

**Ajman Bank PJSC  
(Public Joint Stock Company)**

**Interim condensed financial statements  
for the six month period ended  
30 June 2010**

## **Ajman Bank PJSC**

### **Interim condensed financial statements for the six month period ended 30 June 2010**

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## **Review report to the Directors of Ajman Bank PJSC**

### **Introduction**

We have reviewed the accompanying interim condensed balance sheet of Ajman Bank PJSC ("the Bank") as of 30 June 2010 and the related interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

PricewaterhouseCoopers  
11 August 2010




Jacques E. Fakhoury  
Registered Auditor Number 379  
Dubai, United Arab Emirates

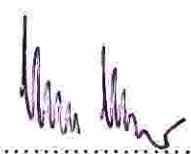
# Ajman Bank PJSC

## Interim condensed balance sheet at 30 June 2010

		30 June 2010 AED'000	31 December 2009 AED'000
	Note		
<b>ASSETS</b>			
Cash and balances with the Central Bank of the UAE	3	108,992	72,756
Investments in Islamic financing instruments	4	2,264,636	1,724,002
Other assets	6	27,501	22,120
Investment securities held-to-maturity	5	125,374	43,468
Property and equipment		68,944	65,607
<b>Total assets</b>		<b>2,595,447</b>	<b>1,927,953</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Placements by banks	8	146,760	81,015
Customer deposits	7	1,425,532	786,657
Other liabilities	9	33,800	55,311
Provision for employees' end of service benefits		2,254	1,901
<b>Total liabilities</b>		<b>1,608,346</b>	<b>924,884</b>
<b>Shareholders' equity</b>			
Share capital	10	1,000,000	1,000,000
Statutory reserve	11	2,050	2,050
(Accumulated losses) / retained earnings		(14,949)	1,019
<b>Total shareholders' equity</b>		<b>987,101</b>	<b>1,003,069</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,595,447</b>	<b>1,927,953</b>

These interim condensed financial statements were approved on 4th August 2010 and signed on behalf of the Board of Directors by:

  
.....  
Chairman

  
.....  
Chief Executive Officer

The accompanying notes 1 through 17 form an integral part of these interim condensed financial statements (2)

## Ajman Bank PJSC

### Interim condensed statement of comprehensive income for the six month period ended 30 June 2010

		Three month period ended 30 June 2010 AED'000	Three month period ended 30 June 2009 AED'000	Six month period ended 30 June 2010 AED'000	8 January 2007 to 30 June 2009 AED'000
	Note				
<b>Income</b>					
Income from investments in Islamic financing instruments	12	24,965	14,881	45,039	79,337
Income from investment securities		5,973	2,545	7,699	4,490
Fees and other income		4,887	840	7,853	1,886
		<u>35,825</u>	<u>18,266</u>	<u>60,591</u>	<u>85,713</u>
Depositors' share of profits		(7,080)	(2,525)	(10,904)	(4,068)
Net income		<u>28,745</u>	<u>15,741</u>	<u>49,687</u>	<u>81,645</u>
<b>Expenses</b>					
Staff costs	13	(16,897)	(16,496)	(39,644)	(66,054)
General and administrative expenses	14	(9,124)	(10,470)	(16,806)	(33,705)
Depreciation		(3,501)	(2,371)	(6,961)	(4,056)
Impairment charge on credit losses		(1,266)	-	(2,244)	-
Comprehensive result for the period		<u>(2,043)</u>	<u>(13,596)</u>	<u>(15,968)</u>	<u>(22,170)</u>
Loss per share - basic	17	<u>AED (0.002)</u>	<u>AED (0.01)</u>	<u>AED (0.01)</u>	<u>AED (0.02)</u>

The accompanying notes 1 through 17 form an integral part of these interim condensed financial statements

## Ajman Bank PJSC

### Interim condensed statement of changes in shareholders' equity for the six month period ended 30 June 2010

	Share capital AED'000	Net initial public offering surplus AED'000	Statutory reserve AED'000	(Accumulated losses) / Retained earnings AED'000	Total AED'000
Issue of shares (Note 10)	1,000,000	-	-	-	1,000,000
Surplus from initial public offering	-	1,936	-	-	1,936
Loss for the period	-	-	-	(25,222)	(25,222)
At 30 June 2009	<u>1,000,000</u>	<u>1,936</u>	<u>-</u>	<u>(25,222)</u>	<u>976,714</u>
At 1 January 2010	1,000,000	-	2,050	1,019	1,003,069
Loss for the period	-	-	-	(15,968)	(15,968)
At 30 June 2010	<u>1,000,000</u>	<u>-</u>	<u>2,050</u>	<u>(14,949)</u>	<u>987,101</u>

The accompanying notes 1 through 17 form an integral part of these interim condensed financial statements



# Ajman Bank PJSC

## Interim cash flow statement for the six month period ended 30 June 2010

	Six month period ended 30 June 2010 AED'000	Period from 8 January 2007 to 30 June 2009 AED'000
<b>Operating activities</b>		
Loss for the period	(15,968)	(22,170)
Adjustments for:		
Depreciation	6,961	4,056
Provision for impairment	2,244	-
Operating cash flows before changes in assets and liabilities	(6,763)	(18,114)
<b>Changes in operating assets and liabilities:</b>		
Investment in Islamic financing instruments	(542,878)	(1,382,382)
Statutory deposit with the Central Bank of the UAE	(13,370)	(13,647)
Other assets	(5,381)	(15,164)
Customer deposits	638,875	470,719
Placements by banks	65,745	41,427
Other liabilities	(21,511)	21,345
Provision for staff benefits	353	8,424
Net cash provided by / (used in) operating activities	115,070	(887,392)
<b>Investing activities</b>		
Purchase of investment securities	(81,906)	(41,960)
Purchase of property and equipment	(10,298)	(58,160)
Net cash used in investing activities	(92,204)	(100,120)
<b>Financing activities</b>		
Issue of shares	-	1,000,000
Net initial public offering surplus	-	1,936
Net cash provided by financing activities	-	1,001,936
Net increase in cash and cash equivalents	22,866	14,424
Net cash and cash equivalents at the beginning of the period	24,933	-
<b>Cash and cash equivalents, at the end of the period (Note 3)</b>	<b>47,799</b>	<b>14,424</b>

The accompanying notes 1 through 17 form an integral part of these interim condensed financial statements

## **Ajman Bank PJSC**

### **Notes to the interim condensed financial statements for the six month period ended 30 June 2010**

#### **1 Incorporation and principal activities**

Ajman Bank (P.J.S.C) ("the Bank") is incorporated as a Public Joint Stock Company. The Bank has its registered office at Ajman Free Zone, Block C, Level 13, Al Mina Road, P.O. Box 7770, Ajman, United Arab Emirates ("UAE") and was legally incorporated on 17 April 2008. The Bank was registered with the Securities and Commodities Authority ("SCA") on 12 June 2008 and obtained a license from the Central Bank of UAE to operate as a Head Office on 14 June 2008. On 1 December 2008, the Bank obtained a branch banking license from the Central Bank of UAE and commenced operations on 22 December 2008.

The principal activities of the Bank are undertaking banking, financing and investing activities through various Islamic instruments such as Murabaha, Wakala, Sukuk and Ijarah. The activities of the Bank are conducted in accordance with the Islamic Sharia'a principles and within the provisions of its Memorandum and Articles of Association.

#### **2 Summary of significant accounting policies**

The significant accounting policies adopted by the Bank in the preparation of these interim financial statements are set out below:

##### **Basis of preparation**

These interim condensed financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention.

The accounting policies applied in the preparation of the interim condensed financial statements are consistent with those applied in the annual financial statements for the period ended 31 December 2009.

The interim condensed financial statements should therefore be read in conjunction with the financial statements of the Bank for the period ended 31 December 2009.

Costs that occur unevenly during the financial year are anticipated or deferred in the condensed interim financial information only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.



## **Ajman Bank PJSC**

### **Notes to the interim condensed financial statements for the six month period ended 30 June 2010 (continued)**

Standards, amendments and interpretations to published standards that are effective for the Bank's accounting periods beginning on or after 1 January 2010

The following new standard, amendments and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after 1 January 2010.

- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IFRS 1 and IAS 27, 'Cost of investment in a subsidiary, jointly controlled entity or associate', effective for annual periods beginning on or after 1 July 2009.
- IFRS 9, 'Financial Instruments part 1: Classification and Measurement', effective for annual periods commencing on or after 1 January 2013, earlier adoption is permitted.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective for annual periods commencing 1 July 2009).
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective for annual periods commencing 1 July 2009).
- Amendments to IAS 7, 'Statement of Cash Flows' (effective for annual periods commencing 1 January 2010)
- Amendments to IAS 39, 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18, 'Transfers of assets from customers' (effective for annual periods beginning on or after 1 July 2009)

Management has assessed the impact of the above standard, amendments and interpretations to published standards on the Bank's financial statements and has concluded that they are either not relevant to the Bank or the effect on the Bank's financial statements is not material.

## **Ajman Bank PJSC**

### **Notes to the interim condensed financial statements for the six month period ended 30 June 2010 (continued)**

#### **3 Cash and balances with Central Bank of the UAE**

	30 June 2010 AED'000	31 December 2009 AED'000
Cash and balances with Central Bank of the UAE	103,888	69,927
Balances with other banks	5,104	2,829
	<u>108,992</u>	<u>72,756</u>
Less: Statutory deposit with the Central Bank of the UAE	(61,193)	(47,823)
Cash and cash equivalents	<u>47,799</u>	<u>24,933</u>

Cash and cash equivalents as well as the statutory deposit are non-profit bearing.

#### **4 Investments in Islamic financing instruments**

	30 June 2010 AED'000	31 December 2009 AED'000
Wakala deposits with banks	850,000	1,100,850
Murabaha financing transactions	998,793	437,562
Musharaka financing	64,158	40,608
Ijarah financing	343,414	143,952
Credit cards	18,165	8,680
Less: provision for impairment	(9,894)	(7,650)
	<u>2,264,636</u>	<u>1,724,002</u>

Investments in Islamic financing instruments carried an effective profit rate ranging from 0.28 % to 15 % per annum (31 December 2009: 0.25 % to 13.5 % per annum).

## Ajman Bank PJSC

### Notes to the interim condensed financial statements for the six month period ended 30 June 2010 (continued)

#### 5 Investment securities held-to-maturity

	30 June 2010 AED'000	31 December 2009 AED'000
Listed sukuks	125,374	43,468

The sukuks are issued by institutions based in the UAE, which were rated 'B1', 'Ba1' and 'Aa2' by Moody's.

At 30 June 2010, the quoted market price of the sukuks were AED 125.4 million (31 December 2009: AED 46.8 million) and the Bank expects to recover cash flows of AED 145.2 million (31 December 2009: AED 60 million) from the redemption of the investment securities on their respective maturities.

The sukuks carried an effective profit rate of 11% (31 December 2009: 16.29 %) per annum.

#### 6 Other assets

	30 June 2010 AED'000	31 December 2009 AED'000
Accrued income on investments in Islamic financing instruments	11,126	9,639
Accrued income on investment securities	305	178
Prepaid rent	8,884	9,176
Staff advances	1,873	967
Other assets	5,313	2,160
	<u>27,501</u>	<u>22,120</u>

## Ajman Bank PJSC

### Notes to the interim condensed financial statements for the six month period ended 30 June 2010 (continued)

#### 7 Customer deposits

	30 June 2010 AED'000	31 December 2009 AED'000
Current accounts	143,771	270,756
Savings accounts	232,746	11,613
Mudaraba deposits	319,637	285,212
Wakala deposits	675,073	150,537
Escrow accounts	54,305	68,539
	<u>1,425,532</u>	<u>786,657</u>

At 30 June 2010, the Bank's customer deposits carried an effective profit rate of 1.3 % to 4 % per annum (31 December 2009: 1.45 % to 5.5 % per annum).

#### 8 Placements by banks

	30 June 2010 AED'000	31 December 2009 AED'000
Wakala deposits from banks	<u>146,760</u>	<u>81,015</u>

At 30 June 2010, placements by banks carried an effective profit rate of 0.12 % to 1.0 % per annum (31 December 2009: 0.35 % to 0.65 % per annum).



## Ajman Bank PJSC

### Notes to the interim condensed financial statements for the six month period ended 30 June 2010 (continued)

#### 9 Other liabilities

	30 June 2010 AED'000	31 December 2009 AED'000
Provision for staff salaries and benefits	7,077	10,377
Accrued profit on customer deposits and placements by banks	5,192	10,320
Managers' cheques	8,898	23,109
Other liabilities	12,633	11,505
	<u>33,800</u>	<u>55,311</u>

#### 10 Share capital

	30 June 2010 AED'000	31 December 2009 AED'000
Authorized, issued and fully paid up share capital: 1,000,000,000 shares of AED 1 each	<u>1,000,000</u>	<u>1,000,000</u>

#### 11 Statutory reserve

The UAE Federal Law No (8) of 1984, as amended, and the UAE Union Law No. 10 of 1980, as amended, require that 10% of the net profit for the year is transferred to a statutory reserve, until such time as the balance in the reserve equals 50% of the issued share capital. This reserve is not available for distribution. No transfer has been made for the current period as the transfer will be determined on the basis of the results of the Bank for the year ending 31 December 2010.



## Ajman Bank PJSC

### Notes to the interim condensed financial statements for the six month period ended 30 June 2010 (continued)

#### 12 Income from investments in Islamic financing instruments

	Three month period ended 30 June 2010 AED'000	Three month period ended 30 June 2009 AED'000	Six month period ended 30 June 2010 AED'000	8 January 2007 to 30 June 2009 AED'000
Income from Wakala deposits with banks	9,493	8,537	18,090	71,443
Income from Murabaha financing transactions	8,628	5,421	15,208	6,971
Income from Ijara financing transactions	5,838	461	9,902	462
Income from Musharaka financing transactions	1,006	462	1,839	461
	<u>24,965</u>	<u>14,881</u>	<u>45,039</u>	<u>79,337</u>

#### 13 Staff costs

	Three month period ended 30 June 2010 AED'000	Three month period ended 30 June 2009 AED'000	Six month period ended 30 June 2010 AED'000	8 January 2007 to 30 June 2009 AED'000
Salaries and allowances	18,358	13,549	36,254	51,053
Provision for bonus	(4,155)	812	(1,926)	6,210
Contribution to pension fund	565	456	985	1,766
Staff training	170	21	433	652
Provision for employees' end of service benefits	291	587	624	2,263
Others	1,668	1,071	3,274	4,110
	<u>16,897</u>	<u>16,496</u>	<u>39,644</u>	<u>66,054</u>

## Ajman Bank PJSC

### Notes to the interim condensed financial statements for the six month period ended 30 June 2010 (continued)

#### 14 General and administrative expenses

	Three month period ended 30 June 2010 AED'000	Three month period ended 30 June 2009 AED'000	Six month Period ended 30 June 2010 AED'000	8 January 2007 to 30 June 2009 AED'000
Consultancy expenses	953	160	1,068	4,626
Rental expenses	3,616	2,473	6,861	7,802
Marketing, designing, product development and communication expenses	1,134	2,138	2,197	7,195
Legal and professional fees	-	54	89	333
Outsourced expenses	-	1,826	234	3,187
Others	3,421	3,819	6,357	10,562
	<u>9,124</u>	<u>10,470</u>	<u>16,806</u>	<u>33,705</u>

#### 15 Commitments

##### Capital commitments

At 30 June 2010, the Bank had outstanding capital commitments of AED 5.7 million, which will be funded within the next one year (31 December 2009: AED 12 million).

##### Credit-related commitments

Credit-related commitments include commitments to extend credit which are designed to meet the requirements of the Bank's customers.

At 30 June 2010 and 31 December 2009, the Bank had the following credit related commitments and contingent liabilities:

	30 June 2010 AED'000	31 December 2009 AED'000
Commitments to extend credit	418,452	225,221
Letters of credit	21,465	11,262
Letters of guarantees	12,321	676
	<u>452,238</u>	<u>237,159</u>

## Ajman Bank PJSC

### Notes to the interim condensed financial statements for the six month period ended 30 June 2010 (continued)

#### 16 Related party transactions and balances

Related parties comprise shareholders, directors and key management personnel, as well as businesses controlled by shareholders, directors and key management personnel and businesses over which they exercise significant influence.

	Three month period ended 30 June 2010 AED'000	Three month period ended 30 June 2009 AED'000
<b>Transactions</b>		
Rental expenses	<u>1,313</u>	<u>1,159</u>
Profit distributable to depositor's	<u>1,078</u>	<u>550</u>
Remuneration to key management personnel	<u>4,559</u>	<u>1,484</u>
<b>Balances</b>		
	30 June 2010 AED'000	30 June 2009 AED'000
Customer deposits	<u>557,312</u>	<u>80,000</u>
Financing to related parties	<u>170,955</u>	<u>-</u>

#### 17 Earnings / (loss) per share

The basic earnings / (loss) per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	Six month period ended 30 June 2010 AED'000	Six month period ended 30 June 2009 AED'000
Loss for the period	(15,968)	(25,222)
Weighted average number of shares in issue	1,000,000	1,000,000
Loss per share	<u>(0.01)</u>	<u>(0.02)</u>

At 30 June 2010 and 30 June 2009, there were no potentially dilutive shares.