

**Ajman Bank PJSC**

**Review report and condensed  
interim financial information  
for the six month period ended  
30 June 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 30 June 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 six-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.)**



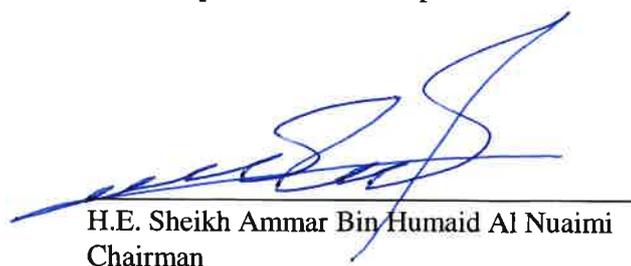
Musa Ramahi  
Registration No. 872  
28 July 2020  
Dubai  
United Arab Emirates

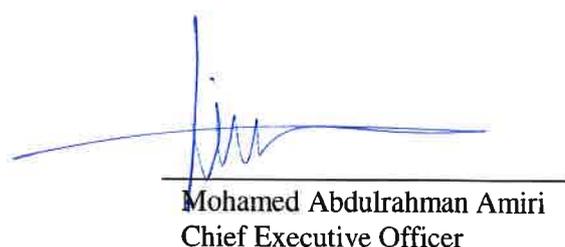


**Condensed interim statement of financial position  
As at 30 June 2020**

	Notes	30 June 2020 (unaudited) AED'000	31 December 2019 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with the Central Bank	6	2,619,926	2,546,097
Due from banks and other financial institutions		375,416	658,044
Islamic financing and investing assets, net	7	17,762,900	17,110,570
Islamic investments securities at FVTOCI	8	1,897,511	2,018,901
Investment in associate	9	174,673	74,282
Investment properties	10	365,646	783,362
Property and equipment		135,201	136,210
Other Islamic assets	11	222,865	298,324
<b>Total assets</b>		<b>23,554,138</b>	<b>23,625,790</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Islamic customers' deposits	12	14,774,955	14,922,760
Due to banks and other financial institutions		5,920,486	5,733,478
Other liabilities	13	369,248	457,233
<b>Total liabilities</b>		<b>21,064,689</b>	<b>21,113,471</b>
<b>Equity</b>			
Share capital	14	2,100,000	2,100,000
Statutory reserve		253,168	253,168
Investment fair value reserve		(71,845)	(7,256)
General impairment reserve	15	84,642	111,583
Retained earnings		123,484	54,824
<b>Total equity</b>		<b>2,489,449</b>	<b>2,512,319</b>
<b>Total liabilities and equity</b>		<b>23,554,138</b>	<b>23,625,790</b>

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

  
H.E. Sheikh Ammar Bin Humaid Al Nuaimi  
Chairman

  
Mohamed Abdulrahman Amiri  
Chief Executive Officer

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

**Condensed interim income statement (unaudited)  
for the six month period ended 30 June 2020**

	Notes	Three month period ended 30 June		Six month period ended 30 June	
		2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
<b>Operating income</b>					
Income from Islamic financing and investing assets	16	<b>215,971</b>	246,884	<b>448,007</b>	488,245
Income from investment securities at FVTOCI		<b>18,107</b>	37,454	<b>47,298</b>	61,868
Fees, commissions and other income		<b>2,878</b>	35,294	<b>40,299</b>	79,940
Share of results of associate	9	<b>3,489</b>	-	<b>6,067</b>	-
<b>Total operating income before depositors' share of profit</b>		<b>240,445</b>	319,632	<b>541,671</b>	630,053
Depositors' share of profit		<b>(121,827)</b>	(162,246)	<b>(262,806)</b>	(318,590)
<b>Net operating income</b>		<b>118,618</b>	157,386	<b>278,865</b>	311,463
<b>Expenses</b>					
Staff costs		<b>(44,212)</b>	(52,716)	<b>(99,943)</b>	(110,907)
General and administrative expenses		<b>(13,676)</b>	(16,120)	<b>(28,225)</b>	(30,344)
Depreciation of property and equipment		<b>(6,461)</b>	(3,425)	<b>(13,368)</b>	(7,153)
Impairment charge for financial assets	17	<b>(15,909)</b>	(40,062)	<b>(94,360)</b>	(75,155)
<b>Total expenses</b>		<b>(80,258)</b>	(112,323)	<b>(235,896)</b>	(223,559)
<b>Profit for the period</b>		<b>38,360</b>	45,063	<b>42,969</b>	87,904
<b>Earnings per share (AED)</b>	18	<b>0.018</b>	0.021	<b>0.020</b>	0.041

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

**Condensed interim statement of other comprehensive income (unaudited)  
for the six month period ended 30 June 2020**

	Three month period ended 30 June		Six month period ended 30 June	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
<b>Profit for the period</b>	<b>38,360</b>	45,063	<b>42,969</b>	87,904
<b>Other comprehensive income/(loss):</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Movement in investment fair value reserve for equity instruments at FVTOCI	<b>(1,440)</b>	2,520	<b>(32,940)</b>	(6,660)
	<b>(1,440)</b>	2,520	<b>(32,940)</b>	(6,660)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Fair value gain/(loss) on investment securities at FVTOCI - sukuk instruments	<b>94,529</b>	27,686	<b>(27,645)</b>	75,721
Reclassification adjustments relating to investments securities at FVTOCI	<b>760</b>	(5,214)	<b>(4,004)</b>	(6,628)
	<b>95,289</b>	22,472	<b>(31,649)</b>	69,093
<b>Other comprehensive income/(loss)</b>	<b>93,849</b>	24,992	<b>(64,589)</b>	62,433
<b>Total comprehensive income/(loss) for the period</b>	<b>132,209</b>	70,055	<b>(21,620)</b>	150,337

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

**Condensed interim statement of changes in equity  
for the six month period ended 30 June 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	-	-	-	-	-	87,904	87,904
Other comprehensive income	-	-	62,433	-	-	-	62,433
Total comprehensive income for the period	-	-	62,433	-	-	87,904	150,337
Transfer to impairment reserve (Note 15)	-	-	-	48,056	30,401	(78,457)	-
Dividends (Note 14)	-	-	-	-	-	(73,500)	(73,500)
Directors' remuneration (Note 14)	-	-	-	-	-	(2,500)	(2,500)
<b>At 30 June 2019 (unaudited)</b>	<b>2,100,000</b>	<b>244,728</b>	<b>(1,892)</b>	<b>48,056</b>	<b>30,401</b>	<b>99,892</b>	<b>2,521,185</b>
At 1 January 2020 (audited)	2,100,000	253,168	(7,256)	111,583	-	54,824	2,512,319
Profit for the period	-	-	-	-	-	42,969	42,969
Other comprehensive loss	-	-	(64,589)	-	-	-	(64,589)
Total comprehensive loss for the period	-	-	(64,589)	-	-	42,969	(21,620)
Transfer from impairment reserve (Note 15)	-	-	-	(26,941)	-	26,941	-
Directors' remuneration (Note 14)	-	-	-	-	-	(1,250)	(1,250)
<b>At 30 June 2020 (unaudited)</b>	<b>2,100,000</b>	<b>253,168</b>	<b>(71,845)</b>	<b>84,642</b>	<b>-</b>	<b>123,484</b>	<b>2,489,449</b>

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

**Condensed interim statement of cash flows (unaudited)  
for the six month period ended 30 June 2020**

	<b>Six month period ended 30 June</b>	
	<b>2020 AED'000</b>	<b>2019 AED'000</b>
<b>Cash flows from operating activities</b>		
Profit for the period	42,969	87,904
<i>Adjustments for:</i>		
Depreciation of property and equipment	13,368	7,153
Impairment charge on financial assets	94,360	75,155
Income from investment securities	(41,327)	(53,236)
Impairment of property and equipment	-	28
Realized gain on disposal of investment securities	(5,971)	(8,632)
Share of results of associate	(6,067)	-
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>97,332</b>	<b>108,372</b>
<b>Changes in operating assets and liabilities</b>		
Increase in Islamic financing and investing assets	(536,807)	(603,568)
Decrease in due from banks and other financial institutions	245,114	106,764
Decrease/(increase) in statutory deposit with the Central Bank	213,349	(100,748)
Increase in International murabahat with the Central Bank	(120,000)	-
Decrease in other assets	68,458	13,578
(Decrease)/increase in Islamic customers' deposits	(147,805)	412,171
Increase in due to banks and other financial institutions	187,008	509,109
(Decrease)/increase in other liabilities	(89,589)	48,463
Payment of Directors' remuneration	(1,250)	(2,500)
<b>Net cash (used in)/generated from operating activities</b>	<b>(84,190)</b>	<b>491,641</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(933,392)	(735,552)
Proceeds from sale of investment securities	992,992	954,475
Addition in investment in associate	-	(73,500)
Dividend received from investment in associate	3,676	-
Purchase of property and equipment	(12,359)	(8,375)
Profit income on investment securities	42,532	54,371
Additions to investment properties	(3,686)	(14,105)
Proceeds from disposal of investment properties	-	327,000
Proceeds from disposal of investment in subsidiary	124,897	-
<b>Net cash generated from investing activities</b>	<b>214,660</b>	<b>504,314</b>
<b>Cash flows from financing activity</b>		
Dividends paid	-	(73,500)
<b>Net cash used in financing activity</b>	<b>-</b>	<b>(73,500)</b>
<b>Net increase in cash and cash equivalents</b>	<b>130,470</b>	<b>922,455</b>
Net cash and cash equivalents at the beginning of the period	809,715	2,248,127
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<b>940,185</b>	<b>3,170,582</b>

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

## Notes to the condensed interim financial statements for the six months period ended 30 June 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 2023
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2011)</i> relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

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

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

**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 30 June 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 six month period ended 30 June 2020 and 30 June 2019.

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)****3. Summary of significant accounting policies (continued)****3.4 Investment property**

Investment properties are 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 are 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 are 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 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 overlay strategy with management consensus to assign additional ECL charge, if necessary, 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.

The COVID 19 pandemic has had a far-reaching impact on the UAE economy and that the country went into lockdown in March 2020 with the majority of industries being impacted and that slowly lockdown restrictions were lifted in May 2020 and June 2020. The Government and Central bank has implemented a number of measures to assist business to minimise the impact of the Pandemic including TESS.

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 significant increase in credit risk (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 six months period ended 30 June 2020 (continued)****4. Critical accounting judgments and key sources of estimation of uncertainty (continued)****COVID-19 Impact on measurement of ECL (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.

In order to ascertain the temporary overlay. 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 segment Bank has performed a broader level exposure bifurcation into local and expatriates. Considering the local clients will not be much affected by the current Covid-19 situation, Bank has not assigned any additional ECL overlay to these exposures. Whereas for expatriates loan further bifurcation is performed into secured and unsecured lending. Secured lending to expatriates are classified into vulnerable segment assuming lesser risk associated with it and unsecured lending into most-vulnerable segment. For vulnerable segment having secured loan downturn scenario probability weight is increased by 60% from 18.75% to 30%. Whereas for unsecured segment of expatriates loan downturn scenario probability weight is more than doubled from 18.75% to 40%. Whereas upturn scenario probability weight is kept at 0% for both vulnerable and most-vulnerable exposures. In addition to increasing downturn probability weight to probability of default (PD) term structure, bank has increased LGD for vulnerable segment by 20% and for most-vulnerable segment by 30%.

The treasury segment of the portfolio comprises mostly bank and Sukuks exposures, for which the Bank has done two broader level bifurcation into sovereign and non-sovereign category. Sovereign is classified by the Bank into less vulnerable sector considering sovereign exposures generally have unconditional support mechanism. The Bank has assigned exposure of non-sovereign category into most vulnerable sector looking at the exposure profile. Probability weights of downturn scenarios for less vulnerable and most-vulnerable exposures are kept at levels as mentioned above.

By incorporating the above mentioned scenarios, the Bank has passed an additional ECL overlay amounting of AED 26 million as of 30 June 2020 which will be reassessed on a regular and periodic basis.

While the Bank has included a temporary overlay within its ECL provision, Credit Department of the Bank is progressively collecting all the information related to status of the each customer who has applied for relief in form of deferral during the current period. Once enough information is available to ascertain if the customer was temporarily and mildly affected or significantly and permanently affected. The same will be presented to the Credit committee for approval on the assignment of the customer to the appropriate stage.

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

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

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

**Analysis of clients benefitting from payment deferrals**

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

	<b>Corporate banking AED'000</b>	<b>Consumer banking AED'000</b>	<b>Total AED'000</b>
<b>At 30 June 2020 (unaudited)</b>			
<b>Deferral Amount</b>			
Islamic Financing	291,304	107,654	398,958
	<u>291,304</u>	<u>107,654</u>	<u>398,958</u>
<b>Exposures</b>			
Islamic Financing	1,396,594	2,459,983	3,856,577
	<u>1,396,594</u>	<u>2,459,983</u>	<u>3,856,577</u>

**The total changes in Exposure at Default (EAD) since December 2019**

Below is an analysis of total changes in EAD since 31 December 2019 on customers benefitting from payment deferrals:

	<b>AED'000</b>
<b>EAD as at 1 January 2020</b>	3,743,697
Additions during the period	205,797
Repayments / de-recognition during the period	(92,917)
<b>EAD as at 30 June 2020</b>	<u><u>3,856,577</u></u>

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

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

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

**Stage migrations estimated as EAD by portfolio since December 2019**

Below is an analysis of stage migrations since 31 December 2019 on customers benefitting from payment deferrals:

	<b>12-month ECL AED'000</b>	<b>Lifetime ECL not credit- impaired AED'000</b>	<b>Lifetime ECL credit- impaired AED'000</b>	<b>Total AED'000</b>
<b>Corporate Banking</b>				
<b>EAD as at 1 January 2020</b>	<b>893,096</b>	<b>391,888</b>	<b>-</b>	<b>1,284,984</b>
Transferred from 12-month ECL	(7,409)	7,409	-	-
Transferred from Lifetime ECL not credit-impaired	-	-	-	-
Transferred from Lifetime ECL credit-impaired	-	-	-	-
Change in exposure	30,480	(1,870)	-	28,610
Originated during the period	83,000	-	-	83,000
Derecognised during the period	-	-	-	-
<b>EAD as at 30 June 2020</b>	<b>999,166</b>	<b>397,428</b>	<b>-</b>	<b>1,396,594</b>
<b>Consumer Banking</b>				
<b>EAD as at 1 January 2020</b>	<b>2,296,407</b>	<b>141,484</b>	<b>20,823</b>	<b>2,458,713</b>
Transferred from 12-month ECL	(72,186)	36,266	35,920	-
Transferred from Lifetime ECL not credit-impaired	24,694	(40,000)	15,305	-
Transferred from Lifetime ECL credit-impaired	-	10,493	(10,493)	-
Change in exposure	(21,517)	(4,351)	(1,529)	(27,397)
Originated during the period	37,440	235	298	37,973
Derecognised during the period	(9,306)	-	-	(9,306)
<b>EAD as at 30 June 2020</b>	<b>2,255,531</b>	<b>144,127</b>	<b>60,324</b>	<b>2,459,983</b>

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

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

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

Below is an analysis of change in ECL since 31 December 2019 on corporate customers benefitting from payment deferrals.

	AED'000
<b>ECL allowance as at 1 January 2020</b>	<b>13,511</b>
01 – Manufacturing	177
02 - Construction and real estate	(1,323)
03 – Education	(30)
04 – Trading	1,629
05 – Hospitals	(2,929)
06 – Transportation	(765)
07 – Others	(269)
	<hr/>
<b>ECL allowance as at 30 June 2020</b>	<b>10,001</b>
	<hr/> <hr/>

During 2020, the Bank has initiated a program of payment relief for its impacted customers by deferring profit/principal due for a period of one month to six months. These payment reliefs are considered as short-term liquidity to address customer cash flow issues. The relief offered to customers may indicate a SICR. However, the Bank believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Bank to individually differentiate between a borrowers' short term liquidity constraints and a change in its lifetime credit risk. This approach is consistent with the expectations of the Central Bank of UAE.

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

**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
<b>At 30 June 2020 (unaudited)</b>			
<b>Financial assets</b>			
Cash and balances with the Central Bank	-	2,619,926	2,619,926
Due from banks and other financial institutions	-	375,416	375,416
Islamic financing and investing assets, net	-	17,762,900	17,762,900
Islamic investment securities at FVTOCI	1,897,511	-	1,897,511
Other Islamic assets	19	134,047	134,066
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>1,897,530</b>	<b>20,892,289</b>	<b>22,789,819</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

**5. Classification of financial assets and liabilities (continued)**

	At fair value AED'000	Amortised cost AED'000	Total AED'000
<b>At 30 June 2020 (unaudited)</b>			
<b>Financial liabilities</b>			
Islamic customers' deposits	-	14,774,955	14,774,955
Due to banks and other financial institutions	-	5,920,486	5,920,486
Other liabilities	1,400	308,046	309,446
<b>Total</b>	<b>1,400</b>	<b>21,003,487</b>	<b>21,004,887</b>
<b>31 December 2019 (audited)</b>			
<b>Financial assets:</b>			
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
<b>Total</b>	<b>2,022,051</b>	<b>20,449,280</b>	<b>22,471,331</b>
<b>Financial liabilities:</b>			
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
<b>Total</b>	<b>-</b>	<b>20,984,848</b>	<b>20,984,848</b>

**6. Cash and balances with the Central Bank**

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Cash on hand	86,181	89,928
Balances with the Central Bank:		
Current accounts	-	4,075
Reserve requirements with the Central Bank	418,745	632,094
International murabahat with the Central Bank	2,115,000	1,820,000
<b>Total</b>	<b>2,619,926</b>	<b>2,546,097</b>

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

**6. Cash and balances with the Central Bank (continued)**

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

	<b>30 June 2020 AED'000 (unaudited)</b>	<b>30 June 2019 AED'000 (unaudited)</b>
Cash and balances with the Central Bank	2,619,926	3,426,797
Due from banks and other financial institutions (original maturity less than three months)	239,004	453,765
	<u>2,858,930</u>	<u>3,880,562</u>
Less: Statutory reserve with the Central Bank	(418,745)	(709,980)
Less: International murabahat with the Central Bank (original maturity more than three months)	(1,500,000)	-
	<u>(1,500,000)</u>	<u>-</u>
<b>Cash and cash equivalents</b>	<u><b>940,185</b></u>	<u><b>3,170,582</b></u>

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.

**7. Islamic financing and investing assets, net**

	<b>30 June 2020 AED'000 (unaudited)</b>	<b>31 December 2019 AED'000 (audited)</b>
<b>Islamic financing assets</b>		
Vehicles murabahat	79,966	95,548
Commodities murabahat	8,809,629	8,140,391
	<u>8,889,595</u>	<u>8,235,939</u>
<b>Total murabahat</b>	<b>8,889,595</b>	<b>8,235,939</b>
Ijarahs	9,886,828	9,570,549
Istisna'a	3,123	25,178
Islamic credit cards	24,025	27,489
	<u>18,803,571</u>	<u>17,859,155</u>
Deferred income	(827,972)	(879,669)
	<u>(827,972)</u>	<u>(879,669)</u>
<b>Total Islamic financing assets</b>	<u><b>17,975,599</b></u>	<u><b>16,979,486</b></u>
<b>Islamic investing Assets</b>		
Mudaraba	54,910	133,513
Wakalat	672,797	867,957
	<u>727,707</u>	<u>1,001,470</u>
<b>Total Islamic investing assets</b>	<u><b>727,707</b></u>	<u><b>1,001,470</b></u>
<b>Total Islamic financing and investing assets</b>	<u><b>18,703,306</b></u>	<u><b>17,980,956</b></u>
Less: Impairment loss allowance (Note 17)	(940,406)	(870,386)
	<u>(940,406)</u>	<u>(870,386)</u>
<b>Total Islamic financing and investing assets, net</b>	<u><b>17,762,900</b></u>	<u><b>17,110,570</b></u>

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

**8. Islamic investment securities at FVTOCI**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Islamic investments securities		
Sukuk instruments	1,665,277	1,783,110
Equity instruments	232,234	235,791
	<b>1,897,511</b>	<b>2,018,901</b>

**Fair value hierarchy**

Islamic investment securities measured at FVTOCI are set out below:

	<b>Level 1 AED'000</b>	<b>Level 2 AED'000</b>	<b>Level 3 AED'000</b>	<b>Total AED'000</b>
<b>30 June 2020 (unaudited)</b>				
<b>At FVTOCI</b>				
Sukuk instruments	1,630,849	-	34,428	1,665,277
Equity instruments	37,620	-	194,614	232,234
<b>Total</b>	<b>1,668,469</b>	<b>-</b>	<b>229,042</b>	<b>1,897,511</b>
<b>31 December 2019 (audited)</b>				
<b>At FVTOCI</b>				
Sukuk instruments	1,748,682	-	34,428	1,783,110
Equity instruments	70,560	-	165,231	235,791
<b>Total</b>	<b>1,819,242</b>	<b>-</b>	<b>199,659</b>	<b>2,018,901</b>

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:

<b>Name</b>	<b>Nature of Business</b>	<b>Country of Incorporation</b>	<b>% Interest held</b>	<b>Measurement method</b>
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 six months period ended 30 June 2020 (continued)**

**9. Investment in associate (continued)**

Movement in investment in associate is as follows:

	<b>30 June 2020 AED'000 (unaudited)</b>	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	6,067	2,462
Distributions received during the period/year	(3,676)	(1,680)
	<hr/>	<hr/>
Balance at the end of the period/year	<b>174,673</b>	74,282
	<hr/>	<hr/>

**10. Investment properties**

Movement in investment properties is as follows:

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
At beginning of the period/year	783,362	658,131
Additions during the period/year	3,686	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	<b>365,646</b>	783,362
	<hr/>	<hr/>

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 30 June 2020 is AED 366 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 six months period ended 30 June 2020 (continued)**

**11. Other Islamic assets**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Accrued income on Islamic financing and investing assets	<b>86,936</b>	92,501
Acceptances (Note 13)	<b>328</b>	67,599
Assets acquired in settlement of Islamic financing and investing assets	<b>54,154</b>	47,066
Accrued income on Islamic investments securities at FVTOCI	<b>22,919</b>	25,218
Prepaid expenses	<b>12,628</b>	6,307
Staff advances	<b>12,714</b>	14,382
Foreign currency forward contracts	<b>19</b>	3,150
Other	<b>52,095</b>	70,942
	<b>241,793</b>	327,165
Less: Impairment loss allowance (Note 17)	<b>(18,928)</b>	(28,841)
	<b>222,865</b>	298,324

**12. Islamic customers' deposits**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Current accounts	<b>2,992,965</b>	2,605,119
<i>Mudarba deposits:</i>		
Savings accounts	<b>291,901</b>	212,607
Term deposits	<b>59,091</b>	64,434
	<b>3,343,957</b>	2,882,160
Wakala deposits	<b>11,276,441</b>	11,859,899
Escrow accounts	<b>120,677</b>	143,365
Margin accounts	<b>33,880</b>	37,336
	<b>14,774,955</b>	14,922,760

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

**13. Other liabilities**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	270,128	286,818
Provisions for staff salaries and benefits	21,440	21,113
Managers' cheques	20,784	27,068
Acceptances (Note 11)	328	67,599
Lease liability	10,975	12,312
Impairment loss allowance (Note 16)	13,286	11,682
Other	32,307	30,641
	<u>369,248</u>	<u>457,233</u>

**14. Share capital**

	<b>30 June 2020 AED'000 (unaudited)</b>	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	<u>2,100,000</u>	<u>2,100,000</u>

During the period ended 30 June 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<sup>th</sup> 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.

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

**16. Income from Islamic financing and investing assets**

	Six month period ended 30 June	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Income from Ijarah	244,441	249,652
Income from Murabaha	188,985	201,068
Income from Mudaraba	1,055	14,240
Income from Wakala	13,128	22,312
Income from Istisna	398	973
	<b>448,007</b>	<b>488,245</b>

**17. Impairment allowance**

17.1 Allocation of impairment allowance as of 30 June 2020 and 31 December 2019 is as follows:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
<b>30 June 2020 (unaudited)</b>				
Due from banks and other financial institutions	-	1,053	-	1,053
Islamic financing and investing assets	34,850	113,133	792,423	940,406
Islamic investment securities at FVTOCI	3,496	-	50,078	53,574
Other Islamic financial assets	-	8	18,920	18,928
Financial commitments and financial guarantees	1,971	-	11,315	13,286
<b>Total</b>	<b>40,317</b>	<b>114,194</b>	<b>872,736</b>	<b>1,027,247</b>
<b>31 December 2019 (audited)</b>				
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
<b>Total</b>	<b>53,580</b>	<b>81,317</b>	<b>827,866</b>	<b>962,763</b>

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

**17. Impairment allowance (continued)**

17.2 The movement in impairment allowance by financial asset category during the period ended 30 June 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 30 June 2019 AED'000
Due from banks and other financial institutions	247	806	-	1,053	(409)
Islamic financing and investing assets (Note 7)	870,386	82,982	(12,962)	940,406	76,446
Islamic investment securities at FVTOCI	51,607	1,967	-	53,574	2,005
Other Islamic financial assets (Note 11)	28,841	7,001	(16,914)	18,928	441
Financial commitments and financial guarantees (Note 13)	11,682	1,604	-	13,286	(3,328)
<b>Total</b>	<b>962,763</b>	<b>94,360</b>	<b>(29,876)</b>	<b>1,027,247</b>	<b>75,155</b>

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

**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 30 June		Six month period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2019 (unaudited)	2018 (unaudited)
<b>Basic earnings per share</b>				
Profit for the period (AED'000)	38,360	45,063	42,969	87,904
Directors remunerations (AED'000)	(1,250)	-	(1,250)	(2,500)
	<b>37,110</b>	45,063	<b>41,719</b>	85,404
Weighted average number of shares outstanding during the period (in thousands)	<b>2,100,000</b>	2,100,000	<b>2,100,000</b>	2,100,000
<b>Basic earnings per share (AED)</b>	<b>0.018</b>	0.021	<b>0.020</b>	0.041

There were no potentially dilutive shares as at 30 June 2020 and 30 June 2019.

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

**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:

	Six month period ended					
	30 June 2020 (unaudited)			30 June 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	56,326	817	57,143	43,410	711	44,121
Income from Islamic financing and investing assets	35,226	11,746	46,972	24,918	2,542	27,460

**Balances**

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

	30 June 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	2,109,675	491,785	2,601,460	1,965,234	282,085	2,247,319
Islamic customers' deposits	3,518,684	106,602	3,625,286	3,266,742	103,721	3,370,463

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)**

**19. Related parties transactions (continued)**

*Compensation of key management personnel*

Key management compensation is as shown below:

	Six month period ended 30 June	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Short term employment benefits	4,874	4,678
Terminal benefits	224	224
	<b>5,098</b>	<b>4,902</b>

**20. Contingencies and commitments**

*Capital commitments*

At 30 June 2020, the Bank had outstanding capital commitments of AED 47 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.

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

	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
	Commitments to extend credit	407,177
Letters of credit	2,793	21,119
Letters of guarantee	339,843	357,244
	<b>749,813</b>	<b>1,039,543</b>

**Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)****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 six months period ended 30 June 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
<b>Six month period ended 30 June 2020 (unaudited)</b>						
Net income from Islamic financing and investing assets	30,767	161,848	(17,817)	10,403	-	185,201
Income from Islamic investment securities at FVTOCI	-	-	42,486	4,812	-	47,298
Share of results of associate	-	-	-	6,067	-	6,067
Impairment charges on financial assets	(12,118)	(73,615)	(2,164)	(6,463)	-	(94,360)
Fees, commissions and other income	9,117	18,740	(464)	13,145	(239)	40,299
Staff costs	(26,590)	(7,603)	(1,907)	(4,319)	(59,524)	(99,943)
General and administrative expenses	(14,821)	(2,913)	(464)	(552)	(9,475)	(28,225)
Depreciation of property and equipment	-	-	-	-	(13,368)	(13,368)
<b>Operating profit/(loss) (unaudited)</b>	<b>(13,645)</b>	<b>96,457</b>	<b>19,670</b>	<b>23,093</b>	<b>(82,606)</b>	<b>42,969</b>
<b>Six month period ended 30 June 2019 (unaudited)</b>						
Net income from Islamic financing and investing assets	45,571	120,261	(4,593)	8,416	-	169,655
Income from Islamic investment securities at FVTOCI	-	-	57,188	4,680	-	61,868
Reversal of/(impairment) charges on financial assets	12,760	(86,654)	(1,182)	(79)	-	(75,155)
Fees, commissions and other income	11,737	41,459	6,032	20,414	298	79,940
Staff cost	(28,234)	(7,139)	(2,190)	(3,644)	(69,700)	(110,907)
General and administrative expenses	(14,020)	(3,985)	(540)	(1,375)	(10,424)	(30,344)
Depreciation of property and equipment	-	-	-	-	(7,153)	(7,153)
<b>Operating profit/(loss) (unaudited)</b>	<b>27,814</b>	<b>63,942</b>	<b>54,715</b>	<b>28,412</b>	<b>(86,979)</b>	<b>87,904</b>

Notes to the condensed interim financial statements  
for the six months period ended 30 June 2020 (continued)

21. Segment analysis (continued)

<b>As at 30 June 2020</b>								
<b>Segment assets (unaudited)</b>	<b>Consumer banking AED'000</b>	<b>Corporate banking AED'000</b>	<b>Treasury AED'000</b>	<b>Investments AED'000</b>	<b>Others AED'000</b>	<b>Total AED'000</b>		
	3,698,155	13,949,081	3,778,578	1,900,308	228,016	23,554,138		
<b>Segment liabilities (unaudited)</b>	<b>Consumer banking AED'000</b>	<b>Corporate banking AED'000</b>	<b>Treasury AED'000</b>	<b>Investments AED'000</b>	<b>Others AED'000</b>	<b>Total AED'000</b>		
	3,665,950	12,338,640	2,958,815	1,491,031	610,253	21,064,689		
<b>As at 31 December 2019</b>								
<b>Segment assets (audited)</b>	3,790,053	13,848,112	3,383,815	1,990,660	613,150	23,625,790		
<b>Segment liabilities (audited)</b>	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 six months period ended 30 June 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:

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<b>Tier 1 capital</b>		
Share capital	2,100,000	2,100,000
Reserves	324,422	300,736
	<u>2,424,422</u>	<u>2,400,736</u>
<b>Tier 2 capital</b>		
General provision and fair value reserve	199,295	205,399
	<u>2,623,717</u>	<u>2,606,135</u>
<b>Risk weighted assets</b>		
Credit risk	15,943,582	16,431,951
Market risk	528	587
Operational risk	1,092,872	1,092,872
	<u>17,036,982</u>	<u>17,525,410</u>

<b>Capital element</b>	<b>Minimum requirement</b>	<b>Capital ratios 30 June 2020 (unaudited)</b>	<b>Capital ratios 31 December 2019 (audited)</b>
Common equity tier 1 (CET 1) ratio	7%	14.23%	13.70%
Tier 1 capital ratio	8.5%	14.23%	13.70%
Capital adequacy ratio	10.5%	15.40%	14.87%
CET1 available for the buffer requirement	2.5%	4.90%	4.37%

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

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