

**Ajman Bank PJSC**

**Review report and  
interim financial information  
for the three month period ended  
31 March 2016**

## 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 (together referred to as the “Group”) as at 31 March 2016, 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: *Interim 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.

### *Other matter*

The consolidated statement of financial position as at 31 December 2014 was audited by another auditor who expressed an unmodified opinion on 5 February 2015. The Interim financial information for the period ended 31 March 2015 were reviewed by another auditor who expressed an unmodified conclusion on those information on 7 May 2015.

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




Musa Ramahi  
Partner  
Registration Number 872

20 April 2016

**Condensed consolidated statement of financial position  
at 31 March 2016**

	Notes	31 March 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with the Central Bank	6	1,185,938	1,541,736
Due from banks and other financial institutions		410,440	251,634
Islamic financing and investing assets, net	7	11,493,454	11,130,785
Investment securities	8	1,486,997	881,609
Investment property	10	147,762	78,000
Property and equipment		138,941	140,471
Other assets	9	248,422	297,413
<b>Total assets</b>		<b>15,111,954</b>	<b>14,321,648</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Islamic customers' deposits	11	10,548,438	11,012,126
Due to banks and other financial institutions		2,989,762	1,817,888
Other liabilities	12	313,631	260,785
<b>Total liabilities</b>		<b>13,851,831</b>	<b>13,090,799</b>
<b>Equity</b>			
Share capital	13	1,050,000	1,050,000
Statutory reserve		26,910	26,910
Investment fair value reserve		(20,103)	(19,375)
Retained earnings		203,316	173,314
<b>Total equity</b>		<b>1,260,123</b>	<b>1,230,849</b>
<b>Total liabilities and equity</b>		<b>15,111,954</b>	<b>14,321,648</b>

  
.....  
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 2016**

	Notes	Three month period ended 31 March	
		2016 AED'000	2015 AED'000
<b>Operating income</b>			
Income from Islamic financing and investing assets	14	130,330	107,941
Income from investment securities		9,367	8,775
Fees, commissions and other income		37,627	23,409
<b>Total operating income Before depositors' share of profit</b>		<b>177,324</b>	<b>140,125</b>
Depositors' share of profit		(64,240)	(41,126)
<b>Net operating income</b>		<b>113,084</b>	<b>98,999</b>
<b>Expenses</b>			
Staff costs		(50,280)	(41,457)
General and administrative expenses		(11,592)	(14,365)
Impairment charge for Islamic financing and investing assets		(16,650)	(12,816)
Impairment charge on other receivables		(572)	(647)
Depreciation of property and equipment		(3,988)	(3,853)
<b>Total expenses</b>		<b>(83,082)</b>	<b>(73,138)</b>
<b>Profit for the period</b>		<b>30,002</b>	<b>25,861</b>
<b>Earnings per share (AED)</b>	15	<b>0.029</b>	<b>0.025</b>

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 2016**

	<b>Three month period ended 31 March</b>	
	<b>2016 AED'000</b>	<b>2015 AED'000</b>
<b>Profit for the period</b>	<b>30,002</b>	25,861
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value (loss)/ gain on available for sale investments	(788)	8,731
<i>Available for sale investments</i>		
Reclassification adjustments relating to available for sale financial assets disposed of during the period	60	(2,515)
<b>Other comprehensive (loss)/income</b>	<b>(728)</b>	6,216
<b>Total comprehensive income for the period</b>	<b>29,274</b>	32,077

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

**Condensed consolidated statement of changes in equity  
for the three month 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
<b>As at 31 December 2014 (audited)</b>	<b>1,000,000</b>	<b>14,702</b>	<b>(26,407)</b>	<b>114,873</b>	<b>1,103,168</b>
Profit for the period	-	-	-	25,861	25,861
Other comprehensive income	-	-	6,216	-	6,216
Total comprehensive income for the period	-	-	6,216	25,861	32,077
<b>As at 31 March 2015 (unaudited)</b>	<b>1,000,000</b>	<b>14,702</b>	<b>(20,191)</b>	<b>140,734</b>	<b>1,135,245</b>
<b>As at 31 December 2015 (audited)</b>	<b>1,050,000</b>	<b>26,910</b>	<b>(19,375)</b>	<b>173,314</b>	<b>1,230,849</b>
Profit for the period	-	-	-	30,002	30,002
Other comprehensive loss	-	-	(728)	-	(728)
Total comprehensive income for the period	-	-	(728)	30,002	29,274
<b>As at 31 March 2016 (unaudited)</b>	<b>1,050,000</b>	<b>26,910</b>	<b>(20,103)</b>	<b>203,316</b>	<b>1,260,123</b>

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 2016**

	<b>Three month period ended 31 March</b>	
	<b>2016 AED'000</b>	<b>2015 AED'000</b>
<b>Cash flows from operating activities</b>		
Profit for the period	30,002	25,861
Adjustments for:		
Depreciation of property and equipment	3,988	3,853
Impairment of property and equipment	96	1,496
Impairment charge for Islamic financing and investing assets and other receivables	17,222	13,463
Income from investment securities	(9,367)	(8,775)
Fair value adjustment of investment property	(20,000)	-
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>21,941</b>	<b>35,898</b>
Increase in Islamic financing and investing assets	(379,310)	(1,775,018)
Increase in due from banks and other financial institutions	(253,387)	(186,379)
Increase in statutory deposit with the Central Bank	(29,711)	(32,357)
Decrease/(increase) in other assets	48,737	(83,002)
(Decrease)/increase in Islamic customers' deposits	(463,688)	613,907
Increase in due to banks and other financial institutions	1,171,874	1,141,570
Increase in other liabilities	52,846	81,535
<b>Net cash generated from/(used in) operating activities</b>	<b>169,302</b>	<b>(203,846)</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(623,435)	(198,315)
Proceeds from sale of investment securities	16,665	265,528
Coupon income on investment securities	9,631	6,350
Purchase of property and equipment	(2,554)	(99,832)
Increase in investment property	(49,762)	-
<b>Net cash used in investing activities</b>	<b>(649,455)</b>	<b>(26,269)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(480,153)</b>	<b>(230,115)</b>
Cash and cash equivalents at the beginning of the period	1,428,849	1,558,904
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<b>948,696</b>	<b>1,328,789</b>

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



## Notes to the condensed consolidated financial statements for the three month period ended 31 March 2016

### 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 the 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, 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.

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
	2016	2015		
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 135 million (2015: nil) was placed during the period ended 31 March 2016, 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 month period ended 31 March 2016 (continued)**

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these condensed 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.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants
- 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
- Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7 and IAS 9 and IAS 34
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- 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

**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:

<u><b>New and revised IFRSs</b></u>	<u><b>Effective for annual periods beginning on or after</b></u>
Amendments to IAS 7 Statement of cash flow clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
Amendments to IAS 12 relating to recognition of deferred tax assets for unrealised losses	1 January 2017
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

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (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)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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.	
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:	
<ul style="list-style-type: none"> <li>• <b>Classification and measurement:</b> 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.</li> <li>• <b>Impairment:</b> 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</li> <li>• <b>Hedge accounting:</b> 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.</li> <li>• <b>Derecognition:</b> The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.</li> </ul>	

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (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)**

<u><b>New and revised IFRSs</b></u>	<u><b>Effective for annual periods beginning on or after</b></u>
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> 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 <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 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 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 condensed 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 condensed 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 condensed 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. 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 UAE.

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)****3. Summary of significant accounting policies (continued)****3.1 Basis of preparation (continued)**

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 2015.

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 2015. In addition, results for the period from 1 January 2016 to 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

**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 2015.

**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 months periods ended 31 March 2016 and 31 March 2015.

**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.

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

**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 2015 except for the assumptions used in valuing the investment properties as disclosed in note 10 to the condensed consolidated financial statements.

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

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

	<b>Available for sale AED'000</b>	<b>Amortised cost AED'000</b>	<b>Total AED'000</b>
<b>31 March 2016 (unaudited)</b>			
<b>Financial assets:</b>			
Cash and balances with the central bank	-	1,185,938	1,185,938
Due from banks and other financial institutions	-	410,440	410,440
Available for sale	574,116	-	574,116
Islamic financing and investing assets -net	-	11,493,454	11,493,454
Held to maturity	-	912,881	912,881
Other assets	-	55,405	55,405
<b>Total</b>	<b>574,116</b>	<b>14,058,118</b>	<b>14,632,234</b>
<b>Financial liabilities:</b>			
Islamic customers' deposits	-	10,548,438	10,548,438
Due to banks and other financial institutions	-	2,989,762	2,989,762
Other liabilities	-	56,853	56,853
<b>Total</b>	<b>-</b>	<b>13,595,053</b>	<b>13,595,053</b>
<b>31 December 2015 (audited)</b>			
<b>Financial assets:</b>			
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 - net	-	11,130,785	11,130,785
Held to maturity	-	518,974	518,974
Other assets	-	50,433	50,433
<b>Total</b>	<b>362,635</b>	<b>13,493,562</b>	<b>13,856,197</b>
<b>Financial liabilities:</b>			
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
<b>Total</b>	<b>-</b>	<b>12,883,204</b>	<b>12,883,204</b>

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Cash on hand	85,979	95,783
Balances with the Central Bank:		
Current accounts	80,664	456,370
Reserve requirements with the Central Bank	394,295	364,583
International murabahat with the Central Bank	625,000	625,000
<b>Total</b>	<b>1,185,938</b>	<b>1,541,736</b>

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 March 2015 AED'000 (unaudited)
Cash and balances with the Central Bank	1,185,938	403,380
Balances with other banks	46,878	87,743
	<b>1,232,816</b>	491,123
Due from banks and other financial institutions (original maturity less than three months)	110,175	1,155,726
Less: Statutory reserve with the Central Bank	(394,295)	(318,060)
<b>Cash and cash equivalents</b>	<b>948,696</b>	<b>1,328,789</b>

The statutory reserve with the Central Bank is not available to finance the day-to-day operations of the Bank. 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.

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
<b>Islamic financing assets</b>		
Vehicles murabahat	292,889	274,954
Commodities murabahat	4,458,509	4,354,797
<b>Total murabahat</b>	<b>4,751,398</b>	4,629,751
Other Ijarahs	4,270,046	4,262,397
Home finance Ijarah	1,769,703	1,604,864
Istisna'a	4,978	2,222
Islamic credit cards	41,643	40,249
	<b>6,086,370</b>	5,909,732
Deferred income	<b>(686,347)</b>	(648,498)
<b>Total Islamic financing assets</b>	<b>10,151,421</b>	9,890,985
<b>Islamic investing assets</b>		
Musharakat	80,000	136,866
Mudaraba	755,160	737,067
Wakalat	767,937	610,290
<b>Total Islamic investing assets</b>	<b>1,603,097</b>	1,484,223
<b>Total Islamic financing and investing assets</b>	<b>11,754,518</b>	11,375,208
Provisions for impairment (Note 7.1)	<b>(261,064)</b>	(244,423)
<b>Total Islamic financing and investing assets, net</b>	<b>11,493,454</b>	11,130,785



**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

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

7.1 Movement of provision for impairment losses

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
<i>Specific</i>		
At beginning of the period/ year	96,101	75,508
Charge for the period/ year	5,903	20,633
Write-offs	(9)	(40)
Balance at the end of the period/year	<u>101,995</u>	<u>96,101</u>
<i>Collective</i>		
At beginning of the period/year	148,322	108,052
Charge for the period/year	10,747	40,270
Balance at the end of the period/year	<u>159,069</u>	<u>148,322</u>
<b>Total specific and collective provision</b>	<u><u>261,064</u></u>	<u><u>244,423</u></u>

**8. Investment securities**

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Held to maturity - sukuk	912,881	518,974
Available for sale - listed sukuk	574,116	362,635
	<u><u>1,486,997</u></u>	<u><u>881,609</u></u>

***Fair value hierarchy***

The financial and non-financial assets 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>
<i>Financial assets</i>				
<b>Available for sale</b>				
At 31 March 2016 (unaudited)	343,483	-	230,633	574,116
At 31 December 2015 (audited)	332,635	-	30,000	362,635
<i>Non-financial assets</i>				
<b>Investment property</b>				
At 31 March 2016 (unaudited)	-	-	147,762	147,762
At 31 December 2015 (audited)	-	-	78,000	78,000

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 year/period.

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

**9. Other assets**

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Accrued income on Islamic financing and investing assets	43,821	42,624
Accrued income on investment securities	11,584	7,812
Prepaid expenses	25,451	18,467
Staff advances	10,749	10,115
Acceptances (Note 12)	81,960	158,303
Other	74,857	60,092
	<u><u>248,422</u></u>	<u><u>297,413</u></u>

**10. Investment property**

- (a) Movement in investment properties during the period ended 31 March 2016 and 31 December 2015 is as follows:

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
At beginning of the period/year	78,000	52,000
Additions during the period/year	49,762	21,015
Increase in fair value during the period/ year	20,000	4,985
	<u><u>147,762</u></u>	<u><u>78,000</u></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 31 March 2016 is AED 147.7 million (31 December 2015: AED 78 million). The fair value is mainly based on unobservable market inputs (i.e. level 3).

As the project came to the completion stage by the reporting date, the Group carried out a valuation during the current period by using professional valuers not related to the Bank who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The valuation was based on the income approach by discounting the future cash flows and taking into consideration the current market rents for similar properties in the same location.

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

**11. Islamic customers' deposits**

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Current accounts	<b>1,760,825</b>	1,638,524
<i>Mudarba deposits:</i>		
Savings accounts	<b>142,021</b>	156,122
Term deposits	<b>122,994</b>	145,895
	<b>2,025,840</b>	1,940,541
Wakala deposits	<b>8,327,126</b>	8,869,670
Escrow accounts	<b>108,654</b>	100,390
Margin accounts	<b>86,818</b>	101,525
	<b>10,548,438</b>	11,012,126

**12. Other liabilities**

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	<b>56,853</b>	53,190
Provisions for staff salaries benefits	<b>12,158</b>	11,484
Managers' cheques	<b>118,962</b>	21,061
Acceptances (Note 9)	<b>81,960</b>	158,303
Other	<b>43,698</b>	16,747
	<b>313,631</b>	260,785

**13. Share capital**

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
<i>Issued and fully paid:</i>		
1,050,000,000 (31 December 2015: 1,050,000,000) shares of AED 1 each	<b>1,050,000</b>	1,050,000

Subsequent to the period ended 31 March 2016, stock dividends of 7% of paid up capital amounting to AED 73,500,000 was approved by the shareholders at the annual general meeting held on the 13<sup>th</sup> April 2016. Further AED 2.5 million as Directors' remuneration was also approved.

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

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

	<b>Three month period ended 31 March</b>	
	<b>2016</b>	<b>2015</b>
	<b>AED'000</b>	<b>AED'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Income from Wakala	1,871	2,603
Income from Murabaha	60,453	49,450
Income from Ijarah	58,280	42,978
Income from Mudaraba	7,932	11,237
Income from Musharaka	1,763	1,665
Income from Istisna	31	8
	<u>130,330</u>	<u>107,941</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 31 March</b>	
	<b>2016</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b><i>Basic earnings per share</i></b>		
Profit for the period (AED'000)	<u>30,002</u>	<u>25,861</u>
	<u>30,002</u>	<u>25,861</u>
Weighted average number of shares outstanding during the period (in thousands)	<u>1,050,000</u>	<u>1,050,000</u>
<b>Basic earnings per share (AED)</b>	<u>AED 0.029</u>	<u>AED 0.025</u>

As at 31 March 2016 and 2015, there were no potential dilutive shares outstanding.

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (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:

	Three month period ended					
	31 March 2016 (unaudited)			31 March 2015 (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	11,481	658	12,139	10,766	318	11,084
Income from Islamic financing and investing assets	9,161	1,121	10,282	5,846	841	6,687
Rental expenses	-	409	409	-	366	366

**Balances**

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

	31 March 2016 (unaudited)			31 December 2015 (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	1,383,471	96,045	1,479,516	1,439,136	92,638	1,531,774
Customers' deposits	2,955,231	26,388	2,981,619	2,875,728	44,401	2,920,129

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

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

*Compensation of directors and management personnel*

Key management compensation is as shown below:

	<b>Three month period ended 31 March</b>	
	<b>2016</b>	2015
	<b>AED'000</b>	AED'000
	<b>(unaudited)</b>	(unaudited)
Short term employment benefits	<b>4,465</b>	4,094
Terminal benefits	<b>241</b>	261
	<b>4,706</b>	4,355
	<b>120</b>	165
Directors' remuneration	<b>120</b>	165

**17. Contingencies and commitments**

*Capital commitments*

At 31 March 2016, the Group had outstanding capital commitments of AED 11.8 million (31 December 2015: AED 55 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:

	<b>31 March</b>	31 December
	<b>2016</b>	2015
	<b>AED'000</b>	AED'000
	<b>(unaudited)</b>	(audited)
Commitments to extend credit	<b>979,005</b>	884,655
Letters of credit	<b>84,660</b>	94,195
Letters of guarantee	<b>424,148</b>	451,315
	<b>1,487,813</b>	1,430,165

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

**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.

***Segment results of operations***

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

	<b>Retail banking AED'000</b>	<b>Corporate banking AED'000</b>	<b>Treasury AED'000</b>	<b>Other AED'000</b>	<b>Total AED'000</b>
<b>Three month period ended 31 March 2016 (unaudited)</b>					
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)
<b>Operating profit/(loss) (unaudited)</b>	<b>9,497</b>	<b>26,315</b>	<b>10,712</b>	<b>(16,522)</b>	<b>30,002</b>

**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

**18. Segment analysis (continued)**

	<b>Retail banking AED'000</b>	<b>Corporate banking AED'000</b>	<b>Treasury AED'000</b>	<b>Other AED'000</b>	<b>Total AED'000</b>
<b>Three month period ended 31 March 2015 (unaudited)</b>					
Net income from Islamic financing and investing assets	20,632	43,272	2,911	-	66,815
Income from investment securities	-	-	8,775	-	8,775
Impairment charges on financial assets	(8,141)	(6,261)	939	-	(13,463)
Net fee and other income	9,588	13,093	728	-	23,409
Staff cost	(15,483)	(4,329)	(840)	(20,805)	(41,457)
General and administrative expenses	(4,492)	(909)	-	(8,964)	(14,365)
Depreciation of property and equipment	-	-	-	(3,853)	(3,853)
<b>Operating profit/(loss) (unaudited)</b>	<b>2,104</b>	<b>44,866</b>	<b>12,513</b>	<b>(33,622)</b>	<b>25,861</b>
<b>As at 31 March 2016</b>					
<b>Total assets (unaudited)</b>	<b>3,055,717</b>	<b>8,738,563</b>	<b>2,433,462</b>	<b>884,212</b>	<b>15,111,954</b>
<b>Total liabilities (unaudited)</b>	<b>1,953,720</b>	<b>10,435,196</b>	<b>1,149,285</b>	<b>313,630</b>	<b>13,851,831</b>
<b>As at 31 December 2015</b>					
Total assets (audited)	2,836,160	8,546,258	1,664,684	1,274,546	14,321,648
Total liabilities (audited)	1,439,111	11,366,484	4,416	280,788	13,090,799



**Notes to the condensed consolidated financial statements  
for the three month period ended 31 March 2016 (continued)**

**19. Capital adequacy ratio**

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

		<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
<i>Capital base</i>			
Tier 1 capital		<b>1,280,226</b>	1,250,224
Tier 2 capital		<b>112,454</b>	128,947
<b>Total capital base</b>	<b>(A)</b>	<b>1,392,680</b>	1,379,171
<i>Risk-weighted assets</i>			
Credit risk		<b>10,628,433</b>	9,872,885
Operational risk		<b>429,240</b>	429,240
<b>Total risk-weighted assets</b>	<b>(B)</b>	<b>11,057,673</b>	10,302,125
<b>Risk asset ratio (%) [(A)/(B) x 100]</b>		<b>12.60%</b>	13.39%

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

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