

Ajman Bank PJSC

CONDENSED INTERIM FINANCIAL INFORMATION

**FOR THE THREE MONTHS PERIOD ENDED
31 MARCH 2022**

Ajman Bank PJSC

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AJMAN BANK PJSC

Introduction

We have reviewed the accompanying condensed interim financial information of Ajman Bank PJSC (the “Bank”), which comprise the interim statement of financial position as at 31 March 2022 and the related interim statement of income and comprehensive income for the three month period then ended, interim statement of cash flows and interim statement of changes in equity for the three months period then ended and explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Financial Reporting Standard IAS 34, Interim financial reporting (“IAS 34”). 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 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 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matter

The condensed interim financial information as at and for the period ended 31 March 2021 was reviewed by another auditor who expressed an unqualified conclusion on the interim financial information on 7 May 2021.

For Ernst & Young

DRAFT

Signed by:
Anthony O’Sullivan
Partner
Registration No. 687

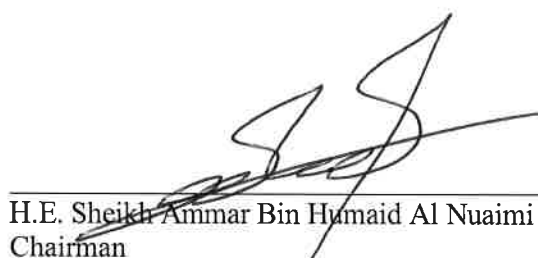
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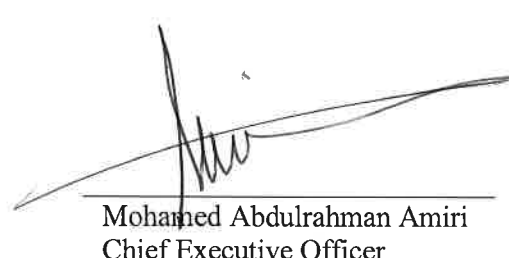
Dubai, United Arab Emirates

**Condensed interim statement of financial position
As at 31 March 2022**

		31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
	Notes		
ASSETS			
Cash and balances with the Central Bank	6	2,067,683	2,185,729
Due from banks and other financial institutions		722,804	726,986
Islamic financing and investing assets, net	7	14,345,665	14,924,244
Islamic investments securities at fair value	8	2,518,733	2,646,658
Investment in associate	9	177,313	177,313
Investment properties		365,054	359,739
Property and equipment		130,050	124,057
Other Islamic assets	10	1,464,642	1,197,560
Total assets		21,791,944	22,342,286
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	11	16,632,502	15,263,046
Due to banks and other financial institutions		2,159,828	4,211,113
Other liabilities	12	408,036	233,505
Total liabilities		19,200,366	19,707,664
Equity			
Share capital	13	2,100,000	2,100,000
Statutory reserve		270,124	270,124
Investment fair value reserve		(128,790)	(51,930)
General impairment reserve	14	111,394	112,364
Retained earnings		238,850	204,064
Total equity		2,591,578	2,634,622
TOTAL LIABILITIES AND EQUITY		21,791,944	22,342,286

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Bank.


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 interim financial statements.

**Condensed interim income statement (unaudited)
for the three month period ended 31 March 2022**

	Notes	Three month period ended 31 March	
		2022 AED'000	2021 AED'000
Operating income			
Income from Islamic financing and investing assets	15	124,244	181,978
Income from investment securities at FVTOCI		18,454	19,959
Fees, commissions and other income (net)		37,175	26,385
Share of results of associate	9	-	(2,437)
Total operating income before depositors' share of profit		179,873	225,885
Depositors' share of profit		(55,909)	(59,513)
Net operating income		123,964	166,372
Expenses			
Staff costs		(62,121)	(48,490)
General and administrative expenses		(19,384)	(22,367)
Depreciation of property and equipment		(6,881)	(5,925)
Impairment charge for financial assets	21.2	(1,656)	(58,259)
Total expenses		(90,042)	(135,041)
Profit for the period		33,922	31,331
Basic and diluted earnings per share (AED)	16	0.016	0.015

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

**Condensed interim statement of other comprehensive income (unaudited)
for the three month period ended 31 March 2022**

	Three month period ended 31 March	
	2022 AED'000	2021 AED'000
Profit for the period	33,922	31,331
Other comprehensive (loss)/income:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Movement in investment fair value reserve for equity instruments at FVTOCI	11,672	(9,168)
	11,672	(9,168)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value loss on investment securities at FVTOCI – sukuk instruments	(97,132)	(17,127)
Reclassification adjustments relating to investment securities at FVTOCI	8,494	(1,202)
	(88,638)	(18,329)
Other comprehensive loss	(76,966)	(27,497)
total comprehensive (loss)/income for the period	(43,044)	3,834

**Condensed interim statement of changes in equity
for the three month period ended 31 March 2022**

	Share capital AED'000	Statutory reserve AED'000	Investment fair value reserve AED'000	General impairment reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2021	2,100,000	258,508	(60,355)	97,042	107,396	2,502,591
Profit for the period	-	-	-	-	31,331	31,331
Other comprehensive loss	-	-	(27,497)	-	-	(27,497)
Total comprehensive income for the period	-	-	(27,497)	-	31,331	3,834
Transfer from impairment reserve (Note 14)	-	-	-	(16,330)	16,330	-
Reversal of Zakat liability	-	-	-	-	4,973	4,973
At 31 March 2021	2,100,000	258,508	(87,852)	80,712	160,030	2,511,398
At 1 January 2022	2,100,000	270,124	(51,930)	112,364	204,064	2,634,622
Profit for the period	-	-	-	-	33,922	33,922
Other comprehensive loss	-	-	(76,966)	-	-	(76,966)
Total comprehensive (loss) for the period	-	-	(76,966)	-	33,922	(43,044)
Transfer on disposal of equity instrument at FVTOCI	-	-	106	-	(106)	-
Transfer from impairment reserve (Note 14)	-	-	-	(970)	970	-
At 31 March 2022	2,100,000	270,124	(128,790)	111,394	238,850	2,591,578

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

**Condensed interim statement of cash flows (unaudited)
for the three month period ended 31 March 2022**

	Three month period ended 31 March	
	2022 AED'000	2021 AED'000
Cash flows from operating activities		
Profit for the period	33,922	31,331
<i>Adjustments for:</i>		
Depreciation of property and equipment	6,881	5,925
Impairment charge on financial assets	1,656	58,259
Impairment of property and equipment	160	-
Income from investment securities	(26,056)	(17,774)
Realized gain on disposal of investment securities	7,602	(2,185)
Share of results of associate	-	2,437
Gain on disposal of property and equipment	(51)	-
Operating cash flows before changes in operating assets and liabilities	24,114	77,993
<i>Changes in operating assets and liabilities</i>		
Decrease/(increase) in Islamic financing and investing assets	583,770	(78,757)
Increase in due from banks and other financial institutions	(281,184)	(18,934)
Increase in statutory deposit with the Central Bank	(50,806)	(41,703)
(Increase)/decrease in International murabahat with the Central Bank	(180,000)	640,000
Increase in other assets	(270,441)	(1,017)
Increase/(decrease) in Islamic customers' deposits	1,369,456	(331,149)
(Decrease)/increase in due to banks and other financial institutions	(2,051,285)	920,269
Increase/(decrease) in other liabilities	173,479	(129,985)
Net cash (used in)/generated from operating activities	(682,897)	1,036,717
Cash flows from investing activities		
Purchase of investment securities	(576,901)	(1,101,824)
Proceeds from sale of investment securities	619,993	318,077
Addition in investment in associate	-	(155)
Dividend received from investment in associate	-	740
Purchase of property and equipment	(13,034)	(5,609)
Proceeds from disposal of property and equipment	51	-
Profit income on investment securities	25,429	17,314
Additions to investment properties	(5,315)	-
Net cash generated from/(used in) investing activities	50,223	(771,457)
Net (decrease)/increase in cash and cash equivalents	(632,674)	265,260
Net cash and cash equivalents at the beginning of the period	2,158,436	589,565
Cash and cash equivalents at the end of the period (Note 6)	1,525,762	854,825

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)****1. Legal status and activities**

Ajman Bank PJSC (the “Bank”) was incorporated as a Public Joint Stock Company. The registered address of the Bank is P.O. Box 7770, Ajman, United Arab Emirates (“UAE”). The Bank was legally incorporated on 17 April 2008 and 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 Head office in Ajman, the Bank operates through nine branches and three pay offices in the UAE. The 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, Mudaraba, 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.

2. Application of new and revised International Financial Reporting Standards (“IFRS”)**2.1 New and revised IFRS applied with no material effect on the condensed interim financial statements**

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed financial statements of the Bank as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39.

Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed financial statements of the Bank as there were no modifications of the Bank’s financial instruments during the period.

2.2 New and revised IFRS in issue but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank’s interim condensed financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Notes to the condensed interim financial statements for the three month period ended 31 March 2022 (continued)

2.2 *New and revised IFRS in issue but not yet effective (continued)*

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

There are no other applicable new standards and amendments to published standards or IFRS IC interpretations that have been issued but are not effective for the first time for the Bank's financial year beginning on 1 January 2022 that would be expected to have a material impact on the Bank's financial statements.

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 interim financial statements.

3.1 *Basis of preparation*

The condensed interim financial statements of the Bank 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 interim 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 interim financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2021.

These condensed interim financial statements do not include all the information and disclosure required in full financial statements and should be read in conjunction with the Bank's financial statements for the year ended 31 December 2021. In addition, results for the period from 1 January 2022 to 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

3.2 *Financial risk management*

The Bank's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2021.

3.3 *Seasonality of results*

No income of a seasonal nature was recorded in the condensed interim statement of profit or loss for the three month period ended 31 March 2022 and 31 March 2021.

4. Critical accounting judgments and key sources of estimation of uncertainty

The preparation of condensed interim 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 interim financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2021.

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

5. Classification of financial assets and liabilities

The tables below sets out the Bank's classification of each class of financial assets and liabilities:

	At fair value AED'000	Amortised cost AED'000	Total AED'000
At 31 March 2022 (unaudited)			
Financial assets			
Cash and balances with the Central Bank	-	2,067,683	2,067,683
Due from banks and other financial institutions	-	722,804	722,804
Islamic financing and investing assets, net	-	14,345,665	14,345,665
Islamic investment securities at FVTOCI	2,518,733	-	2,518,733
Other Islamic assets	10	155,037	155,047
Total	2,518,743	17,291,189	19,809,932
Financial liabilities			
Islamic customers' deposits	-	16,632,502	16,632,502
Due to banks and other financial institutions	-	2,159,828	2,159,828
Other liabilities	761	166,820	167,581
Total	761	18,959,150	18,959,911
31 December 2021			
Financial assets:			
Cash and balances with the Central Banks	-	2,185,729	2,185,729
Due from banks and other financial institutions	-	726,986	726,986
Islamic financing and investing assets, net	-	14,924,244	14,924,244
Islamic investments securities at FVTOCI	2,646,658	-	2,646,658
Other Islamic assets	330	133,521	133,851
Total	2,646,988	17,970,480	20,617,468
Financial liabilities:			
Islamic customers' deposits	-	15,263,046	15,263,046
Due to banks and other financial institutions	-	4,211,113	4,211,113
Other Islamic liabilities	916	164,898	165,814
Total	916	19,639,057	19,639,973

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

6. Cash and balances with the Central Bank

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Cash on hand	121,392	137,745
Balances with the Central Bank:		
Current accounts	321,687	214,186
Reserve requirements with the Central Bank	479,604	428,798
International murabahat with the Central Bank	1,145,000	1,405,000
Total	2,067,683	2,185,729

Cash and cash equivalents included in the condensed interim statement of cash flows are as follows:

	31 March 2022 AED'000 (unaudited)	31 March 2021 AED'000 (unaudited)
Cash and balances with the Central Bank	2,067,683	1,644,492
Due from banks and other financial institutions (original maturity less than three months)	117,683	18,646
	2,185,366	1,663,138
Less: Statutory reserve with the Central Bank	(479,604)	(398,313)
Less: International murabahat with the Central Bank (original maturity more than three months)	(180,000)	(410,000)
Cash and cash equivalents	1,525,762	854,825

The reserve requirements are kept with the Central Bank are not available for use in the Bank's day to day operations and cannot be withdrawn without the approval of the Central Bank. The level of reserve required changes periodically in accordance with the directives of the Central Bank.

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

7. Islamic financing and investing assets, net

	31 March 2022 AED'000	31 December 2021 AED'000
Islamic financing assets		
Vehicles murabahat	38,488	46,001
Commodities murabahat	5,817,979	6,459,296
Total murabahat	5,856,467	6,505,297
Ijarahs	8,977,299	9,232,067
Istisna'a	2,154	2,130
Islamic credit cards	21,799	23,361
	14,857,719	15,762,855
Deferred income	(765,865)	(811,572)
Total Islamic financing assets	14,091,854	14,951,283
Islamic investing Assets		
Mudaraba	-	6,146
Wakalat	857,013	867,558
Total Islamic investing assets	857,013	873,704
Total Islamic financing and investing assets	14,948,867	15,824,987
Less: Impairment loss allowance (Note 21.1)	(603,202)	(900,743)
Total Islamic financing and investing assets, net	14,345,665	14,924,244

8. Islamic investment securities at fair value

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Islamic investments securities at FVTOCI		
Sukuk instruments	2,260,756	2,363,866
Equity instruments	257,977	282,792
	2,518,733	2,646,658

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

9. Investment in associate

Information about the associate and the nature of the investment is shown below:

Name	Nature of Business	Country of Incorporation	% Interest held	Measurement method
Makaseb Real Estate Investment SPV Limited	Real Estate Investments	United Arab Emirates	54%	Equity
Makaseb 3 Real Estate Investment SPV Limited	Real Estate Investments	United Arab Emirates	44%	Equity

Movement in investment in associate is as follows:

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
At beginning of the period/year	177,313	177,556
Additions during the period/year	-	8,762
Share of results during the period/year	-	(8,265)
Distributions received during the period/year	-	(740)
Balance at the end of the period/year	177,313	177,313

10. Other Islamic assets

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Accrued income on Islamic financing and investing assets	69,036	78,508
Assets acquired in settlement of Islamic financing and investing assets	1,086,278	943,903
Accrued income on Islamic investments securities at FVTOCI	22,277	23,275
Prepaid expenses	20,786	23,145
Staff advances	12,773	10,431
Acceptances (Note 12)	4,061	-
Foreign currency forward contracts	10	330
Other	266,437	134,820
	1,481,658	1,214,412
Less: Impairment loss allowance (Note 21.1)	(17,016)	(16,852)
	1,464,642	1,197,560

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

11. Islamic customers' deposits

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Current accounts	4,571,406	3,580,845
Mudaraba deposits:		
<i>Savings accounts</i>	427,817	392,910
<i>Term deposits</i>	20,705	23,164
	5,019,928	3,996,919
Wakala deposits	11,182,727	10,890,350
Escrow accounts	368,536	316,421
Margin accounts	61,311	59,356
	16,632,502	15,263,046

12. Other liabilities

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	128,156	115,991
Provisions for staff salaries and benefits	22,228	21,991
Managers' cheques	26,556	38,198
Acceptances (Note 10)	4,061	-
Lease liability	8,309	5,962
Impairment loss allowance (Note 21.1)	12,774	11,722
Liability towards Customers	154,895	-
Other	51,057	39,641
	408,036	233,505

13. Share capital

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
<i>Issued and fully paid:</i>		
2,100,000,000 (31 December 2021: 2,100,000,000) shares of AED 1 each	2,100,000	2,100,000

During the period ended 31 March 2022, AED 1.5 million (31 December 2021: AED 1 million) was approved as Directors' remuneration by the shareholders at the annual general meeting held on the 23rd March 2022 and paid through income statement.

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

14. General impairment reserve

In accordance with the requirements of the Central Bank of the U.A.E. the excess of the credit impairment provisions calculated in accordance with CBUAE requirements over the ECL allowance calculated under Stage 1 and Stage 2 as per IFRS 9 is transferred to 'General impairment reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends.

15. Income from Islamic financing and investing assets

	Three month period ended 31 March	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Income from Ijarah	67,516	114,052
Income from Murabaha	51,316	66,869
Income from Mudaraba	-	158
Income from Wakala	5,391	872
Income from Istisna	21	27
	124,244	181,978

16. Basic and diluted 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 31 March	
	2022 (unaudited)	2021 (unaudited)
<i>Basic earnings per share</i>		
Profit for the period (AED'000)	33,922	31,331
Weighted average number of shares outstanding during the period (in thousands)	2,100,000	2,100,000
Basic and diluted earnings per share (AED)	0.016	0.015

There were no potentially dilutive shares as at 31 March 2022 and 31 March 2021.

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

17. Related parties transactions

- (a) Certain “related parties” (such as directors, key management personnel and major shareholders of the Bank and companies of which they are principal owners) are customers of the Bank in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties.
- (b) The Bank is controlled by Ajman Government who own 26% (31 December 2021: 26%) of the issued and paid capital.

Transactions with related parties are shown below:

	Three month period ended					
	31 March 2022 (unaudited)			31 March 2021 (unaudited)		
	Major shareholders AED'000	Director and other related parties AED'000	Total AED'000	Major shareholders AED'000	Director and other related parties AED'000	Total AED'000
Depositors' share of profit	24,710	165	24,875	22,722	199	22,921
Income from Islamic financing and investing assets	5,176	4,618	9,794	15,898	2,108	18,006

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

	31 March 2022 (unaudited)			31 December 2021 (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	442,392	492,854	935,246	1,118,273	481,428	1,599,701
Islamic customers' deposits	4,302,010	95,158	4,397,168	4,040,407	90,981	4,131,388

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

17. Related parties transactions (continued)

Compensation of key management personnel

Key management compensation is as shown below:

	Three month period ended 31 March	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Short term employment benefits	2,388	2,110
Terminal benefits	103	93
	2,491	2,203

18. Contingencies and commitments

Capital commitments

At 31 March 2022, the Bank had outstanding capital commitments of AED 48 million (31 December 2021: AED 41 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:

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Commitments to extend credit	-	99,317
Letters of credit	194,068	155,662
Letters of guarantee	279,736	291,850
	473,804	546,829

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

19. Segment analysis

Operating segments are reported in accordance with the internal reporting provided to the Executive Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance.

For operating purposes, the Bank is organised into the following business segments:

- (i) Consumer banking – comprising personal banking where various products are offered e.g. private customer current accounts, savings accounts, deposits, credit and debit cards, personal finance, auto finance and house mortgage;
- (ii) Corporate banking - incorporating transactions with corporate bodies including government and public bodies and comprising of Islamic financing and investing assets, deposits and trade finance transactions;
- (iii) Investment banking – comprising priority banking, investment solutions and alternative investment banking, leasing of commercial & residential properties; and
- (iv) Treasury - incorporating activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the Central Bank of the UAE.

These segments are the basis on which the Bank 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 interim financial statements
for the three month period ended 31 March 2022 (continued)**

19. Segment analysis (continued)

Segment results of operations

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

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000
Three month period ended 31 March 2022 (unaudited)						
Net income from Islamic financing and investing assets	31,900	44,334	(11,225)	3,326	-	68,335
Income from Islamic investment securities at fair value	-	-	15,751	2,703	-	18,454
Share of results of associate	-	-	-	-	-	-
Impairment charges on financial assets	(997)	2,962	(941)	(2,680)	-	(1,656)
Fees, commissions and other income	6,811	10,991	808	19,410	(845)	37,175
Staff costs	(12,188)	(3,274)	(759)	(1,109)	(44,791)	(62,121)
General and administrative expenses	(11,907)	(2,547)	(485)	(1,674)	(2,771)	(19,384)
Depreciation of property and equipment	-	-	-	-	(6,881)	(6,881)
Operating profit/(loss) (unaudited)	13,619	52,466	3,149	19,976	(55,288)	33,922
Three month period ended 31 March 2021 (unaudited)						
Net income from Islamic financing and investing assets	33,471	85,949	(4,667)	7,712	-	122,465
Income from Islamic investment securities at FVTOCI	-	-	17,784	2,175	-	19,959
Share of results of associate	-	-	-	(2,437)	-	(2,437)
Impairment charges on financial assets	(3,178)	(53,939)	(1,144)	2	-	(58,259)
Fees, commissions and other income	5,136	2,128	652	19,763	(1,294)	26,385
Staff costs	(11,743)	(2,696)	(671)	(1,319)	(32,061)	(48,490)
General and administrative expenses	(7,127)	(2,475)	(405)	(786)	(11,574)	(22,367)
Depreciation of property and equipment	-	-	-	-	(5,925)	(5,925)
Operating profit/(loss) (unaudited)	16,559	28,967	11,549	25,110	(50,854)	31,331

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

19. Segment analysis (continued)

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000
As at 31 March 2022						
Segment assets (unaudited)	3,455,766	11,565,196	3,583,748	2,558,503	628,731	21,791,944
Segment liabilities (unaudited)	<u>4,470,350</u>	<u>10,248,660</u>	<u>211,186</u>	<u>2,596,394</u>	<u>1,673,776</u>	<u>19,200,366</u>
As at 31 December 2021						
Segment assets (audited)	3,315,074	11,002,906	4,170,981	1,723,181	2,130,144	22,342,286
Segment liabilities (audited)	<u>4,272,585</u>	<u>9,429,967</u>	<u>1,017,863</u>	<u>2,378,362</u>	<u>2,608,887</u>	<u>19,707,664</u>

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

20. Capital management

The Bank's capital management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2021.

Regulatory capital

The Bank calculates its Capital Adequacy Ratio in line with guidelines issued by the Central Bank of the U.A.E. The Bank's regulatory capital position at the end of reporting period under Basel III is as follows:

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Tier 1 capital		
Share capital	2,100,000	2,100,000
Reserves	380,183	422,257
	<hr/> 2,480,183	<hr/> 2,522,257
Tier 2 capital		
General provision and fair value reserve	200,059	198,552
	<hr/> 2,680,242	<hr/> 2,720,809
Risk weighted assets		
Credit risk	16,004,707	15,884,151
Market risk	76,875	116,908
Operational risk	1,154,498	1,154,498
	<hr/> 17,236,080	<hr/> 17,155,557

	Minimum requirement	Capital ratios 31 March 2022 (unaudited)	Capital ratios 31 December 2021 (audited)
Capital element			
Common equity tier 1 (CET 1) ratio	7%	14.39%	14.70%
Tier 1 capital ratio	8.5%	14.39%	14.70%
Capital adequacy ratio	10.5%	15.55%	15.86%
CET1 available for the buffer requirement	2.5%	5.05%	5.36%

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

21. Risk Management

21.1 Summarised information of the Bank's credit risk exposure per class of financial asset (subject to impairment) is provided in following table:

	31 March 2022			31 December 2021		
	Gross carrying amount AED '000 (unaudited)	ECL allowance AED '000 (unaudited)	Carrying amount AED '000 (unaudited)	Gross carrying amount AED '000 (audited)	ECL allowance AED '000 (audited)	Carrying amount AED '000 (audited)
Balances with the Central Bank						
Stage 1	2,067,683	-	2,067,683	2,047,984	-	2,047,984
Due from banks and other financial institutions						
Stage 1	724,623	(1,819)	722,804	489,876	(275)	489,601
Stage 2	-	-	-	237,385	-	237,385
	724,623	(1,819)	722,804	727,261	(275)	726,986
Islamic financing and investing assets						
Stage 1	9,959,256	(30,209)	9,929,047	10,800,485	(33,394)	10,767,091
Stage 2	3,642,734	(89,230)	3,553,504	3,241,266	(88,681)	3,152,585
Stage 3	1,346,877	(483,763)	863,114	1,783,236	(778,668)	1,004,568
	14,948,867	(603,202)	14,345,665	15,824,987	(900,743)	14,924,244
Islamic investment securities at FVTOCI						
Stage 1	2,518,742	(4,437)	2,514,305	2,362,983	(3,545)	2,359,438
Stage 3	54,506	(50,078)	4,428	54,506	(50,078)	4,428
	2,573,248	(54,515)	2,518,733	2,417,489	(53,623)	2,363,866
Other Islamic financial assets						
Stage 1	134,014	-	134,014	115,638	(1)	115,637
Stage 2	105	(2)	103	942	(2)	940
Stage 3	37,934	(17,014)	20,920	33,793	(16,849)	16,944
	172,053	(17,016)	155,037	150,373	(16,852)	133,521
Financial commitments and financial guarantees						
Stage 1	411,100	(1,832)	409,268	463,710	(1,209)	462,501
Stage 2	43,347	(1,148)	42,199	63,762	(724)	63,038
Stage 3	19,357	(9,794)	9,563	19,357	(9,789)	9,568
	473,804	(12,774)	461,030	546,829	(11,722)	535,107
	20,960,278	(689,326)	20,270,952	21,714,923	(983,215)	20,731,708

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

21. Risk Management (continued)

21.2 The tables below analyse the movement of the ECL allowance during the period per class of financial assets:

Due from banks and other financial institutions

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2021 (audited)	275	-	-	275
Change in credit risk	1,074	-	-	1,074
New financial assets recognized	470	-	-	470
Loss allowance as at 31 March 2022 (unaudited)	1,819	-	-	1,819

Islamic financing and investing assets

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2021 (audited)	33,394	88,681	778,668	900,743
Changes in the loss allowance				
- Transfer to stage 1	57	(57)	-	-
- Transfer to stage 2	(62)	4,272	(4,210)	-
- Transfer to stage 3	-	(3,425)	3,425	-
Change in credit risk	(3,630)	604	47,373	44,347
New financial assets recognized	473	16	-	489
Financial assets derecognized	(23)	(861)	(49,143)	(50,027)
Write-offs and other transfers	-	-	(292,350)	(292,350)
Loss allowance as at 31 March 2022 (unaudited)	30,209	89,230	483,763	603,202

Islamic investments securities at FVTOCI

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2021 (audited)	3,545	-	50,078	53,623
Change in credit risk	(780)	-	-	(780)
New financial assets recognized	1,686	-	-	1,686
Financial assets derecognized	(14)	-	-	(14)
Loss allowance as at 31 March 2022 (unaudited)	4,437	-	50,078	54,515

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

21. Risk Management (continued)

Other Islamic financial assets

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2021 (audited)	1	2	16,849	16,852
Change in credit risk	(1)	-	3,360	3,359
Write-offs and other transfers	-	-	(3,195)	(3,195)
Loss allowance as at 31 March 2022 (unaudited)	-	2	17,014	17,016

Financial commitments and financial guarantees

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2021 (audited)	1,209	724	9,789	11,722
Changes in the loss allowance				
- Transfer to stage 1	184	(184)	-	-
- Transfer to stage 2	(695)	695	-	-
- Transfer to stage 3	-	-	-	-
Change in credit risk	333	(87)	5	251
New financial assets recognized	830	-	-	830
Financial assets derecognized	(29)	-	-	(29)
Loss allowance as at 31 March 2022 (unaudited)	1,832	1,148	9,794	12,774

	Opening balance AED'000	Net charge during the period AED'000	Write-off, net of recoveries and other transfers AED'000	Closing balance AED'000	Net charge during the period ended 31 March 2021 AED'000
Due from banks and other financial institutions	275	1,544	-	1,819	(208)
Islamic financing and investing assets (Note 7)	900,743	(5,191)	(292,350)	603,202	57,354
Islamic investment securities at FVTOCI	53,623	892	-	54,515	983
Other Islamic financial assets (Note 11)	16,852	3,359	(3,195)	17,016	614
Financial commitments and financial guarantees (Note 13)	11,722	1,052	-	12,774	(484)
Total	983,215	1,656	(295,545)	689,326	58,259

The credit impairment provisions calculated in accordance with CBUAE requirements were in excess of ECL allowance calculated under IFRS 9 as explained in note 14.

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

22. Fair value measurement

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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of Islamic financial assets and Islamic financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other Islamic financial assets and Islamic financial liabilities (excluding Islamic derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of Islamic derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency Waad contracts are measured using quoted forward exchange rates and yield curves derived from quoted profit rates matching maturities of the contracts. Profit rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted profit rates.

Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

22. Fair value measurement (continued)

Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 March 2022 (Unaudited)				
Financial assets				
Islamic investments securities at FVTOCI				
Sukuk instrument	2,227,828	-	32,928	2,260,756
Equity instrument	104,853	-	153,124	257,977
Positive fair value of Islamic derivative financial instruments*	10	-	-	10
	<u>2,332,691</u>	<u>-</u>	<u>186,052</u>	<u>2,518,743</u>
Financial liabilities				
Negative fair value of Islamic derivative financial instruments*	761	-	-	761
	<u>761</u>	<u>-</u>	<u>-</u>	<u>761</u>
At 31 December 2021 (audited)				
Financial assets				
Islamic investments securities at FVTOCI				
Sukuk instrument	2,331,238	-	32,628	2,363,866
Equity instrument	129,688	-	153,104	282,792
Positive fair value of Islamic derivative financial instruments	330	-	-	330
	<u>2,461,256</u>	<u>-</u>	<u>185,732</u>	<u>2,646,988</u>
Financial liabilities				
Negative fair value of Islamic derivative financial instruments*	916	-	-	916
	<u>916</u>	<u>-</u>	<u>-</u>	<u>916</u>

* Notional amount of Islamic derivative financial instruments is AED 1.2 billion.

There were no transfers between levels during the year.

**Notes to the condensed interim financial statements
for the three month period ended 31 March 2022 (continued)**

22. Fair value measurement (continued)

Below is reconciliation of Level 3 fair value measurement of financial assets:

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
At beginning of the period/year	185,732	186,558
Purchases during the period/year	-	25,707
Fair valuation loss in other comprehensive income	320	(12,840)
Disposals during the period/year	-	(13,693)
Balance at the end of the period/year	186,052	185,732

- In respect of those financial assets and financial liabilities measured at amortised cost, which are of short term nature (up to 1 year), management believes that carrying amount is equivalent to its fair value.
- In respect of Islamic investments securities, management has used the quoted price when available to assess fair value or used a present value calculation (PVC) based on market observable inputs.
- Islamic financing and investing assets are fair valued based on PVC which takes into account original underlying cash financing credit grading and expected prepayments. These features are used to estimate the present value of the expected cash flows and using risk-adjusted rates. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted rate, and different assumptions and inputs would yield different results.
- Fair values of deposits from banks and customers are estimated using the PVC methodology, applying the applicable rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is considered to be the amount payable at the reporting date.

23. Approval of condensed interim financial statements

The condensed interim financial statements were approved by the Board of Directors and authorized for issue on 21 April 2022.