

Ajman Bank PJSC

**Review report and condensed
interim financial information
for the three month period ended
31 March 2020**

Ajman Bank PJSC

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors
Ajman Bank PJSC
Ajman
United Arab Emirates**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Ajman Bank PJSC** (the “Bank”), as at 31 March 2020, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the three-month period then ended, Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 Interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 International Accounting Standard 34 Interim Financial Reporting.

Deloitte & Touche (M.E.)




Musa Ramahi
Registration No. 872
28 July 2020
Dubai
United Arab Emirates



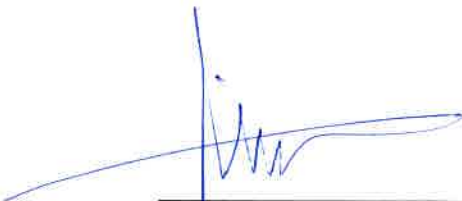
**Condensed interim statement of financial position
As at 31 March 2020**

	Notes	31 March 2020 (unaudited) AED'000	31 December 2019 (audited) AED'000
ASSETS			
Cash and balances with the Central Bank	6	2,739,240	2,546,097
Due from banks and other financial institutions		389,806	658,044
Islamic financing and investing assets, net	7	17,641,163	17,110,570
Islamic investments securities at FVTOCI	8	1,595,864	2,018,901
Investment in associate	9	172,587	74,282
Investment properties	10	365,026	783,362
Property and equipment		135,737	136,210
Other Islamic assets	11	202,941	298,324
Total assets		23,242,364	23,625,790
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	12	14,873,923	14,922,760
Due to banks and other financial institutions		5,585,087	5,733,478
Other liabilities	13	424,864	457,233
Total liabilities		20,883,874	21,113,471
Equity			
Share capital	14	2,100,000	2,100,000
Statutory reserve		253,168	253,168
Investment fair value reserve		(165,694)	(7,256)
General impairment reserve	15	62,853	111,583
Retained earnings		108,163	54,824
Total equity		2,358,490	2,512,319
Total liabilities and equity		23,242,364	23,625,790

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



H.E. Sheikh Ammar Bin Humaid Al Nuaimi
Chairman



Mohamed Abdulrahman Amiri
Chief Executive Officer

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

**Condensed interim income statement (unaudited)
for the three month period ended 31 March 2020**

	Notes	Three month period ended 31 March	
		2020 AED'000	2019 AED'000
Operating income			
Income from Islamic financing and investing assets	16	232,036	241,361
Income from Islamic investment securities at fair value		29,191	24,414
Fees, commissions and other income		37,421	44,646
Share of results of associate	9	2,578	-
Total operating income before depositors' share of profit		301,226	310,421
Depositors' share of profit		(140,979)	(156,344)
Net operating income		160,247	154,077
Expenses			
Staff costs		(55,731)	(58,191)
General and administrative expenses		(14,549)	(14,224)
Depreciation of property and equipment		(6,907)	(3,728)
Impairment charge for financial assets	17	(78,451)	(35,093)
Total expenses		(155,638)	(111,236)
Profit for the period		4,609	42,841
Earnings per share (AED)	18	0.002	0.019

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

**Condensed interim statement of other comprehensive income (unaudited)
for the three month period ended 31 March 2020**

	Three month period ended 31 March	
	2020 AED'000	2019 AED'000
Profit for the period	4,609	42,841
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	(31,500)	(9,180)
	(31,500)	(9,180)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value (loss)/gain on investment securities at FVTOCI – sukuk instruments	(122,174)	48,035
Reclassification adjustments relating to investment securities at FVTOCI	(4,764)	(1,414)
	(126,938)	46,621
Other comprehensive (loss)/income	(158,438)	37,441
Total comprehensive (loss)/income for the period	(153,829)	80,282

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

**Condensed interim statement of changes in equity
for the three month period ended 31 March 2020**

	Share capital AED'000	Statutory reserve AED'000	Investment fair value reserve AED'000	General impairment reserve AED'000	Specific impairment reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2019 (audited)	2,100,000	244,728	(64,325)	-	-	166,445	2,446,848
Profit for the period	-	-	-	-	-	42,841	42,841
Other comprehensive income	-	-	37,441	-	-	-	37,441
Total comprehensive income for the period	-	-	37,441	-	-	42,841	80,282
Transfer to impairment reserve (Note 15)	-	-	-	7,419	51,780	(59,199)	-
Dividends (Note 14)	-	-	-	-	-	(73,500)	(73,500)
Directors' remuneration (Note 14)	-	-	-	-	-	(2,500)	(2,500)
At 31 March 2019 (unaudited)	2,100,000	244,728	(26,884)	7,419	51,780	74,087	2,451,130
At 1 January 2020 (audited)	2,100,000	253,168	(7,256)	111,583	-	54,824	2,512,319
Profit for the period	-	-	-	-	-	4,609	4,609
Other comprehensive loss	-	-	(158,438)	-	-	-	(158,438)
Total comprehensive loss for the period	-	-	(158,438)	-	-	4,609	(153,829)
Transfer from impairment reserve (Note 15)	-	-	-	(48,730)	-	48,730	-
At 31 March 2020 (unaudited)	2,100,000	253,168	(165,694)	62,853	-	108,163	2,358,490

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

**Condensed interim statement of cash flows (unaudited)
for the three month period ended 31 March 2020**

	Three month period ended 31 March	
	2020 AED'000	2019 AED'000
Cash flows from operating activities		
Profit for the period	4,609	42,841
Adjustments for:		
Depreciation of property and equipment	6,907	3,728
Impairment charge for financial assets	78,451	35,093
Income from investment securities	(23,681)	(22,242)
Realized gain on disposal of investment securities	(5,510)	(2,172)
Share of results of associate	(2,578)	-
Operating cash flows before changes in operating assets and liabilities	58,198	57,248
<i>Changes in operating assets and liabilities:</i>		
Increase in Islamic financing and investing assets	(404,128)	(247,334)
Decrease/(increase) in due from banks and other financial institutions	46,342	(945)
Decrease/(increase) in statutory deposit with the Central Bank	27,979	(57,665)
Decrease in International murabahat with the Central Bank	720,000	-
Decrease in other Islamic assets	91,505	38,603
(Decrease)/increase in Islamic customers' deposits	(48,837)	576,368
(Decrease)/increase in due to banks and other financial institutions	(148,391)	242,181
Decrease in other liabilities	(34,215)	(36,745)
Net cash generated from operating activities	308,453	571,711
Cash flows from investing activities		
Purchase of investment securities	(568,022)	(338,448)
Proceeds from sale of investment securities	839,495	126,977
Profit income received on investment securities	21,572	24,535
Purchase of property and equipment	(6,434)	(3,102)
Dividend income received from associates	2,273	-
Additions to investment properties	(3,066)	(3,834)
Proceeds from disposal of investment in subsidiary	124,897	-
Net cash generated from/(used in) investing activities	410,715	(193,872)
Cash flows from financing activities		
Dividends paid	-	(73,500)
Payment of Directors' remunerations	-	(2,500)
Net cash used in financing activities	-	(76,000)
Net increase in cash and cash equivalents	719,168	301,839
Cash and cash equivalents at the beginning of the period	809,715	2,248,127
Cash and cash equivalents at the end of the period (Note 6)	1,528,883	2,549,966

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

Notes to the condensed interim financial statements for the three months period ended 31 March 2020

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 consolidated interim financial statements*

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2020, 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 2022
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 three months period ended 31 March 2020 (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*

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.

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 consolidated interim financial statements.

3.1 *Basis of preparation*

The condensed interim financial statements of the Bank are prepared under the historical cost basis except for certain financial instruments and investment properties, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2019.

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 consolidated financial statements for the year ended 31 December 2019. In addition, results for the period from 1 January 2020 to 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

3.2 *Financial risk management*

The Bank’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

3.3 *Seasonality of results*

No income of a seasonal nature was recorded in the condensed consolidated interim statement of profit or loss for the three month period ended 31 March 2020 and 31 March 2019.

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

3. Summary of significant accounting policies (continued)

3.4 Investment property

Investment properties is held to earn rental income and/or capital appreciation. Investment properties includes cost of initial purchase, developments transferred from property under development, subsequent cost of development, and fair value adjustments. Investment properties is reported at valuation based on fair value at the end of the reporting period. The 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, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment properties are included in the income statement in the period in which these gains or losses arise.

All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The fair value of investment properties is based on the nature, location and condition of the specific asset.

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 consolidated financial statements for the year ended 31 December 2019 except for the estimates and judgements which were impacted by COVID-19.

COVID-19 Impact on measurement of ECL

Due to the disruption, which COVID-19 situation brought to the banking and financial industry and economy as a whole, it is challenging to assess if the significant increase in credit risk which has occurred for financing exposure or other financial situation is likely to be temporary. Moreover, it is challenging to refresh the existing IFRS-9 provision model with existing macro-economic environment. Accordingly, the bank has used an overlay strategy with management consensus to assign additional ECL charge, taking into consideration broader level measures and guidelines provided by Central Bank of UAE under the Targeted Economic Support Scheme (TESS) for determining ECL requirements. The Bank has also considered guidelines issued by the International Accounting Standards Board (IASB) on 27 March 2020 and Basel Committee issued on 4 April 2020 on determination of expected credit losses.

Under IFRS 9, loans are required to be moved from Stage 1 to Stage 2 if and only if they have been the subject of a SICR since origination. A SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument.

The Bank continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

4. Critical accounting judgments and key sources of estimation of uncertainty (continued)

Reasonableness of Forward Looking Information and probability weights

Any changes made to ECL to estimate the overall impact of Covid-19 is subject to very high levels of uncertainty as limited forward-looking information is currently available on which to base those changes.

The bank has performed structured bifurcation by looking at the resilience of these specific sector within the portfolio segment, ECL is estimated using increased weight for probabilistic downturn scenario or enhancing the Loss Given Default (LGD) or combination of both in certain cases.

Corporate and Small and Medium entities portfolio is bifurcated into three segment (Less Vulnerable, Vulnerable and Most-Vulnerable) considering the current COVID-19 situation. The Bank has adopted the following:

- Most vulnerable sectors downturn probabilistic weight has been increased from 18.75% to 40% accordingly, assigned probability weight of 0% Upturn, 40% Downturn and 60% Baseline.
- Vulnerable sectors are assigned a probabilistic scenario of 0% Upturn, 30% Downturn, 70% Baseline.
- Less vulnerable sectors are assigned a probabilistic scenario of 0% Upturn, 20% Downturn, 80% Baseline.

The Bank historic ECL model applied a weight of 18.75% for upturn scenario which has been taken to 0% and downturn probabilistic scenario in turn is increased in the most vulnerable sectors.

For Retail exposure, the bank has applied increased weight for downturn probabilistic scenario, enhanced Loss Given Default or combination of both looking at the exposure profile and segment. Retail segment which is possibly most affected in this crisis is treated under the most vulnerable segment for which downturn probabilistic weight has been increased from 18.75% to 40% and simultaneously upturn scenario reduced to 0%. Even for lesser vulnerable retail segment the downturn probabilistic weight has been increased from 18.75% to 30%. Loss Given Default has been increased by 20% for secured retail exposure along with enhanced downward probabilistic scenario for vulnerable segments.

For treasury exposures, all the sovereign sukuk exposures are treated under the less vulnerable sector considering the unconditional support comes in this segment. The reminder of the exposure in this segment is treated as most vulnerable.

By incorporating the above mentioned scenarios, the Bank an additional ECL overlay amount of AED 16.16 million as of 31 March 2020 which will be reassessed on a regular and periodic basis.

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

5. Classification of financial assets and liabilities

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

	At fair value AED'000	Amortised cost AED'000	Total AED'000
At 31 March 2020 (unaudited)			
Financial assets			
Cash and balances with the Central Bank	-	2,739,240	2,739,240
Due from banks and other financial institutions	-	389,806	389,806
Islamic financing and investing assets, net	-	17,641,163	17,641,163
Islamic investment securities at FVTOCI	1,595,864	-	1,595,864
Other Islamic assets	-	94,918	94,918
Total	1,595,864	20,865,127	22,460,991
Financial liabilities			
Islamic customers' deposits	-	14,873,923	14,873,923
Due to banks and other financial institutions	-	5,585,087	5,585,087
Other liabilities	2,509	364,332	366,841
Total	2,509	20,823,342	20,825,851
31 December 2019 (audited)			
Financial assets:			
Cash and balances with the Central Bank	-	2,546,097	2,546,097
Due from banks and other financial institutions	-	658,044	658,044
Islamic financing and investing assets , net	-	17,110,570	17,110,570
Islamic investments securities at FVTOCI	2,018,901	-	2,018,901
Other Islamic assets	3,150	134,569	137,719
Total	2,022,051	20,449,280	22,471,331
Financial liabilities:			
Islamic customers' deposits	-	14,922,760	14,922,760
Due to banks and other financial institutions	-	5,733,478	5,733,478
Other liabilities	-	328,610	328,610
Total	-	20,984,848	20,984,848

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

6. Cash and balances with the Central Bank

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Cash on hand	132,501	89,928
Balances with the Central Bank:		
Current accounts	262,624	4,075
Reserve requirements with the Central Bank	604,115	632,094
International murabahat with the Central Bank	1,740,000	1,820,000
Total	2,739,240	2,546,097

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

	31 March 2020 AED'000 (unaudited)	31 March 2019 AED'000 (unaudited)
Cash and balances with the Central Bank	2,739,240	3,009,519
Due from banks and other financial institutions (original maturity less than three months)	53,758	207,344
	2,792,998	3,216,863
Less: Statutory reserve with the Central Bank	(604,115)	(666,897)
Less: International murabahat with the Central Bank (original maturity more than three months)	(660,000)	-
Cash and cash equivalents	1,528,883	2,549,966

The statutory reserve with the Central Bank is not available to finance the day-to-day operations of the Bank. However, as per notice 4310/2008, the Central Bank has allowed banks to utilize up to 100% of their AED and US\$ reserve requirement limit.

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

7. Islamic financing and investing assets, net

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Islamic financing assets		
Vehicles murabahat	84,428	95,548
Commodities murabahat	8,702,161	8,140,391
Total murabahat	8,786,589	8,235,939
Ijarahs	9,852,291	9,570,549
Istisna'a	12,817	25,178
Islamic credit cards	25,644	27,489
	18,677,341	17,859,155
Deferred income	(868,232)	(879,669)
Total Islamic financing assets	17,809,109	16,979,486
Islamic investing assets		
Mudaraba	68,749	133,513
Wakalat	692,628	867,957
Total Islamic investing assets	761,377	1,001,470
Total Islamic financing and investing assets	18,570,486	17,980,956
Less: Impairment loss allowance (Note 17)	(929,323)	(870,386)
Total Islamic financing and investing assets, net	17,641,163	17,110,570

8. Islamic investment securities at FVTOCI

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Islamic investments securities measured - sukuk instruments	1,362,305	1,783,110
Islamic investments securities measured - equity instruments	233,559	235,791
	1,595,864	2,018,901

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

8. Islamic investment securities at fair value (continued)

Fair value hierarchy

Islamic investment securities measured at FVTOCI are set out below:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2020 (unaudited)				
At FVTOCI				
Sukuk instruments	1,327,877	-	34,428	1,362,305
Equity instruments	39,060	-	194,499	233,559
Total	1,366,937	-	228,927	1,595,864
31 December 2019 (audited)				
At FVTOCI				
Sukuk instruments	1,748,682	-	34,428	1,783,110
Equity instruments	70,560	-	165,231	235,791
Total	1,819,242	-	199,659	2,018,901

There were no transfers between financial instruments classified within level 1, level 2, and level 3 of the fair value hierarchy during the current or prior period/year.

9. Investment in associate

During the period, the Bank acquired 44% of the share capital in Makaseb 3 Real Estate Investment SPV Limited.

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

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

9. Investment in associate (continued)

Movement in investment in associate is as follows:

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
At beginning of the period/year	74,282	-
Additions during the period/year	98,000	73,500
Share of results during the period/year	2,578	2,462
Distributions received during the period/year	(2,273)	(1,680)
	<hr/>	<hr/>
Balance at the end of the period/year	172,587	74,282
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10. Investment properties

Movement in investment properties is as follows:

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Balance at the beginning of the period/year	783,362	658,131
Additions during the period/year	3,066	455,425
Derecognised due to disposal of investment in subsidiary (Note 23)	(421,402)	-
Disposals during the period/year*	-	(327,000)
Decrease in fair value during the period/year	-	(3,194)
	<hr/>	<hr/>
Balance at the end of the period/year	365,026	783,362
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All of the Bank's investment properties are held under freehold interest and located in the U.A.E. The fair value of the Bank's investment properties as at 31 March 2020 is AED 365 million (31 December 2019: AED 783 million). The fair value is mainly based on unobservable market inputs (i.e. Level 3).

*During the year ended 31 December 2019, the Bank sold investment properties for a consideration of AED 327 million to a related party.

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

11. Other Islamic assets

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Accrued income on Islamic financing and investing assets	60,935	92,501
Acceptances (Note 13)	563	67,599
Assets acquired in settlement of Islamic financing and investing assets	47,066	47,066
Accrued income on Islamic investments securities at FVTOCI	17,604	25,218
Prepaid expenses	18,982	6,307
Staff advances	13,111	14,382
Foreign currency forward contracts	-	3,150
Other	60,485	70,942
	<u>218,746</u>	<u>327,165</u>
Less: Impairment loss allowance (Note 17)	(15,805)	(28,841)
	<u>202,941</u>	<u>298,324</u>

12. Islamic customers' deposits

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Current accounts	2,934,843	2,605,119
<i>Mudarba deposits:</i>		
Savings accounts	245,246	212,607
Term deposits	63,379	64,434
	<u>3,243,468</u>	<u>2,882,160</u>
Wakala deposits	11,477,630	11,859,899
Escrow accounts	120,131	143,365
Margin accounts	32,694	37,336
	<u>14,873,923</u>	<u>14,922,760</u>

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

13. Other liabilities

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	322,559	286,818
Provisions for staff salaries and benefits	20,592	21,113
Managers' cheques	26,931	27,068
Acceptances (Note 11)	563	67,599
Lease liability	11,705	12,312
Impairment loss allowance (Note 17)	13,528	11,682
Other	28,986	30,641
	424,864	457,233

14. Share capital

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<i>Issued and fully paid:</i>		
2,100,000,000 (31 December 2019: 2,100,000,000) shares of AED 1 each	2,100,000	2,100,000

Subsequent to the period ended 31 March 2020, AED 1.25 million (31 December 2019: AED 2.5 million) was approved as Directors' remuneration by the shareholders at the annual general meeting held on the 20 April 2020.

Cash dividends at 3.5% of the share capital amounting to AED 73.5 million were approved during the year ended 31 December 2019.

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	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Income from Ijarah	119,747	119,716
Income from Murabaha	103,310	100,815
Income from Mudaraba	754	8,830
Income from Wakala	7,953	11,593
Income from Istisna	272	407
	232,036	241,361

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

17. Impairment allowance

17.1 Allocation of impairment allowance as of 31 March 2020 and 31 December 2019 is as follows:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
31 March 2020 (unaudited)				
Due from banks and other financial institutions	-	189	-	189
Islamic financing and investing assets	53,486	117,579	758,258	929,323
Islamic investment securities at FVTOCI	2,274	-	50,078	52,352
Other Islamic financial assets	-	1	15,804	15,805
Financial commitments and financial guarantees	2,738	-	10,790	13,528
Total	58,498	117,769	834,930	1,011,197
31 December 2019 (audited)				
Due from banks and other financial institutions	89	158	-	247
Islamic financing and investing assets	49,621	81,158	739,607	870,386
Islamic investment securities at FVTOCI	1,529	-	50,078	51,607
Other Islamic financial assets	106	1	28,734	28,841
Financial commitments and financial guarantees	2,235	-	9,447	11,682
Total	53,580	81,317	827,866	962,763

17.2 The movement in impairment allowance by financial asset category during the period ended 31 March 2020 is as follows:

	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 31 March 2019 AED'000
Due from banks and other financial institutions	247	(58)	-	189	(228)
Islamic financing and investing assets (Note 7)	870,386	72,040	(13,103)	929,323	36,915
Islamic investment securities at FVTOCI	51,607	745	-	52,352	758
Other Islamic financial assets	28,841	3,878	(16,914)	15,805	278
Financial commitments and financial guarantees	11,682	1,846	-	13,528	(2,630)
Total	962,763	78,451	(30,017)	1,011,197	35,093

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 interim financial statements
for the three months period ended 31 March 2020 (continued)**

18. 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	
	2020 (unaudited)	2019 (unaudited)
<i>Earnings per share</i>		
Profit for the period (AED'000)	4,609	42,841
Directors' remuneration (AED'000)	-	(2,500)
	<u>4,609</u>	<u>40,341</u>
Weighted average number of shares outstanding during the period (in thousands)	<u>2,100,000</u>	<u>2,100,000</u>
Earnings per share (AED)	<u>0.002</u>	<u>0.019</u>

There were no potentially dilutive shares as at 31 March 2020 and 31 March 2019.

19. 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

Transactions with related parties are shown below:

	Three month period ended					
	31 March 2020 (unaudited)			31 March 2019 (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	<u>27,808</u>	<u>422</u>	<u>28,230</u>	<u>21,501</u>	<u>350</u>	<u>21,851</u>
Income from Islamic financing and investing assets	<u>16,872</u>	<u>6,193</u>	<u>23,065</u>	<u>13,623</u>	<u>1,314</u>	<u>14,937</u>

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

19. Related parties transactions (continued)

Balances

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

	31 March 2020 (unaudited)			31 December 2019 (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	2,131,156	512,069	2,643,225	1,965,234	282,085	2,247,319
Islamic customers' deposits	3,432,768	112,808	3,545,576	3,266,742	103,721	3,370,463

Compensation of key management personnel

Key management compensation is as shown below:

	Three month period ended 31 March	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Short term employment benefits	2,422	2,410
Terminal benefits	112	116
	2,534	2,526

20. Contingencies and commitments

Capital commitments

At 31 March 2020, the Bank had outstanding capital commitments of AED 31 million (31 December 2019: AED 18 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.

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

20. Contingencies and commitments (continued)

Credit related commitments and contingencies (continued)

The Bank had the following credit related commitments and contingent liabilities:

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Commitments to extend credit	523,951	661,180
Letters of credit	27,953	21,119
Letters of guarantee	345,107	357,244
	897,011	1,039,543

21. Segment analysis

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

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

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

These segments are the basis on which the Bank reports its segment information. Transactions between segments are conducted at rates determined by management, taking into consideration the cost of funds and an equitable allocation of expenses.

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

21. Segment analysis (continued)

Segment results of operations

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

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000
Three month period ended 31 March 2020 (unaudited)						
Net income from Islamic financing and investing assets	23,628	68,651	(8,434)	7,212	-	91,057
Income from Islamic investment securities at FVTOCI	-	-	26,019	3,172	-	29,191
Share of results of associate	-	-	-	2,578	-	2,578
Impairment charge on financial assets	(9,621)	(63,481)	(695)	(4,654)	-	(78,451)
Fee, commissions and other income	4,733	15,870	7,484	9,869	(535)	37,421
Staff costs	(13,542)	(3,995)	(770)	(1,962)	(35,462)	(55,731)
General and administrative expenses	(8,661)	(2,966)	(482)	(164)	(2,276)	(14,549)
Depreciation of property and equipment	-	-	-	-	(6,907)	(6,907)
Operating profit/(loss) (unaudited)	(3,463)	14,079	23,122	16,051	(45,180)	4,609
Three month period ended 31 March 2019 (unaudited)						
Net income from Islamic financing and investing assets	22,581	61,384	(3,081)	4,133	-	85,017
Income from Islamic investment securities at FVTOCI	-	-	24,414	-	-	24,414
Impairment charge on financial assets	(3,606)	(31,457)	-	(30)	-	(35,093)
Fee, commissions and other income	5,930	22,064	4,349	12,216	87	44,646
Staff cost	(13,938)	(3,637)	(1,191)	(1,871)	(37,554)	(58,191)
General and administrative expenses	(6,816)	(1,657)	(287)	(215)	(5,249)	(14,224)
Depreciation of property and equipment	-	-	-	-	(3,728)	(3,728)
Operating profit/(loss) (unaudited)	4,151	46,697	24,204	14,233	(46,444)	42,841

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

21. Segment analysis (continued)

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000
As at 31 March 2020						
Segment assets (unaudited)	3,742,496	14,003,618	3,103,009	1,916,862	476,379	23,242,364
Segment liabilities (unaudited)	3,541,655	13,131,798	2,427,578	1,334,477	448,366	20,883,874
As at 31 December 2019						
Segment assets (audited)	3,790,053	13,848,112	3,383,815	1,990,660	613,150	23,625,790
Segment liabilities (audited)	3,799,579	13,046,535	2,179,223	1,440,053	648,081	21,113,471

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

22. 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 2019.

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 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Tier 1 capital		
Share capital	2,100,000	2,100,000
Reserves	215,100	300,736
	<hr/> 2,315,100	<hr/> 2,400,736
Tier 2 capital		
General provision and fair value reserve	199,267	205,399
	<hr/> 2,514,367	<hr/> 2,606,135
Risk weighted assets		
Credit risk	15,941,339	16,431,951
Market risk	452	587
Operational risk	1,092,872	1,092,872
	<hr/> 17,034,664	<hr/> 17,525,410

Capital element	Minimum requirement	Capital ratios 31 March 2020 (unaudited)	Capital ratios 31 December 2019 (audited)
Common equity tier 1 (CET 1) ratio	7%	13.59%	13.70%
Tier 1 capital ratio	8.5%	13.59%	13.70%
Capital adequacy ratio	10.5%	14.76%	14.87%
CET1 available for the buffer requirement	2.5%	4.26%	4.37%

**Notes to the condensed interim financial statements
for the three months period ended 31 March 2020 (continued)**

23. Special purpose entities

On 5 December 2019, the Bank acquired 100% shares in a Special Purpose Entity, Makaseb 2 Real Estate Investments SPV Limited, a Company incorporated in U.A.E and engaged in real estate investments. During the period ended 30 June 2020, the Bank has disposed of 100% shares in Makaseb 2 Real Estate Investments SPV Limited to an associate, Makaseb 3 Real Estate Investment SPV Limited. All incurred costs during the period were born by the Bank.

The Bank acquired 44% shares in Makaseb 3 Real Estate Investment SPV Limited during the period and accounted for it as an investment in associate.

24. Comparative Information

Certain comparative amounts in the notes to the condensed interim financial statements have been adjusted to confirm with the current period's presentation.

25. Non-cash transactions

	30 June 2020 AED'000 (Unaudited)	30 June 2019 AED'000 (Unaudited)
Acquisition of Investment in associate	(98,000)	-
Sale of Investment properties to a related party	296,505	-
Islamic financing to associate	(198,505)	-
	<hr/>	<hr/>

26. Approval of condensed interim financial statements

The condensed interim financial statements were approved by the Board of Directors and authorized for issue on 28 July 2020.