

Ajman Bank PJSC
Condensed interim financial statements
For the three-month period ended 31 March 2012

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Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Shareholders
Ajman Bank PJSC

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Ajman Bank PJSC ("the Bank") as at 31 March 2012, the condensed interim statements of comprehensive income (comprising a separate condensed interim income statement and condensed interim statement of comprehensive income), changes in equity and cash flows for the three-month period then ended, and notes to the condensed interim financial information (the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed 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 condensed 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 condensed interim financial information as at 31 March 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG
Name: Vijendranath Malhotra
Registration No: 48B
07 MAY 2012

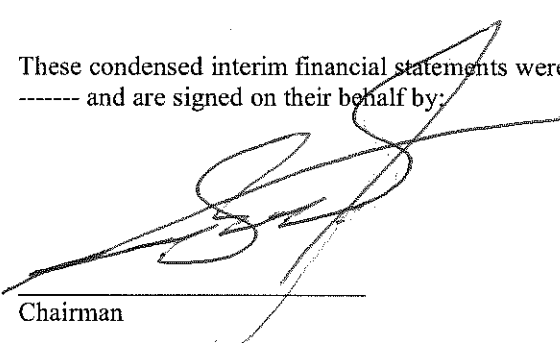
Ajman Bank PJSC

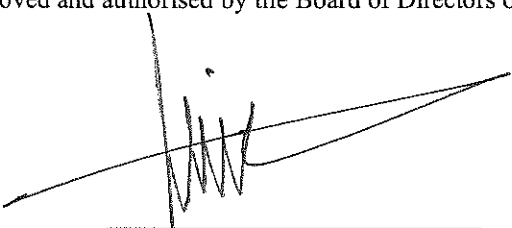
Condensed interim statement of financial position – (Reviewed)

as at 31 March 2012

		(Reviewed) 31 March 2012 AED'000	(Audited) 31 December 2011 AED'000
Assets			
Cash and deposits with the UAE Central Bank	6	342,966	168,367
Investments in Islamic financing and investment products	7	3,597,816	3,204,775
Investment securities	8	297,452	385,907
Investment property	9	49,961	49,961
Receivables and other assets	10	141,161	128,730
Property and equipment		58,549	62,207
Total assets		<u>4,487,905</u>	<u>3,999,947</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Customers' deposit	11	2,958,687	2,626,711
Wakala deposit by banks		391,081	270,771
Other liabilities	12	112,115	97,408
Provision for employees' end of service benefits		5,443	6,704
Total liabilities		<u>3,467,326</u>	<u>3,001,594</u>
Shareholders' equity			
Share capital	13	1,000,000	1,000,000
Statutory reserve		3,150	3,150
Fair value reserve		1,982	(15,706)
Retained earnings		15,447	10,909
Total shareholders' equity		<u>1,020,579</u>	<u>998,353</u>
Total liabilities and shareholders' equity		<u>4,487,905</u>	<u>3,999,947</u>

These condensed interim financial statements were approved and authorised by the Board of Directors on -----
----- and are signed on their behalf by:


Chairman


Chief Executive Officer

The notes on pages 7 to 14 form an integral part of these condensed interim financial statements.

The review report of the independent auditors is set out on page 1.

Ajman Bank PJSC

Condensed interim statement of income – (Reviewed)

For the three-month period ended 31 March

	<i>Note</i>	2012 AED'000	2011 AED'000
Operating income			
Income from investments in Islamic financing and investment products	14	49,270	41,282
Income from investment securities		7,404	4,450
Fees, commissions and other income		6,786	3,864
Total operating income		63,460	49,596
Depositors' share of profits		(11,381)	(20,342)
Net income		52,079	29,254
Expenses			
Staff costs	15	(24,493)	(20,817)
General and administrative expenses	16	(12,062)	(9,955)
Impairment charge for Islamic financing and investment products		(6,501)	(2,966)
Depreciation		(4,485)	(3,923)
Total expenses		(47,541)	(37,661)
Net profit / (loss) for the period		4,538	(8,407)
Earnings per share – Basic (AED)	17	0.0045	(0.0084)

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Ajman Bank PJSC

Condensed interim statement of comprehensive income – (Reviewed)

For the three-month period ended 31 March

	2012 AED'000	2011 AED'000
Net profit / (loss) for the period	4,538	(8,407)
<i>Other comprehensive income</i>		
Fair value gain on available for sale investment securities	18,768	1,618
Net amount transferred to profit and loss	(1,080)	-
Other comprehensive income	17,688	1,618
Total comprehensive income / (expense) for the period	22,226	(6,789)

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Condensed interim statement of changes in equity – (Reviewed)

For the three-month period ended 31 March 2012

	Share capital AED'000	Statutory reserve AED'000	Fair value reserve AED'000	(Accumulated losses) / retained earnings AED'000	Total AED'000
At 1 January 2011	1,000,000	2,454	(161)	4,649	1,006,942
Total comprehensive income for the period					
Net loss for the period	-	-	-	(8,407)	(8,407)
Other comprehensive income	-	-	1,618	-	1,618
Total comprehensive expense for the period	-	-	1,618	(8,407)	(6,789)
At 31 March 2011 (Reviewed)	1,000,000	2,454	1,457	(3,758)	1,000,153
At 1 January 2012	1,000,000	3,150	(15,706)	10,909	998,353
Total comprehensive income for the period					
Net profit for the period	-	-	-	4,538	4,538
Other comprehensive income	-	-	17,688	-	17,688
Total comprehensive income for the period	-	-	17,688	4,538	22,226
At 31 March 2012 (Reviewed)	1,000,000	3,150	1,982	15,447	1,020,579

The notes on pages 7 to 14 form an integral part of these condensed interim financial statements.

The review report of the independent auditors is set out on page 1.

Ajman Bank PJSC

Condensed interim statement of cash flows – (Reviewed)

For the three-month period ended 31 March

	<i>Note</i>	2012 AED'000	2011 AED'000
Cash flows from operating activities			
Net profit / (loss) for the period		4,538	(8,407)
Adjustments for:			
Depreciation		4,486	3,923
Impairment charge for Islamic financing and investment products		6,501	2,966
Provision for gratuity net		(1,156)	781
Operating cash flows before changes in operating assets and liabilities		14,369	(737)
<i>Changes in operating assets and liabilities</i>			
Change in investments in Islamic financing and investment products		(399,541)	(810,124)
Change in statutory deposit with UAE Central Bank		(23,530)	(26,152)
Change in receivables and other assets		(12,431)	(16,936)
Change in customer deposits		331,975	808,988
Change in wakala deposits by banks		120,310	229,404
Change in other liabilities		14,707	153
Payment of employees' end of service benefits		(105)	(180)
Net cash flows generated from operating activities		45,754	184,416
Cash flows from investing activities			
Change in investment securities		106,143	(130,149)
Purchase of property and equipment		(828)	(3,035)
Net cash flows from / (used in) investing activities		105,315	(133,184)
Net increase in cash and cash equivalents		151,069	51,232
Net cash and cash equivalents at the beginning of the period		63,639	68,821
Cash and cash equivalents at the end of the period	<i>6</i>	214,708	120,053

The notes on pages 7 to 14 form an integral part of these condensed interim financial statements.

The review report of the independent auditors is set out on page 1.

Ajman Bank PJSC

Notes to the condensed interim financial statements – (Reviewed)

For the three-month period ended 31 March 2012

1. Legal status and activities

Ajman Bank PJSC (“the Bank”) is incorporated as a Public Joint Stock Company. The Bank has its registered office at A&F Towers, 1st Floor, Khalifa Street, 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 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 operations on 22 December 2008.

In addition to its main office in Ajman, the Bank operates through 10 branches and 2 pay offices in UAE. The financial statements combine the activities of the Bank’s head office and its branches.

The principal activities of the Bank are undertaking banking, financing and investing activities through various Islamic financing and investment products such as Murabaha, Wakala, Sukuk, Mudarba 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.

2. Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), IAS 34: *Interim Financial Reporting*. These condensed interim financial statements do not include all the information required for full annual audited financial statements and should be read in conjunction with the audited financial statements of the Bank as at and for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (“IASB”), guidance of Central Bank of UAE, Islamic Sharia’ principles and applicable requirements of the federal laws relating to Islamic banking.

These condensed interim financial statements have been prepared in United Arab Emirates Dirham (AED) rounded to nearest thousand, which is the Bank’s functional currency.

3. Significant accounting policies

- 3.1 The Bank has consistently applied the accounting policies and methods of computation used for the preparation of last annual audited financial statements for the year ended 31 December 2011.

The management has assessed the impact of new standards that are applicable for the annual periods beginning on or after 1 January 2012 and believes that changes have no significant effect on the Bank’s condensed interim financial statements.

3.2 *Financial risk management*

The Bank’s financial risk management objectives, policies and procedures are consistent with those disclosed in the annual audited financial statements as at and for the year ended 31 December 2011.

3.3 *Financial assets and liabilities*

The accounting policies, classifications and measurement principles for financial assets and liabilities applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its annual audited financial statements as at and for the year ended 31 December 2011.

Ajman Bank PJSC

Notes (continued)

4. Key accounting estimates and judgments

The preparation of these condensed interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ as a result of future changes in these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the annual audited financial statements as at and for the year ended 31 December 2011.

5. Interim measurement

The nature of the Bank's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed interim financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year.

6. Cash and deposits with the UAE Central Bank

	(Reviewed) 31 March 2012 AED'000	(Audited) 31 December 2011 AED'000
Cash and balances with UAE Central Bank	296,780	154,089
Balances with other banks	46,186	14,278
	<u>342,966</u>	<u>168,367</u>
Less: Statutory deposit with the UAE Central Bank	(128,258)	(104,728)
	<u>214,708</u>	<u>63,639</u>

7. Investments in Islamic financing and investment products

	(Reviewed) 31 March 2012 AED'000	(Audited) 31 December 2011 AED'000
Wakala deposits with banks	73,450	263,909
Wakala deposits with others	500,000	-
Murabaha financing transactions	1,318,620	1,407,596
Musharaka investments	162,021	94,016
Ijarah financing	882,458	750,739
Mudaraba investments	674,519	696,535
Credit cards	21,941	20,672
	<u>3,633,009</u>	<u>3,233,467</u>
Less: Provision for impairment losses (note 7.1)	(35,193)	(28,692)
	<u>3,597,816</u>	<u>3,204,775</u>

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Notes (continued)

7. Investments in Islamic financing and investment products (continued)

7.1 Movement of provision for impairment

	(Reviewed) 31 March 2012 AED'000	(Audited) 31 December 2011 AED'000
Specific		
At 1 January	19,689	10,470
Charge for the period / year	3,199	9,254
Write offs	-	(35)
At reporting date	<u>22,888</u>	<u>19,689</u>
Collective		
At 1 January	9,003	2,269
Charge for the period / year	3,302	6,734
At reporting date	<u>12,305</u>	<u>9,003</u>
Total specific and collective provision	<u>35,193</u>	<u>28,692</u>

7.2 Investments in Islamic financing and investment products carried average effective profit rate, across the products at 5.8% (2011: 6.64%) per annum.

8. Investment securities

	(Reviewed) 31 March 2012 AED'000	(Audited) 31 December 2011 AED'000
Sukuk - Held to maturity (note 8.1)	141,171	139,389
Sukuk - Available for sale	131,482	231,638
Shares – listed equity investment	24,799	14,880
	<u>297,452</u>	<u>385,907</u>

8.1 Held to maturity

At 31 March 2012 the market value of the Sukuks held to maturity at the quoted market price is AED 141.2 million (31 December 2011: AED 139.3 million) and the Bank expects to recover cash flows of AED 145.2 million (31 December 2011: AED 145.2 million) from the redemption of the held to maturity sukuks on their respective maturities. The sukuks carried an effective profit rate of 7.9% (31 December 2011: 10.5%) per annum.

8.2 The sukuks are issued by institutions based in the UAE, which were rated 'A2', 'A3', 'B3' and 'B1' by Moody's.

Ajman Bank PJSC

Notes (continued)

9. Investment property

In 2010 the Bank was donated a plot of land in Ajman from a member of the ruling family of Ajman, who is also a director of the Bank. The fair value of the plot of land appraised by an independent valuer at 31 December 2011, amounted to AED 49.9 million (31 December 2010: AED 49.9 million).

The management believes that the fair value as on 31 March 2012 is not materially different from 31 December 2011.

10. Receivables and other assets

	(Reviewed) 31 March 2012 AED'000	(Audited) 31 December 2011 AED'000
Accrued income on investments in Islamic financing and investment products	27,881	27,258
Accrued income on investment securities	3,185	4,273
Prepaid rent	14,032	9,916
Staff advances	2,301	1,830
Acceptances	58,528	49,927
Other assets	35,234	35,526
	<u>141,161</u>	<u>128,730</u>

11. Customer deposits

	(Reviewed) 31 March 2012 AED'000	(Audited) 31 December 2011 AED'000
Current accounts	622,374	589,630
Savings accounts	190,243	140,980
Mudaraba deposits	231,004	240,865
Wakala deposits	1,839,735	1,564,898
Escrow accounts	54,811	67,786
Margin accounts	20,520	22,552
	<u>2,958,687</u>	<u>2,626,711</u>

At 31 March 2012, the effective profit rate on the Bank's customer deposits ranges from 0.5% to 2.6% per annum (31 December 2011: 1.6% to 2.7% per annum).

12. Other liabilities

	(Reviewed) 31 March 2012 AED'000	(Audited) 31 December 2011 AED'000
Accrued profit on customers' deposits and placements by other banks	14,148	15,414
Managers' cheques	3,338	7,466
Acceptances	58,528	49,927
Other liabilities	33,670	22,238
Provision for staff salaries and benefits	2,431	2,363
	<u>112,115</u>	<u>97,408</u>

Ajman Bank PJSC

Notes (continued)

13. Share capital

	(Reviewed) 31 March 2012 AED'000	(Audited) 31 December 2011 AED'000
<i>Authorized, issued and fully paid:</i>		
1,000,000,000 (31 December 2011: 1,000,000,000) shares of AED 1 each	1,000,000	1,000,000

14. Income from investments in Islamic financing and investment products

	(Reviewed) Three-month period ended 31 March 2012 AED'000	(Reviewed) Three-month period ended 31 March 2011 AED'000
Income from Wakala deposits	1,564	11,709
Income from Murabaha financing transactions	22,722	17,525
Income from Ijarah financing	13,735	8,493
Income from Mudaraba financing	9,383	1,944
Income from Musharaka financing	1,866	1,611
	<u>49,270</u>	<u>41,282</u>

15. Staff costs

	(Reviewed) Three-month period ended 31 March 2012 AED'000	(Reviewed) Three-month period ended 31 March 2011 AED'000
Salaries and allowances	19,891	19,520
Other staff related cost	4,602	1,297
	<u>24,493</u>	<u>20,817</u>

15.1 Includes reversal of AED 1.8 million relating to the provision for employees' end of service benefit to make it in line with the UAE labour laws.

16. General and administrative expenses

	(Reviewed) Three-month period ended 31 March 2012 AED'000	(Reviewed) Three-month period ended 31 March 2011 AED'000
Rental expenses	3,394	3,478
Marketing, design and product development	2,747	1,500
Software license	1,030	952
Security services including cash in transit services	998	631
Consultancy expenses	42	486
Others	3,851	2,908
	<u>12,062</u>	<u>9,955</u>

Ajman Bank PJSC

Notes (continued)

17. Earnings per share

The calculation of earnings per share for the three-month period ended 31 March 2012 is based on profit of AED 4,538 thousand (31 March 2011: loss of AED (8,407) thousand) divided by the weighted average number of shares of 1,000,000,000 (31 March 2011: 1,000,000,000 shares) outstanding during the period.

18. Related parties

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. Related party transactions, in the normal course of business, are executed at the terms agreed between the parties, which in opinion of the management are not significantly different from those that could have been obtained from third parties.

The major shareholder of the Bank is Government of Ajman which owns 25% of the shares.

The volume of related party transactions, outstanding balances at 31 March 2012, and related expenses and income for the three-month period then ended are as follows:

Balances

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

	31 March 2012 (Reviewed)			31 December 2011 (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
Investments in Islamic financing and investment products	-	604,200	604,200	-	122,775	122,775
Customer deposits	278,457	648,462	926,919	150,000	756,926	906,926

None of the investments in Islamic financing and investment products or contingent liabilities extended to related parties or issued in favour of the related parties had any impairment losses during the three-month period ended 31 March 2012 (three-month period ended 31 March 2011: nil).

Transactions

Transactions with related parties are shown below:

Three-month period ended	31 March 2012 (Reviewed)			31 March 2011 (Reviewed)		
	Major Shareholders AED'000	Director and other related parties AED'000	Total AED'000	Major Shareholders AED'000	Director and other related parties AED'000	Total AED'000
Depositors' share of profit	902	4,148	5,050	2,609	3,586	6,195
Income from investment in Islamic financing and investment products	-	4,267	4,267	-	7,691	7,691
Rental expenses	-	663	663	-	667	667
Key management remuneration	-	3,484	3,484	-	4,477	4,477

Average effective profit rate against Islamic financing and investment products with related parties ranges from 6.35% to 8.16% (2011: 6.35% to 8.16%). Balances are not secured and no guarantees have been obtained. No impairment loss has been recognised against balances outstanding with key management personnel and other related parties.

Ajman Bank PJSC

Notes (continued)

19. Contingencies and commitments

Capital commitments

At 31 March 2012, the Bank had outstanding capital commitments of AED 5.6 million (31 December 2011: AED 8.2 million), which will be funded within the next one year.

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.

At 31 March 2012, the Bank had the following credit related commitments and contingent liabilities:

	(Reviewed) 31 March 2012 AED'000	(Audited) 31 December 2011 AED'000
Commitments to extend credit	336,632	282,976
Letters of credit	88,651	112,214
Letters of guarantee	71,189	65,642
	<u>496,472</u>	<u>460,832</u>

20. Segment analysis

Segment results of operations

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

At 31 March 2012	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Others AED'000	Total AED'000
Net income from Islamic financing and investment products	7,512	26,782	3,595	-	37,889
Income from investment securities	-	-	7,404	-	7,404
Impairment charges for Islamic financing and Investment Products	(2,713)	(3,788)	-	-	(6,501)
Net fee and commission income	1,943	3,828	1,015	-	6,786
Staff cost	(7,983)	(2,477)	(812)	(13,221)	(24,493)
General and administrative expenses	(4,784)	-	-	(7,278)	(12,062)
Depreciation	-	-	-	(4,485)	(4,485)
Operating profit (Reviewed)	<u>(6,025)</u>	<u>24,345</u>	<u>11,202</u>	<u>(24,984)</u>	<u>4,538</u>
Total assets (Reviewed)	<u>488,536</u>	<u>2,348,085</u>	<u>1,054,526</u>	<u>596,758</u>	<u>4,487,905</u>
Total liabilities (Reviewed)	<u>577,967</u>	<u>2,380,721</u>	<u>391,081</u>	<u>117,557</u>	<u>3,467,326</u>

Ajman Bank PJSC

Notes (continued)

20. Segment analysis (continued)

Segment results of operations (continued)

At 31 March 2011	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Others AED'000	Total AED'000
Net income from investment in Islamic financing and investment product	8,840	1,990	14,560	-	25,390
Income from investment securities	-	-	-	-	-
Impairment charges for Islamic financing and Investment Products	(2,966)	-	-	-	(2,966)
Net fee and commission income	1,176	2,347	341	-	3,864
Staff cost	(11,008)	(3,350)	(618)	(5,841)	(20,817)
General and administrative expenses	(2,775)	-	-	(7,180)	(9,955)
Depreciation	-	-	-	(3,923)	(3,923)
Operating profit (Reviewed)	(6,733)	987	14,283	(16,944)	(8,407)
Total assets as at 31 December 2011 (Audited)	492,274	2,037,247	1,061,246	409,180	3,999,947
Total liabilities as at 31 December 2011 (Audited)	478,324	2,148,320	270,771	104,179	3,001,594

21. Comparatives

Certain comparative figures have been reclassified to conform to the presentation adopted in these condensed interim financial statements.