AJMAN BANK PJSC

Review report and interim financial information for the three month period ended 31 March 2017

AJMAN BANK PJSC

Contents

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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 31 March 2017, and the related condensed consolidated income statement, statement of profit or loss and other comprehensive income, changes in equity and cash flows for the three 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
4 May 2017

Anis Sadek (521), Cynthia Corby (995), Georges Najem (809), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem Dajani (726), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practising auditors with the UAE Ministry of Economy.

Condensed consolidated statement of financial position
As at 31 March 2017

	Notes	31 March 2017 (unaudited) AED'000	31 December 2016 (audited) AED'000
ASSETS			
Cash and balances with the Central Bank	6	**1,414,735**	608,976
Due from banks and other financial institutions		**296,626**	334,747
Islamic financing and investing assets, net	7	**13,387,819**	12,372,535
Investment securities	8	**1,365,166**	1,852,453
Investment property	10	**339,974**	322,398
Property and equipment		**143,988**	140,637
Other assets	9	**284,958**	369,830
Total assets		**17,233,266**	16,001,576
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	11	**12,155,397**	11,097,896
Due to banks and other financial institutions		**2,815,294**	2,542,472
Other liabilities	12	**224,657**	349,777
Total liabilities		**15,195,348**	13,990,145
Equity			
Share capital	13	**1,680,323**	1,623,500
Statutory reserve		**214,464**	214,464
Investment fair value reserve		**(31,136)**	(34,119)
Retained earnings		**174,267**	207,586
Total equity		**2,037,918**	2,011,431
Total liabilities and equity		**17,233,266**	16,001,576

H.E. Sheikh Ammar Bin Humaid Al Nuaimi
Chairman

Mohamed Abdulrahman Amiri
Chief Executive Officer

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

Condensed consolidated income statement (unaudited)
for the three month period ended 31 March 2017

	Notes	Three month period ended 31 March 2017 AED'000	2016 AED'000
Operating income			
Income from Islamic financing and investing assets	14	**150,706**	130,330
Income from investment securities		**18,688**	9,367
Fees, commissions and other income		**41,084**	37,627
Total operating income Before depositors' share of profit		**210,478**	177,324
Depositors' share of profit		**(77,844)**	(64,240)
Net operating income		**132,634**	113,084
Expenses			
Staff costs		**(46,345)**	(50,280)
General and administrative expenses		**(11,865)**	(11,592)
Impairment charge for Islamic financing and investing assets		**(44,032)**	(16,650)
Impairment charge on other receivables		**(259)**	(572)
Depreciation of property and equipment		**(4,129)**	(3,988)
Total expenses		**(106,630)**	(83,082)
Profit for the period		**26,004**	30,002
Earnings per share (AED)	15	**0.014**	0.023

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 three month period ended 31 March 2017

	Three month period ended 31 March 2017 AED'000	2016 AED'000
Profit for the period	**26,004**	30,002
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Available for sale investments		
Fair value gain/(loss) on available for sale investments	**6,741**	(788)
Reclassification adjustments relating to available for sale financial assets disposed of during the period	**(3,758)**	60
Other comprehensive income/(loss)	**2,983**	(728)
Total comprehensive income for the period	**28,987**	29,274

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

Condensed consolidated statement of changes in equity for the three months period ended 31 March 2016

	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	-	-	-	30,002	30,002
Other comprehensive loss	-	-	(728)	-	(728)
Total comprehensive income for the period	-	-	(728)	30,002	29,274
As at 31 March 2016 (unaudited)	**1,050,000**	**26,910**	**(20,103)**	**203,316**	**1,260,123**
As at 1 January 2017 (audited)	1,623,500	214,464	(34,119)	207,586	2,011,431
Profit for the period	-	-	-	26,004	26,004
Other comprehensive income	-	-	2,983	-	2,983
Total comprehensive income for the period	-	-	2,983	26,004	28,987
Stock dividends (Note 13)	56,823	-	-	(56,823)	-
Directors' remuneration (Note 13)	-	-	-	(2,500)	(2,500)
As at 31 March 2017 (unaudited)	**1,680,323**	**214,464**	**(31,136)**	**174,267**	**2,037,918**

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

Condensed consolidated statement of cash flows (unaudited) for the three month period ended 31 March 2017

	Three month period ended 31 March 2017 AED'000	2016 AED'000
Cash flows from operating activities		
Profit for the period	**26,004**	30,002
Adjustments for:		
Depreciation of property and equipment	**4,129**	3,988
Impairment charge for Islamic financing and investing assets and other receivables	**44,291**	17,222
Income from investment securities	**(14,930)**	(9,367)
Property and equipment written off	**-**	96
Fair value adjustment of investment property	**(5,635)**	(20,000)
Realized gain on disposal of investment securities	**(3,758)**	-
Operating cash flows before changes in operating assets and liabilities	**50,101**	21,941
Increase in Islamic financing and investing assets	**(1,059,316)**	(379,310)
Increase in due from banks and other financial institutions	**(16)**	(253,387)
Increase in statutory deposit with the Central Bank	**(88,169)**	(29,711)
Increase in International murabahat with the Central Bank	**(270,000)**	-
Decrease in other assets	**86,613**	48,737
Increase/(decrease) in Islamic customers' deposits	**1,057,501**	(463,688)
Increase in due to banks and other financial institutions	**272,822**	1,171,874
(Decrease)/increase in other liabilities	**(125,120)**	52,846
Cash (used in)/generated from operations	**(75,584)**	169,302
Payment of Directors' remunerations	**(2,500)**	-
Net cash (used in)/generated from operating activities	**(78,084)**	169,302
Cash flows from investing activities		
Purchase of investment securities	**(1,763,259)**	(623,435)
Proceeds from sale of investment securities	**1,593,233**	16,665
Profit income received on investment securities	**12,930**	9,631
Purchase of property and equipment	**(7,480)**	(2,554)
Additions to investment property	**(11,941)**	(49,762)
Net cash used in investing activities	**(176,517)**	(649,455)
Net decrease in cash and cash equivalents	**(254,601)**	(480,153)
Cash and cash equivalents at the beginning of the period	**948,329**	1,428,849
Cash and cash equivalents at the end of the period (Note 6)	**693,728**	948,696

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

Notes to the condensed consolidated financial statements for the three months period ended 31 March 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 (2016: AED 135 million) was placed during the period ended 31 March 2017, into Ajman Cars L.L.C. a subsidiary which was incorporated on 17 November 2013, with the Bank owning 99% of the legal share capital and 100% of the beneficial ownership.

Notes to the condensed consolidated financial statements for the three months period ended 31 March 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 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.

- 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:

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

Notes to the condensed consolidated financial statements for the three months period ended 31 March 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)

New and revised IFRS	Effective for annual periods beginning on or after
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 three months period ended 31 March 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)

New and revised IFRS	Effective for annual periods beginning on or after
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • 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 • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*: 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 *Investment Property*: 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 *Leases* 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 *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 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 three months period ended 31 March 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 31 March 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 three month period ended 31 March 2017 and 31 March 2016.

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 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
At 31 March 2017 (unaudited)			
Financial assets			
Cash and balances with the Central Bank	-	1,414,735	1,414,735
Due from banks and other financial institutions	-	296,626	296,626
Islamic financing and investing assets, net	-	13,387,819	13,387,819
Available for sale	1,365,166	-	1,365,166
Other assets	-	74,751	74,751
Total	**1,365,166**	**15,173,931**	**16,539,097**
Financial liabilities			
Islamic customers' deposits	-	12,155,397	12,155,397
Due to banks and other financial institutions	-	2,815,294	2,815,294
Other liabilities	-	86,310	86,310
Total	-	**15,057,001**	**15,057,001**

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2017 (continued)

5. Classes and categories of financial instruments

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

At 31 December 2016 (audited)	Available for sale AED'000	Amortised cost AED'000	Total AED'000
Financial assets			
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
Total	1,852,453	13,380,886	15,233,339
Financial liabilities			
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
Total	-	13,733,615	13,733,615

6. Cash and balances with the Central Bank

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Cash on hand	**90,241**	86,448
Balances with the Central Bank:		
Current accounts	**178,920**	120,123
Reserve requirements with the Central Bank	**490,574**	402,405
International murabahat with the Central Bank	**655,000**	-
Total	**1,414,735**	608,976

Notes to the condensed consolidated financial statements for the three months period ended 31 March 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:

	31 March 2017 AED'000 (unaudited)	31 March 2016 AED'000 (unaudited)
Cash and balances with the Central Bank	**1,414,735**	1,185,938
Due from banks and other financial institutions (original maturity less than three months)	**39,567**	157,053
	1,454,302	1,342,991
Less: Statutory reserve with the Central Bank	**(490,574)**	(394,295)
Less: International murabahat with the Central Bank (original maturity more than three months)	**(270,000)**	-
Cash and cash equivalents	**693,728**	948,696

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

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Islamic financing Assets		
Vehicles murabahat	**251,438**	268,988
Commodities murabahat	**5,666,428**	4,790,245
Total murabahat	**5,917,866**	5,059,233
Ijarahs	**7,086,978**	6,839,087
Istisna'a	**16,977**	14,161
Islamic credit cards	**40,316**	40,391
	13,062,137	11,952,872
Deferred income	**(995,470)**	(906,332)
Total Islamic financing assets	**12,066,667**	11,046,540

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2017 (continued)

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

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Islamic investing Assets		
Musharakat	-	80,000
Mudaraba	1,107,102	1,001,640
Wakalat	619,970	606,243
Total Islamic investing assets	1,727,072	1,687,883
Total Islamic financing and investing assets	13,793,739	12,734,423
Provisions for impairment (Note 7.1)	(405,920)	(361,888)
Total Islamic financing and investing assets, net	13,387,819	12,372,535

7.1 Movement of provision for impairment

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Specific		
At beginning of the period/year	198,019	96,101
Charge for the period/year	26,171	116,991
Write-offs	-	(15,073)
Balance at the end of the period/year	224,190	198,019
Collective		
At beginning of the period/year	163,869	148,322
Charge for the period/year	17,861	15,547
Balance at the end of the period/year	181,730	163,869
Total specific and collective provision	405,920	361,888

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2017 (continued)

8. Investment securities

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Available for sale	**1,365,166**	1,852,453

Fair value hierarchy

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
Available for sale				
At 31 March 2017 (unaudited)	**1,225,846**	**-**	**139,320**	**1,365,166**
At 31 December 2016 (audited)	1,713,133	-	139,320	1,852,453
Non-financial assets				
Investment property				
At 31 March 2017 (unaudited)	**-**	**-**	**339,974**	**339,974**
At 31 December 2016 (audited)	-	-	322,398	322,398

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.

9. Other assets

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Accrued income on Islamic financing and investing assets	**56,976**	52,171
Assets acquired in settlement of Islamic financing and investing	**23,684**	23,684
Accrued income on investment securities	**17,775**	12,457
Prepaid expenses	**28,318**	19,028
Staff advances	**12,664**	11,928
Acceptances (Note 12)	**41,172**	167,842
Other	**104,369**	82,720
	284,958	369,830

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2017 (continued)

10. Investment property

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

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
At beginning of the period/year	**322,398**	78,000
Additions during the period/year	**11,941**	193,437
Increase in fair value during the period/ year	**5,635**	50,961
Balance at the end of the period/year	**339,974**	322,398

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 March 2017 is AED 340 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.

11. Islamic customers' deposits

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Current accounts	**1,925,240**	1,716,175
Mudarba deposits:		
Savings accounts	**158,223**	175,223
Term deposits	**84,806**	96,892
	2,168,269	1,988,290
Wakala deposits	**9,787,542**	8,903,940
Escrow accounts	**107,693**	111,215
Margin accounts	**91,893**	94,451
	12,155,397	11,097,896

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2017 (continued)

12. Other liabilities

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	**86,310**	93,247
Provisions for staff salaries benefits	**14,585**	19,219
Managers' cheques	**47,211**	45,193
Acceptances (Note 9)	**41,172**	167,842
Other	**35,379**	24,276
	224,657	349,777

13. Share capital

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Issued and fully paid:		
1,680,322,500 (31 December 2016: 1,623,500,000) shares of AED 1 each	**1,680,323**	1,623,500

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. Book closure date for the allotment of bonus shares was 5 April 2017 and the allotment date was 9 April 2017. Further AED 2.5 million as Directors' remuneration was also approved.

14. Income from Islamic financing and investing assets

	Three month period ended 31 March	
	2017 AED'000 (unaudited)	2016 AED'000 (unaudited)
Income from Wakala	**249**	1,871
Income from Murabaha	**64,741**	60,453
Income from Ijarah	**76,840**	58,280
Income from Mudaraba	**8,283**	7,932
Income from Musharaka	**427**	1,763
Income from Istisna	**166**	31
	150,706	130,330

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2017 (continued)

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:

	Three month period ended 31 March	
	2017 (unaudited)	2016 (unaudited)
Earnings per share		
Profit for the period ended (AED'000)	**26,004**	30,002
Directors' remuneration (AED'000)	**(2,500)**	-
Profit for the period after Directors' remuneration	**23,504**	30,002
Weighted average number of shares outstanding at 1 January (AED'000)	**1,623,500**	1,050,000
Effect of bonus shares issued (AED'000)		
Bonus shares issued in 2016	**-**	73,500
Bonus shares issued in 2017	**56,823**	56,823
Effect of right issue of shares (AED'000)		
Bonus element	**-**	111,518
Weighted average number of shares outstanding at 31 March (AED'000)	**1,680,323**	1,291,841
Earnings per share (AED)	**0.014**	0.023

As at 31 March 2017 and 2016, there were no potential dilutive shares outstanding.

The weighted average number of ordinary shares in issue throughout the period ended 31 March 2016 has been adjusted to reflect the bonus shares issued during the period ended 31 March 2017.

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:

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2017 (continued)

16. Related parties transactions (continued)

Transactions

Transactions with related parties are shown below:

	Three month period ended					
	31 March 2017 (unaudited)			31 March 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	**11,455**	**321**	**11,776**	11,481	658	12,139
Income from Islamic financing and investing assets	**15,893**	**814**	**16,707**	9,161	1,121	10,282
Rental expenses	**-**	**222**	**222**	-	409	409

Balances

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

	31 March 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	**741,617**	**73,151**	**814,768**	778,420	68,355	846,775
Customers' deposits	**2,235,386**	**81,179**	**2,316,565**	2,218,820	80,259	2,299,079
Others	**-**	**26,900**	**26,900**	-	26,900	26,900

Compensation of directors and management personnel

Key management compensation is as shown below:

	Three month period ended 31 March	
	2017 AED'000 (unaudited)	2016 AED'000 (unaudited)
Short term employment benefits	**4,973**	4,465
Terminal benefits	**263**	241
	5,236	4,706

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

17. Contingencies and commitments

Capital commitments

At 31 March 2017, the Bank had outstanding capital commitments of AED 54 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:

	31 March 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Commitments to extend credit	**982,001**	1,044,126
Letters of credit	**81,724**	51,014
Letters of guarantee	**410,199**	486,778
	1,473,924	1,581,918

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.

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Notes to the condensed consolidated financial statements for the three months period ended 31 March 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
Three month period ended 31 March 2017 (unaudited)						
Net income from Islamic financing and investing assets	20,476	51,441	1,542	(597)	-	72,862
Income from investment securities	-	-	16,688	2,000	-	18,688
Impairment charges on financial assets	(7,611)	(34,954)	(1,726)	-	-	(44,291)
Net fee and other income	6,870	21,093	3,442	9,679	-	41,084
Staff cost	(12,815)	(4,089)	(754)	(1,385)	(27,302)	(46,345)
General and administrative expenses	(6,538)	(1,262)	(144)	(66)	(3,855)	(11,865)
Depreciation of property and equipment	-	-	-	-	(4,129)	(4,129)
Operating profit/(loss) (unaudited)	382	32,229	19,048	9,631	(35,286)	26,004
Three month period ended 31 March 2016 (unaudited)						
Net income from Islamic financing and investing assets	29,643	32,286	4,161	-	-	66,090
Income from investment securities	-	-	9,367	-	-	9,367
Impairment charges on financial assets	(5,546)	(7,913)	(3,763)	-	-	(17,222)
Net fee and other income	7,234	8,442	1,951	-	20,000	37,627
Staff cost	(16,104)	(6,273)	(861)	-	(27,042)	(50,280)
General and administrative expenses	(5,730)	(227)	(143)	-	(5,492)	(11,592)
Depreciation of property and equipment	-	-	-	-	(3,988)	(3,988)
Operating profit/(loss) (unaudited)	9,497	26,315	10,712	-	(16,522)	30,002

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2017 (continued)

18. Segment analysis (continued)

	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000
As at 31 March 2017						
Segment assets (unaudited)	**3,909,375**	**10,008,893**	**2,016,303**	**480,213**	**818,482**	**17,233,266**
Segment liabilities (unaudited)	**2,199,933**	**11,428,023**	**1,153,488**	**168,541**	**245,363**	**15,195,348**
As at 31 December 2016						
Segment assets (audited)	3,775,246	9,136,576	1,848,584	-	1,241,170	16,001,576
Segment liabilities (audited)	2,067,964	11,159,580	391,417	-	371,184	13,990,145

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2017 (continued)

19. Capital adequacy ratio

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

		31 March 2017 (unaudited) AED'000	31 December 2016 (audited) AED'000
Capital base			
Tier 1 capital		**2,069,054**	2,045,550
Tier 2 capital		**120,809**	102,439
Total capital base	**(A)**	**2,189,863**	2,147,989
Risk-weighted assets			
Credit risk		**12,155,599**	10,929,410
Market risk		**16,526**	-
Operational risk		**535,028**	535,028
Total risk-weighted assets	**(B)**	**12,707,153**	11,464,438
Risk asset ratio (%) [(A)/(B) x 100]		**17.23%**	18.74%

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 4 May 2017.