

Mawarid Finance P.J.S.C.
Consolidated Financial Statements
for the year ended 31 December 2016

Directors' Report:

On behalf of Mawarid Finance Board of Directors, it is my privilege to present the Annual report and consolidated financial statements of Mawarid Finance PJSC and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2016. This was a positive year, during which we made good progress towards our strategic objectives through a steadfast focus on growing core business activities.

Testament to the success of the disciplined approach, the balance sheet continues to be stable and strong with the total assets standing at AED 1.73 Billion (in 2015 AED 1.59 Billion) and owners' equity of AED 1.17 Billion (in 2015 AED 1.13 Billion) at the end of 2016. This is, in a large part, a result of continuously improving our product and services while also keeping cost and expenses under control.

Despite operating against a backdrop of continued, intense competition and less than ideal market conditions, our credit card portfolio performed well and increased their respective market share in UAE during 2016.

Performance Overview:

As for the Banking and Finance sectors, there was a slowdown in money supply growth as government deposits decreased because of the lower oil prices. In spite we managed to improve the quality of financing portfolios, and also simultaneously widened the customer's deposits base, thereby validating the resilience and viability of its core business model based on product and market diversification.

- Consolidated net profit, attributable to equity shareholders of the parent, amounted to AED 70.1 million as against AED 69.7 million in 2015.
- Increase in total assets was consciously moderated to 9% to reach AED 1,733 million (2015: AED 1,593 million) mainly contributed by an increase in the Financing and investing assets and investment properties.
- Wakala deposits base improved significantly to reach AED 469 million (2015: AED 381 million) as at 31 December 2016.
- Reflecting a judicious cost spending approach aligned to business needs without compromise to client service and investment in future growth, we have successfully maintained our expenses similar to the last year of AED 79.3 million (2015: AED 82.8 million) even though our new credit card division flourished significantly during the year 2016.





Mawarid Finance undertook a number of initiatives during the year to improve the customers' experience. Supporting the robust performance were an unwavering focus on delivering superior customer service and innovative Islamic products, keeping that in mind to meet the needs of our growing strong customer base, with the mission to leveraging technology and upgraded to the core banking system during the year 2016.

Moving forward, Mawarid Finance continues to pursue its defined strategy of targeted diversification with the regional expansion, with emphasis on increasing cross border business flow. In servicing our client base and enhancing shareholder value and will pro-actively seek opportunities to expand its financial services / investment through new acquisition and through the future organic and inorganic development of its existing entities. In sustaining growth going forward, enhanced focus on technology will continue to provide superior solutions to our customer's and reduce operational cost.

In these testing times, it takes a well-defined strategy to achieve sustainable growth, a balanced management approach to deliver core business performance, due diligence to mitigate risk and prudent growth to maintain prime asset quality, underpinned by a deep understanding of operating environments to driver product and service innovation. In continuing to thrive in adversity, we are building increased value for shareholders, forging closer relationships with its customers and business partners, and inspiring excellence among its staff.

The growth was driven by the dedication, commitment and expertise of the people and who we have long recognized to be by far our greatest assets. We take this opportunity, as always to thank each one of them for their truly valuable contributions. And we thanks our shareholder for their continued support, as well our customers, investors and all others stakeholders for their confidence on our success.

In particular, we thank the Central Bank and the Ministry of Economy for their continued guidance and support during the year. We also thank the members of the Board of Directors and the Sharia Supervisory Board for their continued support to realizing our shared vision of the group.

While operating challenges remain strong, we start 2017 with focused plans and objectives to advance our regional strategy in a balanced and prudent manner to meet the aspirations of all our stakeholders.

Allah the Almighty is the purveyor of all success

03 MAY 2017

Mohamed Al Nuaimi
Managing Director and Chief Executive Officer

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THE BIZZ
AWARDS

The ISO 9001
Certification





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Independent Auditors' Report

To the Shareholders of Mawarid Finance P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mawarid Finance P.J.S.C. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Information

Management is responsible for the other information. The other information comprises the Director's report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- v) as disclosed in note 20.1 to the consolidated financial statements, the Company acquired treasury shares during the year ended 31 December 2016. As disclosed in note 14.1 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2016;
- vi) note 30 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2016.



Report on Other Legal and Regulatory Requirements (continued)

Further, as required by the UAE Union Law No. (10) of 1980, as amended, we report that we have obtained all the information and explanations we considered necessary for the purposes of our audit.

KPMG Lower Gulf Limited

A handwritten signature in blue ink, appearing to read 'V N Malhotra'.

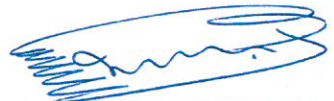
Vijendra Nath Malhotra
Registration No. 48
Dubai, United Arab Emirates

Date: 03 MAY 2017

Mawarid Finance P.J.S.C.
Consolidated statement of financial position
as at 31 December 2016

		31 December 2016	31 December 2015
	Note	AED '000	AED '000
Assets			
Cash and balances with banks and financial institution	10	169,598	312,361
Financing and investing assets	12	373,289	259,169
Investment properties	13	299,136	184,436
Investment securities	14	222,730	210,090
Equity accounted investees	15	428,958	408,913
Goodwill	16	9,132	9,132
Property and equipment	17	138,489	117,994
Intangible assets	18	9,021	4,615
Other assets	19	82,988	86,852
TOTAL ASSETS		1,733,341	1,593,562
Equity and liabilities			
Equity			
Share capital	20	1,000,000	1,000,000
Treasury shares	20	(11,500)	(11,000)
Statutory reserve	21	40,659	33,648
General reserve	22	40,659	33,648
Investment revaluation reserve		(359)	(306)
Retained earnings		98,459	72,029
Attributable to equity holders of the Parent		1,167,918	1,128,019
Non-controlling interest	23	6,863	8,675
Total equity		1,174,781	1,136,694
Liabilities			
Wakalah deposits	24	469,074	381,066
Other liabilities	25	89,486	75,802
Total liabilities		558,560	456,868
TOTAL EQUITY AND LIABILITIES		1,733,341	1,593,562


Omran Al - Owais
 Chairman


Mohamed Al Nuaimi
 Managing Director & CEO

Mawarid Finance P.J.S.C.
 Consolidated statement of profit or loss
 for the year ended 31 December 2016

		31 December 2016	31 December 2015
	<i>Note</i>	AED '000	AED '000
Continuing operations			
Income from financing and investing assets	26	27,765	25,526
Income from Islamic deposits and wakalah placements	27	3,068	3,322
Unrealised gain/(loss) on revaluation of investment properties	13	39,396	(49,515)
Gain on loss of control over subsidiary		-	228,404
Profit /(Loss) on investment carried at FVTPL		12,693	(18,460)
Other income	28	21,735	13,529
Reclassified loss on available for sale investments		-	(18,000)
Total income		104,657	184,806
General and administrative expenses	29	(79,346)	(82,806)
Total expenses		(79,346)	(82,806)
Depositors' share of profit		(224)	(276)
Provision for impairment	12	23,163	(52,854)
Profit before associate's share of profit for the year		48,250	48,870
Share of profit / (loss) from equity accounted investees	15	20,045	(715)
Profit from continuing operations		68,295	48,155
Discontinued operations			
Profit from discontinued operations		-	39,078
Profit for the year		68,295	87,233
<i>Attributable to:</i>			
Equity holders of the Parent		70,107	69,756
Non-controlling interest	23	(1,812)	17,477
		68,295	87,233

Mawarid Finance P.J.S.C.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

	31 December	31 December
	2016	2015
	<u>AED '000</u>	<u>AED '000</u>
Profit for the year	68,295	87,233
Other comprehensive income:		
<i>Items that will never be reclassified to profit or loss</i>	-	-
<i>Items that are or may be reclassified to profit or loss:</i>		
Changes in fair value of available for sale investments	(53)	24,187
Loss on available for sale investments reclassified to profit or loss	-	(18,000)
Total comprehensive income for the year	68,242	93,420
Total comprehensive income attributable to:		
Equity holders of the Parent	70,054	75,874
Non-controlling interest	(1,812)	17,546
Total comprehensive income for the year	68,242	93,420