inputs (i.e. level 3).

The valuations are carried out by professional valuers not related to the Bank who hold recognised and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

13. Investment property

(c) Details of the investment properties information about the fair value hierarchy as at 31 December 2015 and 2014 are as follows:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
At 31 December 2015				
Commercial unit under construction in the U.A.E.	**-**	**-**	**23,550**	**23,550**
Plots of land in the U.A.E.	**-**	**-**	**54,450**	**54,450**
Total	**-**	**-**	**78,000**	**78,000**

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2014				
Plots of lands in the U.A.E.	-	-	52,000	52,000
Total	-	-	52,000	52,000

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

14. Property and equipment

	Leasehold improvements AED'000	Furniture, fittings and equipment AED'000	Vehicles AED'000	Computer equipment and software AED'000	Capital work in progress AED'000	Land and buildings AED'000	Total AED'000
Cost							
At 1 January 2014	43,236	21,411	1,250	38,964	10,278	-	115,139
Additions	455	1,018	469	1,443	13,491	-	16,876
Write-off	(2,196)	(860)	(518)	-	-	-	(3,574)
At 31 December 2014	41,495	21,569	1,201	40,407	23,769	-	128,441
Additions	12,938	2,064	246	15,397	(12,860)	97,216	115,001
Write-off	(1,959)	-	-	-	-	-	(1,959)
At 31 December 2015	**52,474**	**23,633**	**1,447**	**55,804**	**10,909**	**97,216**	**241,483**
Accumulated depreciation							
At 1 January 2014	26,152	15,239	1,119	30,259	-	-	72,769
Charge for year	6,210	2,796	148	4,576	-	-	13,730
Write-off	(843)	(545)	(518)	-	-	-	(1,906)
At 31 December 2014	31,519	17,490	749	34,835	-	-	84,593
Charge for year	7,147	2,044	190	6,335	-	1,166	16,882
Write-off	(463)	-	-	-	-	-	(463)
At 31 December 2015	**38,203**	**19,534**	**939**	**41,170**	**-**	**1,166**	**101,012**
Net book value							
At 31 December 2015	**14,271**	**4,099**	**508**	**14,634**	**10,909**	**96,050**	**140,471**
At 31 December 2014	9,976	4,079	452	5,572	23,769	-	43,848

* Capital work in progress comprises cost incurred on IT project related to Branches.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

15. Other assets

	2015 AED'000	2014 AED'000
Accrued income on Islamic financing and investing assets	**42,624**	42,552
Accrued income on investment securities	**7,812**	4,766
Prepaid expenses	**18,467**	6,282
Staff advances	**10,115**	7,788
Acceptances (Note 18)	**158,303**	129,146
Other	**60,092**	45,443
	297,413	235,977

16. Islamic customers' deposits

The analysis of the Bank's customers' deposits as at 31 December 2015 and 2014 is as following:

	2015 AED'000	2014 AED'000
Current accounts	**1,638,524**	1,204,405
Mudarba deposits:		
Savings accounts	**156,122**	122,872
Term deposits	**145,895**	126,707
	1,940,541	1,453,984
Wakala deposits	**8,869,670**	6,927,654
Escrow accounts	**100,390**	70,014
Margin accounts	**101,525**	57,090
	11,012,126	8,508,742

(a) Analysis of customers' deposits by geography as at 31 December 2015 and 2014 are as follows:

	2015 AED'000	2014 AED'000
Within the U.A.E.	**11,012,126**	8,508,742
Outside the U.A.E.	**-**	-
Total	**11,012,126**	8,508,742

17. Due to banks and other financial institutions

(b) Analysis of banks' deposits by geography as at 31 December 2015 and 2014 are as follows:

	2015 **AED'000**	2014 AED'000
Investment deposits	**1,817,888**	1,329,947
Total	**1,817,888**	1,329,947

(c) The geographical analysis of the Bank's due to banks and other financial institutions as at 31 December 2015 and 2014 is as follows:

	2015 **AED'000**	2014 AED'000
Within the U.A.E.	**1,487,363**	767,687
Outside the U.A.E.	**330,525**	562,260
Total	**1,817,888**	1,329,947

18. Other liabilities

	2015 **AED'000**	2014 AED'000
Accrued profit on Islamic customers' deposits and placements by banks	**53,190**	49,209
Provisions for staff salaries benefits	**11,484**	5,761
Managers' cheques	**21,061**	61,722
Acceptances (Note 15)	**158,303**	129,146
Other	**16,747**	43,593
	260,785	289,431

19. Share capital

	2015 **AED'000**	2014 AED'000
Issued and fully paid:		
1,050,000,000 (31 December 2014: 1,000,000,000) shares of AED 1 each	**1,050,000**	1,000,000

20. Statutory reserve

The U.A.E. Commercial Companies Law and the Articles of Association of the Bank, require that 10% of the profit attributable to the shareholders is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

21. Dividends paid

The Board of Directors has proposed 7% bonus share dividend at their meeting held on 20 January 2016, subject to the approval of the Central Bank.

For the year ended 31 December 2014, the shareholders approved and gave a share bonus dividend of AED 5% (total dividend AED 50 million) at the Annual General Meeting held on 15 April 2015.

22. Income from Islamic financing and investing assets

	2015 AED'000	2014 AED'000
Income from Murabaha	**218,362**	138,528
Income from Ijarah	**215,539**	158,789
Income from Mudaraba	**39,075**	56,561
Income from Wakala	**8,532**	6,477
Income from mushraka	**6,773**	3,915
Income from Istisna financing	**8**	-
	488,289	364,270

23. Income from investment securities

	2015 AED'000	2014 AED'000
Dividend income and other returns from Available for sale Sukuk	**9,341**	17,220
Realized gain on disposal of Available for sale Sukuk	**3,308**	10,023
Dividend income from Held to Maturity Sukuk	**18,280**	6,213
Total	**30,929**	33,456

24. Fees, commission and other income

	2015 AED'000	2014 AED'000
Trade related commission and fees	**9,963**	9,605
Foreign exchange income	**6,375**	7,045
Deposit and credit card fees	**12,173**	6,674
Processing and evaluation fees	**27,637**	19,112
Arrangement fee	**14,436**	8,851
Other	**9,085**	17,386
Total	**79,669**	68,673

25. Staff costs

	2015 AED'000	2014 AED'000
Salaries and allowances	**108,429**	94,480
Other staff related cost	**55,299**	53,715
	163,728	148,195

26. General and administrative expenses

	2015 AED'000	2014 AED'000
Rental expenses	**11,412**	13,372
Marketing, designing, product development and communication expenses	**7,805**	6,412
Software license	**4,465**	4,064
Security services including cash in transit services	**2,890**	2,596
Consultancy expenses	**2,039**	1,204
Other	**24,137**	18,674
	52,748	46,322

27. Basic earnings per share

Earnings per share are computed by dividing the profit for the period by the weighted average number of shares outstanding during the year as follows:

	2015	2014
Profit for the year ended (AED'000)	**122,075**	71,396
Directors' remuneration (AED'000)	**(1,426)**	-
Profit for the year after Directors' remuneration	**120,649**	71,396
Weighted average number of shares outstanding during the year (in thousands)	**1,050,000**	1,050,000
Basic earnings per share - (AED)	**0.115**	0.068

As at 31 December 2015 and 2014, there were no potential dilutive shares outstanding.

The weighted average number of ordinary shares in issue throughout the year ended 31 December 2014 has been adjusted to reflect the bonus shares issued during the year ended 31 December 2015.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

28 Cash and cash equivalents

	2015 AED'000	2014 AED'000
Cash and balances with the Central Banks (Note 9)	**1,541,736**	413,234
Due from banks and financial institutions (Note 10)	**86,371**	1,431,373
Investment securities (Note 12) - Highly liquid investments with original maturity less than three months	**165,325**	-
	1,793,432	1,844,607
Less: Statutory deposit with Central Banks (Note 9)	**(364,583)**	(285,703)
	1,428,849	1,558,904

29. Related parties transactions

(a) Certain "related parties" (such as directors, key management personnel and major shareholders of the Group and companies of which they are principal owners) are customers of the Group in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. Such related party transactions are disclosed below.

(b) The Group is controlled by Ajman Government who own 25% (2014: 25% of the issued and paid up capital).

Transactions

Transactions with related parties are shown below:

	2015 Major shareholders AED'000	**2015** Director and other related parties AED'000	**2015** Total AED'000	2014 Major shareholders AED'000	2014 Director and other related parties AED'000	2014 Total AED'000
Depositors' share of profit	**45,715**	**769**	**46,484**	8,589	30,984	39,573
Income from Islamic financing and investing assets	**37,082**	**4,183**	**41,265**	-	27,994	27,994
Rental expenses	**824**	**638**	**1,462**	-	3,139	3,139

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

29. Related parties transactions (continued)

Balances

Balances with related parties at the reporting date are shown below:

	2015			2014		
	Major shareholders AED'000	**Director and other related parties AED'000**	**Total AED'000**	Major shareholders AED'000	Director and other related parties AED'000	Total AED'000
Islamic financing and investing assets	**1,439,136**	**92,638**	**1,531,774**	656,415	70,986	727,401
Customers' deposits	**2,875,728**	**44,401**	**2,920,129**	2,117,335	31,749	2,149,084

Compensation of management personnel

Key management compensation is as shown below:

	2015 AED'000	2014 AED'000
Short term employment benefits	**17,883**	14,548
Terminal benefits	**1,015**	876
Total	**18,898**	15,424

30. Contingencies and commitments

Capital commitments

At 31 December 2015, the Group had outstanding capital commitments of AED 55 million (31 December 2014: AED 10 million), which will be funded within the next twelve months.

Credit related commitments and contingencies

Credit related commitments include commitments to extend credit which are designed to meet the requirements of the Group's customers.

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

	2015 AED'000	2014 AED'000
Commitments to extend credit	**884,655**	666,100
Letters of credit	**94,195**	165,621
Letters of guarantee	**451,315**	323,849
	1,430,165	1,155,570

31. Segment analysis

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Executive Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group has three main business segments:

- Retail banking - incorporating private customer current accounts, savings accounts, deposits, credit and debit cards, personal finance and house mortgage;
- Corporate banking - incorporating transactions with corporate bodies including government and public bodies and comprising of Islamic financing and investing assets, deposits and trade finance transactions; and
- Treasury - incorporating activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the Central Bank of the UAE, none of which constitute a separately reportable segment.

As the Group's segment operations are all financial with a majority of revenues deriving income from Islamic financing and investing assets and the Executive Committee relies primarily on net income to assess the performance of the segment, the total income and expense for all reportable segments is presented on a net basis.

The Group's management reporting is based on a measure of operating profit comprising income from Islamic financing and investing assets , impairment charges on Islamic financing and investing assets, net fee and commission income, other income and expenses.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet items.

Segment results of operations

The segment information provided to the Board for the reportable segments is as follows:

At 31 December 2015	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Other AED'000	Total AED'000
Net income from Islamic financing and investing assets	101,236	198,820	10,732	232	311,020
Income from investment securities	-	-	30,929	-	30,929
Impairment charges on Islamic financing and investing assets	(35,773)	(23,790)	(6,622)	-	(66,185)
Net fee and other income	21,892	47,146	5,645	4,986	79,669
Staff cost	(61,870)	(17,183)	(2,532)	(82,143)	(163,728)
General and administrative expenses	(20,460)	(2,746)	(3,102)	(26,440)	(52,748)
Depreciation of property and equipment	-	-	-	(16,882)	(16,882)
Operating profit/(loss)	5,025	202,247	35,050	(120,247)	122,075
Segment assets	2,836,160	8,546,258	1,664,684	1,274,546	14,321,648
Segment liabilities	1,439,111	11,366,484	4,416	280,788	13,090,799

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

31. Segment analysis (continued)

Segment results of operations (continued)

At 31 December 2014	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Other AED'000	Total AED'000
Net income from Islamic financing and investing assets	63,126	182,704	8,591	634	255,055
Income from investment securities	-	-	30,318	3,138	33,456
Impairment charges on Islamic financing and investing assets	(21,923)	(54,679)	(939)	-	(77,541)
Net fee and other income	30,900	28,191	8,991	591	68,673
Staff cost	(53,640)	(17,005)	(3,321)	(74,229)	(148,195)
General and administrative expenses	(19,466)	(2,248)	-	(24,608)	(46,322)
Depreciation of property and equipment	-	-	-	(13,730)	(13,730)
Operating (loss)/profit	(1,003)	136,963	43,640	(108,204)	71,396
Segment assets	1,947,728	6,589,442	2,112,081	582,037	11,231,288
Segment liabilities	1,821,076	7,947,706	69,826	289,512	10,128,120

Revenue from major products and services

Revenue from major products and services are disclosed in Notes 22 in the consolidated financial statements.

Information about major customers

No single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2015 and 2014.

32. Maturity profile of financial liabilities

	Up to 1 year AED'000	2015 1 - 5 years AED'000	Total AED'000
Customer deposits	**10,931,126**	**81,000**	**11,012,126**
Placements by banks	**330,525**	**1,487,363**	**1,817,888**
Other liabilities	**260,785**	-	**260,785**
	11,522,436	**1,568,363**	**13,090,799**
Commitments and contingent liabilities	**1,316,696**	**113,469**	**1,430,165**

32. Maturity profile of financial liabilities (continued)

	2014		
	Up to 1 year AED'000	1 - 5 years AED'000	Total AED'000
Customer deposits	8,457,247	51,495	8,508,742
Placements by banks	687,260	642,687	1,329,947
Other liabilities	289,431	-	289,431
	9,433,938	694,182	10,128,120
Commitments and contingent liabilities	1,155,570	-	1,155,570

33. Subsidiaries

In addition to above, the Bank further carries out placement activities with different special purpose entities (SPE) which have been consolidated in these consolidated financial statements in compliance with IFRS 10.

Below is a list of the subsidiaries consolidated by the Bank based on an assessment of control as follows:

Name of Subsidiary	Proportion of ownership interest		Country of incorporation	Principal activities
	2015	2014		
Ajman Assets Management	**100%**	100%	UAE	SPE for trading purposes
Ajman Capital Investment	**100%**	100%	UAE	SPE for investment purposes
Ajman Development FZE	**100%**	100%	UAE	SPE for trading purposes
Ajman Cars L.L.C.	**100%**	100%	UAE	SPE for trading purposes

The SPEs were registered in the Free Zone Authority of Ajman in the name of Ajman Government. During the year the Bank has placed AED nil (2014: nil) into the Ajman Development FZE and AED nil (2014: nil) into Ajman Asset Management FZE.

In addition to the above, an amount of AED nil (2014: AED nil) was placed during the year ended 31 December 2015, into Ajman Cars L.L.C. a subsidiary which was incorporated on 17 November 2015, with the Bank owning 99% of the legal share capital and 100% of the beneficial ownership.

34. Social contributions

The social contribution (including donations and charities) made during the year amounted to AED 16,800 (2014: AED Nil).

35. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 20 January 2016.