

**AJMAN BANK PJSC**

**Review report and  
interim financial information  
for the six month period ended  
30 June 2017**

## AJMAN BANK PJSC

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors**  
**Ajman Bank PJSC**  
**Ajman**  
**United Arab Emirates**

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **Ajman Bank PJSC** (the “Bank”) and its subsidiaries (collectively referred as the “Group”), as at 30 June 2017, and the related condensed consolidated income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34: *Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

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


**Deloitte & Touche (M.E.)**



Musa Ramahi  
Registration No. 872  
Dubai  
United Arab Emirates  
13 July 2017

**Condensed consolidated statement of financial position  
As at 30 June 2017**

	Notes	30 June 2017 (unaudited) AED'000	31 December 2016 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with the Central Bank	6	1,303,701	608,976
Due from banks and other financial institutions		410,580	334,747
Islamic financing and investing assets, net	7	14,195,526	12,372,535
Investment securities	8	1,657,222	1,852,453
Investment property	10	340,675	322,398
Property and equipment		139,151	140,637
Other assets	9	300,270	369,830
<b>Total assets</b>		<b>18,347,125</b>	<b>16,001,576</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Islamic customers' deposits	11	13,138,412	11,097,896
Due to banks and other financial institutions		2,891,247	2,542,472
Other liabilities	12	255,618	349,777
<b>Total liabilities</b>		<b>16,285,277</b>	<b>13,990,145</b>
<b>Equity</b>			
Share capital	13	1,680,323	1,623,500
Statutory reserve		214,464	214,464
Investment fair value reserve		(36,472)	(34,119)
Retained earnings		203,533	207,586
<b>Total equity</b>		<b>2,061,848</b>	<b>2,011,431</b>
<b>Total liabilities and equity</b>		<b>18,347,125</b>	<b>16,001,576</b>



H.E. Sheikh Ammar Bin Humaid Al Nuaimi  
Chairman



Mohamed Abdulrahman Amiri  
Chief Executive Officer

**Condensed consolidated income statement (unaudited)  
for the six month period ended 30 June 2017**

	Notes	Three month period ended 30 June		Six month period ended 30 June	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
<b>Operating income</b>					
Income from Islamic financing and investing assets	14	<b>169,655</b>	139,323	<b>320,361</b>	269,653
Income from investment securities		<b>22,900</b>	15,190	<b>41,588</b>	24,557
Fees, commissions and other income		<b>20,933</b>	31,486	<b>62,017</b>	69,113
<b>Total operating income before depositors' share of profit</b>		<b>213,488</b>	185,999	<b>423,966</b>	363,323
Depositors' share of profit		<b>(84,472)</b>	(64,026)	<b>(162,316)</b>	(128,266)
<b>Net operating income</b>		<b>129,016</b>	121,973	<b>261,650</b>	235,057
<b>Expenses</b>					
Staff costs		<b>(42,169)</b>	(41,167)	<b>(88,514)</b>	(91,447)
General and administrative expenses		<b>(14,455)</b>	(15,025)	<b>(26,320)</b>	(26,617)
Impairment charge on Islamic financing and investing assets		<b>(37,986)</b>	(28,425)	<b>(82,018)</b>	(45,075)
Impairment charge on other receivables		<b>(207)</b>	(879)	<b>(466)</b>	(1,451)
Depreciation of property and equipment		<b>(4,933)</b>	(3,764)	<b>(9,062)</b>	(7,752)
<b>Total expenses</b>		<b>(99,750)</b>	(89,260)	<b>(206,380)</b>	(172,342)
<b>Profit for the period</b>		<b>29,266</b>	32,713	<b>55,270</b>	62,715
<b>Earnings per share (AED)</b>					
	15	<b>0.017</b>	0.023	<b>0.031</b>	0.046

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

**Condensed consolidated statement of profit or loss  
and other comprehensive income (unaudited)  
for the six month period ended 30 June 2017**

	Three month period ended 30 June		Six month period ended 30 June	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
<b>Profit for the period</b>	<b>29,266</b>	<b>32,713</b>	<b>55,270</b>	<b>62,715</b>
<b>Other comprehensive loss:</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
<i>Available for sale investments</i>				
Fair value (loss)/gain on available for sale Investments	(2,450)	(2,983)	4,291	(3,651)
Reclassification adjustments relating to available for sale financial assets disposed of during the period	(2,886)	(1,980)	(6,644)	(2,040)
<b>Other comprehensive loss</b>	<b>(5,336)</b>	<b>(4,963)</b>	<b>(2,353)</b>	<b>(5,691)</b>
<b>Total comprehensive income for the period</b>	<b>23,930</b>	<b>27,750</b>	<b>52,917</b>	<b>57,024</b>

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

**Condensed consolidated statement of changes in equity  
for the six months period ended 30 June 2017**

	Share capital AED'000	Statutory reserve AED'000	Investment fair value reserve AED'000	Retained earnings AED'000	Total AED'000
As at 1 January 2016 (audited)	1,050,000	26,910	(19,375)	173,314	1,230,849
Profit for the period	-	-	-	62,715	62,715
Other comprehensive loss	-	-	(5,691)	-	(5,691)
Total comprehensive income for the period	-	-	(5,691)	62,715	57,024
Issuance of share capital	500,000	175,000	-	-	675,000
Issuance costs of share capital	-	-	-	(2,719)	(2,719)
Stock dividends (Note 13)	73,500	-	-	(73,500)	-
Directors' remuneration (Note 13)	-	-	-	(2,500)	(2,500)
<b>As at 30 June 2016 (unaudited)</b>	<b>1,623,500</b>	<b>201,910</b>	<b>(25,066)</b>	<b>157,310</b>	<b>1,957,654</b>
As at 1 January 2017 (audited)	1,623,500	214,464	(34,119)	207,586	2,011,431
Profit for the period	-	-	-	55,270	55,270
Other comprehensive loss	-	-	(2,353)	-	(2,353)
Total comprehensive income for the period	-	-	(2,353)	55,270	52,917
Stock dividends (Note 13)	56,823	-	-	(56,823)	-
Directors' remuneration (Note 13)	-	-	-	(2,500)	(2,500)
<b>As at 30 June 2017 (unaudited)</b>	<b>1,680,323</b>	<b>214,464</b>	<b>(36,472)</b>	<b>203,533</b>	<b>2,061,848</b>

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

**Condensed consolidated statement of cash flows (unaudited)  
for the six month period ended 30 June 2017**

	Six month period ended 30 June	
	2017 AED'000	2016 AED'000
<b>Cash flows from operating activities</b>		
Profit for the period	55,270	62,715
<i>Adjustments for:</i>		
Depreciation of property and equipment	9,062	7,752
Impairment charge on Islamic financing, investing assets and other receivables	82,484	46,526
Income from investment securities	(34,944)	(22,517)
Impairment of property and equipment	-	96
Fair value adjustment of investment property	(5,635)	(34,000)
Realized gain on disposal of investment securities	(6,644)	(2,040)
Gain on disposal of property and equipment	-	(23)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>99,593</b>	<b>58,509</b>
<b>Changes in operating assets and liabilities</b>		
Increase in Islamic financing and investing assets	(1,905,009)	(981,324)
Decrease/(increase) in due from banks and other financial institutions	91,755	(91,792)
Increase in statutory deposit with the Central Bank	(117,375)	(72,325)
Decrease in other assets	69,094	67,539
Increase/(decrease) in Islamic customers' deposits	2,040,516	(326,373)
Increase in due to banks and other financial institutions	348,775	999,394
Decrease in other liabilities	(94,159)	(42,370)
Payment of directors remuneration	(2,500)	(2,500)
<b>Net cash generated from/(used in) operating activities</b>	<b>530,690</b>	<b>(391,242)</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(2,744,661)	(1,650,942)
Proceeds from sale of investment securities	2,280,129	808,802
Purchase of property and equipment	(7,576)	(7,901)
Proceeds from disposal of property and equipment	-	23
Profit income on investment securities	34,944	23,407
Additions to investment property	(12,642)	(55,133)
<b>Net cash used in investing activities</b>	<b>(449,806)</b>	<b>(881,744)</b>
<b>Cash flows from financing activities</b>		
Issuance of share capital	-	675,000
Issuance costs of share capital	-	(2,719)
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>672,281</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>80,884</b>	<b>(600,705)</b>
Net cash and cash equivalents at the beginning of the period	948,329	1,428,849
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<b>1,029,213</b>	<b>828,144</b>

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



**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017**

**1. Legal status and activities**

Ajman Bank PJSC (the “Bank”) 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 condensed 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 investment products such as Murabaha, Mudarba, Musharika, 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.

In addition to above, the Bank further carries out placement activities with different special purpose entities (“SPE”) which have been consolidated in these condensed 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
	2017	2016		
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

An amount of AED Nil was placed during the period ended 30 June 2017 into the above subsidiaries (2016: AED 135 million was placed).

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**2. Application of new and revised International Financial Reporting Standards (“IFRS”)**

**2.1 New and revised IFRS applied with no material effect on the condensed consolidated financial statements**

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these condensed consolidated financial statements. The application of these revised IFRS 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.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle - Amendments to IFRS 12 *Disclosure of Interests in Other Entities*.

**2.2 New and revised IFRS in issue but not yet effective and not early adopted**

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

<u><b>New and revised IFRS</b></u>	<u><b>Effective for annual periods beginning on or after</b></u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2015)</i> .	1 January 2018
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 <i>Financial Instruments</i> and the forthcoming new insurance contracts standard.	1 January 2018

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)**

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

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
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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.

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.

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)**

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

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where:	
<ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>• the prepayment asset or deferred income liability is non-monetary.</li> </ul>	
IFRS 15 <i>Revenue from Contracts with Customers</i> : IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
IFRS 16 <i>Leases</i> provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	1 January 2019
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an 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 as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group’s condensed consolidated financial statements in respect of the Group’s financial assets and financial liabilities and the application of IFRS 16 may have an impact on amounts reported and disclosures made in the Group’s condensed consolidated financial statements in respect of its leases. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)****3. Summary of significant accounting policies**

As required by the Securities and Commodities Authority of the U.A.E. (“SCA”) Notification No. 2624/2008 dated 12 October 2008, certain required accounting policies have been disclosed in the condensed consolidated financial statements.

**3.1 Basis of preparation**

The condensed consolidated financial statements of the Group are prepared under the historical cost basis except for certain financial instruments and investment properties which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2016.

These condensed consolidated financial statements do not include all the information and disclosure required in full consolidated financial statements and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2016. In addition, results for the period from 1 January 2017 to 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

**3.2 Basis of consolidation**

These condensed consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power over the investee, exposure, or 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 the investor’s returns.

The condensed consolidated financial statements comprise the financial statements of the Bank and of the subsidiaries as disclosed in Note 1 to these condensed consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

All significant inter-group balances, income and expense items are eliminated on consolidation.

**3.3 Financial risk management**

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2016.

**3.4 Seasonality of results**

No income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss for the six month period ended 30 June 2017 and 30 June 2016.

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.5 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 reflected at fair value at the condensed consolidated statement of financial position date. 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 the 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 condensed consolidated statement of profit or loss in the period in which these gains or losses arise.

**4. Critical accounting judgments and key sources of estimation of uncertainty**

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

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

**5. Classes and categories of financial instruments**

The table below sets out the Group's classification of each class of financial assets and liabilities.

	Available for sale AED'000	Amortised cost AED'000	Total AED'000
<b>At 30 June 2017 (unaudited)</b>			
<b>Financial assets</b>			
Cash and balances with the Central Bank	-	1,303,701	1,303,701
Due from banks and other financial institutions	-	410,580	410,580
Islamic financing and investing assets, net	-	14,195,526	14,195,526
Available for sale	1,657,222	-	1,657,222
Other assets	-	101,388	101,388
<b>Total</b>	<b>1,657,222</b>	<b>16,011,195</b>	<b>17,668,417</b>
<b>Financial liabilities</b>			
Islamic customers' deposits	-	13,138,412	13,138,412
Due to banks and other financial institutions	-	2,891,247	2,891,247
Other liabilities	-	128,733	128,733
<b>Total</b>	<b>-</b>	<b>16,158,392</b>	<b>16,158,392</b>



**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**5. Classes and categories of financial instruments (continued)**

The table below sets out the Group's classification of each class of financial assets and liabilities.

	Available for sale AED'000	Amortised cost AED'000	Total AED'000
<b>At 31 December 2016 (audited)</b>			
<b>Financial assets</b>			
Cash and balances with the central banks	-	608,976	608,976
Due from banks and other financial institutions	-	334,747	334,747
Islamic financing and investing assets	-	12,372,535	12,372,535
Available for sale	1,852,453	-	1,852,453
Other assets	-	64,628	64,628
<b>Total</b>	<b>1,852,453</b>	<b>13,380,886</b>	<b>15,233,339</b>
<b>Financial liabilities</b>			
Islamic customers' deposits	-	11,097,896	11,097,896
Due to banks and other financial institutions	-	2,542,472	2,542,472
Other liabilities	-	93,247	93,247
<b>Total</b>	<b>-</b>	<b>13,733,615</b>	<b>13,733,615</b>

**6. Cash and balances with the Central Bank**

	30 June 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Cash on hand	100,782	86,448
Balances with the Central Bank:		
Current accounts	103,139	120,123
Reserve requirements with the Central Bank	519,780	402,405
International murabahat with the Central Bank	580,000	-
<b>Total</b>	<b>1,303,701</b>	<b>608,976</b>

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**6. Cash and balances with the Central Bank (continued)**

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise of the following amounts:

	<b>30 June 2017 AED'000 (unaudited)</b>	30 June 2016 AED'000 (unaudited)
Cash and balances with the Central Bank	1,303,701	1,245,859
Due from banks and other financial institutions (original maturity less than three months)	245,292	19,193
	<u>1,548,993</u>	<u>1,265,052</u>
Less: Statutory reserve with the Central Bank	(519,780)	(436,908)
<b>Cash and cash equivalents</b>	<u><u>1,029,213</u></u>	<u><u>828,144</u></u>

The statutory reserve with the Central Bank is not available to finance the day-to-day operations of the Group. However, as per notice 4310/2008, the Central Bank has allowed banks to borrow up to 100% of their AED and US\$ reserve requirement limit.

**7. Islamic financing and investing assets, net**

	<b>30 June 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
<b>Islamic financing Assets</b>		
Vehicles murabahat	233,512	268,988
Commodities murabahat	6,015,051	4,790,245
<b>Total murabahat</b>	<u>6,248,563</u>	<u>5,059,233</u>
Ijarahs	7,598,921	6,839,087
Istisna'a	34,184	14,161
Islamic credit cards	33,688	40,391
	<u>13,915,356</u>	<u>11,952,872</u>
Deferred income	(1,037,746)	(906,332)
<b>Total Islamic financing assets</b>	<u><u>12,877,610</u></u>	<u><u>11,046,540</u></u>



**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**7. Islamic financing and investing assets, net (continued)**

	<b>30 June 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
<b>Islamic investing Assets</b>		
Musharakat	-	80,000
Mudaraba	1,132,049	1,001,640
Wakalat	625,085	606,243
<b>Total Islamic investing assets</b>	<u>1,757,134</u>	<u>1,687,883</u>
<b>Total Islamic financing and investing assets</b>	<b>14,634,744</b>	12,734,423
Provisions for impairment (Note 7.1)	<b>(439,218)</b>	(361,888)
<b>Total Islamic financing and investing assets, net</b>	<u><u>14,195,526</u></u>	<u><u>12,372,535</u></u>

**7.1 Movement of provision for impairment**

	<b>30 June 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
<i>Specific</i>		
At beginning of the period/year	198,019	96,101
Charge for the period/year	51,904	116,991
Write-offs, net	(4,688)	(15,073)
Balance at the end of the period/year	<u>245,235</u>	<u>198,019</u>
<i>Collective</i>		
At beginning of the period/year	163,869	148,322
Charge for the period/year	30,114	15,547
Balance at the end of the period/year	<u>193,983</u>	<u>163,869</u>
<b>Total specific and collective provision</b>	<u><u>439,218</u></u>	<u><u>361,888</u></u>

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**8. Investment securities**

	<b>30 June 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
Available for sale	<u><u>1,657,222</u></u>	<u><u>1,852,453</u></u>

**Fair value hierarchy**

The financial and non-financial assets and liabilities measured at fair value are set out below:

	<b>Level 1 AED'000</b>	<b>Level 2 AED'000</b>	<b>Level 3 AED'000</b>	<b>Total AED'000</b>
<b><i>Financial assets</i></b>				
<b>Available for sale</b>				
<b>At 30 June 2017 (unaudited)</b>	<u><u>1,497,902</u></u>	<u><u>-</u></u>	<u><u>159,320</u></u>	<u><u>1,657,222</u></u>
At 31 December 2016 (audited)	<u><u>1,713,133</u></u>	<u><u>-</u></u>	<u><u>139,320</u></u>	<u><u>1,852,453</u></u>
<b>Foreign currency forward contracts</b>				
<b>At 30 June 2017 (unaudited)</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
At 31 December 2016 (audited)	<u><u>-</u></u>	<u><u>2,515</u></u>	<u><u>-</u></u>	<u><u>2,515</u></u>
<b><i>Non-financial assets</i></b>				
<b>Investment property</b>				
<b>At 30 June 2017 (unaudited)</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>340,675</u></u>	<u><u>340,675</u></u>
At 31 December 2016 (audited)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>322,398</u></u>	<u><u>322,398</u></u>
<b><i>Financial liabilities</i></b>				
<b>Foreign currency forward contracts</b>				
<b>At 30 June 2017 (unaudited)</b>	<u><u>-</u></u>	<u><u>2,769</u></u>	<u><u>-</u></u>	<u><u>2,769</u></u>
At 31 December 2016 (audited)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

There were no transfers between financial instruments classified within level 1, level 2, and level 3 of fair value hierarchy during the current or prior period/year.

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**9. Other assets**

	<b>30 June 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
Accrued income on Islamic financing and investing assets	64,564	52,171
Assets acquired in settlement of Islamic financing and investing	23,684	23,684
Accrued income on investment securities	19,424	12,457
Prepaid expenses	27,802	19,028
Staff advances	13,178	11,928
Acceptances (Note 12)	83,812	167,842
Foreign currency forward contracts	-	2,515
Other	67,806	80,205
	<u>300,270</u>	<u>369,830</u>

**10. Investment property**

(a) Movement in investment properties during the period ended 30 June 2017 and 31 December 2016 is as follows:

	<b>30 June 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
At beginning of the period/year	322,398	78,000
Additions during the period/year	12,642	193,437
Increase in fair value during the period/ year	5,635	50,961
Balance at the end of the period/year	<u>340,675</u>	<u>322,398</u>

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 30 June 2017 is AED 341 million (31 December 2016: AED 322 million). The fair value is mainly based on unobservable market inputs (i.e. Level 3).

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

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**11. Islamic customers' deposits**

	<b>30 June 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
Current accounts	2,965,290	1,716,175
<i>Mudarba deposits:</i>		
Savings accounts	191,584	175,223
Term deposits	75,703	96,892
	<u>3,232,577</u>	<u>1,988,290</u>
Wakala deposits	9,726,076	8,903,940
Escrow accounts	95,651	111,215
Margin accounts	84,108	94,451
	<u><u>13,138,412</u></u>	<u><u>11,097,896</u></u>

**12. Other liabilities**

	<b>30 June 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	85,849	93,247
Provisions for staff salaries benefits	15,255	19,219
Managers' cheques	40,106	45,193
Acceptances (Note 9)	83,812	167,842
Foreign currency forward contracts	2,769	-
Other	27,827	24,276
	<u>255,618</u>	<u>349,777</u>

**13. Share capital**

	<b>30 June 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
<i>Issued and fully paid:</i>		
1,680,322,500 (31 December 2016: 1,623,500,000) shares of AED 1 each	<u><u>1,680,323</u></u>	<u><u>1,623,500</u></u>

At the Annual General Meeting of the shareholders held on 29 March 2017, the shareholders approved a stock dividend in respect of the year ended 31 December 2016 at 3.5% (31 December 2015: 7%) of the share capital amounting to AED 56.8 million (31 December 2015: 73.5 million), accordingly the share capital was increased by the amount of stock dividend. Further AED 2.5 million as Directors' remuneration was also approved.

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**14. Income from Islamic financing and investing assets**

	<b>Six month period ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>AED'000</b>	<b>AED'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Income from Wakala	540	2,290
Income from Murabaha	142,466	125,568
Income from Ijarah	157,499	122,507
Income from Mudaraba	18,981	16,230
Income from Musharaka	427	2,960
Income from Istisna	448	98
	<u>320,361</u>	<u>269,653</u>

**15. 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 period as follows:

	<b>Three month period ended 30 June</b>		<b>Six month period ended 30 June</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Basic earnings per share</b>				
Profit for the period (AED'000)	29,266	32,713	55,270	62,715
Directors remunerations (AED'000)	-	(2,500)	(2,500)	(2,500)
	<u>29,266</u>	<u>30,213</u>	<u>52,770</u>	<u>60,215</u>
Weighted average number of shares outstanding at 1 April/1 January (in thousands)	1,680,323	1,050,000	1,623,500	1,050,000
<i>Effect of bonus shares issued (in thousands)</i>				
Bonus shares issued in 2016	-	73,500	-	73,500
Bonus shares issued in 2017	-	-	56,823	56,823
<i>Effect of right issue of shares (in thousands)</i>				
New shares issued	-	162,747	-	137,132
Weighted average number of shares outstanding at 30 June (in thousands)	<u>1,680,323</u>	<u>1,286,247</u>	<u>1,680,323</u>	<u>1,317,455</u>
<b>Basic earnings per share (AED)</b>	<u>0.017</u>	<u>0.023</u>	<u>0.031</u>	<u>0.046</u>

As at 30 June 2017 and 2016, there were no potential dilutive shares outstanding.

The weighted average number of ordinary shares in issue throughout the period ended 30 June 2016 has been adjusted to reflect the bonus shares issued during the period ended 30 June 2017.

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**16. Related parties transactions**

Related parties comprise shareholders, directors and key management personnel, as well as businesses controlled by shareholders, directors and key management personnel and businesses over which they exercise significant influence. Following are the transactions and balances with related parties on mutually agreed terms:

**Transactions**

Transactions with related parties are shown below:

	Six month period ended					
	30 June 2017 (unaudited)			30 June 2016 (unaudited)		
	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
Depositors' share of profit	23,833	646	24,479	14,605	334	14,939
Income from Islamic financing and investing assets	25,667	1,628	27,295	9,314	1,196	10,510
Rental expenses	-	444	444	-	465	465

**Balances**

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

	30 June 2017 (unaudited)			31 December 2016 (audited)		
	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	780,469	71,338	851,807	778,420	68,355	846,775
Customers' deposits	2,401,542	77,622	2,479,164	2,218,820	80,259	2,299,079
Other	-	26,900	26,900	-	26,900	26,900

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**16. Related parties transactions (continued)**

*Compensation of directors and management personnel*

Key management compensation is as shown below:

	<b>Six month period ended 30 June</b>	
	<b>2017</b>	2016
	<b>AED'000</b>	AED'000
	<b>(unaudited)</b>	(unaudited)
Short term employment benefits	9,977	8,971
Terminal benefits	528	484
	<u>10,505</u>	<u>9,455</u>
	=====	=====

**17. Contingencies and commitments**

*Capital commitments*

At 30 June 2017, the Bank had outstanding capital commitments of AED 62 million (31 December 2016: AED 70 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 Bank's customers.

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

	<b>30 June 2017</b>	31 December 2016
	<b>AED'000</b>	AED'000
	<b>(unaudited)</b>	(audited)
Commitments to extend credit	1,165,051	1,044,126
Letters of credit	20,755	51,014
Letters of guarantee	423,561	486,778
	<u>1,609,367</u>	<u>1,581,918</u>
	=====	=====

**18. Segment analysis**

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For operating purposes, the Group is organised into business segments:

- (i) Retail and corporate banking, which principally provides loans and other credit facilities, deposits and current accounts for corporate, government, institutional and individual customers; and
- (ii) Treasury, which involves the management of the Group's investment portfolio.

These segments are the basis on which the Group reports its segment information. Transactions between segments are conducted at rates determined by management, taking into consideration the cost of funds and an equitable allocation of expenses.

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**18. Segment analysis (continued)**

**Segment results of operations**

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

	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000
<b>Six month period ended 30 June 2017 (unaudited)</b>						
Net income from Islamic financing and investing assets		101,695	9,154	1,300	-	158,045
Income from investment securities	-	-	37,764	3,824	-	41,588
Impairment charges on financial assets	(11,220)	(67,732)	(3,337)	(195)	-	(82,484)
Net fee and other income	9,567	37,330	2,154	12,966	-	62,017
Staff cost	(25,660)	(7,812)	(1,499)	(2,960)	(50,583)	(88,514)
General and administrative expenses	(14,032)	(2,234)	(429)	(114)	(9,511)	(26,320)
Depreciation of property and equipment	-	-	-	-	(9,062)	(9,062)
<b>Operating profit/(loss) (unaudited)</b>	<b>4,551</b>	<b>61,247</b>	<b>43,807</b>	<b>14,821</b>	<b>(69,156)</b>	<b>55,270</b>
<b>Six month period ended 30 June 2016 (unaudited)</b>						
Net income from Islamic financing and investing assets		88,738	6,743	-	-	141,387
Income from investment securities	-	-	24,557	-	-	24,557
Impairment charges on financial assets	(13,573)	(29,929)	(3,024)	-	-	(46,526)
Net fee and other income	13,143	17,523	4,447	-	34,000	69,113
Staff cost	(30,572)	(10,799)	(1,838)	-	(48,238)	(91,447)
General and administrative expenses	(11,999)	(1,316)	-	-	(13,302)	(26,617)
Depreciation of property and equipment	-	-	-	-	(7,752)	(7,752)
<b>Operating profit/(loss) (unaudited)</b>	<b>2,905</b>	<b>64,217</b>	<b>30,885</b>	<b>-</b>	<b>(35,292)</b>	<b>62,715</b>



Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)

18. Segment analysis (continued)

As at 30 June 2017									
Segment assets (unaudited)	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000			
Segment liabilities (unaudited)									
As at 31 December 2016									
Segment assets (audited)									
Segment liabilities (audited)									
	3,941,296	10,808,215	2,323,526	530,513	743,575	18,347,125			
	2,331,823	11,694,161	1,319,963	663,629	275,701	16,285,277			
	3,775,246	9,136,576	1,848,584	-	1,241,170	16,001,576			
	2,067,964	11,159,580	391,417	-	371,184	13,990,145			

**Notes to the condensed consolidated financial statements  
for the six months period ended 30 June 2017 (continued)**

**19. Capital adequacy ratio**

The capital adequacy ratio is computed based on circulars issued by the U.A.E. Central Bank.

		<b>30 June 2017 (unaudited) AED'000</b>	31 December 2016 (audited) AED'000
<i>Capital base</i>			
Tier 1 capital		2,098,320	2,045,550
Tier 2 capital		125,067	102,439
<b>Total capital base</b>	<b>(A)</b>	<b>2,223,387</b>	<b>2,147,989</b>
<i>Risk-weighted assets</i>			
Credit risk		12,923,083	10,929,410
Market risk		54,628	-
Operational risk		535,028	535,028
<b>Total risk-weighted assets</b>	<b>(B)</b>	<b>13,512,739</b>	<b>11,464,438</b>
<b>Risk asset ratio (%) [(A)/(B) x 100]</b>		<b>16.45%</b>	<b>18.74%</b>

As per UAE Central Bank Regulation for Basel III, Minimum Capital requirement including Capital Conservation Buffer is 11.75% for year 2017, which will increase to 12.375% and 13.0% for year 2018 and year 2019 respectively.

During 2017, Central Bank will issue detailed guidelines for calculation of Capital requirement as per Basel III.

**20. Approval of condensed consolidated financial statements**

The condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on 13 July 2017.