

Ajman Bank PJSC

REVIEW REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

**FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2024**

Ajman Bank PJSC

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF AJMAN BANK PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Ajman Bank PJSC (the “Bank”) and its subsidiary (collectively referred to as the “Group”), which comprise the condensed consolidated interim statement of financial position as at 31 March 2024, and the related condensed consolidated interim income statement, condensed consolidated interim statement of other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this condensed consolidated 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 consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

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

9 May 2024


Dubai, United Arab Emirates

Condensed consolidated interim statement of financial position (unaudited)
As at 31 March 2024

		31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
	Notes		
ASSETS			
Cash and balances with the Central Bank	6	3,250,933	4,467,728
Due from banks and other financial institutions		1,275,522	1,714,027
Islamic financing and investing assets, net	7	13,113,080	13,775,993
Islamic investment securities at amortised cost	8	94,707	263,029
Islamic investment securities at fair value	9	3,316,531	2,781,228
Investment properties		387,585	385,755
Property and equipment		131,674	125,787
Other Islamic assets	11	1,500,435	1,421,985
Total assets		23,070,467	24,935,532
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	12	18,430,555	19,724,748
Due to banks and other financial institutions		850,046	1,604,754
Other liabilities	13	1,024,183	931,078
Total liabilities		20,304,784	22,260,580
Equity			
Share capital	14	2,723,500	2,723,500
Treasury shares	14	(46,520)	(27,675)
Statutory reserve		233,624	253,676
Investment fair value reserve		(254,530)	(276,735)
General impairment reserve	15	65,192	60,835
Retained earnings (accumulated losses)		44,417	(58,649)
Total equity		2,765,683	2,674,952
TOTAL LIABILITIES AND EQUITY		23,070,467	24,935,532

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated 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


Mustafa Al Khalfawi
Chief Executive Officer

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

**Condensed consolidated interim income statement (unaudited)
for the three month period ended 31 March 2024**

	Notes	Three month period ended 31 March	
		2024 AED'000	2023 AED'000
Operating income			
Income from Islamic financing and investing assets	16	308,859	304,892
Income from Islamic investment securities		44,995	24,144
Fees, commissions and other income		46,413	44,701
Total operating income before depositors' share of profits		400,267	373,737
Depositors' share of profits		(205,437)	(142,164)
Net operating income		194,830	231,573
Expenses			
Staff costs		(64,964)	(56,733)
General and administrative expenses		(19,744)	(24,599)
Depreciation of property and equipment		(6,324)	(8,881)
Write-back of provision for (provision for) expected credit losses on financial assets	22.4	13,312	(67,007)
Impairment of associates	10	-	(25,200)
Total expenses		(77,720)	(182,420)
Profit before tax		117,110	49,153
Income tax expense	24	(9,687)	-
Profit for the period		107,423	49,153
Basic and diluted earnings per share (AED)	17	0.039	0.023

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

**Condensed consolidated interim statement of other comprehensive income (unaudited)
for the three month period ended 31 March 2024**

	Three month period ended 31 March	
	2024	2023
	AED'000	AED'000
Profit for the period	107,423	49,153
Other comprehensive income/(loss):		
<i><u>Items that will not be reclassified subsequently to income statement:</u></i>		
Fair value (loss)/gain on equity securities at FVTOCI	(8,439)	4,034
	(8,439)	4,034
<i><u>Items that will be reclassified subsequently to income statement:</u></i>		
Fair value gain on Sukuk investment securities at FVTOCI	27,276	6,395
Reclassification to the income statement	3,368	2,307
	30,644	8,702
Other comprehensive income	22,205	12,736
Total comprehensive income for the period	129,628	61,889

**Condensed consolidated interim statement of changes in equity (unaudited)
for the three month period ended 31 March 2024**

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Investment fair value reserve AED'000	General impairment reserve AED'000	Retained earnings/ (accumulated losses) AED'000	Total AED'000
At 1 January 2023	2,100,000	-	286,331	(334,393)	105,810	357,329	2,515,077
Profit for the period	-	-	-	-	-	49,153	49,153
Other comprehensive loss	-	-	-	12,736	-	-	12,736
Total comprehensive (loss)/income for the period	-	-	-	12,736	-	49,153	61,889
Transfer on disposal of equity instruments at FVTOCI	-	-	-	73	-	(73)	-
Transfer from impairment reserve (Note 15)	-	-	-	-	(4,594)	4,594	-
At 31 March 2023	2,100,000	-	286,331	(321,584)	101,216	411,003	2,576,966
At 1 January 2024	2,723,500	(27,675)	253,676	(276,735)	60,835	(58,649)	2,674,952
Profit for the period	-	-	-	-	-	107,423	107,423
Other comprehensive income	-	-	-	22,205	-	-	22,205
Total comprehensive income for the period	-	-	-	22,205	-	107,423	129,628
Treasury shares (Note 14)	-	(18,845)	(20,052)	-	-	-	(38,897)
Transfer to impairment reserve (Note 15)	-	-	-	-	4,357	(4,357)	-
At 31 March 2024	2,723,500	(46,520)	233,624	(254,530)	65,192	44,417	2,765,683

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

**Condensed consolidated interim statement of cash flows (unaudited)
for the three month period ended 31 March 2024**

	Three month period ended 31 March	
	2024 AED'000	2023 AED'000
Cash flows from operating activities		
Profit before tax	117,110	49,153
<i>Adjustments for:</i>		
Depreciation of property and equipment	6,324	8,881
Amortisation of discount on Islamic investment securities at amortised cost	(69)	(17)
(Write-back of provision for) provision for expected credit losses on financial assets	(13,312)	67,007
Income from Islamic investment securities	(37,735)	(23,593)
Realized gain on disposal of Islamic investment securities	(677)	(534)
Impairment of associates	-	25,200
Operating cash flows before changes in operating assets and liabilities	71,641	126,097
Changes in operating assets and liabilities		
Islamic financing and investing assets	689,438	(584,544)
Due from banks and other financial institutions	341,469	(656,811)
Statutory deposit with the Central Bank	(9,996)	(2,264)
International Murabahat with the Central Bank	220,000	(560,000)
Other Islamic assets	(79,341)	(77,930)
Islamic customers' deposits	(1,294,193)	2,938,266
Due to banks and other financial institutions	(754,708)	(1,376,338)
Other liabilities	84,021	117,922
Net cash used in operating activities	(731,669)	(75,602)
Cash flows from investing activities		
Purchase of Islamic investment securities	(545,649)	(263,328)
Proceeds from sale of Islamic investment securities	197,910	8,588
Purchase of property and equipment	(12,211)	(4,651)
Profit income on Islamic investment securities	39,193	26,518
Additions to investment properties	(1,830)	(1,628)
Net cash used in investing activities	(322,587)	(234,501)
Cash flows from financing activities		
Treasury shares	(38,897)	-
Net cash used in financing activities	(38,897)	-
Net decrease in cash and cash equivalents	(1,093,153)	(310,103)
Net cash and cash equivalents at 1 January	1,981,413	1,125,897
Cash and cash equivalents at 31 March (Note 6)	888,260	815,794

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

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

1. General information

Ajman Bank PJSC (the “Bank”) was incorporated as a Public Joint Stock Company listed on Dubai Financial Market (“DFM”). 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, Ijarah, Mudaraba, Musharaka, Wakala and Sukuk. The activities of the Bank are conducted in accordance with the Islamic Shariah principles and within the provisions of its Memorandum and Articles of Association.

The Bank and its following subsidiary, which was incorporated by the Bank on 19 January 2024, form the “Group” and are together referred to as the “Group” in these interim condensed consolidated financial statements. The subsidiary included in these interim condensed consolidated financial statements, its principal activities and legal and beneficial ownership are set out below:

Name of Subsidiary	Ownership interest		Country of incorporation	Principal activities
	2024	2023		
SKYRISE PROPERTIES (S.P.S - L.L.C)	100%	-	UAE	Real estate brokerage and property management services

2. Application of new and revised International Financial Reporting Standards (“IFRS”)

New and revised IFRS applied with no material effect on the condensed consolidated interim financial information

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Bank’s annual financial statements for the year ended 31 December 2023, except for the adoption of the new standards effective as of 1 January 2024. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial information of the Bank.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Bank’s condensed consolidated interim financial statements.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)****2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)**

New and revised IFRS applied with no material effect on the condensed consolidated interim financial information (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Bank’s condensed consolidated interim financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group’s condensed consolidated interim financial statements.

3. Summary of material accounting policies

As required by the Securities and Commodities Authority of the U.A.E. (“SCA”) Notification No. 2624/2008 dated 12 October 2008, certain required accounting policies have been disclosed in the condensed consolidated interim financial information.

3.1 Basis of preparation

The condensed consolidated interim financial information 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 consolidated interim financial information are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those used in the audited annual financial statements for the year ended 31 December 2023.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)****3. Summary of material accounting policies (continued)****3.1 Basis of preparation (continued)**

These condensed consolidated interim financial information do not include all the information and disclosures required in full financial statements and should be read in conjunction with the Bank's financial statements for the year ended 31 December 2023. In addition, results for the period from 1 January 2024 to 31 March 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

3.2 Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The condensed consolidated interim financial statements comprise the financial statements of the Bank and its subsidiary as disclosed in Note 1 to these condensed consolidated interim financial statements. The financial statements of the subsidiary are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

All significant inter-group balances, income and expense items are eliminated on consolidation.

3.3 Financial risk management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2023.

3.4 Seasonality of results

No income of a seasonal nature was recorded in the condensed consolidated interim income statement for the three month period ended 31 March 2024 and 31 March 2023.

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

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, 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 2023.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

5. Classification of financial assets and liabilities

The tables below set 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 2024 (unaudited)			
Financial assets			
Cash and balances with the Central Bank	-	3,250,933	3,250,933
Due from banks and other financial institutions	-	1,275,522	1,275,522
Islamic financing and investing assets, net	-	13,113,080	13,113,080
Islamic investment securities at amortised cost	-	94,707	94,707
Islamic investment securities at fair value	3,316,531	-	3,316,531
Other Islamic assets	2	877,809	877,811
Total	3,316,533	18,612,051	21,928,584
Financial liabilities			
Islamic customers' deposits	-	18,430,555	18,430,555
Due to banks and other financial institutions	-	850,046	850,046
Other liabilities	447	643,738	644,185
Total	447	19,924,339	19,924,786
31 December 2023 (audited)			
Financial assets			
Cash and balances with the Central Bank	-	4,467,728	4,467,728
Due from banks and other financial institutions	-	1,714,027	1,714,027
Islamic financing and investing assets, net	-	13,775,993	13,775,993
Islamic investment securities at amortised cost	-	263,029	263,029
Islamic investments securities at fair value	2,781,228	-	2,781,228
Other Islamic assets	80	842,022	842,102
Total	2,781,308	21,062,799	23,844,107
Financial liabilities			
Islamic customers' deposits	-	19,724,748	19,724,748
Due to banks and other financial institutions	-	1,604,754	1,604,754
Other Islamic liabilities	2,659	554,587	557,246
Total	2,659	21,884,089	21,886,748

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

6. Cash and balances with the Central Bank

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Cash on hand	140,950	144,883
Balances with the Central Bank:		
Current accounts	100,612	523,470
Reserve requirements with the Central Bank	729,371	719,375
International Murabahat with the Central Bank	2,280,000	3,080,000
Total	3,250,933	4,467,728

The reserve requirements 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.

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

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)	31 March 2023 AED'000 (unaudited)
Cash and balances with the Central Bank	3,250,933	4,467,728	2,667,969
Due from banks and other financial institutions (original maturity less than three months)	346,698	433,060	167,582
	3,597,631	4,900,788	2,835,551
Less: Statutory reserve with the Central Bank	(729,371)	(719,375)	(479,757)
Less: International Murabahat with the Central Bank (original maturity more than three months)	(1,980,000)	(2,200,000)	(1,540,000)
Cash and cash equivalents	888,260	1,981,413	815,794

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

7. Islamic financing and investing assets, net

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Islamic financing assets		
Vehicles murabahat	45,702	43,530
Commodities murabahat	4,656,987	5,472,404
Total murabahat	4,702,689	5,515,934
Ijarahs	8,764,518	8,852,914
Istisna'a	-	347
Islamic credit cards	52,963	46,478
	13,520,170	14,415,673
Deferred income	(658,169)	(685,993)
Total Islamic financing assets	12,862,001	13,729,680
Islamic investing assets		
Wakalat	863,758	680,133
Total Islamic investing assets	863,758	680,133
Total Islamic financing and investing assets	13,725,759	14,409,813
Less: Impairment loss allowance (Note 22.1)	(612,679)	(633,820)
Total Islamic financing and investing assets, net	13,113,080	13,775,993

8. Islamic investment securities at amortised cost

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Sukuk instruments	95,351	265,467
Less: Impairment loss allowance (Note 22.1)	(644)	(2,438)
	94,707	263,029

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

9. Islamic investment securities at fair value

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Islamic investment securities at FVTOCI		
Sukuk instruments	3,038,364	2,494,941
Equity instruments	208,203	216,432
	3,246,567	2,711,373
Islamic investment securities at FVTPL		
Equity instruments	69,964	69,855
	3,316,531	2,781,228

10. Investment in associates

Information about the associates 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	-*	Equity
Makaseb 3 Real Estate Investment SPV Limited	Real Estate Investments	United Arab Emirates	87%	Equity

(*) During 2023, the Bank acquired the underlying assets of Makaseb Real Estate Investment SPV Limited amounting to AED 174.6 million and classified this amount under “Assets acquired in settlement of Islamic financing and investing assets” under “Other Islamic assets” in settlement of its exposure and interest in the fund.

Movement in investment in associates is as follows:

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Balance at the beginning of the period/year	-	88,703
Impairment loss during the period/year	-	(88,703)
	-	-

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

11. Other Islamic assets

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Accrued income on Islamic financing and investing assets	130,540	116,850
Accrued income on Islamic investment securities	38,962	29,298
Prepaid expenses	19,984	8,153
Staff advances	15,068	15,631
Acceptances (Note 13)	924	1,126
Foreign currency forward contracts	2	80
Assets acquired in settlement of Islamic financing and investing assets (*)	530,050	530,050
Financial assets acquired in settlement of Islamic financing and investing assets (**)	644,383	644,383
Rent receivable	28,656	14,797
Other	118,254	87,199
	1,526,823	1,447,567
Less: Impairment loss allowance (Note 22.1)	(26,388)	(25,582)
	1,500,435	1,421,985

(*) Assets acquired in settlement of Islamic financing and investing assets include properties with a carrying value of AED 418.4 million which are beneficially held by the Bank but the title deed of these properties is not yet transferred in the Bank's name (Note 19). The fair value of these assets amounted to AED 355.4 million; accordingly, during 2023, the Bank booked an impairment loss of AED 63 million against these assets.

(**) On 22 December 2021, the Bank signed a settlement agreement with a customer wherein both parties agreed that the Bank acquires the assets of the customer in settlement of the financial obligation. The fair value of those assets as at the settlement date amounted to AED 644 million. Also, along with this settlement agreement, a separate agreement was signed with the customer to lease-back and operate the real estate properties with an option to buy back the assets after the end of the third year at a pre-determined price. Accordingly, the Bank has accounted for these assets as financial assets in accordance with IFRS 9 – Financial Instruments.

12. Islamic customers' deposits

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Current accounts	4,517,064	4,750,220
Mudaraba deposits:		
<i>Savings accounts</i>	444,946	381,772
<i>Term deposits</i>	29,443	29,760
Wakala deposits	13,061,255	14,176,456
Escrow accounts	312,283	315,954
Margin accounts	65,564	70,586
	18,430,555	19,724,748

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

13. Other liabilities

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	391,563	391,640
Provisions for staff salaries and benefits	22,501	24,921
Managers' cheques	145,495	65,459
Acceptances (Note 11)	924	1,126
Lease liability	10,567	10,010
Provision for income tax (Note 24)	9,687	-
Impairment loss allowance on financial commitments and financial guarantees (Note 22.1)	298,768	325,853
Others	144,678	112,069
	1,024,183	931,078

14. Share capital and treasury shares

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
<i>Issued and fully paid:</i>		
2,723,500,000 (31 December 2023: 2,723,500,000) shares of AED 1 each	2,723,500	2,723,500

The Bank's Board of Directors resolved on 16 March 2023 to distribute dividends in the form of bonus shares of 3.5% of the Bank's current paid-up capital by issuing 73,500,000 bonus shares amounting to AED 73,500,000. This resolution was subsequently approved by the shareholders at the annual general meeting held on 19 April 2023. Further, AED 2.5 million as directors' remuneration was also approved during 2023.

Treasury shares

The Bank engaged a third-party licensed Market Maker on the Dubai Financial Market that offers liquidity provision services, to place buy and sell orders of the Bank's shares with the objective of reducing bid/ask spreads as well as reducing price and volume volatility. At 31 March 2024, the Market Maker held 46,519,942 of Ajman Bank's shares (31 December 2023: 27,674,759 shares) on behalf of the Bank, which are classified under equity as treasury shares at par value of AED 1 at 31 March 2024 and 31 December 2023. During the three month period ended 31 March 2024, AED 20 million (year ended 31 December 2023: AED 32.7 million) has been utilised from share premium reserve (included under statutory reserve) to account for premium paid on acquisition of treasury shares, net of realized gains/losses on disposal of such shares. At the end of the contract term with the Market Maker, the Bank will have the option to either transfer the outstanding shares under its name or dispose of the shares in the market.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

15. 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.

16. Income from Islamic financing and investing assets

	Three month period ended 31 March	
	2024	2023
	AED'000	AED'000
	(unaudited)	(unaudited)
Income from Ijarah	144,909	183,833
Income from Murabaha	137,544	99,930
Income from Wakala	26,403	21,095
Income from Istisna	3	34
	308,859	304,892

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 31 March	
	2024	2023
	(unaudited)	(unaudited)
<i>Basic earnings per share</i>		
Profit for the period after tax (AED'000)	107,423	49,153
Weighted average number of shares outstanding during the period (in thousands)	2,723,500	2,100,000
Basic and diluted earnings per share (AED)	0.039	0.023

There were no potentially dilutive shares as at 31 March 2024 and 31 March 2023.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

18. 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 which owns 26% of the issued and paid capital as at 31 March 2024 and 31 December 2023.

Transactions with related parties are shown below:

	Three month period ended					
	31 March 2024 (unaudited)			31 March 2023 (unaudited)		
	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000
Depositors' share of profit	71,567	1,995	73,562	33,672	1,029	34,701
Income from Islamic financing and investing assets	1,361	2,628	3,989	1,523	3,435	4,958

During the period ended 31 March 2023, AED 2.5 million was approved as Directors' remuneration by the shareholders at the annual general meeting held on 19 April 2023 and recorded in the income statement.

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

	31 March 2024 (unaudited)			31 December 2023 (audited)		
	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000
Islamic financing and investing assets	221,492	331,156	552,648	235,891	333,102	568,993
Islamic customers' deposits	5,710,537	173,237	5,883,774	5,436,438	181,766	5,618,204

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

18. Related parties transactions (continued)

Compensation of key management personnel

Key management compensation is as shown below:

	Three month period ended 31 March	
	2024	2023
	AED'000	AED'000
	(unaudited)	(unaudited)
Short term employment benefits	2,030	2,188
Terminal benefits	76	252
	2,106	2,440

19. Contingencies and commitments

19.1 Capital commitments

At 31 March 2024, the Bank had outstanding capital commitments of AED 35 million (31 December 2023: AED 45 million), which will be funded within the next twelve months.

19.2 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	31 December
	2024	2023
	AED'000	AED'000
	(unaudited)	(audited)
Investment commitments	-	26,500
Letters of credit	27,454	30,541
Letters of guarantee	355,389	392,563
Legal claim	285,242	285,242
	668,085	734,846

19.3 Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such claims, many of which are beyond its control. At the reporting date, the Bank has several unresolved legal claims and based on the advice from legal counsel, management believes that these claims will not result in any material financial loss to the Bank, other than what has been already provided for in these condensed consolidated interim financial statements.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)****19. Contingencies and commitments (continued)***19.3 Legal claims (continued)*

During previous years, the Bank signed settlement agreements with a customer wherein both parties agreed that the Bank acquires the assets of the customer in settlement of the financial obligation. The carrying value of the properties recorded under “Assets acquired in settlement of Islamic financing and investing assets” was AED 418.4 million while the fair value of these properties amounted to AED 355.4 million. Accordingly, during the year 2023, the Bank booked an impairment loss of AED 63 million against these properties (Note 11). The Bank had a first-degree mortgage over the properties; however, the transfer of the title deed of the mortgaged properties in the Bank’s name in accordance with provisions of the settlement agreements with the Bank’s customer could not be completed due to some attachments and claims on such properties enforced by Dubai Courts in different cases filed by third parties against the Bank and the Bank’s customer.

The Dubai Court of First Instance judgement indicated that the third party shall have a claim to the properties under dispute in the limit of AED 250 million, in addition to interest and legal charges. On 20 July 2023, the Dubai Court of Appeal confirmed the judgment of the Dubai Court of First Instance. The Bank has filed an appeal before the Dubai Court of Cassation demanding revocation of the previous judgments. The Dubai Court of Cassation issued its judgment on 22 April 2024 rejecting the appeal filed by the Bank. The Bank will challenge this judgment before the review division of the Court of Cassation.

During the year 2023, the Bank has recorded a provision of AED 285 million to cover any contingencies that will arise from the claim against the properties under dispute.

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 and priority banking where various products are offered like private customer current accounts, savings accounts, deposits, credit and debit cards, personal finance and house mortgage;
- (ii) Wholesale 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 investment solutions, wealth management, leasing of commercial and 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.

As the Bank’s segment operations are all financial with a majority of revenues deriving income from Islamic financing and investing assets and the Executive Committee relies primarily on net income to assess the performance of the segment, the total income and expense for all reportable segments is presented on a net basis.

The Bank’s management reporting is based on a measure of operating profit comprising income from Islamic financing and investing assets and securities, impairment charges, net fee and commission income, other income and expenses.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet items.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (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	Wholesale banking AED'000	Treasury AED'000	Investment banking (*) AED'000	Others (*) AED'000	Total AED'000
Three month period ended 31 March 2024 (unaudited)						
Net income/(loss) from Islamic financing and investing assets	70,929	65,635	(33,142)	-	-	103,422
Income from Islamic investment securities	-	5,051	39,944	-	-	44,995
Credit loss (expense)/income on financial assets	(6,883)	22,491	(2,296)	-	-	13,312
Fees, commissions and other income	10,085	26,704	9,624	-	-	46,413
Staff costs	(39,838)	(23,410)	(1,716)	-	-	(64,964)
General and administrative expenses and depreciation of property and equipment	(15,958)	(9,422)	(688)	-	-	(26,068)
Income tax expense	(493)	(7,648)	(1,546)	-	-	(9,687)
Operating profit (unaudited)	17,842	79,401	10,180	-	-	107,423
Three month period ended 31 March 2023 (unaudited)						
Net income/(loss) from Islamic financing and investing assets	55,489	116,508	(17,687)	8,418	-	162,728
Income from Islamic investment securities	-	-	21,237	2,907	-	24,144
Impairment of associates	-	-	-	(25,200)	-	(25,200)
Credit loss (expense)/income on financial assets	3,035	(68,212)	(1,311)	(519)	-	(67,007)
Fees, commissions and other income	12,002	9,470	4,923	11,861	6,445	44,701
Staff costs	(35,500)	(10,465)	(4,822)	(5,513)	(433)	(56,733)
General and administrative expenses and depreciation of property and equipment	(17,831)	(3,677)	(1,562)	(3,690)	(6,720)	(33,480)
Operating profit/(loss) (unaudited)	17,195	43,624	778	(11,736)	(708)	49,153

(*) During the period ended 31 March 2024, investment banking segment is merged with wholesale banking for operating purposes. Also, all the indirect costs are allocated to business segments.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

20. Segment analysis (continued)

	Consumer banking AED'000	Wholesale banking AED'000	Treasury AED'000	Investment banking (*) AED'000	Others (*) AED'000	Total AED'000
As at 31 March 2024						
Segment assets (unaudited)	6,168,455	10,021,170	5,413,099	-	1,467,743	23,070,467
Segment liabilities (unaudited)	<u>11,706,092</u>	<u>7,427,116</u>	<u>103,505</u>	<u>-</u>	<u>1,068,071</u>	<u>20,304,784</u>
As at 31 December 2023						
Segment assets (audited)	3,773,772	13,383,178	5,836,205	-	1,942,377	24,935,532
Segment liabilities (audited)	<u>6,318,865</u>	<u>14,258,606</u>	<u>745,440</u>	<u>-</u>	<u>937,669</u>	<u>22,260,580</u>

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (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 2023.

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 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Tier 1 capital		
Share capital	2,723,500	2,723,500
Reserves	(47,004)	(159,137)
	<hr/> 2,676,496	<hr/> 2,564,363
Tier 2 capital		
General provision and fair value reserve	197,943	203,511
	<hr/> 2,874,439	<hr/> 2,767,874
Total regulatory capital		
	<hr/> 2,874,439	<hr/> 2,767,874
Risk weighted assets		
Credit risk	15,835,407	16,280,881
Market risk	78,600	71,115
Operational risk	1,363,687	1,363,687
	<hr/> 17,277,694	<hr/> 17,715,683
	<hr/> <hr/> 17,277,694	<hr/> <hr/> 17,715,683
	Minimum requirement	Capital ratios 31 March 2024 (unaudited)
Capital element		Capital ratios 31 December 2023 (audited)
Common equity tier 1 (CET 1) ratio	7%	14.48%
Tier 1 capital ratio	8.5%	14.48%
Capital adequacy ratio	10.5%	15.62%
CET1 available for the buffer requirement	2.5%	5.12%
	<hr/> <hr/> 7%	<hr/> <hr/> 14.48%
	<hr/> <hr/> 8.5%	<hr/> <hr/> 14.48%
	<hr/> <hr/> 10.5%	<hr/> <hr/> 15.62%
	<hr/> <hr/> 2.5%	<hr/> <hr/> 5.12%

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (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:

	31 March 2024 (unaudited)			31 December 2023 (audited)		
	Gross carrying amount AED'000	ECL allowance AED'000	Carrying amount AED'000	Gross carrying amount AED'000	ECL allowance AED'000	Carrying amount AED'000
Balances with the Central Bank						
Stage 1	3,109,983	-	3,109,983	4,322,845	-	4,322,845
Due from banks and other financial institutions						
Stage 1	1,296,994	(21,472)	1,275,522	1,724,825	(10,798)	1,714,027
Islamic financing and investing assets						
Stage 1	10,047,375	(64,336)	9,983,039	10,188,344	(68,904)	10,119,440
Stage 2	1,393,247	(69,643)	1,323,604	1,908,374	(88,597)	1,819,777
Stage 3	2,285,137	(478,700)	1,806,437	2,313,095	(476,319)	1,836,776
	13,725,759	(612,679)	13,113,080	14,409,813	(633,820)	13,775,993
Islamic investment securities at amortised cost						
Stage 1	95,351	(644)	94,707	265,467	(2,438)	263,029
Islamic investment securities at FVTOCI (*)						
Stage 1	3,046,372	(8,008)	3,038,364	2,498,904	(3,963)	2,494,941
Other Islamic financial assets						
Stage 1	864,621	(4,399)	860,222	831,326	(4,385)	826,941
Stage 2	2,988	(36)	2,952	247	(126)	121
Stage 3	36,588	(21,953)	14,635	36,031	(21,071)	14,960
	904,197	(26,388)	877,809	867,604	(25,582)	842,022
Financial commitments and financial guarantees (off balance sheet exposures)						
Stage 1	301,542	(3,495)	298,047	316,207	(2,329)	313,878
Stage 2	50,758	(305)	50,453	73,557	(1,837)	71,720
Stage 3	315,785	(294,968)	20,817	345,082	(321,687)	23,395
	668,085	(298,768)	369,317	734,846	(325,853)	408,993
	22,846,741	(967,959)	21,878,782	24,824,304	(1,002,454)	23,821,850

(*) Impairment allowance is recognised under "Revaluation reserve of investments designated at FVTOCI".

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

22. Risk Management (continued)

22.2 More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided in the table below:

Balances with the Central Bank

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	4,322,845	-	-	4,322,845
Change in exposure	(1,212,862)	-	-	(1,212,862)
As at 31 March 2024 (unaudited)	3,109,983	-	-	3,109,983

Due from banks and other financial institutions

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	1,724,825	-	-	1,724,825
Change in exposure	36,345	-	-	36,345
New financial assets recognized	296,779	-	-	296,779
Financial assets derecognized	(760,955)	-	-	(760,955)
As at 31 March 2024 (unaudited)	1,296,994	-	-	1,296,994

Islamic financing and investing assets

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	10,188,344	1,908,374	2,313,095	14,409,813
- Transfer to stage 1	567,721	(567,721)	-	-
- Transfer to stage 2	(119,700)	133,555	(13,855)	-
- Transfer to stage 3	(1,780)	(15,812)	17,592	-
Change in exposure	(438,636)	(46,883)	(24,955)	(510,474)
New financial assets recognized	602,418	-	-	602,418
Financial assets derecognized	(750,992)	(18,266)	(12,124)	(781,382)
Recoveries	-	-	5,384	5,384
As at 31 March 2024 (unaudited)	10,047,375	1,393,247	2,285,137	13,725,759

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

22. Risk Management (continued)

Islamic investment securities at amortised cost

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	265,467	-	-	265,467
Change in exposure	(23,807)	-	-	(23,807)
Financial assets derecognized	(146,309)	-	-	(146,309)
As at 31 March 2024 (unaudited)	95,351	-	-	95,351

Islamic investment securities at FVTOCI

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	2,498,904	-	-	2,498,904
Change in exposure	340,666	-	-	340,666
New financial assets recognized	206,802	-	-	206,802
As at 31 March 2024 (unaudited)	3,046,372	-	-	3,046,372

Other Islamic financial assets

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	831,326	247	36,031	867,604
Change in exposure	33,295	2,741	642	36,678
Write-offs	-	-	(85)	(85)
As at 31 March 2024 (unaudited)	864,621	2,988	36,588	904,197

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

22. Risk Management (continued)

Financial commitments and financial guarantees

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	316,207	73,557	345,082	734,846
- Transfer to stage 1	16,885	(16,885)	-	-
Change in exposure	(12,788)	(2,674)	(2,797)	(18,259)
New financial commitments and financial guarantees recognized	4,097	-	-	4,097
Financial commitments and financial guarantees derecognized	(22,859)	(3,240)	(18)	(26,117)
Write-offs	-	-	(26,482)	(26,482)
As at 31 March 2024 (unaudited)	301,542	50,758	315,785	668,085

22.3 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 2023 (audited)	10,798	-	-	10,798
Change in credit risk	4,968	-	-	4,968
New financial assets recognized	7,706	-	-	7,706
Financial assets derecognized	(2,000)	-	-	(2,000)
Loss allowance as at 31 March 2024 (unaudited)	21,472	-	-	21,472

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 2023 (audited)	68,904	88,597	476,319	633,820
Changes in the loss allowance				
- Transfer to stage 1	20,316	(20,316)	-	-
- Transfer to stage 2	(1,791)	2,247	(456)	-
- Transfer to stage 3	(12)	(772)	784	-
Change in credit risk	(22,464)	293	2,116	(20,055)
New financial assets recognized	734	-	-	734
Financial assets derecognized	(1,351)	(406)	(63)	(1,820)
Loss allowance as at 31 March 2024 (unaudited)	64,336	69,643	478,700	612,679

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

22. Risk Management (continued)

Islamic investment securities at amortised cost

	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 2023 (audited)	2,438	-	-	2,438
Financial assets derecognized	(1,794)	-	-	(1,794)
Loss allowance as at 31 March 2024 (unaudited)	644	-	-	644

Islamic investment 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 2023 (audited)	3,963	-	-	3,963
Change in credit risk	4,021	-	-	4,021
New financial assets recognized	24	-	-	24
Loss allowance as at 31 March 2024 (unaudited)	8,008	-	-	8,008

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 2023 (audited)	4,385	126	21,071	25,582
Change in credit risk	14	(90)	967	891
Write-offs	-	-	(85)	(85)
Loss allowance as at 31 March 2024 (unaudited)	4,399	36	21,953	26,388

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

22. Risk Management (continued)

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 2023 (audited)	2,329	1,837	321,687	325,853
Changes in the loss allowance				
- Transfer to stage 1	475	(475)	-	-
Change in credit risk	851	(858)	(219)	(226)
New financial commitments and financial guarantees recognized	1	-	-	1
Financial commitments and financial guarantees derecognized	(161)	(199)	(18)	(378)
Write-offs	-	-	(26,482)	(26,482)
Loss allowance as at 31 March 2024 (unaudited)	3,495	305	294,968	298,768

22.4 The below table represents the movement between the opening and closing balance of the impairment loss and thereby the net charge in the consolidated statement of profit and loss for the three month period:

(Unaudited)	Opening balance AED'000	Net charge during the period AED'000	Recoveries, net of write-offs AED'000	Closing balance AED'000	Net charge during the period ended 31 March 2023 AED'000
Due from banks and other financial institutions	10,798	10,674	-	21,472	1,721
Islamic financing and investing assets (Note 7)	633,820	(26,525)	5,384	612,679	62,836
Islamic investment securities at amortised cost (Note 8)	2,438	(1,794)	-	644	(1,530)
Islamic investment securities at fair value	3,963	4,045	-	8,008	2,307
Other Islamic financial assets (Note 11)	25,582	891	(85)	26,388	717
Financial commitments and financial guarantees (Note 13)	325,853	(603)	(26,482)	298,768	956
Total	1,002,454	(13,312)	(21,183)	967,959	67,007

The credit impairment provisions calculated in accordance with CBUAE requirements were in excess of ECL allowance calculated under IFRS 9 as explained in note 15.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)****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.
- 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 consolidated statement of financial position.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

23. 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 2024 (Unaudited)				
Financial assets				
Islamic investments securities at FVTOCI				
Sukuk instruments	3,014,364	-	24,000	3,038,364
Equity instruments	140,925	-	67,278	208,203
Islamic investments securities at FVTPL				
Equity instruments	1,859	-	68,105	69,964
Positive fair value of Islamic derivative financial instruments*	2	-	-	2
	<u>3,157,150</u>	<u>-</u>	<u>159,383</u>	<u>3,316,533</u>
Financial liabilities				
Negative fair value of Islamic derivative financial instruments*	447	-	-	447
	<u>447</u>	<u>-</u>	<u>-</u>	<u>447</u>
At 31 December 2023 (audited)				
Financial assets				
Islamic investments securities at FVTOCI				
Sukuk instruments	2,466,441	-	28,500	2,494,941
Equity instruments	140,094	-	76,338	216,432
Islamic investments securities at FVTPL				
Equity instruments	1,750	-	68,105	69,855
Positive fair value of Islamic derivative financial instruments	80	-	-	80
	<u>2,608,365</u>	<u>-</u>	<u>172,943</u>	<u>2,781,308</u>
Financial liabilities				
Negative fair value of Islamic derivative financial instruments	2,659	-	-	2,659
	<u>2,659</u>	<u>-</u>	<u>-</u>	<u>2,659</u>

* Notional amount of Islamic derivative financial instruments is AED 2.78 billion as at 31 March 2024 (31 December 2023: AED 3.55 billion).

There were no transfers between levels during the period.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2024 (continued)**

23. Fair value measurement (continued)

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

	31 March 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
At beginning of the period/year	172,943	125,238
Purchases during the period/year	-	20,000
Fair valuation (loss)/gain in other comprehensive income	(13,560)	53,570
Disposals during the period/year	-	(25,865)
Balance at the end of the period/year	159,383	172,943

- 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. Income tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

During the three month period ended 31 March 2024, the Bank has recorded a provision for current income tax amounting AED 9.7 million in accordance with the CT Law, representing an effective tax rate of 8.3%. Based on the assessment conducted by the Bank, it has been determined that the CT Law does not have any effect on deferred taxes in these consolidated condensed interim financial statements. Moving forward, the Bank will continue to monitor further developments and assess the impact of the corporate tax on its financial statements, particularly focusing on both current and deferred tax implications, in light of any further explanations and instructions regarding the application of the CT Law.

25. Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information were approved by the Board of Directors and authorized for issue on 9 May 2024.