

Ajman Bank PJSC

CONDENSED INTERIM FINANCIAL INFORMATION

**FOR THE NINE MONTH PERIOD ENDED
30 SEPTEMBER 2023**

Ajman Bank PJSC

Contents	<u>Pages</u>
Report on review of condensed interim financial information	1
Condensed interim statement of financial position (unaudited)	2
Condensed interim income statement (unaudited)	3
Condensed interim statement of other comprehensive income (unaudited)	4
Condensed interim statement of changes in equity (unaudited)	5
Condensed interim statement of cash flows (unaudited)	6
Notes to the condensed interim financial information	7 - 32



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

Introduction

We have reviewed the accompanying condensed interim financial information of Ajman Bank PJSC (the “Bank”), which comprise the interim statement of financial position as at 30 September 2023, and the related interim income statement and statement of comprehensive income for the three month and nine month period then ended, and the related interim statement of cash flows and interim statement of changes in equity for the nine month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this condensed 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 IAS 34.

For Ernst & Young

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

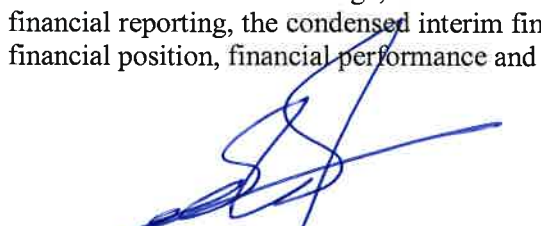
9 November 2023

Dubai, United Arab Emirates

Condensed interim statement of financial position (unaudited)
As at 30 September 2023

		30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
	Notes		
ASSETS			
Cash and balances with the Central Bank	6	3,323,667	2,176,800
Due from banks and other financial institutions		2,530,168	1,990,329
Islamic financing and investing assets, net	7	14,639,500	12,634,118
Islamic investment securities at amortised cost	8	260,881	116,039
Islamic investment securities at fair value	9	2,564,948	2,305,409
Investment in associates	10	-	88,703
Investment properties		385,489	381,064
Property and equipment		125,256	127,081
Other Islamic assets	11	1,376,843	1,290,820
Total assets		25,206,752	21,110,363
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	12	19,576,301	16,331,976
Due to banks and other financial institutions		2,017,817	1,991,773
Other liabilities	13	623,939	271,537
Total liabilities		22,218,057	18,595,286
Equity			
Share capital	14	2,723,500	2,100,000
Statutory reserve		286,331	286,331
Investment fair value reserve		(326,368)	(334,393)
General impairment reserve	15	102,065	105,810
Retained earnings		203,167	357,329
Total equity		2,988,695	2,515,077
TOTAL LIABILITIES AND EQUITY		25,206,752	21,110,363

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


H.E. Sheikh Ammar Bin Humaid Al Nuaimi
Chairman


Mustafa Al Khalfawi
Chief Executive Officer

**Condensed interim income statement (unaudited)
for the nine month period ended 30 September 2023**

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Operating income					
Income from Islamic financing and investing assets	16	297,870	185,210	878,694	454,914
Income from Islamic investment securities		31,842	21,735	90,335	60,710
Fees, commissions and other income		44,226	38,787	133,954	118,527
Total operating income before depositors' share of profits		373,938	245,732	1,102,983	634,151
Depositors' share of profits		(180,213)	(76,277)	(487,992)	(191,492)
Net operating income		193,725	169,455	614,991	442,659
Expenses					
Staff costs		(58,164)	(58,103)	(180,232)	(173,086)
General and administrative expenses		(26,961)	(22,177)	(74,127)	(58,814)
Depreciation of property and equipment		(6,498)	(7,066)	(22,221)	(20,302)
Provision for expected credit losses on financial assets	22.4	(219,271)	(44,419)	(274,746)	(77,845)
Impairment of associates	10	(63,503)	-	(88,703)	-
Impairment loss on non-financial assets	11	(8,975)	-	(62,275)	-
Total expenses		(383,372)	(131,765)	(702,304)	(330,047)
(Loss)/profit for the period		(189,647)	37,690	(87,313)	112,612
Basic and diluted (loss)/earnings per share (AED)	17	(0.073)	0.015	(0.035)	0.046

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

**Condensed interim statement of other comprehensive income (unaudited)
for the nine month period ended 30 September 2023**

	Three month period ended 30 September		Nine month period ended 30 September	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
(Loss)/profit for the period	(189,647)	37,690	(87,313)	112,612
Other comprehensive income/(loss):				
<i>Items that will not be reclassified subsequently to income statement</i>				
Fair value gain on equity securities at FVTOCI	5,548	7,707	20,688	6,542
	5,548	7,707	20,688	6,542
<i>Items that may be reclassified subsequently to income statement</i>				
Fair value loss on Sukuk investment securities at FVTOCI	(21,771)	(64,513)	(8,787)	(259,522)
Reclassification to the income statement	(760)	(37)	1,515	12,686
	(22,531)	(64,550)	(7,272)	(246,836)
Other comprehensive (loss)/income	(16,983)	(56,843)	13,416	(240,294)
Total comprehensive loss for the period	(206,630)	(19,153)	(73,897)	(127,682)

**Condensed interim statement of changes in equity (unaudited)
for the nine month period ended 30 September 2023**

	Share capital AED'000	Statutory reserve AED'000	Investment fair value reserve AED'000	General impairment reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2022 (audited)	2,100,000	270,124	(51,930)	112,364	204,064	2,634,622
Profit for the period	-	-	-	-	112,612	112,612
Other comprehensive loss	-	-	(240,294)	-	-	(240,294)
Total comprehensive (loss)/ income for the period	-	-	(240,294)	-	112,612	(127,682)
Transfer on disposal of equity instruments at FVTOCI	-	-	(802)	-	802	-
Transfer to impairment reserve (Note 15)	-	-	-	9,237	(9,237)	-
At 30 September 2022 (unaudited)	2,100,000	270,124	(293,026)	121,601	308,241	2,506,940
At 1 January 2023 (audited)	2,100,000	286,331	(334,393)	105,810	357,329	2,515,077
Loss for the period	-	-	-	-	(87,313)	(87,313)
Other comprehensive income	-	-	13,416	-	-	13,416
Total comprehensive income/(loss) for the period	-	-	13,416	-	(87,313)	(73,897)
Issuance of share capital (Note 14)	550,000	-	-	-	-	550,000
Issuance cost of share capital (Note 14)	-	-	-	-	(2,485)	(2,485)
Issuance of stock dividends (Note 14)	73,500	-	-	-	(73,500)	-
Transfer on disposal of equity instruments at FVTOCI	-	-	(5,391)	-	5,391	-
Transfer from general impairment reserve (Note 15)	-	-	-	(3,745)	3,745	-
At 30 September 2023 (unaudited)	2,723,500	286,331	(326,368)	102,065	203,167	2,988,695

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

**Condensed interim statement of cash flows (unaudited)
for the nine month period ended 30 September 2023**

	Nine month period ended 30 September	
	2023 AED'000	2022 AED'000
Cash flows from operating activities		
(Loss)/profit for the period	(87,313)	112,612
<i>Adjustments for:</i>		
Depreciation of property and equipment	22,221	20,302
Amortisation of discount on Islamic investment securities at amortised cost	(84)	-
Credit loss expenses on financial assets	274,746	77,845
Income from Islamic investment securities	(84,918)	(66,404)
Impairment of property and equipment	446	-
Impairment charge for non-financial assets	62,275	-
Realized (gain)/loss on disposal of Islamic investment securities	(5,333)	8,270
Impairment of associates	88,703	-
(Gain)/loss on disposal of property and equipment	(7,129)	109
Operating cash flows before changes in operating assets and liabilities	263,614	152,734
<i>Changes in operating assets and liabilities:</i>		
Islamic financing and investing assets	(2,130,372)	1,714,153
Due from banks and other financial institutions	(638,057)	(681,640)
Statutory deposit with the Central Bank	(277,570)	(96,771)
International Murabaha with the Central Bank	(120,000)	(320,000)
Other assets	(151,041)	(135,733)
Islamic customers' deposits	3,244,325	791,718
Due to banks and other financial institutions	26,044	(2,442,218)
Other liabilities	209,072	5,145
Net cash generated from/(used in) operating activities	426,015	(1,012,612)
Cash flows from investing activities		
Purchase of Islamic investment securities	(503,281)	(733,194)
Proceeds from sale of Islamic investment securities	104,763	679,924
Purchase of property and equipment	(24,015)	(24,167)
Proceeds from disposal of property and equipment	10,302	51
Profit income on Islamic investment securities	92,816	70,433
Additions to investment properties	(4,425)	(10,005)
Net cash used in investing activities	(323,840)	(16,958)
Cash flows from financing activities		
Issuance of share capital	550,000	-
Issuance cost of share capital	(2,485)	-
Net cash generated from financing activities	547,515	-
Net increase/(decrease) in cash and cash equivalents	649,690	(1,029,570)
Cash and cash equivalents at 1 January	1,125,897	2,158,436
Cash and cash equivalents at 30 September (Note 6)	1,775,587	1,128,866

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

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)****1. Legal status and activities**

Ajman Bank PJSC (the “Bank”) is registered as a Public Joint Stock Company listed on Dubai Financial Market. The registered address of the Bank is P.O. Box 7770, Ajman, United Arab Emirates (“UAE”). The Bank was legally incorporated on 17 April 2008 and was registered with the Securities and Commodities Authority (“SCA”) on 12 June 2008 and obtained a license from the Central Bank of the UAE to operate as a Head Office on 14 June 2008. On 1 December 2008, the Bank obtained a branch banking license from UAE Central Bank and commenced its operations on 22 December 2008.

In addition to its Head office in Ajman, the Bank operates through nine branches and three pay offices in the UAE. The financial statements combine the activities of the Bank’s head office and its branches.

The principal activities of the Bank are to undertake banking, financing and investing activities through various Islamic financing and investment products such as Murabaha, Mudaraba, 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.

2. Application of new and revised International Financial Reporting Standards (“IFRS”)***New and revised IFRS applied with no material effect on the condensed interim financial information***

The accounting policies adopted in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Bank’s annual financial statements for the year ended 31 December 2022, except for the adoption of the new standards effective as of 1 January 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed financial information of the Bank.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)**

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

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Bank’s condensed interim financial information, but are expected to affect the accounting policy disclosures in the Bank’s annual financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

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

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 interim financial information.

3.1 Basis of preparation

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

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

The accounting policies used in the preparation of these condensed interim financial information are consistent with those used in the audited annual financial statements for the year ended 31 December 2022.

These condensed interim financial information do not include all the information and disclosures required in full financial statements and should be read in conjunction with the Bank’s financial statements for the year ended 31 December 2022. In addition, results for the period from 1 January 2023 to 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)**

3. Summary of significant accounting policies (continued)

3.2 Financial risk management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2022.

3.3 Seasonality of results

No income of a seasonal nature was recorded in the condensed interim income statement for the nine month periods ended 30 September 2023 and 30 September 2022.

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

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

In preparing these condensed interim financial information, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2022.

5. Classification of financial assets and liabilities

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

	At fair value AED'000	Amortised cost AED'000	Total AED'000
At 30 September 2023 (unaudited)			
Financial assets			
Cash and balances with the Central Bank	-	3,323,667	3,323,667
Due from banks and other financial institutions	-	2,530,168	2,530,168
Islamic financing and investing assets, net	-	14,639,500	14,639,500
Islamic investment securities at amortised cost	-	260,881	260,881
Islamic investment securities at fair value	2,564,948	-	2,564,948
Other Islamic assets	-	911,212	911,212
Total	2,564,948	21,665,428	24,230,376
Financial liabilities			
Islamic customers' deposits	-	19,576,301	19,576,301
Due to banks and other financial institutions	-	2,017,817	2,017,817
Other liabilities	2,609	523,099	525,708
Total	2,609	22,117,217	22,119,826

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)**

5. Classification of financial assets and liabilities (continued)

	At fair value AED'000	Amortised cost AED'000	Total AED'000
31 December 2022 (audited)			
Financial assets			
Cash and balances with the Central Banks	-	2,176,800	2,176,800
Due from banks and other financial institutions	-	1,990,329	1,990,329
Islamic financing and investing assets, net	-	12,634,118	12,634,118
Islamic investment securities at amortised cost	-	116,039	116,039
Islamic investment securities at fair value	2,305,409	-	2,305,409
Other Islamic assets	19	830,826	830,845
Total	2,305,428	17,748,112	20,053,540
Financial liabilities			
Islamic customers' deposits	-	16,331,976	16,331,976
Due to banks and other financial institutions	-	1,991,773	1,991,773
Other liabilities	9	183,684	183,693
Total	9	18,507,433	18,507,442

6. Cash and balances with the Central Bank

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Cash on hand	123,903	142,066
Balances with the Central Bank:		
Current accounts	364,701	137,241
Reserve requirements with the Central Bank	755,063	477,493
International Murabaha with the Central Bank	2,080,000	1,420,000
Total	3,323,667	2,176,800

The reserve requirements kept with the Central Bank are not available for use in the Bank's day to day operations and cannot be withdrawn without the approval of the Central Bank. The level of reserve required changes periodically in accordance with the directives of the Central Bank.

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (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:

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)	30 September 2022 AED'000 (unaudited)
Cash and balances with the Central Bank	3,323,667	2,176,800	1,745,771
Due from banks and other financial institutions (original maturity less than three months)	306,983	406,590	228,664
	3,630,650	2,583,390	1,974,435
Less: Statutory reserve with the Central Bank	(755,063)	(477,493)	(525,569)
Less: International Murabaha with the Central Bank (original maturity more than three months)	(1,100,000)	(980,000)	(320,000)
Cash and cash equivalents	1,775,587	1,125,897	1,128,866

7. Islamic financing and investing assets, net

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Islamic financing assets		
Vehicles Murabaha	42,475	81,381
Commodities Murabaha	6,133,420	4,519,240
Total Murabaha	6,175,895	4,600,621
Ijarahs	8,986,062	8,609,685
Istisna'a	729	3,092
Islamic credit cards	42,321	27,011
	15,205,007	13,240,409
Deferred income	(716,842)	(694,563)
Total Islamic financing assets	14,488,165	12,545,846
Islamic investing assets		
Wakalat	769,859	579,953
Total Islamic investing assets	769,859	579,953
Total Islamic financing and investing assets	15,258,024	13,125,799
Less: Impairment loss allowance (Note 22.1)	(618,524)	(491,681)
Total Islamic financing and investing assets, net	14,639,500	12,634,118

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)**

8. Islamic investment securities at amortised cost

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Sukuk instruments	265,445	118,920
Less: Impairment loss allowance (Note 22.1)	(4,564)	(2,881)
	<u>260,881</u>	<u>116,039</u>

9. Islamic investment securities at fair value

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Islamic investments securities at FVTOCI		
Sukuk instruments	2,321,561	2,072,977
Equity instruments	221,719	232,432
	<u>2,543,280</u>	<u>2,305,409</u>
Islamic investments securities at FVTPL		
Equity instruments	21,668	-
	<u>2,564,948</u>	<u>2,305,409</u>

10. Investment in associates

Information about the associates and the nature of the investment is shown below:

Name	Nature of Business	Country of Incorporation	% Interest held	Measurement method
Makaseb Real Estate Investment SPV Limited	Real Estate Investments	United Arab Emirates	54%	Equity
Makaseb 3 Real Estate Investment SPV Limited	Real Estate Investments	United Arab Emirates	44%	Equity

Movement in investment in associates is as follows:

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
At beginning of the period/year	88,703	177,313
Impairment loss during the period/year	(88,703)	(88,610)
	<u>-</u>	<u>88,703</u>

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)**

11. Other Islamic assets

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Accrued income on Islamic financing and investing assets	138,562	81,359
Accrued income on Islamic investment securities	30,976	19,403
Prepaid expenses	15,522	5,708
Staff advances	16,115	13,960
Acceptances (Note 13)	-	2,540
Foreign currency forward contracts	-	19
Assets acquired in settlement of Islamic financing and investing assets (*)	363,807	429,782
Financial assets acquired in settlement of Islamic financing and investing assets (**)	644,383	644,383
Rent receivable	49,208	45,910
Other	139,919	66,949
	1,398,492	1,310,013
Less: Impairment loss allowance (Note 22.1)	(21,649)	(19,193)
	1,376,843	1,290,820

(*) Assets acquired in settlement of Islamic financing and investing assets include properties with a carrying value of AED 418.4 million which are beneficially held by the Bank but the title deed of these properties is not yet transferred in the Bank's name (Note 19). The fair value of these assets amounted to AED 355.4 million; accordingly, the Bank booked an impairment loss of AED 63 million against these assets during the nine month period ended 30 September 2023.

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

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)**

12. Islamic customers' deposits

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Current accounts	5,428,976	4,038,007
Mudaraba deposits:		
<i>Savings accounts</i>	395,952	358,124
<i>Term deposits</i>	30,344	22,468
	<u>5,855,272</u>	<u>4,418,599</u>
Wakala deposits	13,307,539	11,493,360
Escrow accounts	347,695	337,179
Margin accounts	65,795	82,838
	<u>19,576,301</u>	<u>16,331,976</u>

13. Other liabilities

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	309,419	115,665
Provisions for staff salaries and benefits	26,475	35,398
Managers' cheques	39,332	43,314
Acceptances (Note 11)	-	2,540
Lease liability	9,916	8,196
Impairment loss allowance on financial commitments and guarantees (Note 22.1)	156,185	12,855
Other	82,612	53,569
	<u>623,939</u>	<u>271,537</u>

14. Share capital

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
<i>Issued and fully paid:</i>		
2,723,500,000 shares (31 December 2022: 2,100,000,000 shares) of AED 1 each	2,723,500	2,100,000
	<u>2,723,500</u>	<u>2,100,000</u>

The annual general meeting of the shareholders in its meeting held on 19 April 2023 approved to distribute dividends in the form of bonus shares of 3.5% of the Bank's current paid-up capital by issuing 73,500,000 bonus shares amounting to AED 73,500,000. Further, AED 2.5 million (31 December 2022: AED 1.5 million) as directors' remuneration was also approved.

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)**

14. Share capital (continued)

In addition, the general assembly of the shareholders in its meeting held on 13 June 2023 resolved to increase the Bank's issued share capital from AED 2,173,500,000 to AED 2,723,500,000 by way of a rights issue of 550,000,000 shares at an issue price of AED 1 per new share, which is equal to the nominal value of the Bank's ordinary shares. The Bank completed the process of issuing 550,000,000 shares for AED 550,000,000 and the dealing in the new shares on Dubai Financial Market commenced on 16 August 2023. Issuance costs in relation to the new shares amounting to AED 2.5 million were incurred and recorded as an equity transaction.

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		Nine month period ended	
	30-Sep		30-Sep	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income from Ijarah	151,284	113,297	476,003	268,287
Income from Murabaha	122,515	63,584	327,150	166,609
Income from Wakala	24,052	8,305	75,454	19,951
Income from Istisna	19	24	87	67
	<u>297,870</u>	<u>185,210</u>	<u>878,694</u>	<u>454,914</u>

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)**

17. Basic and diluted earnings per share

Earnings per share are computed by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	Three month period ended 30 September		Nine month period ended 30 September	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<i>Basic (loss)/earnings per share</i>				
(Loss)/profit for the period (AED'000)	(189,647)	37,690	(87,313)	112,612
Weighted average number of shares outstanding at 1 July/1 January (in thousands)	2,173,500	2,100,000	2,100,000	2,100,000
Effect of bonus shares issued in 2023 (in thousands)	-	73,500	73,500	73,500
Effect of rights issue of shares (in thousands)				
Bonus element	-	275,761	-	275,761
New shares issued	430,766	-	327,997	-
Weighted average number of shares outstanding at 30 September (in thousands)	2,604,266	2,449,261	2,501,497	2,449,261
Basic and diluted (loss)/earnings per share (AED)	(0.073)	0.015	(0.035)	0.046

There were no potentially dilutive shares as at 30 September 2023 and 30 September 2022.

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)**

18. Related parties transactions

- (a) Certain “related parties” (such as directors, key management personnel and major shareholders of the Bank and companies of which they are principal owners) are customers of the Bank in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties.
- (b) The Bank is controlled by Ajman Government which owns 26% (31 December 2022: 26%) of the issued and paid capital.

The significant transactions with related parties are shown below:

	Nine month period ended					
	30 September 2023 (unaudited)			30 September 2022 (unaudited)		
	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000
Depositors' share of profits	135,492	3,744	139,236	80,248	500	80,748
Income from Islamic financing and investing assets	4,511	10,639	15,150	9,408	14,539	23,947

The significant balances with related parties at the reporting date are shown below:

	30 September 2023 (unaudited)			31 December 2022 (audited)		
	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000
Islamic financing and investing assets	234,453	545,777	780,230	255,764	539,744	795,508
Islamic customers' deposits	5,270,463	178,333	5,448,796	4,644,762	113,859	4,758,621

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)**

18. Related parties transactions (continued)

Compensation of key management personnel

Key management compensation is as shown below:

	Nine month period ended 30 September	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Short term employment benefits	6,582	6,393
Terminal benefits	426	305
	7,008	6,698

19. Contingencies and commitments

Capital commitments

At 30 September 2023, the Bank had outstanding capital commitments of AED 44 million (31 December 2022: AED 49 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 September	31 December
	2023	2022
	AED'000	AED'000
	(unaudited)	(audited)
Investment commitments	161,893	161,893
Commitments to extend credit	-	12,244
Letters of credit	127,134	116,616
Letters of guarantee	367,558	300,500
	656,585	591,253

Legal claims

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

**Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023 (continued)****19. Contingencies and commitments (continued)***Legal claims (continued)*

During previous years, the Bank signed settlement agreements with a customer wherein both parties agreed that the Bank acquires the assets of the customer in settlement of the financial obligation. The carrying value of the properties recorded under “Assets acquired in settlement of Islamic financing and investing assets” was AED 418.4 million while the fair value of these properties amounted to AED 355.4 million. Accordingly, the Bank booked an impairment loss of AED 63 million against these properties during the nine-month period ended 30 September 2023 (Note 11). The Bank had a first-degree mortgage over the properties; however, the transfer of the title deed of the mortgaged properties in the Bank’s name in accordance with provisions of the settlement agreements with the Bank’s customer could not be completed due to some attachments and claims on such properties enforced by Dubai Courts in different cases filed by third parties against the Bank and the Bank’s customer.

The Dubai Court of First Instance judgement indicated that the third party shall have a claim to the properties under dispute in the limit of AED 250 million, in addition to interest and legal charges. On 20 July 2023, the Dubai Court of Appeal confirmed the judgment of the Dubai Court of First Instance. The Bank has filed an appeal before the Dubai Court of Cassation demanding revocation of the previous judgments.

The Bank has been advised by its legal counsel that it is probable that the legal action before the Dubai Court of Cassation will succeed, and the outcome will be successful. Accordingly, no provision for any liability or impairment has been made in these financial statements, except as provided for in Note 11.

20. Segment analysis

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

- (i) Consumer banking – comprising personal banking and priority banking where various products are offered 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 investment solutions, wealth management and leasing of commercial and residential properties; and
- (iv) Treasury - incorporating activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the Central Bank of the UAE.

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

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

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

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

20. Segment analysis (continued)

Segment results of operations

The segment information provided to the Board of Directors 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
Nine month period ended 30 September 2023 (unaudited)						
Net income from Islamic financing and investing assets	158,071	305,874	(73,243)	-	-	390,702
Income from Islamic investment securities	-	14,657	75,678	-	-	90,335
Impairment of investment in associates	-	(88,703)	-	-	-	(88,703)
Provision for expected credit losses on financial assets	(11,633)	(257,566)	(5,547)	-	-	(274,746)
Impairment loss on non-financial assets	-	(62,275)	-	-	-	(62,275)
Fees, commissions and other income/(expense)	40,856	61,981	31,778	-	(661)	133,954
Staff costs	(116,167)	(43,995)	(20,070)	-	-	(180,232)
General and administrative expenses and depreciation of property and equipment	(73,958)	(17,253)	(5,137)	-	-	(96,348)
Operating (loss)/profit (unaudited)	(2,831)	(87,280)	3,459	-	(661)	(87,313)
Nine month period ended 30 September 2022 (unaudited)						
Net income from Islamic financing and investing assets	100,526	193,202	(34,729)	4,423	-	263,422
Income from Islamic investment securities	-	-	52,116	8,594	-	60,710
Provision for expected credit losses on financial assets	(142)	(69,963)	(4,966)	(2,774)	-	(77,845)
Fees, commissions and other income/(expense)	24,656	23,571	17,916	56,737	(4,353)	118,527
Staff costs	(37,564)	(12,621)	(1,341)	(1,714)	(119,846)	(173,086)
General and administrative expenses and depreciation of property and equipment	(30,169)	(6,825)	(1,192)	(6,612)	(34,318)	(79,116)
Operating profit/(loss) (unaudited)	57,307	127,364	27,804	58,654	(158,517)	112,612

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

20. 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 30 September 2023						
Segment assets (unaudited)	3,197,958	15,559,132	4,658,552	-	1,791,110	25,206,752
Segment liabilities (unaudited)	6,121,912	14,413,129	1,132,588	-	550,428	22,218,057
As at 31 December 2022						
Segment assets (audited)	3,029,670	11,376,399	3,772,131	1,766,980	1,165,183	21,110,363
Segment liabilities (audited)	5,562,341	10,914,199	1,804,079	-	314,667	18,595,286

(*) During the period ended 30 September 2023, Investment banking segment is merged with corporate banking for operating purposes. Also, all the indirect costs are allocated to business segments.

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

21. Capital management

The Bank's capital management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2022.

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 the reporting period under Basel III is as follows:

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Tier 1 capital		
Share capital	2,723,500	2,100,000
Reserves	113,438	276,130
	<hr/> 2,836,938	<hr/> 2,376,130
Tier 2 capital		
General provision and fair value reserve	221,379	191,168
	<hr/> 3,058,317	<hr/> 2,567,298
Risk weighted assets		
Credit risk	17,710,300	15,293,420
Market risk	92,393	42,813
Operational risk	1,197,031	1,136,484
	<hr/> 18,999,724	<hr/> 16,472,717

	Minimum requirement	Capital ratios 30 September 2023 (unaudited)	Capital ratios 31 December 2022 (audited)
Capital element			
Common equity tier 1 (CET 1) ratio	7%	14.93%	14.42%
Tier 1 capital ratio	8.5%	14.93%	14.42%
Capital adequacy ratio	10.5%	16.10%	15.59%
CET1 available for the buffer requirement	2.5%	5.60%	5.09%

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

22. Risk Management

22.1 Summarised information of the Bank's credit risk exposure per class of financial asset (subject to impairment) is provided in the following table:

	30 September 2023			31 December 2022		
	Gross carrying amount AED '000 (unaudited)	ECL allowance AED '000 (unaudited)	Carrying amount AED '000 (unaudited)	Gross carrying amount AED '000 (audited)	ECL allowance AED '000 (audited)	Carrying amount AED '000 (audited)
Balances with the Central Bank						
Stage 1	3,199,764	-	3,199,764	2,034,734	-	2,034,734
Due from banks and other financial institutions						
Stage 1	2,534,543	(4,375)	2,530,168	1,996,093	(5,764)	1,990,329
Islamic financing and investing assets						
Stage 1	9,903,984	(39,218)	9,864,766	7,307,578	(26,115)	7,281,463
Stage 2	3,202,417	(104,030)	3,098,387	3,615,644	(80,805)	3,534,839
Stage 3	2,151,623	(475,276)	1,676,347	2,202,577	(384,761)	1,817,816
	15,258,024	(618,524)	14,639,500	13,125,799	(491,681)	12,634,118
Islamic investment securities at amortised cost						
Stage 1	265,445	(4,564)	260,881	118,920	(2,881)	116,039
Sukuk instruments at FVTOCI						
Stage 1	2,329,581	(8,020)	2,321,561	2,077,608	(4,631)	2,072,977
Stage 3	-	-	-	54,506	(54,506)	-
	2,329,581	(8,020)	2,321,561	2,132,114	(59,137)	2,072,977
Other Islamic financial assets						
Stage 1	898,010	(10)	898,000	794,783	-	794,783
Stage 2	580	(212)	368	25,108	(3)	25,105
Stage 3	34,271	(21,427)	12,844	30,128	(19,190)	10,938
	932,861	(21,649)	911,212	850,019	(19,193)	830,826
Financial commitments and financial guarantees						
Stage 1	349,886	(554)	349,332	315,448	(626)	314,822
Stage 2	111,466	(2,605)	108,861	83,699	(2,766)	80,933
Stage 3	195,233	(153,026)	42,207	192,106	(9,463)	182,643
	656,585	(156,185)	500,400	591,253	(12,855)	578,398
	25,176,803	(813,317)	24,363,486	20,848,932	(591,511)	20,257,421

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

22. Risk Management (continued)

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

Balances with the Central Bank

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2022 (audited)	2,034,734	-	-	2,034,734
Change in exposure	1,165,030	-	-	1,165,030
As at 30 September 2023 (unaudited)	3,199,764	-	-	3,199,764

Due from banks and other financial institutions

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2022 (audited)	1,996,093	-	-	1,996,093
Change in exposure	226,310	-	-	226,310
New financial assets recognized	440,678	-	-	440,678
Financial assets derecognized	(128,538)	-	-	(128,538)
As at 30 September 2023 (unaudited)	2,534,543	-	-	2,534,543

Islamic financing and investing assets

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2022 (audited)	7,307,578	3,615,644	2,202,577	13,125,799
- Transfer to stage 1	616,321	(616,321)	-	-
- Transfer to stage 2	(476,813)	827,330	(350,517)	-
- Transfer to stage 3	(241,811)	(150,510)	392,321	-
Change in exposure	265,176	(137,604)	1,991	129,563
New financial assets recognized	2,723,953	2,284	198	2,726,435
Financial assets derecognized	(290,420)	(338,406)	(96,800)	(725,626)
Recoveries	-	-	1,853	1,853
As at 30 September 2023 (unaudited)	9,903,984	3,202,417	2,151,623	15,258,024

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

22. Risk Management (continued)

Islamic investment securities at amortised cost

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2022 (audited)	118,920	-	-	118,920
Change in exposure	178	-	-	178
New financial assets recognized	146,347	-	-	146,347
As at 30 September 2023 (unaudited)	265,445	-	-	265,445

Sukuk instruments at FVTOCI

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2022 (audited)	2,077,608	-	54,506	2,132,114
Change in exposure	214,960	-	-	214,960
New financial assets recognized	79,285	-	-	79,285
Financial assets derecognized	(42,272)	-	-	(42,272)
Write-offs	-	-	(54,506)	(54,506)
As at 30 September 2023 (unaudited)	2,329,581	-	-	2,329,581

Other Islamic financial assets

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2022 (audited)	794,783	25,108	30,128	850,019
Change in exposure	103,227	(24,758)	4,264	82,733
New financial assets recognized	-	230	166	396
Write-offs	-	-	(287)	(287)
As at 30 September 2023 (unaudited)	898,010	580	34,271	932,861

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

22. Risk Management (continued)

Financial commitments and financial guarantees

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2022 (audited)	315,448	83,699	30,213	429,360
- Transfer to stage 1	1,000	(1,000)	-	-
- Transfer to stage 2	-	256	(256)	-
- Transfer to stage 3	(4,132)	-	4,132	-
Change in exposure	22,683	(10,023)	(749)	11,911
New financial commitments and financial guarantees recognized	119,846	38,534	161,893	320,273
Financial commitments and financial guarantees derecognized	(104,959)	-	-	(104,959)
As at 30 September 2023 (unaudited)	349,886	111,466	195,233	656,585

22.3 The tables below analyse the movement of the ECL allowance during the period per class of financial assets:

Due from banks and other financial institutions

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2022 (audited)	5,764	-	-	5,764
Change in credit risk	(850)	-	-	(850)
New financial assets recognized	138	-	-	138
Financial assets derecognized	(677)	-	-	(677)
Loss allowance as at 30 September 2023 (unaudited)	4,375	-	-	4,375

Islamic financing and investing assets

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2022 (audited)	26,115	80,805	384,761	491,681
Changes in the loss allowance				
- Transfer to stage 1	8,987	(8,987)	-	-
- Transfer to stage 2	(1,685)	15,563	(13,878)	-
- Transfer to stage 3	(147)	(6,892)	7,039	-
Change in credit risk	(5,799)	5,076	103,536	102,813
New financial assets recognized	13,392	23,978	81	37,451
Financial assets derecognized	(1,645)	(5,513)	(6,263)	(13,421)
Loss allowance as at 30 September 2023 (unaudited)	39,218	104,030	475,276	618,524

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

22. Risk Management (continued)

Islamic investment securities at amortised cost

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2022 (audited)	2,881	-	-	2,881
Change in credit risk	(2,310)	-	-	(2,310)
New financial assets recognized	3,993	-	-	3,993
Loss allowance as at 30 September 2023 (unaudited)	4,564	-	-	4,564

Sukuk instruments at FVTOCI

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2022 (audited)	4,631	-	54,506	59,137
Change in credit risk	3,276	-	-	3,276
New financial assets recognized	113	-	-	113
Write-offs	-	-	(54,506)	(54,506)
Loss allowance as at 30 September 2023 (unaudited)	8,020	-	-	8,020

Other Islamic financial assets

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2022 (audited)	-	3	19,190	19,193
Change in credit risk	10	209	2,358	2,577
New financial assets recognized	-	-	166	166
Write-offs	-	-	(287)	(287)
Loss allowance as at 30 September 2023 (unaudited)	10	212	21,427	21,649

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

22. Risk Management (continued)

Financial commitments and financial guarantees

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2022 (audited)	626	2,766	9,463	12,855
Changes in the loss allowance				
- Transfer to stage 2	-	28	(28)	-
Change in credit risk	(8)	(444)	-	(452)
New financial commitments and financial guarantees recognized	3	255	143,591	143,849
Financial commitments and financial guarantees derecognized	(67)	-	-	(67)
Loss allowance as at 30 September 2023 (unaudited)	554	2,605	153,026	156,185

22.4 The below table represents the movement between the opening and closing balance of the impairment loss and the net charge in the income statement for the nine month period:

	Opening balance AED'000	Net charge during the period AED'000	Write-off, net of recoveries and other transfers AED'000	Closing balance AED'000	Net charge during the period ended 30 September 2022 AED'000
Due from banks and other financial institutions	5,764	(1,389)	-	4,375	2,709
Islamic financing and investing assets (Note 7)	491,681	124,990	1,853	618,524	61,705
Islamic investment securities at amortised cost (Note 8)	2,881	1,683	-	4,564	3,382
Islamic investment securities at fair value	59,137	3,389	(54,506)	8,020	4,316
Other Islamic financial assets (Note 11)	19,193	2,743	(287)	21,649	6,151
Financial commitments and financial guarantees (Note 13)	12,855	143,330	-	156,185	(418)
Total	591,511	274,746	(52,940)	813,317	77,845

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 information
for the nine month period ended 30 September 2023 (continued)****23. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of Islamic financial assets and Islamic financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other Islamic financial assets and Islamic financial liabilities (excluding Islamic derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of Islamic derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency Waad contracts are measured using quoted forward exchange rates and yield curves derived from quoted profit rates matching maturities of the contracts. Profit rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted profit rates.

Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

23. Fair value measurement (continued)

Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 September 2023 (Unaudited)				
Financial assets				
Islamic investment securities at FVTOCI				
Sukuk instruments	2,293,061	-	28,500	2,321,561
Equity instruments	145,382	-	76,337	221,719
Islamic investment securities at FVTPL				
Equity instruments	1,668	-	20,000	21,668
	<u>2,440,111</u>	<u>-</u>	<u>124,837</u>	<u>2,564,948</u>
Financial liabilities				
Negative fair value of Islamic derivative financial instruments*	2,609	-	-	2,609
	<u>2,609</u>	<u>-</u>	<u>-</u>	<u>2,609</u>
At 31 December 2022 (audited)				
Financial assets				
Islamic investment securities at FVTOCI				
Sukuk instruments	2,044,477	-	28,500	2,072,977
Equity instruments	135,694	-	96,738	232,432
Positive fair value of Islamic derivative financial instruments*	19	-	-	19
	<u>2,180,190</u>	<u>-</u>	<u>125,238</u>	<u>2,305,428</u>
Financial liabilities				
Negative fair value of Islamic derivative financial instruments*	9	-	-	9
	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>

* Notional amount of Islamic derivative financial instruments is AED 3.6 billion as on 30 September 2023 (31 December 2022: AED 1.44 billion).

There were no transfers between levels during the period.

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

23. Fair value measurement (continued)

Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

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

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
At beginning of the period/year	125,238	185,732
Purchases during the period/year	20,000	71,720
Fair valuation loss in other comprehensive income	-	(54,128)
Disposals during the period/year	(20,401)	(78,086)
Balance at the end of the period/year	124,837	125,238

- In respect of those financial assets and financial liabilities measured at amortised cost, which are of short term nature (up to 1 year), management believes that carrying amount is equivalent to its fair value.
- In respect of Islamic investment securities, management has used the quoted price when available to assess fair value or used a present value calculation (PVC) based on market observable inputs.
- Islamic financing and investing assets are fair valued based on PVC which takes into account original underlying cash financing credit grading and expected prepayments. These features are used to estimate the present value of the expected cash flows and using risk-adjusted rates. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted rate, and different assumptions and inputs would yield different results.
- Fair values of deposits from banks and customers are estimated using the PVC methodology, applying the applicable rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is considered to be the amount payable at the reporting date.

Fair value of the Bank's non-financial assets that are measured at fair value on a recurring basis

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 September 2023 (Unaudited)				
Non-financial assets				
Investment properties	-	-	385,489	385,489
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022 (audited)				
Non-financial assets				
Investment properties	-	-	381,064	381,064
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the condensed interim financial information
for the nine month period ended 30 September 2023 (continued)**

23. Fair value measurement (continued)

Fair value of the Bank's non-financial assets that are measured at fair value on a recurring basis (continued)

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

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
At beginning of the period/year	381,064	359,739
Addition during the period/year	4,425	11,881
Change in fair value during the period/year	-	9,444
Balance at the end of the period/year	385,489	381,064

24. Taxation

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

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

While a number of regulations with regards to the application of tax legislations have been recently published, clarifications in relation to certain aspects remain pending and the Bank will continue to monitor further developments and assess the impact of the corporate tax including any deferred taxes on the Bank.

25. Approval of condensed interim financial information

The condensed interim financial information were approved by the Board of Directors and authorized for issue on 9 November 2023.