

Ajman Bank PJSC
Condensed interim financial statements
For the nine-month period ended 30 September 2011

Ajman Bank PJSC

Condensed interim financial statements

For the nine-month period ended 30 September 2011

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P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

Independent Auditors' Report on Review of Condensed Interim Financial Information

The Shareholders
Ajman Bank PJSC

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Ajman Bank PJSC (the "Bank") as at 30 September 2011, and the condensed interim statements of comprehensive income (comprising condensed interim statement of income and a separate condensed interim statements of comprehensive income), changes in equity and cash flows for the nine month period then ended ("the interim financial information"). Management is responsible for the preparation and presentation of the interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review. The interim financial information of the Bank as of and for the nine month period ended 30 September 2010 and financial statements as of and for the year ended 31 December 2010, were reviewed and audited by another auditor whose reports dated 8 November 2010 and 8 March 2011 respectively, expressed unqualified conclusion and opinion on interim financial information and financial statements respectively.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the nine month period ended 30 September 2011 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Name: Vijendranath Malhotra
Registration No: 48B

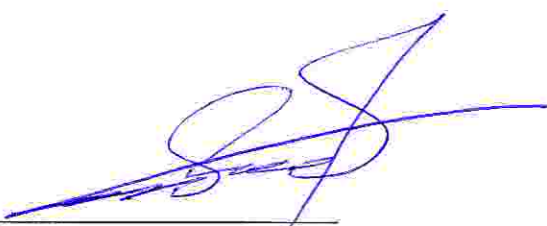
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Ajman Bank PJSC

Condensed interim statement of financial position as at 30 September 2011

	<i>Note</i>	(Reviewed) 30 Sep 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Assets			
Cash and deposits with the UAE Central Bank	6	218,319	130,310
Investments in Islamic financing instruments	7	3,627,815	2,786,313
Investment securities	8	359,113	169,039
Investment property	9	49,961	49,961
Receivables and other assets	10	127,561	32,489
Property and equipment		63,885	66,234
Total assets		<u>4,446,654</u>	<u>3,234,346</u>
Liabilities			
Customers' deposits	11	2,734,144	2,022,249
Due to banks and other financial institutions		592,309	140,596
Other liabilities	12	118,937	61,381
Provision for employees' end of service benefits		6,062	3,178
Total liabilities		<u>3,451,452</u>	<u>2,227,404</u>
Equity			
Share capital	13	1,000,000	1,000,000
Statutory reserve		2,454	2,454
Fair value reserve		(7,074)	(161)
(Accumulated losses) / retained earnings		(178)	4,649
Total equity		<u>995,202</u>	<u>1,006,942</u>
Total liabilities and equity		<u>4,446,654</u>	<u>3,234,346</u>

These condensed interim financial statements were approved and authorised by the Board of Directors on 1 November 2011 and are signed on their behalf by:


Chairman


Chief Executive Officer

The notes on pages 7 to 15 form an integral part of these condensed interim financial statements.

The review report of the independent auditors is set out on page 1.

Ajman Bank PJSC

Condensed interim statement of income – (Reviewed)

For the period ended

	Note	Three month period ended 30 Sep 2011 AED'000	Three month period ended 30 Sep 2010 AED'000	Nine month period ended 30 Sep 2011 AED'000	Nine month period ended 30 Sep 2010 AED'000
Operating income					
Income from investments in Islamic financing instruments	14	50,994	33,212	143,437	78,251
Income from investment securities		7,555	2,994	22,718	10,693
Fees, commissions and other income		5,072	4,002	13,700	11,854
Total operating income		63,621	40,208	179,855	100,798
Depositors' share of profit		(14,957)	(12,237)	(53,377)	(23,141)
Net operating income		48,664	27,971	126,478	77,657
Expenses					
Staff costs	15	(24,935)	(19,601)	(73,893)	(59,245)
General and administrative expenses	16	(10,318)	(7,975)	(32,742)	(24,781)
Provisions for impairment and write-offs		(5,838)	(36)	(11,780)	(2,280)
Depreciation		(4,549)	(3,638)	(12,890)	(10,599)
Total expenses		(45,640)	(31,250)	(131,305)	(96,905)
Net profit / (loss) for the period		3,024	(3,279)	(4,827)	(19,248)
Earnings per share (AED)	17	0.003	(0.003)	(0.005)	(0.02)

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Ajman Bank PJSC

Condensed interim statement of comprehensive income – (Reviewed)

For the period ended

	Three month period ended 30 Sep 2011 AED'000	Three month period ended 30 Sep 2010 AED'000	Nine month period ended 30 Sep 2011 AED'000	Nine month period ended 30 Sep 2010 AED'000
Net profit / (loss) for the period	3,024	(3,279)	(4,827)	(19,248)
Other comprehensive income				
Change in the fair value reserve	(6,128)	-	(6,913)	-
Total comprehensive expense for the period	<u>(3,104)</u>	<u>(3,279)</u>	<u>(11,740)</u>	<u>(19,248)</u>

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Condensed interim statement of changes in equity

For the nine month period ended

	Share capital AED'000	Statutory reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2010 (Audited)	1,000,000	2,050	-	1,019	1,003,069
Total comprehensive income for the period					
Net loss for the period	-	-	-	(19,248)	(19,248)
Change in the fair value reserve	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	(19,248)	(19,248)
At 30 September 2010 (Reviewed)	1,000,000	2,050	-	(18,229)	983,821
At 1 January 2011 (Audited)	1,000,000	2,454	(161)	4,649	1,006,942
Total comprehensive income for the period					
Net loss for the period	-	-	-	(4,827)	(4,827)
Change in the fair value reserve	-	-	(6,913)	-	(6,913)
Total comprehensive expense for the period	-	-	(6,913)	(4,827)	(11,740)
At 30 September 2011 (Reviewed)	1,000,000	2,454	(7,074)	(178)	995,202

The notes on pages 7 to 15 form an integral part of these condensed interim financial statements.

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Ajman Bank PJSC

Condensed interim statement of cash flows – (Reviewed)

For nine month period ended

	Note	30 Sep 2011 AED'000	30 Sep 2010 AED'000
Cash flows from operating activities		(4,827)	(19,248)
Net loss for the period			
Adjustments for:			
Depreciation		12,890	10,599
Provision for impairment		11,780	2,280
Provision for gratuity		3,619	1,060
Operating cash flows before changes in operating assets and liabilities		<u>23,462</u>	<u>(5,309)</u>
<i>Changes in operating assets and liabilities</i>			
Change in investments in Islamic financing instruments		(853,283)	(846,197)
Change in statutory deposit with UAE Central Bank		(49,560)	(19,564)
Change in receivables and other assets		(95,071)	(11,605)
Change in customer deposits		711,895	688,366
Change in due to banks and other financial institutions		451,713	310,374
Change in other liabilities		56,821	15,293
Net cash flow generated from operating activities		<u>245,977</u>	<u>131,358</u>
Cash flows from investing activities			
Change in investment securities		(196,987)	(83,687)
Purchase of property and equipment		(10,541)	(12,842)
Net cash flow used in investing activities		<u>(207,528)</u>	<u>(96,529)</u>
Net increase in cash and cash equivalents		38,449	34,829
Net cash and cash equivalents at the beginning of the period		68,821	24,933
Cash and cash equivalents at the end of the period	6	<u><u>107,270</u></u>	<u><u>59,762</u></u>

The notes on pages 7 to 15 form an integral part of these condensed interim financial statements.

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Ajman Bank PJSC

Notes to the condensed interim financial statements – (Reviewed)

For the nine month period ended 30 September 2011

1. Legal status and activities

Ajman Bank PJSC (“the Bank”) is incorporated as a Public Joint Stock Company. The Bank has its registered office at A&F Towers, Ist Floor, Khalifa Street, P.O. Box 7770, Ajman, United Arab Emirates (“UAE”) and was legally incorporated on 17 April 2008. The Bank was registered with the Securities and Commodities Authority (“SCA”) on 12 June 2008 and obtained a license from the Central Bank of UAE to operate as a Head Office on 14 June 2008. On 1 December 2008, the Bank obtained a branch banking license from UAE Central Bank and commenced operations on 22 December 2008.

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

2. Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), IAS 34: *Interim Financial Reporting*. These condensed interim financial statements do not include all the information required for full annual audited financial statements and should be read in conjunction with the audited financial statements of the Bank as at and for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

These condensed interim financial statements have been prepared in United Arab Emirates Dirham (AED) rounded to nearest thousand, which is the Bank’s functional currency.

3. Significant accounting policies

3.1 The Bank has consistently applied the accounting policies and methods of computation used for the preparation of last audited annual financial statements for the year ended 31 December 2010. However, the Bank has adopted IAS 24 ‘Related Party Disclosures’ in the preparation of these condensed interim financial statements. This new and revised IAS which became applicable for the annual periods beginning on or after 1 January 2011, amends the definition of a related party and modifies certain related party disclosure requirements for government-related entity. It also affects the presentation and disclosure of these condensed interim financial statements; however, do not affect the Bank’s condensed interim statement of financial position, condensed interim statement of income or condensed interim statement of changes in equity. The management has assessed the impact of this new standard and believes that changes have no significant effect on the Bank’s condensed interim financial statements.

3.2 *Financial risk management*

The Bank’s financial risk management objectives, policies and procedures are consistent with those disclosed in the annual audited financial statements as at and for the year ended 31 December 2010.

3.3 *Financial assets and liabilities*

The accounting policies, classifications and measurement principles for financial assets and liabilities applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its annual audited financial statements as at and for the year ended 31 December 2010.

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Notes (continued)

7. Investments in Islamic financing instruments (continued)

7.1 Investments in Islamic financing instruments carried a range of effective profit rate of 0.35% to 10.8% (31 December 2010: 0.20% to 13.5%) per annum.

7.2 Murabaha financing transactions are reported net of deferred profit of AED 114.29 million (31 December 2010: AED 99.79 million)

7.3 Provision for impairment losses

	(Reviewed) 30 Sep 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Movement in provision for impairment losses		
Balance at 1 January	12,739	7,650
Provided during the period / year	11,780	5,124
	-----	-----
Net provision for impairment losses	24,519	12,774
Written-off during the period / year	(35)	(35)
	-----	-----
	24,484	12,739
	=====	=====

8. Investment securities

	(Reviewed) 30 Sep 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Sukuk - Available for sale	198,397	39,234
Sukuk - Held to maturity (note 8.1)	135,917	129,805
Shares - IPO	24,799	-
	-----	-----
	359,113	169,039
	=====	=====

8.1 At 30 September 2011 the market value of the Sukuks held to maturity at the quoted market price was AED 137.1 million (31 December 2010: AED 131.3 million) and the Bank expects to recover cash flows of AED 145.2 million (31 December 2010: AED 145.2 million) from the redemption of the investment securities on their respective maturities. The sukuku carried an effective profit rate of 8.7% (31 December 2010: 13.2%) per annum. The sukuku are issued by institutions based in the UAE, which were rated 'A2', 'A3', 'B3', 'B2', 'Baa3' and 'B1' by Moody's.

8.2 The counterparty dispersion of the investment portfolio is set out below:

	(Reviewed) 30 Sep 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Public Sector	264,253	141,406
Banks and financial institutions	70,061	27,633
Others	24,799	-
	-----	-----
	359,113	169,039
	=====	=====

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Notes (continued)

13. Share capital

	(Reviewed) 30 Sep 2011 AED'000	(Audited) 31 Dec 2010 AED'000
<i>Authorized, issued and fully paid:</i>		
1,000,000,000 (31 December 2010: 1,000,000,000) shares of AED 1 each	1,000,000	1,000,000

14. Income from investments in Islamic financing instruments

	(Reviewed) Three month period ended 30 Sep 2011 AED'000	(Reviewed) Three month period ended 30 Sep 2010 AED'000	(Reviewed) Nine month period ended 30 Sep 2011 AED'000	(Reviewed) Nine month period ended 30 Sep 2010 AED'000
Income from Wakala deposits with banks	10,111	13,198	34,435	31,288
Income from Murabaha financing transactions	20,327	11,007	58,144	26,215
Income from Ijarah financing	12,051	7,765	32,880	17,667
Income from Mudaraba financing	6,980	-	13,079	-
Income from Musharaka financing	1,525	1,242	4,899	3,081
	50,994	33,212	143,437	78,251

15. Staff costs

	(Reviewed) Three month period ended 30 Sep 2011 AED'000	(Reviewed) Three month period ended 30 Sep 2010 AED'000	(Reviewed) Nine month period ended 30 Sep 2011 AED'000	(Reviewed) Nine month period ended 30 Sep 2010 AED'000
Salaries and allowances	20,013	18,780	60,011	55,034
Other staff related cost	4,922	821	13,882	4,211
	24,935	19,601	73,893	59,245

16. General and administrative expenses

	(Reviewed) Three month period ended 30 Sep 2011 AED'000	(Reviewed) Three month period ended 30 Sep 2010 AED'000	(Reviewed) Nine month period ended 30 Sep 2011 AED'000	(Reviewed) Nine month period ended 30 Sep 2010 AED'000
Rental expenses	3,547	3,617	10,681	10,478
Marketing, design and product development	2,164	1,423	6,654	3,620
Software license	1,097	493	3,188	1,427
Security services including cash in transit services	544	287	2,022	1,263
Consultancy expenses	15	160	731	1,228
Others	2,951	1,995	9,466	6,765
	10,318	7,975	32,742	24,781

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Notes (continued)

18. Related parties (continued)

Transactions (continued)

Nine month period ended	30 Sep 2011 (Reviewed)			30 Sep 2010 (Reviewed)		
	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
Depositor's share of profit	5,732	9,154	14,886	2,201	2,227	4,428
Income from investment in Islamic financing instruments	-	25,298	25,298	-	9,131	9,131
Rental expenses	-	2,001	2,001	-	3,416	3,416
Remuneration to key Management personnel	-	13,961	13,961	-	13,327	13,327

The Government related entities are independently operated business entities, and all financial dealings with the Bank are on an arms-length basis.

The Bank has also entered into transactions with certain other related parties who are non Government related entities. Such transactions were also made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

19. Contingencies and commitments

Capital commitments

At 30 September 2011, the Bank had outstanding capital commitments of AED 2.58 million (31 December 2010: AED 3.80 million), which will be funded within the next one year.

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.

At 30 September 2011, the Bank had the following credit related commitments and contingent liabilities:

	(Reviewed) 30 Sep 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Commitments to extend credit	501,467	287,854
Letters of credit	150,564	65,009
Letters of guarantee	62,111	32,088
	<u>714,142</u>	<u>384,951</u>

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Notes *(continued)*

21. Comparatives

Certain comparative have been reclassified to conform to the presentation adopted in these condensed interim financial statements.