

AJMAN BANK PJSC

**Review report and
interim financial information
for the six months period ended 30 June 2016**

AJMAN BANK PJSC

Contents	Page
Report on review of interim financial information	1
Condensed consolidated statement of financial position	2
Condensed consolidated income statement (unaudited)	3
Condensed consolidated statement of profit or loss and other comprehensive income (unaudited)	4
Condensed consolidated statement of changes in equity	5
Condensed consolidated statement of cash flows (unaudited)	6
Notes to the condensed consolidated financial statements	7 - 23

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

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

Scope of Review

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

Conclusion

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

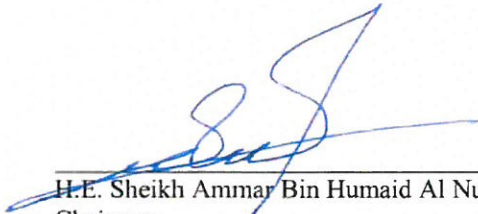
Deloitte & Touche (M.E.)

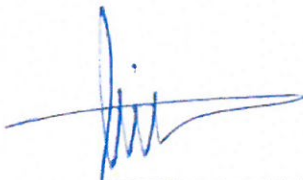


Musa Ramahi
Registration Number 872
Dubai
13 July 2016

Condensed consolidated statement of financial position
As at 30 June 2016

	Notes	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
ASSETS			
Cash and balances with the Central Bank	6	1,245,859	1,541,736
Due from banks and other financial institutions		276,248	251,634
Islamic financing and investing assets, net	7	12,067,034	11,130,785
Investment securities	8	1,553,883	881,609
Investment property	10	167,133	78,000
Property and equipment		140,524	140,471
Other assets	9	228,423	297,413
Total assets		15,679,104	14,321,648
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	11	10,685,753	11,012,126
Due to banks and other financial institutions		2,817,282	1,817,888
Other liabilities	12	218,415	260,785
Total liabilities		13,721,450	13,090,799
Equity			
Share capital	13	1,623,500	1,050,000
Statutory reserve		201,910	26,910
Investment fair value reserve		(25,066)	(19,375)
Retained earnings		157,310	173,314
Total equity		1,957,654	1,230,849
Total liabilities and equity		15,679,104	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 six month period ended 30 June 2016**

		Three month period ended 30 June		Six month period ended 30 June	
		2016	2015	2016	2015
	<i>Note</i>	AED'000	AED'000	AED'000	AED'000
Operating income					
Income from Islamic financing and investing assets	14	139,323	121,370	269,653	229,311
Income from investment securities		15,190	6,235	24,557	15,010
Fees, commissions and other income		31,486	28,725	69,113	52,134
Total operating income before depositors' share of profit		185,999	156,330	363,323	296,455
Depositors' share of profit		(64,026)	(41,655)	(128,266)	(82,781)
Net operating income		121,973	114,675	235,057	213,674
Expenses					
Staff costs		(41,167)	(46,824)	(91,447)	(88,281)
General and administrative expenses		(15,025)	(13,967)	(26,617)	(28,332)
Impairment charge on Islamic financing and investing assets		(28,425)	(21,138)	(45,075)	(33,954)
Impairment charge on other receivables		(879)	(938)	(1,451)	(1,585)
Depreciation of property and equipment		(3,764)	(4,448)	(7,752)	(8,301)
Total expenses		(89,260)	(87,315)	(172,342)	(160,453)
Profit for the period		32,713	27,360	62,715	53,221
Earnings per share (AED)	15	0.023	0.022	0.048	0.042

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

**Condensed consolidated statement of profit or loss
and other comprehensive income (unaudited)
for the six month period ended 30 June 2016**

	Three month period ended 30 June		Six month period ended 30 June	
	2016	2015	2016	2015
	AED'000	AED'000	AED'000	AED'000
Profit for the period	32,713	27,360	62,715	53,221
Other comprehensive income/(loss):				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Fair value (loss)/gain on available for sale investments	(2,983)	2,608	(3,651)	11,339
<i>Available for sale investments</i>				
Reclassification adjustments relating to available for sale financial assets disposed of during the period	(1,980)	(246)	(2,040)	(2,761)
Total other comprehensive (loss)/income	(4,963)	2,362	(5,691)	8,578
Total comprehensive income for the period	27,750	29,722	57,024	61,799

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

**Condensed consolidated statement of changes in equity
for the six months period ended 30 June 2016**

	Share capital AED'000	Statutory reserve AED'000	Investment fair value reserve AED'000	Retained earnings AED'000	Total AED'000
As at 31 December 2014 (audited)	1,000,000	14,702	(26,407)	114,873	1,103,168
Profit for the period	-	-	-	53,221	53,221
Other comprehensive income	-	-	8,578	-	8,578
Total comprehensive income for the period	-	-	8,578	53,221	61,799
Stock dividends	50,000	-	-	(50,000)	-
Directors' remuneration	-	-	-	(1,426)	(1,426)
As at 30 June 2015 (unaudited)	1,050,000	14,702	(17,829)	116,668	1,163,541
As at 31 December 2015 (audited)	1,050,000	26,910	(19,375)	173,314	1,230,849
Profit for the period	-	-	-	62,715	62,715
Other comprehensive loss	-	-	(5,691)	-	(5,691)
Total comprehensive income for the period	-	-	(5,691)	62,715	57,024
Issuance of share capital (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 June 2016 (unaudited)	1,623,500	201,910	(25,066)	157,310	1,957,654

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

**Condensed consolidated statement of cash flows (unaudited)
for the six month period ended 30 June 2016**

	Six month period ended 30 June	
	2016	2015
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	62,715	53,221
<i>Adjustments for:</i>		
Depreciation of property and equipment	7,752	8,301
Impairment charge on Islamic financing, investing assets and other receivables	46,526	35,539
Income from investment securities	(22,517)	(15,010)
Impairment of property and equipment	96	1,496
Fair value adjustment of investment property	(34,000)	-
Realized gain on disposal of investment securities	(2,040)	(2,761)
Gain on disposal of property and equipment	(23)	-
Operating cash flows before changes in operating assets and liabilities	58,509	80,786
<i>Changes in operating assets and liabilities</i>		
Increase in Islamic financing and investing assets	(981,324)	(2,327,027)
Increase in due from banks and other financial institutions	(91,792)	(557,556)
Increase in statutory deposit with the Central Bank	(72,325)	(94,251)
Increase/(decrease) in other assets	67,539	(25,389)
(Decrease)/increase in Islamic customers' deposits	(326,373)	547,609
Increase in due to banks and other financial institutions	999,394	971,931
(Decrease)/increase in other liabilities	(42,370)	77,744
Payment of directors remuneration	(2,500)	(1,426)
Net cash used in operating activities	(391,242)	(1,327,579)
Cash flows from investing activities		
Purchase of investment securities	(1,650,942)	(339,565)
Proceeds from sale of investment securities	808,802	304,162
Purchase of property and equipment	(7,901)	(106,846)
Proceeds from disposal of property and equipment	23	-
Profit income on investment securities	23,407	-
Additions to investment property	(55,133)	-
Net cash used in investing activities	(881,744)	(142,249)
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	(600,705)	(1,469,828)
Net 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)	828,144	89,076

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

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 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 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 are 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 June 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 six months period ended 30 June 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 six months period ended 30 June 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
<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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. 	When IFRS 9 is first applied

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

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 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 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
Amends IFRS 15 <i>Revenue from Contracts with Customers</i> clarify three aspects of the standard and to provide some transition relief for modified contracts and completed contracts.	
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
Amendments to IFRS 2 <i>Share-based Payment</i> 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 <i>Financial Instruments</i> , 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 <i>Financial Instruments</i> 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 six months period ended 30 June 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 June 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 six month period ended 30 June 2016 and 30 June 2015.

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 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 June 2016 (unaudited)			
Financial assets			
Cash and balances with the Central Bank	-	1,245,859	1,245,859
Due from banks and other financial institutions	-	276,248	276,248
Available for sale	555,624	-	555,624
Islamic financing and investing assets, net	-	12,067,034	12,067,034
Held to maturity	-	998,259	998,259
Other assets	-	62,223	62,223
Total	555,624	14,649,623	15,205,247
Financial liabilities			
Islamic customers' deposits	-	10,685,753	10,685,753
Due from banks and other financial institutions	-	2,817,282	2,817,282
Other liabilities	-	54,063	54,063
Total	-	13,557,098	13,557,098

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 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 June 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Cash on hand	94,564	95,783
Balances with the Central Bank:		
Current accounts	414,387	456,370
Reserve requirements with the Central Bank	436,908	364,583
International murabahat with the Central Bank	300,000	625,000
Total	1,245,859	1,541,736

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 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 June 2016 AED'000 (unaudited)	30 June 2015 AED'000 (unaudited)
Cash and balances with the Central Bank	1,245,859	457,448
Balances with other banks (included under due from banks and other financial institutions)	19,193	6,582
	<u>1,265,052</u>	<u>464,030</u>
Due from banks and other financial institutions (original maturity less than three months)	-	5,000
Less: Statutory reserve with the Central Bank	(436,908)	(379,954)
Cash and cash equivalents	<u><u>828,144</u></u>	<u><u>89,076</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

	30 June 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Islamic financing assets		
Vehicles murabahat	290,421	274,954
Commodities murabahat	4,491,732	4,354,797
Total murabahat	<u>4,782,153</u>	<u>4,629,751</u>
Other Ijarahs	4,529,087	4,262,397
Home finance Ijarah	1,933,302	1,604,864
Istisna'a	9,823	2,222
Islamic credit cards	40,791	40,249
	<u>6,513,003</u>	<u>5,909,732</u>
Deferred income	(722,760)	(648,498)
Total Islamic financing assets	<u><u>10,572,396</u></u>	<u><u>9,890,985</u></u>

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

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

	30 June 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Islamic investing assets		
Musharakat	80,000	136,866
Mudaraba	1,088,135	737,067
Wakalat	615,993	610,290
Total Islamic investing assets	1,784,128	1,484,223
Total Islamic financing and investing assets	12,356,524	11,375,208
Provisions for impairment (Note 7.1)	(289,490)	(244,423)
Total Islamic financing and investing assets, net	12,067,034	11,130,785

7.1 Movement of provision for impairment

	30 June 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	31,078	20,633
Write-offs	(8)	(40)
Balance at the end of the period	127,171	96,101
<i>Collective</i>		
At beginning of the period/year	148,322	108,052
Charge for the period/year	13,997	40,270
Balance at the end of the period	162,319	148,322
Total specific and collective provision	289,490	244,423

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

8. Investment securities

	30 June 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Held to maturity - sukuk	998,259	518,974
Available for sale - listed sukuk	555,624	362,635
	<u><u>1,553,883</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:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
Available for sale				
At 30 June 2016 (unaudited)	<u>555,624</u>	<u>-</u>	<u>-</u>	<u>555,624</u>
At 31 December 2015 (audited)	<u>332,635</u>	<u>-</u>	<u>30,000</u>	<u>362,635</u>
Non-financial assets				
Investment property				
At 30 June 2016 (unaudited)	<u>-</u>	<u>-</u>	<u>167,133</u>	<u>167,133</u>
At 31 December 2015 (audited)	<u>-</u>	<u>-</u>	<u>78,000</u>	<u>78,000</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 year/period.

9. Other assets

	30 June 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Accrued income on Islamic financing and investing assets	48,029	42,624
Accrued income on investment securities	14,194	7,812
Prepaid expenses	19,506	18,467
Staff advances	12,243	10,115
Acceptances (Note 12)	89,699	158,303
Other	44,752	60,092
	<u><u>228,423</u></u>	<u><u>297,413</u></u>

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

10. Investment property

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

	30 June 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	55,133	21,015
Increase in fair value during the period/ year	34,000	4,985
Balance at the end of the period/year	167,133	78,000

All of the Group's investment properties are held under free hold interest and located in the U.A.E.

- (b) The fair value of the Group's investment properties as at 30 June 2016 is AED 167 million (31 December 2015: AED 78 million). The fair value is mainly based on unobservable market inputs (i.e. level 3).

As a development 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 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.

11. Islamic customers' deposits

	30 June 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Current accounts	2,593,220	1,638,524
<i>Mudarba deposits:</i>		
Savings accounts	150,182	156,122
Term deposits	97,939	145,895
	2,841,341	1,940,541
Wakala deposits	7,630,497	8,869,670
Escrow accounts	121,587	100,390
Margin accounts	92,328	101,525
	10,685,753	11,012,126

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

12. Other liabilities

	30 June 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	54,063	53,190
Provisions for staff salaries benefits	12,968	11,484
Managers' cheques	37,427	21,061
Acceptances (Note 9)	89,699	158,303
Other liabilities	24,258	16,747
	<u>218,415</u>	<u>260,785</u>

13. Share capital

	30 June 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	<u>1,623,500</u>	<u>1,050,000</u>

During the period ended 30 June 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 six months period ended 30 June 2016 (continued)**

14. Income from Islamic financing and investing assets

	Six month period ended 30 June	
	2016 AED'000 (unaudited)	2015 AED'000 (unaudited)
Income from Wakala	2,290	5,003
Income from Murabaha	125,568	102,079
Income from Ijarah	122,507	97,921
Income from Mudaraba	16,230	20,952
Income from Musharaka	2,960	3,349
Income from Istisna	98	7
	<u>269,653</u>	<u>229,311</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:

	Three month period ended 30 June		Six month period ended 30 June	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Basic earnings per share				
Profit for the period (AED'000)	32,713	27,360	62,715	53,221
Directors remunerations (AED'000)	(2,500)	-	(2,500)	(1,426)
	<u>30,213</u>	<u>27,360</u>	<u>60,215</u>	<u>51,795</u>
Weighted average number of shares outstanding at 1 January (in thousands)	1,050,000	1,000,000	1,050,000	1,000,000
Effect of bonus shares issued (in thousands)				
Bonus shares issued in 2015	-	50,000	-	50,000
Bonus shares issued in 2016	73,500	73,500	73,500	73,500
Effect of right issue of shares (in thousands)				
Bonus element	-	111,518	-	111,518
New shares issued	162,747	-	137,132	-
Weighted average number of shares outstanding at 30 June (in thousands)	<u>1,286,247</u>	<u>1,235,018</u>	<u>1,260,632</u>	<u>1,235,018</u>
Basic earnings per share (AED)	<u>0.023</u>	<u>0.022</u>	<u>0.048</u>	<u>0.042</u>

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

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

	Six month period ended					
	30 June 2016 (unaudited)			30 June 2015 (unaudited)		
	Major shareholders	Director and other related parties	Total	Major shareholders	Directors and other related parties	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Depositors' share of profit	14,605	334	14,939	10,744	390	11,134
Income from Islamic financing and investing assets	9,314	1,196	10,510	9,271	1,078	10,349
Rental expenses	-	465	465	-	732	732

Balances

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

	30 June 2016 (unaudited)			31 December 2015 (audited)		
	Major shareholders	Director and other related parties	Total	Major shareholders	Director and other related parties	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Islamic financing and investing assets	1,593,803	89,087	1,682,890	1,439,136	92,638	1,531,774
Islamic customers' deposits	3,056,227	61,825	3,118,052	2,875,728	44,401	2,920,129

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

16. Related parties transactions (continued)

Compensation of directors and management personnel

Key management compensation is as shown below:

	Six month period ended 30 June	
	2016	2015
	AED'000	AED'000
	(unaudited)	(unaudited)
Short term employment benefits	8,971	8,568
Terminal benefits	484	502
	9,455	9,070

17. Contingencies and commitments

Capital commitments

At 30 June 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 June 2016	31 December 2015
	AED'000	AED'000
	(unaudited)	(audited)
Commitments to extend credit	829,535	884,655
Letters of credit	76,354	94,195
Letters of guarantee	437,274	451,315
	1,343,163	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 six months period ended 30 June 2016 (continued)**

18. Segment analysis (continued)

Segment results of operations

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

Six month period ended 30 June 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	45,906	88,738	6,743	-	141,387
Income from investment securities	-	-	24,557	-	24,557
Impairment charges on financial assets	(13,573)	(29,929)	(3,024)	-	(46,526)
Net fee and other income	13,143	17,523	4,447	34,000	69,113
Staff cost	(30,572)	(10,799)	(1,838)	(48,238)	(91,447)
General and administrative expenses	(11,999)	(1,316)	-	(13,302)	(26,617)
Depreciation of property and equipment	-	-	-	(7,752)	(7,752)
Operating profit/(loss) (unaudited)	2,905	64,217	30,885	(35,292)	62,715
Six month period ended 30 June 2015 (unaudited)					
Net income from Islamic financing and investing assets	41,966	99,449	5,115	-	146,530
Income from investment securities	-	-	15,010	-	15,010
Impairment charges on financial assets	(15,089)	(21,389)	939	-	(35,539)
Net fee and other income	25,112	25,072	1,950	-	52,134
Staff cost	(31,609)	(8,688)	(1,540)	(46,444)	(88,281)
General and administrative expenses	(9,850)	(1,220)	-	(17,262)	(28,332)
Depreciation of property and equipment	-	-	-	(8,301)	(8,301)
Operating profit/(loss) (unaudited)	10,530	93,224	21,474	(72,007)	53,221
As at 30 June 2016					
Total assets (unaudited)	3,322,539	9,214,546	1,929,847	1,212,172	15,679,104
Total liabilities (unaudited)	1,899,358	10,504,837	1,068,348	248,907	13,721,450
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 six months period ended 30 June 2016 (continued)**

19. Capital adequacy ratio

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

		30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
<i>Capital base</i>			
Tier 1 capital		1,982,720	1,250,224
Tier 2 capital		110,668	128,947
Total capital base	(A)	2,093,388	1,379,171
<i>Risk-weighted assets</i>			
Credit risk		10,858,706	9,872,885
Operational risk		429,240	429,240
Total risk-weighted assets	(B)	11,287,946	10,302,125
Risk asset ratio (%) [(A)/(B) x 100]		18.54%	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 13 July 2016.