

**AJMAN BANK PJSC**

**Review report and  
interim financial information  
for the nine month period ended  
30 September 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 September 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 nine 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  
17 October 2017

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

	Notes	30 September 2017 (unaudited) AED'000	31 December 2016 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with the Central Bank		1,379,808	608,976
Due from banks and other financial institutions		306,793	334,747
Islamic financing and investing assets, net		14,764,459	12,372,535
Investment securities		1,468,202	1,852,453
Investment property		557,901	322,398
Property and equipment		136,572	140,637
Other assets		276,010	369,830
<b>Total assets</b>		<b>18,889,745</b>	<b>16,001,576</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Islamic customers' deposits		13,834,030	11,097,896
Due to banks and other financial institutions		2,774,500	2,542,472
Other liabilities		176,778	349,777
<b>Total liabilities</b>		<b>16,785,308</b>	<b>13,990,145</b>
<b>Equity</b>			
Share capital		1,680,323	1,623,500
Statutory reserve		214,464	214,464
Investment fair value reserve		(33,066)	(34,119)
Retained earnings		242,716	207,586
<b>Total equity</b>		<b>2,104,437</b>	<b>2,011,431</b>
<b>Total liabilities and equity</b>		<b>18,889,745</b>	<b>16,001,576</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 nine month period ended 30 September 2017**

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
<b>Operating income</b>					
Income from Islamic financing and investing assets	14	174,813	142,671	495,174	412,324
Income from investment securities		21,940	43,963	63,528	68,520
Fees, commissions and other income		34,735	21,289	96,752	90,402
<b>Total operating income before depositors' share of profit</b>		<b>231,488</b>	<b>207,923</b>	<b>655,454</b>	<b>571,246</b>
Depositors' share of profit		(92,714)	(66,790)	(255,030)	(195,056)
<b>Net operating income</b>		<b>138,774</b>	<b>141,133</b>	<b>400,424</b>	<b>376,190</b>
<b>Expenses</b>					
Staff costs		(40,495)	(46,192)	(129,009)	(137,639)
General and administrative expenses		(13,392)	(13,066)	(39,712)	(39,683)
Impairment charge on					
Islamic financing and investing assets		(41,626)	(44,844)	(123,644)	(89,919)
Impairment charge on other receivables		(170)	(391)	(636)	(1,842)
Depreciation of property and equipment		(3,908)	(3,560)	(12,970)	(11,312)
<b>Total expenses</b>		<b>(99,591)</b>	<b>(108,053)</b>	<b>(305,971)</b>	<b>(280,395)</b>
<b>Profit for the period</b>		<b>39,183</b>	<b>33,080</b>	<b>94,453</b>	<b>95,795</b>
<b>Earnings per share</b>	15	<b>0.023</b>	0.020	<b>0.055</b>	0.065

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 nine month period ended 30 September 2017**

	Three month period ended 30 September		Nine month period ended 30 September	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
<b>Profit for the period</b>	<b>39,183</b>	<b>33,080</b>	<b>94,453</b>	<b>95,795</b>
<b>Other comprehensive income/(loss):</b> <i>Items that may be reclassified subsequently to profit or loss</i>				
<i>Available for sale investments</i>				
Fair value gain on available for sale Investments	3,982	4,207	8,273	32,315
Reclassification adjustments relating to available for sale financial assets disposed of during the period	(576)	(4,283)	(7,220)	(38,082)
<b>Other comprehensive income/(loss)</b>	<b>3,406</b>	<b>(76)</b>	<b>1,053</b>	<b>(5,767)</b>
<b>Total comprehensive income for the period</b>	<b>42,589</b>	<b>33,004</b>	<b>95,506</b>	<b>90,028</b>

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

**Condensed consolidated statement of changes in equity  
for the nine months period ended 30 September 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	-	-	-	95,795	95,795
Other comprehensive loss	-	-	(5,767)	-	(5,767)
Total comprehensive income for the period	-	-	(5,767)	95,795	90,028
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 September 2016 (unaudited)</b>	<b>1,623,500</b>	<b>201,910</b>	<b>(25,142)</b>	<b>190,390</b>	<b>1,990,658</b>
As at 1 January 2017 (audited)	1,623,500	214,464	(34,119)	207,586	2,011,431
Profit for the period	-	-	-	94,453	94,453
Other comprehensive income	-	-	1,053	-	1,053
Total comprehensive income for the period	-	-	1,053	94,453	95,506
Stock dividends (Note 13)	56,823	-	-	(56,823)	-
Directors' remuneration (Note 13)	-	-	-	(2,500)	(2,500)
<b>As at 30 September 2017 (unaudited)</b>	<b>1,680,323</b>	<b>214,464</b>	<b>(33,066)</b>	<b>242,716</b>	<b>2,104,437</b>

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

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

	<b>Nine month period ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Cash flows from operating activities</b>		
Profit for the period	94,453	95,795
<i>Adjustments for:</i>		
Depreciation of property and equipment	12,970	11,312
Impairment charge on Islamic financing, investing assets and other receivables	124,280	91,761
Income from investment securities	(56,308)	(30,438)
Impairment of property and equipment	-	96
Fair value adjustment of investment property	(5,635)	(34,000)
Realised gain on disposal of investment securities	(7,220)	(38,082)
Gain on disposal of property and equipment	-	(23)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>162,540</b>	<b>96,421</b>
<b>Changes in operating assets and liabilities</b>		
Increase in Islamic financing and investing assets	(2,515,568)	(1,442,581)
Decrease/(increase) in due from banks and other financial institutions	91,752	(91,754)
Increase in statutory deposit with the Central Bank	(109,792)	(47,415)
Decrease in other assets	93,184	47,213
Increase in Islamic customers' deposits	2,736,134	78,715
Increase in due to banks and other financial institutions	232,028	634,529
(Decrease)/increase in other liabilities	(172,999)	4,083
Payment of directors remuneration	(2,500)	(2,500)
<b>Net cash generated from/(used in) operating activities</b>	<b>514,779</b>	<b>(723,289)</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(2,831,851)	(2,753,209)
Proceeds from sale of investment securities	2,560,321	2,404,151
Purchase of property and equipment	(8,905)	(12,134)
Proceeds from disposal of property and equipment	-	23
Profit income on investment securities	56,308	31,899
Additions to investment property	(229,868)	(186,259)
<b>Net cash used in investing activities</b>	<b>(453,995)</b>	<b>(515,529)</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>60,784</b>	<b>(566,537)</b>
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>1,009,113</b>	<b>862,312</b>

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



**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 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 September 2017 into the above subsidiaries (2016: AED 135 million was placed).

**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*.

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 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 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>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</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
IFRS 9 <i>Financial Instruments</i> (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 <i>Financial Instruments: Recognition and Measurement</i> . 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 nine months period ended 30 September 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 condensed consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9, 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 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, once the standard is adopted in 2018. The Group has a centrally managed IFRS 9 program focusing on methodology, data sourcing and modelling, IT processing and reporting. The Group’s work to date has covered performing an assessment of the population of financial instruments impacted by the classification and measurement requirements of IFRS 9 and developing an impairment methodology to support the calculation of the Expected Credit Loss allowance. The Group will be able to communicate a reasonable estimate of the quantitative effects of the application of IFRS 9 upon completion of these detailed reviews.

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 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)**

Overall governance of the program’s implementation is overseen by the IFRS 9 Steering Committee and includes representation from senior stakeholders, management and external consultants. Guidance and training on IFRS 9 across the Group is delivered across businesses and functions as part of the Group’s internal control systems. The Group is in the process of enhancing its existing governance framework to ensure that appropriate validations and controls are in place over new key processes and significant areas of judgment.

**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 September 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.

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

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

**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 nine month period ended 30 September 2017 and 30 September 2016.

**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.

	<b>Available for sale AED'000</b>	<b>Amortised cost AED'000</b>	<b>Total AED'000</b>
<b>At 30 September 2017 (unaudited)</b>			
<b>Financial assets</b>			
Cash and balances with the Central Bank	-	1,379,808	1,379,808
Due from banks and other financial institutions	-	306,793	306,793
Islamic financing and investing assets, net	-	14,764,459	14,764,459
Available for sale	1,468,202	-	1,468,202
Other assets	-	141,933	141,933
	<u>1,468,202</u>	<u>16,592,993</u>	<u>18,061,195</u>
<b>Total</b>	<u><u>1,468,202</u></u>	<u><u>16,592,993</u></u>	<u><u>18,061,195</u></u>



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

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

	Available for sale AED'000	Amortised cost AED'000	Total AED'000
<b>At 30 September 2017 (unaudited)</b>			
<b>Financial liabilities</b>			
Islamic customers' deposits	-	13,834,030	13,834,030
Due to banks and other financial institutions	-	2,774,500	2,774,500
Other liabilities	-	120,532	120,532
<b>Total</b>	<b>-</b>	<b>16,729,062</b>	<b>16,729,062</b>

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 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Cash on hand	101,920	86,448
Balances with the Central Bank:		
Current accounts	135,691	120,123
Reserve requirements with the Central Bank	512,197	402,405
International murabahat with the Central Bank	630,000	-
<b>Total</b>	<b>1,379,808</b>	<b>608,976</b>

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 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 September 2017 AED'000 (unaudited)</b>	30 September 2016 AED'000 (unaudited)
Cash and balances with the Central Bank	1,379,808	827,459
Due from banks and other financial institutions (original maturity less than three months)	141,502	446,851
	<u>1,521,310</u>	<u>1,274,310</u>
Less: Statutory reserve with the Central Bank	(512,197)	(411,998)
<b>Cash and cash equivalents</b>	<u><u>1,009,113</u></u>	<u><u>862,312</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 September 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
<b>Islamic financing Assets</b>		
Vehicles murabahat	215,717	268,988
Commodities murabahat	6,430,342	4,790,245
<b>Total murabahat</b>	<u>6,646,059</u>	<u>5,059,233</u>
Ijarahs	7,848,067	6,839,087
Istisna'a	25,175	14,161
Islamic credit cards	39,558	40,391
	<u>14,558,859</u>	<u>11,952,872</u>
Deferred income	(1,037,412)	(906,332)
<b>Total Islamic financing assets</b>	<u><u>13,521,447</u></u>	<u><u>11,046,540</u></u>

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

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

	<b>30 September 2017 AED'000 (unaudited)</b>	<b>31 December 2016 AED'000 (audited)</b>
<b>Islamic investing Assets</b>		
Musharakat	-	80,000
Mudaraba	967,472	1,001,640
Wakalat	756,399	606,243
<b>Total Islamic investing assets</b>	<b>1,723,871</b>	<b>1,687,883</b>
<b>Total Islamic financing and investing assets</b>	<b>15,245,318</b>	<b>12,734,423</b>
Provisions for impairment (Note 7.1)	<b>(480,859)</b>	<b>(361,888)</b>
<b>Total Islamic financing and investing assets, net</b>	<b>14,764,459</b>	<b>12,372,535</b>

**7.1 Movement of provision for impairment**

	<b>30 September 2017 AED'000 (unaudited)</b>	<b>31 December 2016 AED'000 (audited)</b>
<i>Specific</i>		
At beginning of the period/year	198,019	96,101
Charge for the period/year	91,474	116,991
Write-offs, net	(4,673)	(15,073)
Balance at the end of the period/year	<b>284,820</b>	<b>198,019</b>
<i>Collective</i>		
At beginning of the period/year	163,869	148,322
Charge for the period/year	32,170	15,547
Balance at the end of the period/year	<b>196,039</b>	<b>163,869</b>
<b>Total specific and collective provision</b>	<b>480,859</b>	<b>361,888</b>



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

**8. Investment securities**

	<b>30 September 2017 AED'000 (unaudited)</b>	<b>31 December 2016 AED'000 (audited)</b>
Available for sale	<u>1,468,202</u>	<u>1,852,453</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>
<i>Financial assets</i>				
<b>Available for sale</b>				
<b>At 30 September 2017 (unaudited)</b>	<u>1,308,882</u>	<u>-</u>	<u>159,320</u>	<u>1,468,202</u>
At 31 December 2016 (audited)	<u>1,713,133</u>	<u>-</u>	<u>139,320</u>	<u>1,852,453</u>
<b>Foreign currency forward contracts</b>				
<b>At 30 September 2017 (unaudited)</b>	<u>583</u>	<u>-</u>	<u>-</u>	<u>583</u>
At 31 December 2016 (audited)	<u>2,515</u>	<u>-</u>	<u>-</u>	<u>2,515</u>
<i>Non-financial assets</i>				
<b>Investment property</b>				
<b>At 30 September 2017 (unaudited)</b>	<u>-</u>	<u>-</u>	<u>557,901</u>	<u>557,901</u>
At 31 December 2016 (audited)	<u>-</u>	<u>-</u>	<u>322,398</u>	<u>322,398</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.

**9. Other assets**

	<b>30 September 2017 AED'000 (unaudited)</b>	<b>31 December 2016 AED'000 (audited)</b>
Accrued income on Islamic financing and investing assets	68,376	52,171
Prepaid expenses	23,722	19,028
Assets acquired in settlement of Islamic financing and investing	23,684	23,684
Accrued income on investment securities	18,382	12,457
Acceptances (Note 12)	14,768	167,842
Staff advances	13,252	11,928
Foreign currency forward contracts	583	2,515
Other	113,243	80,205
	<u>276,010</u>	<u>369,830</u>

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

**10. Investment property**

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

	<b>30 September 2017 AED'000 (unaudited)</b>	<b>31 December 2016 AED'000 (audited)</b>
At beginning of the period/year	322,398	78,000
Additions during the period/year	229,868	193,437
Increase in fair value during the period/ year	5,635	50,961
Balance at the end of the period/year	<u>557,901</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 September 2017 is AED 558 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**

	<b>30 September 2017 AED'000 (unaudited)</b>	<b>31 December 2016 AED'000 (audited)</b>
Current accounts	2,661,637	1,716,175
<i>Mudarba deposits:</i>		
Savings accounts	182,866	175,223
Term deposits	78,843	96,892
	<u>2,923,346</u>	<u>1,988,290</u>
Wakala deposits	10,717,852	8,903,940
Escrow accounts	88,371	111,215
Margin accounts	104,461	94,451
	<u>13,834,030</u>	<u>11,097,896</u>

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

**12. Other liabilities**

	<b>30 September 2017 AED'000 (unaudited)</b>	<b>31 December 2016 AED'000 (audited)</b>
Accrued profit on Islamic customers' deposits and placements by banks	95,615	93,247
Provisions for staff salaries benefits	16,034	19,219
Managers' cheques	13,588	45,193
Acceptances (Note 9)	14,768	167,842
Other	36,773	24,276
	<u>176,778</u>	<u>349,777</u>

**13. Share capital**

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

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

	<b>Nine month period ended 30 September</b>	
	<b>2017 AED'000 (unaudited)</b>	<b>2016 AED'000 (unaudited)</b>
Income from Ijarah	242,088	191,631
Income from Murabaha	221,488	186,945
Income from Mudaraba	29,822	27,011
Income from Istisna	806	184
Income from Wakala	543	2,370
Income from Musharaka	427	4,183
	<u>495,174</u>	<u>412,324</u>

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 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:

	<b>Nine month period ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b><i>Basic earnings per share</i></b>		
Profit for the period (AED'000)	<b>94,453</b>	95,795
Directors remunerations (AED'000)	<b>(2,500)</b>	(2,500)
	<b>91,953</b>	93,295
Weighted average number of shares outstanding at January (in thousands)	<b>1,623,500</b>	1,050,000
<i>Effect of bonus shares issued (in thousands)</i>		
Bonus shares issued in 2016	-	73,500
Bonus shares issued in 2017	<b>56,823</b>	56,823
<i>Effect of right issue of shares (in thousands)</i>		
New shares issued	-	258,971
Weighted average number of shares outstanding at 30 September (in thousands)	<b>1,680,323</b>	1,439,294
<b>Basic earnings per share (AED)</b>	<b>0.055</b>	0.065

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

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

**16. Related parties transactions**

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

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

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

**Transactions**

Transactions with related parties are shown below:

	Nine month period ended					
	30 September 2017 (unaudited)			30 September 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	13,846	328	14,174	40,668	1,048	41,716
Income from Islamic financing and investing assets	6,350	1,017	7,367	29,627	3,223	32,850
Rental expenses	-	666	666	-	1,339	1,339

**Balances**

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

	30 September 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	728,391	80,831	809,222	778,420	68,355	846,775
Customers' deposits	2,668,805	74,663	2,743,468	2,218,820	80,259	2,299,079
Other	26,900	-	26,900	-	26,900	26,900

**Compensation of directors and management personnel**

Key management compensation is as shown below:

	Nine month period ended 30 September	
	2017 AED'000 (unaudited)	2016 AED'000 (unaudited)
Short term employment benefits	14,535	13,702
Terminal benefits	781	745
	<b>15,316</b>	<b>14,447</b>

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

**17. Contingencies and commitments**

*Capital commitments*

At 30 September 2017, the Bank had outstanding capital commitments of AED 66 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 September 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
Commitments to extend credit	<b>1,182,737</b>	1,044,126
Letters of credit	<b>14,719</b>	51,014
Letters of guarantee	<b>498,685</b>	486,778
	<b><u>1,696,141</u></b>	<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) Consumer, corporate and investment 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 nine months period ended 30 September 2017 (continued)**

**18. Segment analysis (continued)**

**Segment results of operations**

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

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000
<b>Nine month period ended 30 September 2017 (unaudited)</b>						
Net income from Islamic financing and investing assets	70,383	153,995	10,069	5,697	-	240,144
Income from investment securities	-	-	58,393	5,135	-	63,528
Impairment charges on financial assets	(17,183)	(105,127)	(1,382)	(588)	-	(124,280)
Net fee and other income	15,421	49,117	9,064	23,150	-	96,752
Staff cost	(37,687)	(11,405)	(2,225)	(4,488)	(73,204)	(129,009)
General and administrative expenses	(21,399)	(3,526)	(596)	(130)	(14,061)	(39,712)
Depreciation of property and equipment	-	-	-	-	(12,970)	(12,970)
<b>Operating profit/(loss) (unaudited)</b>	<b>9,535</b>	<b>83,054</b>	<b>73,323</b>	<b>28,776</b>	<b>(100,235)</b>	<b>94,453</b>
<b>Nine month period ended 30 September 2016 (unaudited)</b>						
Net income from Islamic financing and investing assets	71,236	136,297	9,735	-	-	217,268
Income from investment securities	-	-	68,520	-	-	68,520
Impairment charges on financial assets	(23,239)	(71,088)	2,566	-	-	(91,761)
Net fee and other income	19,675	27,429	9,298	-	34,000	90,402
Staff cost	(42,829)	(15,273)	(2,711)	-	(76,826)	(137,639)
General and administrative expenses	(17,507)	(1,926)	(1,501)	-	(18,749)	(39,683)
Depreciation of property and equipment	-	-	-	-	(11,312)	(11,312)
<b>Operating profit/(loss) (unaudited)</b>	<b>7,336</b>	<b>75,439</b>	<b>85,907</b>	<b>-</b>	<b>(72,887)</b>	<b>95,795</b>

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

18. Segment analysis (continued)

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000
<b>As at 30 September 2017</b>						
Segment assets (unaudited)	4,061,901	10,815,160	2,074,334	1,215,845	722,505	18,889,745
Segment liabilities (unaudited)	2,451,502	11,970,382	1,020,831	1,135,806	206,787	16,785,308
<b>As at 31 December 2016</b>						
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 nine months period ended 30 September 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 September 2017 (unaudited) AED'000</b>	<b>31 December 2016 (audited) AED'000</b>
<i>Capital base</i>			
Tier 1 capital		2,137,503	2,045,550
Tier 2 capital		129,570	102,439
<b>Total capital base</b>	<b>(A)</b>	<b>2,267,073</b>	<b>2,147,989</b>
<i>Risk-weighted assets</i>			
Credit risk		13,010,864	10,929,410
Market risk		96,623	-
Operational risk		802,541	535,028
<b>Total risk-weighted assets</b>	<b>(B)</b>	<b>13,910,028</b>	<b>11,464,438</b>
<b>Risk asset ratio (%) [(A)/(B) x 100]</b>		<b>16.30%</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 17 October 2017.