

Ajman Bank PJSC

CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

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 30 June 2021 and the related interim statement of income and comprehensive income for the three month and six month period then ended, interim statement of cash flows and interim statement of changes in equity for the six 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 financial statements of the Bank for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 February 2021. Furthermore, the condensed interim financial information as at and for the period ended 30 June 2020 and 31 March 2021 were reviewed by another auditor who expressed an unqualified conclusion on the interim financial information on 28 July 2020 and 7 May 2021 respectively.

For Ernst & Young

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

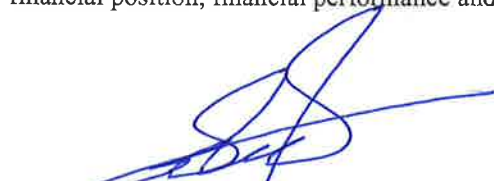
9 August 2021


Dubai, United Arab Emirates

Condensed interim statement of financial position
As at 30 June 2021

	Notes	30 June 2021 (unaudited) AED'000	31 December 2020 (audited) AED'000
ASSETS			
Cash and balances with the Central Bank	6	1,779,490	1,722,122
Due from banks and other financial institutions		358,577	613,271
Islamic financing and investing assets, net	7	16,001,030	16,960,858
Islamic investments securities at FVTOCI	8	2,214,710	1,319,691
Investment in associate	9	174,379	177,556
Investment properties		343,740	343,393
Property and equipment		130,432	131,141
Other Islamic assets	10	314,111	239,096
Total assets		21,316,469	21,507,128
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	11	13,876,389	14,226,163
Due to banks and other financial institutions		4,668,150	4,338,583
Other liabilities	12	196,624	439,791
Total liabilities		18,741,163	19,004,537
Equity			
Share capital	13	2,100,000	2,100,000
Statutory reserve		258,508	258,508
Investment fair value reserve		(56,099)	(60,355)
General impairment reserve	14	93,178	97,042
Retained earnings		179,719	107,396
Total equity		2,575,306	2,502,591
Total liabilities and equity		21,316,469	21,507,128

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

**Condensed interim income statement (unaudited)
for the six month period ended 30 June 2021**

	Notes	Three month period ended 30 June		Six month period ended 30 June	
		2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Operating income					
Income from Islamic financing and investing assets	16	164,906	215,971	346,884	448,007
Income from investment securities at FVTOCI		29,506	18,107	49,465	47,298
Fees, commissions and other income		31,429	2,878	57,814	40,299
Share of results of associate	9	-	3,489	(2,437)	6,067
Total operating income before depositors' share of profit		225,841	240,445	451,726	541,671
Depositors' share of profit		(60,361)	(121,827)	(119,874)	(262,806)
Net operating income		165,480	118,618	331,852	278,865
Expenses					
Staff costs		(44,958)	(44,212)	(93,448)	(99,943)
General and administrative expenses		(14,456)	(13,676)	(36,823)	(28,225)
Depreciation of property and equipment		(6,520)	(6,461)	(12,445)	(13,368)
Impairment charge for financial assets	22.2	(68,996)	(15,909)	(127,255)	(94,360)
Total expenses		(134,930)	(80,258)	(269,971)	(235,896)
Profit for the period		30,550	38,360	61,881	42,969
Basic and diluted earnings per share (AED)					
	17	0.014	0.018	0.029	0.020

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

**Condensed interim statement of other comprehensive income (unaudited)
for the six month period ended 30 June 2021**

	Three month period ended 30 June		Six month period ended 30 June	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Profit for the period	30,550	38,360	61,881	42,969
Other comprehensive income/(loss):				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Movement in investment fair value reserve for equity instruments at FVTOCI	18,348	(1,440)	9,180	(32,940)
	18,348	(1,440)	9,180	(32,940)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Fair value gain/(loss) on investment securities at FVTOCI - Sukuk instruments	20,103	94,529	2,976	(27,645)
Reclassification adjustments relating to investments securities at FVTOCI	(4,093)	760	(5,295)	(4,004)
	16,010	95,289	(2,319)	(31,649)
Other comprehensive income/(loss)	34,358	93,849	6,861	(64,589)
Total comprehensive income/(loss) for the period	64,908	132,209	68,742	(21,620)

**Condensed interim statement of changes in equity
for the six month period ended 30 June 2021**

	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 2020 (audited)	2,100,000	253,168	(7,256)	111,583	54,824	2,512,319
Profit for the period	-	-	-	-	42,969	42,969
Other comprehensive loss	-	-	(64,589)	-	-	(64,589)
Total comprehensive loss for the period	-	-	(64,589)	-	42,969	(21,620)
Transfer from impairment reserve (Note 14)	-	-	-	(26,941)	26,941	-
Directors' remuneration (Note 13)	-	-	-	-	(1,250)	(1,250)
At 30 June 2020 (unaudited)	2,100,000	253,168	(71,845)	84,642	123,484	2,489,449
At 1 January 2021 (audited)	2,100,000	258,508	(60,355)	97,042	107,396	2,502,591
Profit for the period	-	-	-	-	61,881	61,881
Other comprehensive income	-	-	6,861	-	-	6,861
Total comprehensive income for the period	-	-	6,861	-	61,881	68,742
Transfer on disposal of equity instrument at FVTOCI	-	-	(2,605)	-	2,605	-
Transfer from impairment reserve (Note 14)	-	-	-	(3,864)	3,864	-
Directors' remuneration (Note 13)	-	-	-	-	(1,000)	(1,000)
Reversal of Zakat liability (Note 15)	-	-	-	-	4,973	4,973
At 30 June 2021 (unaudited)	2,100,000	258,508	(56,099)	93,178	179,719	2,575,306

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

**Condensed interim statement of cash flows (unaudited)
for the six month period ended 30 June 2021**

	Six month period ended 30 June	
	2021 AED'000	2020 AED'000
Cash flows from operating activities		
Profit for the period	61,881	42,969
<i>Adjustments for:</i>		
Depreciation of property and equipment	12,445	13,368
Impairment charge on financial assets	127,255	94,360
Income from investment securities	(43,379)	(41,327)
Impairment of property and equipment	-	-
Realized gain on disposal of investment securities	(6,086)	(5,971)
Share of results of associate	2,437	(6,067)
Gain on disposal of property and equipment	(17)	-
Operating cash flows before changes in operating assets and liabilities	154,536	97,332
<i>Changes in operating assets and liabilities</i>		
Decrease/(increase) in Islamic financing and investing assets	833,644	(536,807)
Decrease in due from banks and other financial institutions	251,881	245,114
(Increase)/decrease in statutory deposit with the Central Bank	(45,666)	213,349
Decrease/(increase) in International murabihat with the Central Bank	640,000	(120,000)
(Increase)/decrease in other assets	(75,991)	68,458
Decrease in Islamic customers' deposits	(349,774)	(147,805)
Increase in due to banks and other financial institutions	329,567	187,008
Decrease in other liabilities	(237,735)	(89,589)
Payment of Directors' remuneration	(1,000)	(1,250)
Net cash generated from/(used in) operating activities	1,499,462	(84,190)
Cash flows from investing activities		
Purchase of investment securities	(1,883,820)	(933,392)
Proceeds from sale of investment securities	1,000,635	992,992
Dividend received from investment in associate	740	3,676
Purchase of property and equipment	(11,891)	(12,359)
Proceeds from disposal of property and equipment	172	-
Profit income on investment securities	43,702	42,532
Additions to investment properties	(347)	(3,686)
Proceeds from disposal of investment in subsidiary	-	124,897
Net cash (used in)/generated from investing activities	(850,809)	214,660
Net increase in cash and cash equivalents	648,653	130,470
Net cash and cash equivalents at the beginning of the period	589,565	809,715
Cash and cash equivalents at the end of the period (Note 6)	1,238,218	940,185

Notes to the condensed interim financial statements for the six months period ended 30 June 2021

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 two 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, 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. The detail of the Bank disposal subsidiary is included in Note 23 to the condensed financial statement.

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 2021, 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.

- Amendment to IFRS 3 *Business Combinations* relating to definition of a business.
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* relating to definition of material.
- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* relating to interest rate benchmark reforms.
- Amendments to conceptual framework

2.2 *New and revised IFRSs in issue but not yet effective*

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the definition of material.	1 January 2022
IFRS 17 <i>Insurance Contract</i>	1 January 2023
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2011)</i> relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)****2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)****2.2 New and revised IFRS in issue but not yet effective (continued)**

Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank’s financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Bank in the period of initial application.

There are no other applicable new standards and amendments to the 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 2021 that would be expected to have a material impact on the Bank’s condensed interim financial information.

Interbank offered rates (“IBOR”) Phase 2 Transition

In August 2020, the IASB issued IBOR reform - Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

IBORs, such as the London Interbank Offered Rate (“LIBOR”), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates (“RFRs”) and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

The majority of LIBOR and other IBORs are to be discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates (“ARRs”), with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023.

The Bank is in process of assessing the impact of rate replacement on its product and services, however as on 30 June 2021 it does not believe that the impact will be significant.

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.

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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 2020.

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 2020. In addition, results for the period from 1 January 2021 to 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020.

3.3 Seasonality of results

No income of a seasonal nature was recorded in the condensed interim statement of profit or loss for the six month period ended 30 June 2021 and 30 June 2020.

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 2020.

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (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 30 June 2021 (unaudited)			
Financial assets			
Cash and balances with the Central Bank	-	1,779,490	1,779,490
Due from banks and other financial institutions	-	358,577	358,577
Islamic financing and investing assets, net	-	16,001,030	16,001,030
Islamic investment securities at FVTOCI	2,214,710	-	2,214,710
Other Islamic assets	490	171,771	172,261
Total	2,215,200	18,310,868	20,526,068
At 30 June 2021 (unaudited)			
Financial liabilities			
Islamic customers' deposits	-	13,876,389	13,876,389
Due to banks and other financial institutions	-	4,668,150	4,668,150
Other liabilities	-	133,994	133,994
Total	-	18,678,533	18,678,533
31 December 2020 (audited)			
Financial assets:			
Cash and balances with the Central Bank	-	1,722,122	1,722,122
Due from banks and other financial institutions	-	613,271	613,271
Islamic financing and investing assets , net	-	16,960,858	16,960,858
Islamic investments securities at FVTOCI	1,319,691	-	1,319,691
Other Islamic assets	1,611	138,511	140,122
Total	1,321,302	19,434,762	20,756,064
Financial liabilities:			
Islamic customers' deposits	-	14,226,163	14,226,163
Due to banks and other financial institutions	-	4,338,583	4,338,583
Other liabilities	-	365,502	365,502
Total	-	18,930,248	18,930,248

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

6. Cash and balances with the Central Bank

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Cash on hand	123,088	98,709
Balances with the Central Bank:		
Current accounts	144,126	91,803
Reserve requirements with the Central Bank	402,276	356,610
International murabihat with the Central Bank	1,110,000	1,175,000
Total	1,779,490	1,722,122

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

	30 June 2021 AED'000 (unaudited)	30 June 2020 AED'000 (unaudited)
Cash and balances with the Central Bank	1,779,490	2,619,926
Due from banks and other financial institutions (original maturity less than three months)	271,004	239,004
	2,050,494	2,858,930
Less: Statutory reserve with the Central Bank	(402,276)	(418,745)
Less: International murabihat with the Central Bank (original maturity more than three months)	(410,000)	(1,500,000)
Cash and cash equivalents	1,238,218	940,185

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 six months period ended 30 June 2021 (continued)**

7. Islamic financing and investing assets, net

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Islamic financing assets		
Vehicles murabahat	55,783	65,759
Commodities murabahat	7,015,652	8,427,433
Total murabahat	7,071,435	8,493,192
Ijarahs	9,983,103	10,338,901
Istisna'a	1,753	2,771
Islamic credit cards	21,389	23,932
	17,077,680	18,858,796
Deferred income	(798,896)	(1,062,614)
Total Islamic financing assets	16,278,784	17,796,182
Islamic investing Assets		
Mudaraba	6,146	20,646
Wakalat	628,040	117,855
Total Islamic investing assets	634,186	138,501
Total Islamic financing and investing assets	16,912,970	17,934,683
Less: Impairment loss allowance (Note 22.1)	(911,940)	(973,825)
Total Islamic financing and investing assets, net	16,001,030	16,960,858

8. Islamic investment securities at FVTOCI

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Islamic investments securities		
Sukuk instruments	1,973,728	1,118,061
Equity instruments	240,982	201,630
	2,214,710	1,319,691

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (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	48%	Equity
Makaseb 3 Real Estate Investment SPV Limited	Real Estate Investments	United Arab Emirates	44%	Equity

Movement in investment in associate is as follows:

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
At beginning of the period/year	177,556	74,282
Additions during the period/year	-	98,000
Share of results during the period/year	(2,437)	12,607
Distributions received during the period/year	(740)	(7,333)
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Balance at the end of the period/year	174,379	177,556
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10. Other Islamic assets

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Accrued income on Islamic financing and investing assets	123,990	101,753
Acceptances (Note 13)	-	17,748
Assets acquired in settlement of Islamic financing and investing assets	26,720	50,131
Accrued income on Islamic investments securities at FVTOCI	16,195	11,547
Prepaid expenses	14,350	4,899
Staff advances	10,450	10,998
Foreign currency forward contracts	490	1,611
Other	138,272	55,789
	<hr/>	<hr/>
	330,467	254,476
Less: Impairment loss allowance (Note 22.1)	(16,356)	(15,380)
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	314,111	239,096
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**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

11. Islamic customers' deposits

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Current accounts	3,267,177	2,986,498
<i>Mudarba deposits:</i>		
Savings accounts	392,101	279,099
Term deposits	30,927	47,707
	3,690,205	3,313,304
Wakala deposits	9,948,113	10,727,822
Escrow accounts	193,919	147,384
Margin accounts	44,152	37,653
	13,876,389	14,226,163

12. Other liabilities

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	81,571	122,554
Provisions for staff salaries and benefits	22,671	21,154
Managers' cheques	38,185	224,492
Acceptances (Note 11)	-	17,748
Lease liability	6,447	8,946
Zakat payable	-	6,217
Impairment loss allowance (Note 22.1)	11,533	11,992
Other	36,217	26,688
	196,624	439,791

13. Share capital

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
<i>Issued and fully paid:</i>		
2,100,000,000 (31 December 2020: 2,100,000,000) shares of AED 1 each	2,100,000	2,100,000

During the period ended 30 June 2021, AED 1 million (31 December 2020: AED 1.25 million) was approved as Directors' remuneration by the shareholders at the annual general meeting held on the 5th April 2021.

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (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. Zakat

In line with the CBUAE regulations and The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Shari'a standards, zakat payable amounting to AED 6.2 million, had been reflected in the 31 December 2020 financial statements as an appropriation from retained earnings. However, pursuant to the CBUAE notice CBUAE/BSN/2021/956 dated 16 February 2021 regarding the cancellation of the resolution pertinent to the transfer of Zakat monies to the Zakat Fund in the United Arab Emirates (UAE), zakat payable had been reversed back to retained earnings during the period ended 30 June 2021.

16. Income from Islamic financing and investing assets

	Six month period ended 30 June	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Income from Ijarah	217,656	244,441
Income from Murabaha	125,729	188,985
Income from Mudaraba	173	1,055
Income from Wakala	3,283	13,128
Income from Istisna	43	398
	346,884	448,007

17. 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 30 June		Six month period ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
<i>Basic earnings per share</i>				
Profit for the period (AED'000)	30,550	38,360	61,881	42,969
Directors remunerations (AED'000)	(1,000)	(1,250)	(1,000)	(1,250)
	29,550	37,110	60,881	41,719
Weighted average number of shares outstanding during the period (in thousands)	2,100,000	2,100,000	2,100,000	2,100,000
Basic and diluted earnings per share (AED)	0.014	0.018	0.029	0.020

There were no potentially dilutive shares as at 30 June 2021 and 30 June 2020.

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

18. Related parties transactions

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. Such related party transactions are disclosed below:

Transactions with related parties are shown below:

	Six month period ended					
	30 June 2021 (unaudited)			30 June 2020 (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	46,388	391	46,779	56,326	817	57,143
Income from Islamic financing and investing assets	27,101	3,573	30,674	35,226	11,746	46,972

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

	30 June 2021 (unaudited)			31 December 2020 (audited)		
	Major shareholders AED'000	Director and other related parties AED'000	Total AED'000	Major shareholders AED'000	Director and other related parties AED'000	Total AED'000
Islamic financing and investing assets	1,298,982	481,823	1,780,805	2,018,111	499,961	2,518,072
Islamic customers' deposits	3,909,733	108,314	4,018,047	3,877,712	118,058	3,995,770

Islamic financing and investing assets to related parties have been secured against collateral amounting to AED 2,022 million (31 December 2020: AED 2,577 million).

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

18. Related parties transactions (continued)

Compensation of key management personnel

Key management compensation is as shown below:

	Six month period ended 30 June	
	2021	2020
	AED'000	AED'000
	(unaudited)	(unaudited)
Short term employment benefits	4,659	4,874
Terminal benefits	201	224
	4,860	5,098

19. Contingencies and commitments

Capital commitments

At 30 June 2021, the Bank had outstanding capital commitments of AED 45 million (31 December 2020: AED 67 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 2021	31 December 2020
	AED'000	AED'000
	(unaudited)	(audited)
Commitments to extend credit	353,964	138,440
Letters of credit	4,915	3,162
Letters of guarantee	283,259	229,822
	642,138	371,424

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

20. 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 six months period ended 30 June 2021 (continued)**

20. 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
Six month period ended 30 June 2021 (unaudited)						
Net income from Islamic financing and investing assets	68,517	157,751	(12,625)	13,367	-	227,010
Income from Islamic investment securities at FVTOCI	-	-	39,321	10,144	-	49,465
Share of results of associate	-	-	-	(2,437)	-	(2,437)
Impairment charges on financial assets	2,521	(122,289)	(7,538)	51	-	(127,255)
Fees, commissions and other income	11,692	10,608	7,433	26,752	1,329	57,814
Staff costs	(23,850)	(5,065)	(1,986)	(2,459)	(60,088)	(93,448)
General and administrative expenses	(13,425)	(4,265)	(352)	(849)	(17,932)	(36,823)
Depreciation of property and equipment	-	-	-	-	(12,445)	(12,445)
Operating profit/(loss) (unaudited)	45,455	36,740	24,253	44,569	(89,136)	61,881
Six month period ended 30 June 2020 (unaudited)						
Net income from Islamic financing and investing assets	30,767	161,848	(17,817)	10,403	-	185,201
Income from Islamic investment securities at FVTOCI	-	-	42,486	4,812	-	47,298
Share of results of associate	-	-	-	6,067	-	6,067
Impairment charges on financial assets	(12,118)	(73,615)	(2,164)	(6,463)	-	(94,360)
Fees, commissions and other income	9,117	18,740	(464)	13,145	(239)	40,299
Staff costs	(26,590)	(7,603)	(1,907)	(4,319)	(59,524)	(99,943)
General and administrative expenses	(14,821)	(2,913)	(464)	(552)	(9,475)	(28,225)
Depreciation of property and equipment	-	-	-	-	(13,368)	(13,368)
Operating profit/(loss) (unaudited)	(13,645)	96,457	19,670	23,093	(82,606)	42,969

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

20. 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 30 June 2021						
Segment assets (unaudited)	3,387,104	11,564,792	3,464,073	1,734,051	1,166,449	21,316,469
Segment liabilities (unaudited)	3,685,478	9,034,502	4,298,979	1,285,972	436,232	18,741,163
As at 31 December 2020						
Segment assets (audited)	3,306,953	12,779,717	2,543,311	1,915,245	961,902	21,507,128
Segment liabilities (audited)	3,387,947	10,694,992	3,477,419	968,284	475,895	19,004,537

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

21. 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 2020.

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:

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Tier 1 capital		
Share capital	2,100,000	2,100,000
Reserves	383,817	305,549
	2,483,817	2,405,549
Tier 2 capital		
General provision and fair value reserve	191,657	188,272
	2,675,474	2,593,821
Risk weighted assets		
Credit risk	15,332,574	15,061,720
Market risk	104,926	463
Operational risk	1,125,368	1,125,368
	16,562,868	16,187,551
	Minimum requirement	Capital ratios 30 June 2021 (unaudited)
Capital element		Capital ratios 31 December 2020 (audited)
Common equity tier 1 (CET 1) ratio	7%	14.86%
Tier 1 capital ratio	8.5%	14.86%
Capital adequacy ratio	10.5%	16.02%
CET1 available for the buffer requirement	2.5%	5.52%

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

22. Risk Management

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

	30 June 2021			31 December 2020		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
	AED '000 (unaudited)	AED '000 (unaudited)	AED '000 (unaudited)	AED '000 (unaudited)	AED '000 (unaudited)	AED '000 (unaudited)
Balances with the Central Bank						
Stage 1	1,656,402	-	1,656,402	1,623,413	-	1,623,413
Due from banks and other financial institutions						
Stage 1	358,706	(129)	358,577	274,056	-	274,056
Stage 2	-	-	-	339,580	(365)	339,215
	358,706	(129)	358,577	613,636	(365)	613,271
Islamic financing and investing assets						
Stage 1	10,689,765	(36,872)	10,652,893	10,050,713	(32,292)	10,018,421
Stage 2	3,401,662	(95,084)	3,306,578	5,781,527	(91,805)	5,689,722
Stage 3	2,821,543	(779,984)	2,041,559	2,102,443	(849,728)	1,252,715
	16,912,970	(911,940)	16,001,030	17,934,683	(973,825)	16,960,858
Islamic investment securities at FVTOCI						
Stage 1	1,972,337	(3,037)	1,969,300	1,115,880	(2,247)	1,113,633
Stage 3	54,506	(50,078)	4,428	54,506	(50,078)	4,428
	2,026,843	(53,115)	1,973,728	1,170,386	(52,325)	1,118,061
Other Islamic financial assets						
Stage 1	149,749	(77)	149,672	121,480	-	121,480
Stage 2	4,730	(1)	4,729	336	(1)	335
Stage 3	33,648	(16,278)	17,370	32,075	(15,379)	16,696
	188,127	(16,356)	171,771	153,891	(15,380)	138,511
Financial commitments and financial guarantees						
Stage 1	622,781	(1,610)	621,171	358,656	(2,174)	356,482
Stage 3	19,357	(9,923)	9,434	12,768	(9,818)	2,950
	642,138	(11,533)	630,605	371,424	(11,992)	359,432
	21,785,186	(993,073)	20,792,113	21,867,433	(1,053,887)	20,813,546

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

22. Risk Management (continued)

22.2 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 2020 (audited)	-	365	-	365
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	365	(365)	-	-
- Transfer to stage 3	-	-	-	-
Change in credit risk	(266)	-	-	(266)
New financial assets recognized	30	-	-	30
Loss allowance as at 30 June 2021 (unaudited)	129	-	-	129

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 2020 (audited)	32,292	91,805	849,728	973,825
Changes in the loss allowance				
- Transfer to stage 1	3,479	(3,479)	-	-
- Transfer to stage 2	(306)	6,886	(6,580)	-
- Transfer to stage 3	(3,969)	(6,509)	10,478	-
Change in credit risk	7,666	7,140	115,088	129,894
New financial assets recognized	1,269	-	-	1,269
Financial assets derecognized	(3,559)	(759)	(661)	(4,979)
Write-offs	-	-	(188,069)	(188,069)
Loss allowance as at 30 June 2021 (unaudited)	36,872	95,084	779,984	911,940

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 2020 (audited)	2,247	-	50,078	52,325
Change in credit risk	1,319	-	-	1,319
New financial assets recognised	131	-	-	131
Financial assets derecognized	(660)	-	-	(660)
Loss allowance as at 30 June 2021 (unaudited)	3,037	-	50,078	53,115

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

22. 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 2020 (audited)	-	1	15,379	15,380
Change in credit risk	77	-	899	976
Loss allowance as at 30 June 2021 (unaudited)	77	1	16,278	16,356

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 2020 (audited)	2,174	-	9,818	11,992
Change in credit risk	(619)	-	105	(514)
New financial assets recognised	56	-	-	56
Financial assets derecognised	(1)	-	-	(1)
Loss allowance as at 30 June 2021 (unaudited)	1,610	-	9,923	11,533

	Opening balance AED'000	Net charge during the period AED'000	Write-off, net of recoveries AED'000	Closing balance AED'000	Net charge during the period ended 30 June 2020 AED'000
Due from banks and other financial institutions	365	(236)	-	129	806
Islamic financing and investing assets (Note 7)	973,825	126,184	(188,069)	911,940	82,982
Islamic investment securities at FVTOCI	52,325	790	-	53,115	1,967
Other Islamic financial assets (Note 11)	15,380	976	-	16,356	7,001
Financial commitments and financial guarantees (Note 13)	11,992	(459)	-	11,533	1,604
Total	1,053,887	127,255	(188,069)	993,073	94,360

The credit impairment provisions calculated in accordance with CBUAE requirements were in excess of ECL allowance calculated under IFRS 9 as explained in note 4.

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)****22. Risk Management (continued)****22.3 COVID-19 Impact on measurement of ECL**

The Covid-19 pandemic has had a far-reaching impact on the UAE economy, but slowly the economy is getting back on track post ease of lockdown. For interim period the government and CBUAE has implemented a number of measures to assist the business and minimize the impact of the pandemic through Targeted Economic Support Scheme (TESS).

To incorporate the uncertainty, the bank has updated the IFRS-9 model using the latest macro-economic forecast along with override of post Covid-19 projection provided by World Economic Outlook (WEO). As the projection data is taken after Covid-19 shock, IFRS-9 provision model itself incorporates significant Covid-19 impact across the Bank's exposures. Further to applying this WEO override, the bank has used the overlay strategy with management consensus to assign additional ECL charge by removing the upturn scenario and increased the weight for downturn scenario. Taking into consideration broader level measures and guidelines provided by Central Bank of UAE under the Targeted Economic Support Scheme (TESS). The Bank has done the grouping of the customer given relief based on significant increase in credit risk (SICR). The Bank has also considered guidelines issued by the International Accounting Standards Board (IASB) on 27 March 2021 and Basel Committee issued on 4 April 2020 on determination of expected credit losses.

As advised by CBUAE under TESS guidelines, customer grouping is done looking at the customer profile. Customers who have availed TESS and is facing short term liquidity issues without SICR is retained in group 1, while the customer's with SICR is moved to group 2. Under IFRS 9, Islamic financing and investing assets are required to be moved from Stage 1 to Stage 2 if they have been the subject of a significant increase in credit risk (SICR) since origination.

Reasonableness of Forward Looking Information and probability weights

Despite several challenges associated with doing IFRS-9 provision estimate by incorporating the overall impact of Covid-19. Bank has refreshed the IFRS-9 provision model using the latest macro-economic forecast along with additional shock of macro-economic outlook provided WEO. All the macro-economic variable used within the model has been shocked and applied to incorporate the effect of Covid-19 and bring the forecast in line with recent forecast published by well-known institutions.

The Bank has used the workout LGD model which is purely based on Bank specific data based on its own curing, restructuring, recovery and collateral backing. In addition to incorporation of Covid-19 shock within the IFRS-9 model, the Bank has created additional overlay for corporate and retail portfolio using below set of mechanism.

For corporate portfolio the Bank has done the grouping of the customers who have availed TESS and are currently enjoying the payment relief, while simultaneously changed the scenario probability weights, to create additional overlay. For the retail portfolio a level of segmentation has been done where in UAE local exposure has been kept out of the grouping consideration (given the financial stability assurance provided to them).

Additional overlay for Corporate & SME portfolio is estimated as follows:

- Group 1: Customers who have availed TESS and are enjoying payment relief, and are facing short term liquidity issues without significant increase in credit risk. 12-month ECL is estimated for these customers keeping them in Stage 1.
- Group 2: Customers who have availed TESS and are enjoying payment relief, and are facing significant increase in credit risk (SICR). Life time ECL is estimated for these customers after classifying them in Stage 2.

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

22. Risk Management (continued)

22.3 COVID-19 Impact on measurement of ECL (continued)

Reasonableness of Forward Looking Information and probability weights (continued)

- Scenario probability weights were changed from earlier (Baseline Scenario: 62.5%, Downturn Scenario: 18.75%, Upturn Scenario: 18.75%) to (Baseline Scenario: 75%, Downturn Scenario: 25%, Upturn Scenario: 0%). Upturn Scenario was taken out of consideration till the time uncertainty persists.

Additional overlay for Retail portfolio was estimated as follows:

- Bank ECL model for the retail portfolio is built on pool level data. Separate models are built for different segments of the retail portfolio (i.e. Home Finance, Auto Finance, and Personal Finance).
- Scenario probability weights were changed from earlier (Baseline Scenario: 62.5%, Downturn Scenario: 18.75%, Upturn Scenario: 18.75%) to (Baseline Scenario: 75%, Downturn Scenario: 25%, Upturn Scenario: 0%). Upturn Scenario is taken out of consideration till the time uncertainty persists.
- All the retail exposure for UAE local customers who availed TESS were not considered for grouping consideration as no significant increase in credit risk is anticipated because of financial assurance provided to them.
- By doing broader level assessment for all the expatriate's retail exposure who availed TESS. Secured exposures which are backed by collateral (i.e. Home Finance, Auto Finance) looked more resilient than unsecured exposure (Personal Finance).
- Looking at overall TESS availed retail expatriate's portfolio, 5% of the secured exposures was considered to have significant increase in credit risk and will move to Group 2 (i.e. Stage 2) whereas 15% of unsecured exposures in this segment was considered to have significant increase in credit risk and will move to Group 2. However, this will only be applied till the customer starts payment of installments, so the regular IFRS9 staging criteria shall apply.

The treasury segment of the portfolio comprises mostly of Sukuk, and is classified as FVTOCI. Considering much higher level of due diligence for listed securities, any risk associated with the securities immediately gets reflected in the price. The bank kept the scenario weights intact for this segment of portfolio.

The Credit Department of the Bank is progressively collecting all the information related to status of each customer who is under relief in the form of deferral during the current period. As soon as enough information is available to ascertain significant increase in credit risk, the department will classify those customers into Group 2. The same will be presented to the Credit committee for approval on the assignment of the customer to the appropriate stage.

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

22. Risk Management (continued)

22.3 COVID-19 Impact on measurement of ECL (continued)

Analysis of clients benefitting from payment deferrals

The table below contains analysis of the deferred amount and outstanding balances of customers benefitting from deferrals:

	Corporate banking AED'000	Consumer banking AED'000	Total AED'000
At 30 June 2021 (unaudited)			
Deferral Amount			
Islamic Financing	237,165	75,259	312,424
	<u>237,165</u>	<u>75,259</u>	<u>312,424</u>
Exposures			
Islamic Financing	2,382,010	1,418,672	3,800,682
	<u>2,382,010</u>	<u>1,418,672</u>	<u>3,800,682</u>

The table below contains analysis of outstanding balances and related ECL of customers benefitting from deferrals:

	12-month ECL AED'000	Lifetime ECL not credit- impaired AED'000	Lifetime ECL credit- impaired AED'000	Total AED'000
Corporate Banking				
Group 1				
Islamic financing and investing assets	807,942	881,700	-	1,689,642
Less: Expected credit losses	(3,367)	(7,889)	-	(11,256)
	<u>804,575</u>	<u>873,811</u>	<u>-</u>	<u>1,678,386</u>
Group 2				
Islamic financing and investing assets	-	687,932	4,436	692,368
Less: Expected credit losses	-	(726)	(805)	(1,531)
	<u>-</u>	<u>687,206</u>	<u>3,631</u>	<u>690,837</u>

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

22. Risk Management (continued)

22.3 COVID-19 Impact on measurement of ECL (continued)

	12-month ECL AED'000	Lifetime ECL not credit- impaired AED'000	Lifetime ECL credit- impaired AED'000	Total AED'000
Consumer Banking				
Group 1	1,235,995	140,400	-	1,376,395
Islamic financing and investing assets	(5,418)	(19,153)	-	(24,571)
Less: Expected credit losses				
	<u>1,230,577</u>	<u>121,247</u>	<u>-</u>	<u>1,351,824</u>
Group 2				
Islamic financing and investing assets	-	305	41,972	42,277
Less: Expected credit losses	-	(140)	(8,390)	(8,530)
	<u>-</u>	<u>165</u>	<u>33,582</u>	<u>33,747</u>

During 2020, the Bank had initiated a program of payment relief for its impacted customers by deferring profit/principal due for a period of one month to three months. These payment reliefs are considered as short-term liquidity to address customer cash flow issues. The relief offered to customers may indicate a SICR. However, the Bank believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the Covid-19 outbreak to resume regular payments.

The accounting impact of the one-time extension of credit facilities due to Covid-19 has been assessed and has been treated as per the requirements of IFRS 9 for modification of terms of arrangement.

23. 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.

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

22. Risk Management (continued)

23. Fair value measurement (continued)

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

- 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.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 June 2021 (Unaudited)				
Financial assets				
Islamic investments securities at FVTOCI				
Sukuk instrument	1,939,300	-	34,428	1,973,728
Equity instrument	92,536	-	148,446	240,982
Positive fair value of Islamic derivative financial instruments	490	-	-	490
	<u>2,032,326</u>	<u>-</u>	<u>182,874</u>	<u>2,215,200</u>
At 31 December 2020 (audited)				
Financial assets				
Islamic investments securities at FVTOCI				
Sukuk instrument	1,083,633	-	34,428	1,118,061
Equity instrument	49,500	-	152,130	201,630
Positive fair value of Islamic derivative financial instruments	1,611	-	-	1,611
	<u>1,134,744</u>	<u>-</u>	<u>186,558</u>	<u>1,321,302</u>

There were no transfers between Level 1 and 2 during the year.

**Notes to the condensed interim financial statements
for the six months period ended 30 June 2021 (continued)**

23. Fair value measurement (continued)

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

	30 June 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
At beginning of the period/year	186,558	199,659
Purchases during the period/year	7,356	29,380
Fair valuation loss in other comprehensive income	(11,040)	(38,960)
Disposals during the period/year	-	(3,521)
Balance at the end of the period/year	182,874	186,558

- 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.

24. Approval of condensed interim financial statements

The condensed interim financial statements were approved by the Board of Directors and authorized for issue on 9 August 2021.