

AJMAN BANK PJSC

**Review report and
interim financial information
for the nine months period ended
30 September 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 (collectively referred as the "Group"), as at 30 September 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 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.

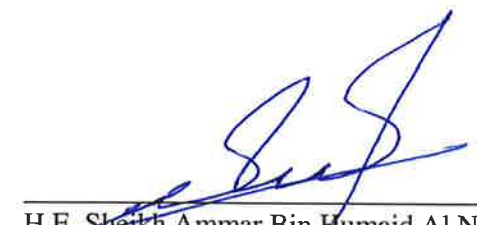
Deloitte & Touche (M.E.)

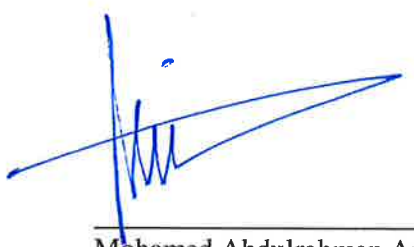


Musa Ramahi
Registration Number 872
Dubai
27 October 2016

Condensed consolidated statement of financial position
As at 30 September 2016

	Notes	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
ASSETS			
Cash and balances with the Central Bank	6	827,459	1,541,736
Due from banks and other financial institutions		703,868	251,634
Islamic financing and investing assets, net	7	12,483,447	11,130,785
Investment securities	8	1,096,196	881,609
Investment property	10	298,259	78,000
Property and equipment		141,197	140,471
Other assets	9	248,358	297,413
Total assets		15,798,784	14,321,648
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	11	11,090,841	11,012,126
Due to banks and other financial institutions		2,452,417	1,817,888
Other liabilities	12	264,868	260,785
Total liabilities		13,808,126	13,090,799
Equity			
Share capital	13	1,623,500	1,050,000
Statutory reserve		201,910	26,910
Investment fair value reserve		(25,142)	(19,375)
Retained earnings		190,390	173,314
Total equity		1,990,658	1,230,849
Total liabilities and equity		15,798,784	14,321,648


 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 2016**

		Three month period ended 30 September		Nine month period ended 30 September	
		2016	2015	2016	2015
	Note	AED'000	AED'000	AED'000	AED'000
Operating income					
Income from Islamic financing and investing assets	14	142,671	128,117	412,324	357,428
Income from investment securities		43,963	8,017	68,520	23,027
Fees, commissions and other income		21,289	5,645	90,402	57,779
Total operating income before depositors' share of profit		207,923	141,779	571,246	438,234
Depositors' share of profit		(66,790)	(45,242)	(195,056)	(128,023)
Net operating income		141,133	96,537	376,190	310,211
Expenses					
Staff costs		(46,192)	(33,878)	(137,639)	(122,159)
General and administrative expenses		(13,066)	(10,100)	(39,683)	(38,432)
Impairment charge on Islamic financing and investing assets		(44,844)	(14,343)	(89,919)	(48,297)
Impairment charge on other receivables		(391)	(1,249)	(1,842)	(2,834)
Depreciation of property and equipment		(3,560)	(4,328)	(11,312)	(12,629)
Total expenses		(108,053)	(63,898)	(280,395)	(224,351)
Profit for the period		33,080	32,639	95,795	85,860
Earnings per share	15	0.020	0.026	0.067	0.068

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 2016**

	Three month period ended 30 September		Nine month period ended 30 September	
	2016	2015	2016	2015
	AED'000	AED'000	AED'000	AED'000
Profit for the period	33,080	32,639	95,795	85,860
Other comprehensive (loss)/income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Fair value gain on available for sale Investments	4,207	1,197	32,315	12,536
<i>Available for sale investments</i>				
Reclassification adjustments relating to available for sale financial assets disposed of during the period	(4,283)	(547)	(38,082)	(3,308)
Total other comprehensive (loss)/income	(76)	650	(5,767)	9,228
Total comprehensive income for the period	33,004	33,289	90,028	95,088

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 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 2015 (audited)	1,000,000	14,702	(26,407)	114,873	1,103,168
Profit for the period	-	-	-	85,860	85,860
Other comprehensive income	-	-	9,228	-	9,228
Total comprehensive income for the period	-	-	9,228	85,860	95,088
Stock dividends	50,000	-	-	(50,000)	-
Directors remuneration	-	-	-	(1,426)	(1,426)
As at 30 September 2015 (unaudited)	1,050,000	14,702	(17,179)	149,307	1,196,830
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/(loss) for the period	-	-	(5,767)	95,795	90,028
Issuance of share capital (Note 13)	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)
As at 30 September 2016 (unaudited)	1,623,500	201,910	(25,142)	190,390	1,990,658

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 2016**

	Nine month period ended 30 September	
	2016 AED'000	2015 AED'000
Cash flows from operating activities		
Profit for the period	95,795	85,860
<i>Adjustments for:</i>		
Depreciation of property and equipment	11,312	12,629
Impairment charge on Islamic financing, investing assets and other receivables	91,761	51,131
Income from investment securities	(30,438)	(23,027)
Impairment of property and equipment	96	1,496
Fair value adjustment of investment property	(34,000)	-
Realised (gain)/loss on disposal of investment securities	(38,082)	3,308
Gain on disposal of property and equipment	(23)	-
Operating cash flows before changes in operating assets and liabilities	96,421	131,397
Changes in operating assets and liabilities		
Increase in Islamic financing and investing assets	(1,442,581)	(2,502,474)
Increase in due from banks and other financial institutions	(91,754)	(632,384)
Increase in statutory deposit with the Central Bank	(47,415)	(70,885)
Decrease/(increase) in other assets	47,213	(1,228)
Increase in Islamic customers' deposits	78,715	917,944
Increase in due to banks and other financial institutions	634,529	1,207,606
Increase/(decrease) in other liabilities	4,083	(35,419)
Payment of directors remuneration	(2,500)	(1,426)
Net cash used in operating activities	(723,289)	(986,869)
Cash flows from investing activities		
Purchase of investment securities	(2,753,209)	(455,269)
Proceeds from sale of investment securities	2,404,151	333,748
Purchase of property and equipment	(12,134)	(117,044)
Proceeds from disposal of property and equipment	23	-
Profit income received on investment securities	31,899	-
Additions to investment property	(186,259)	-
Net cash used in investing activities	(515,529)	(238,565)
Cash flows from financing activities		
Issuance of share capital	675,000	-
Issuance costs of share capital	(2,719)	-
Net cash generated from financing activities	672,281	-
Net decrease in cash and cash equivalents	(566,537)	(1,225,434)
Cash and cash equivalents at the beginning of the period	1,428,849	1,558,904
Cash and cash equivalents at the end of the period (Note 6)	862,312	333,470

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 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 September 2008 and obtained a license from the Central Bank of the UAE to operate as a Head Office on 14 September 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
	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 30 September 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 nine months period ended 30 September 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>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 7 <i>Statement of cash flow</i> 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 <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

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

New and revised IFRSs

IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)

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.

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9

**Effective for
annual periods
beginning on or after**

1 January 2018

When IFRS 9 is first applied

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

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

When IFRS 9 is first applied

IFRS 15 *Revenue from Contracts with Customers*: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

1 January 2018

Amends IFRS 15 *Revenue from Contracts with Customers* clarify three aspects of the standard and to provide some transition relief for modified contracts and completed contracts.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely

Amendments to IFRS 2 *Share-based Payment* to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

1 January 2018

Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank’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 Bank 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 Bank’s condensed consolidated financial statements in respect of Bank’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Bank 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.

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

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)**

3. Summary of significant accounting policies (continued)

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 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 30 September 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 nine month period ended 30 September 2016 and 30 September 2015.

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (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 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.

	Available for sale AED'000	Others at amortised cost AED'000	Total AED'000
At 30 September 2016 (unaudited)			
Financial assets			
Cash and balances with the Central Bank	-	827,459	827,459
Due from banks and other financial institutions	-	703,868	703,868
Available for sale	1,096,196	-	1,096,196
Islamic financing and investing assets, net	-	12,483,447	12,483,447
Other assets	-	61,574	61,574
Total	1,096,196	14,076,348	15,172,544
Financial liabilities			
Islamic customers' deposits	-	11,090,841	11,090,841
Due from banks and other financial institutions	-	2,452,417	2,452,417
Other liabilities	-	74,769	74,769
Total	-	13,618,027	13,618,027

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (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.

	Available for sale AED'000	Others at amortised cost AED'000	Total AED'000
At 31 December 2015 (audited)			
Financial assets			
Cash and balances with the Central Bank	-	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
Total	362,635	13,493,562	13,856,197
	=====	=====	=====
Financial liabilities			
Islamic Customers' deposits	-	11,012,126	11,012,126
Due to banks and other financial institutions	-	1,817,888	1,817,888
Other liabilities	-	53,190	53,190
Total	-	12,883,204	12,883,204
	=====	=====	=====

6. Cash and balances with the Central Bank

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Cash on hand	96,409	95,783
Balances with the Central Bank:		
Current accounts	19,052	456,370
Reserve requirements with the Central Bank	411,998	364,583
International murabihat with the Central Bank	300,000	625,000
Total	827,459	1,541,736
	=====	=====

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (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:

	30 September 2016 AED'000 (unaudited)	30 September 2015 AED'000 (unaudited)
Cash and balances with the Central Bank	827,459	663,197
Balances with other banks (included under due from banks and other financial institutions)	318,313	10,969
	1,145,772	674,166
Due from banks and other financial institutions (original maturity less than three months)	128,538	15,008
Less: Statutory reserve with the Central Bank	(411,998)	(355,704)
Cash and cash equivalents	862,312	333,470

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Islamic financing assets		
Vehicles murabahat	284,964	274,954
Commodities murabahat	4,724,398	4,354,797
Total murabahat	5,009,362	4,629,751
Ijarahs	6,803,820	5,867,261
Istisna'a	9,675	2,222
Islamic credit cards	41,599	40,249
	6,855,094	5,909,732
Deferred income	(817,093)	(648,498)
Total Islamic financing assets	11,047,363	9,890,985

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)**

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Islamic investing assets		
Musharakat	80,000	136,866
Mudaraba	1,063,307	737,067
Wakalat	626,315	610,290
Total Islamic investing assets	1,769,622	1,484,223
Total Islamic financing and investing assets	12,816,985	11,375,208
Provisions for impairment (Note 7.1)	(333,538)	(244,423)
Total Islamic financing and investing assets, net	12,483,447	11,130,785

7.1 Movement of provision for impairment

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
<i>Specific</i>		
At beginning of the period/year	96,101	75,508
Charge for the period/year	71,700	20,633
Write-offs	(804)	(40)
Balance at the end of the period/year	166,997	96,101
<i>Collective</i>		
At beginning of the period/year	148,322	108,052
Charge for the period/year	18,219	40,270
Balance at the end of the period/year	166,541	148,322
Total specific and collective provision	333,538	244,423

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)**

8. Investment securities

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Held to maturity – sukuk	-	518,974
Available for sale	1,096,196	362,635
	1,096,196	881,609

During the period, the Group reclassified the investments carried at held-to-maturity portfolio with market value of AED 997 million to the available-for-sale portfolio. As a result the group cannot classify any investment as held-to-maturity in the coming two financial years.

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
<i>Financial assets</i>				
Available for sale				
At 30 September 2016 (unaudited)	607,114	-	489,082	1,096,196
At 31 December 2015 (audited)	332,635	-	30,000	362,635
<i>Non-financial assets</i>				
Investment property				
At 30 September 2016 (unaudited)	-	-	298,259	298,259
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 period/year.

9. Other assets

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Accrued income on Islamic financing and investing assets	54,946	42,624
Accrued income on investment securities	6,628	7,812
Prepaid expenses	14,360	18,467
Staff advances	11,388	10,115
Acceptances (Note 12)	83,775	158,303
Assets acquired in settlement of debt	23,684	-
Other	53,577	60,092
	248,358	297,413

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)**

10. Investment property

- (a) Movement in investment properties during the period ended 30 September 2016 and 31 December 2015 is as follows:

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
At beginning of the period/year	78,000	52,000
Additions during the period/year	186,259	21,015
Increase in fair value during the period/ year	34,000	4,985
Balance at the end of the period/year	<u>298,259</u>	<u>78,000</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 2016 is AED 298 million (31 December 2015: AED 78 million). The fair value is mainly based on unobservable market inputs (i.e. level 3).

The Group carried out a valuation during the current period by using professional valuers not related to the Group 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.

- (c) The Bank acquired investment properties with a fair value of AED 129 million from a related party. An independent professional valuation firm with relevant professional qualifications and recent experience in the location and category of the investment properties being valued, which was not related to the Group, undertook the valuation for the purposes of the acquisition

11. Islamic customers' deposits

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Current accounts	1,867,604	1,638,524
<i>Mudarba deposits:</i>		
Savings accounts	144,147	156,122
Term deposits	97,227	145,895
	<u>2,108,978</u>	<u>1,940,541</u>
Wakala deposits	8,759,955	8,869,670
Escrow accounts	125,084	100,390
Margin accounts	96,824	101,525
	<u>11,090,841</u>	<u>11,012,126</u>

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)**

12. Other liabilities

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	74,769	53,190
Provisions for staff salaries benefits	18,734	11,484
Managers' cheques	67,457	21,061
Acceptances (Note 9)	83,775	158,303
Other liabilities	20,133	16,747
	264,868	260,785

13. Share capital

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
<i>Issued and fully paid:</i>		
1,623,500,000 (31 December 2015: 1,050,000,000) shares of AED 1 each	1,623,500	1,050,000

During the period ended 30 September 2016, stock dividend of 7% of paid up capital amounting to AED 73.5 million was approved by the shareholders at the annual general meeting held on the 13 April 2016. Further AED 2.5 million as Directors' remuneration was also approved.

In addition, at the general assembly the shareholders approved the increase in the Bank's issued share capital from AED 1,123,500,000 to AED 1,623,500,000 by way of a rights issue of 500,000,000 shares at an issue price of AED 1.35 per new share, reflecting the nominal value of AED 1 per new share and a share premium of 35 fils per share. During the period, the Bank completed the process of issuing 500,000,000 shares for AED 675,000,000 including the premium of 35 fils per share. Issuance costs amounting to AED 2.7 million were incurred and recorded as an equity transaction.

As required by the Company Law No. 2 of 2015, the premium of AED 175,000,000 relating to the rights issue was added to the legal reserve (statutory reserve).

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)**

14. Income from Islamic financing and investing assets

	Nine month period ended 30 September	
	2016	2015
	AED'000	AED'000
	(unaudited)	(unaudited)
Income from Wakala	2,370	6,953
Income from Murabaha	186,945	159,084
Income from Ijarah	191,631	156,512
Income from Mudaraba	27,011	29,828
Income from Musharaka	4,183	5,051
Income from Istisna	184	-
	412,324	357,428

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 30 September		Nine month period ended 30 September	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Basic earnings per share				
Profit for the period (AED'000)	33,080	32,639	95,795	85,860
Directors remunerations (AED'000)	-	-	(2,500)	(1,426)
	33,080	32,639	93,295	84,434
Weighted average number of shares outstanding at 1 January (in thousands)	1,623,500	1,050,000	1,050,000	1,000,000
Effect of bonus shares issued (in thousands)				
Bonus shares issued in 2015	-	-	-	50,000
Bonus shares issued in 2016	-	73,500	73,500	73,500
Effect of right issue of shares (in thousands)				
Bonus element	-	111,518	-	111,518
New shares issued	-	-	258,971	-
Weighted average number of shares outstanding at 30 September (in thousands)	1,623,500	1,235,018	1,382,471	1,235,018
Basic earnings per share (AED)	0.020	0.026	0.067	0.068

As at 30 September 2016 and 2015, there were no potential dilutive shares outstanding.

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

	Nine month period ended					
	30 September 2016 (unaudited)			30 September 2015 (unaudited)		
	Major shareholders AED'000	Director and other related parties AED'000	Total AED'000	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000
Depositors' share of profit	40,668	1,048	41,716	33,548	667	34,215
Income from Islamic financing and investing assets	29,627	3,223	32,850	25,943	3,266	30,986
Rental expenses	-	1,339	1,339	459	638	1,097

Balances

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

	30 September 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	1,585,751	96,644	1,682,395	1,439,136	92,638	1,531,774
Islamic customers' deposits	3,079,900	106,292	3,186,192	2,875,728	44,401	2,920,129

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)**

16. Related parties transactions (continued)

Compensation of directors and management personnel

Key management compensation is as shown below:

	Nine month period ended 30 September	
	2016	2015
	AED'000	AED'000
	(unaudited)	(unaudited)
Short term employment benefits	13,702	13,182
Terminal benefits	745	752
	14,447	13,934
	=====	=====

17. Contingencies and commitments

Capital commitments

At 30 September 2016, the Bank had outstanding capital commitments of AED 14 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 Bank's customers.

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

	30 September 2016	31 December 2015
	AED'000	AED'000
	(unaudited)	(audited)
Commitments to extend credit	1,149,636	884,655
Letters of credit	46,899	94,195
Letters of guarantee	479,333	451,315
	1,675,868	1,430,165
	=====	=====

18. Segment analysis

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

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

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

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

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)**

18. Segment analysis (continued)

Segment results of operations

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

Nine month period ended 30 September 2016 (unaudited)	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Others AED'000	Total AED'000
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)
Operating profit/(loss) (unaudited)	7,336	75,439	85,907	(72,887)	95,795
=====					
Nine month period ended 30 September 2015 (unaudited)					
Net income from Islamic financing and investing assets	71,090	150,472	7,843	-	229,405
Income from investment securities	-	-	22,795	232	23,027
Impairment charges on financial assets	(23,656)	(25,263)	(2,212)	-	(51,131)
Net fee and other income	16,519	37,448	3,812	-	57,779
Staff cost	(46,761)	(12,967)	(2,266)	(60,165)	(122,159)
General and administrative expenses	(14,124)	(2,018)	-	(22,290)	(38,432)
Depreciation of property and equipment	-	-	-	(12,629)	(12,629)
Operating profit/(loss) (unaudited)	3,068	147,672	29,972	(94,852)	85,860
=====					
As at 30 September 2016					
Total assets (unaudited)	3,574,083	9,422,899	1,520,838	1,280,964	15,798,784
=====					
Total liabilities (unaudited)	1,914,087	11,286,961	318,980	288,098	13,808,126
=====					
As at 31 December 2015					
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 nine months period ended 30 September 2016 (continued)**

19. Capital adequacy ratio

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

		30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
<i>Capital base</i>			
Tier 1 capital		2,015,800	1,250,224
Tier 2 capital		113,643	128,947
Total capital base	(A)	2,129,443	1,379,171
<i>Risk-weighted assets</i>			
Credit risk		11,468,656	9,872,885
Operational risk		429,240	429,240
Total risk-weighted assets	(B)	11,897,896	10,302,125
Risk asset ratio (%) [(A)/(B) x 100]		17.90%	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 27 October 2016.

