

**Ajman Bank PJSC**

**Review report and  
interim financial information  
for the three month period ended  
31 March 2019**

## 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 statement of financial position of **Ajman Bank PJSC** (the "Bank"), as at 31 March 2019, and the related condensed income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

**Deloitte & Touche (M.E.)**

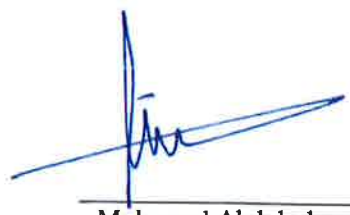


Musa Ramahi  
Registration No. 872  
Dubai  
United Arab Emirates  
29 April 2019

**Condensed statement of financial position  
As at 31 March 2019**

	Notes	31 March 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with the Central Bank	6	3,009,519	2,558,366
Due from banks and other financial institutions		671,235	761,711
Islamic financing and investing assets, net	7	16,514,445	16,304,026
Islamic investments securities at fair value	8	2,140,641	1,892,608
Investment properties	9	661,965	658,131
Property and equipment		120,196	120,822
Other Islamic assets	10	310,180	349,061
<b>Total assets</b>		<b>23,428,181</b>	<b>22,644,725</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Islamic customers' deposits	11	17,779,901	17,203,533
Due to banks and other financial institutions		2,890,903	2,648,722
Other liabilities	12	306,247	345,622
<b>Total liabilities</b>		<b>20,977,051</b>	<b>20,197,877</b>
<b>Equity</b>			
Share capital	13	2,100,000	2,100,000
Statutory reserve		244,728	244,728
Investment fair value reserve		(26,884)	(64,325)
General impairment reserve	14	7,419	-
Specific impairment reserve	15	51,780	-
Retained earnings		74,087	166,445
<b>Total equity</b>		<b>2,451,130</b>	<b>2,446,848</b>
<b>Total liabilities and equity</b>		<b>23,428,181</b>	<b>22,644,725</b>

  
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 financial statements.

**Condensed income statement (unaudited)  
for the three month period ended 31 March 2019**

	Notes	Three month period ended 31 March	
		2019 AED'000	2018 AED'000
<b>Operating income</b>			
Income from Islamic financing and investing assets	16	241,361	193,778
Income from Islamic investment securities at fair value		24,414	23,830
Fees, commissions and other income		44,646	29,061
<b>Total operating income before depositors' share of profit</b>		<b>310,421</b>	<b>246,669</b>
Depositors' share of profit		(156,344)	(104,661)
<b>Net operating income</b>		<b>154,077</b>	<b>142,008</b>
<b>Expenses</b>			
Staff costs		(58,191)	(52,531)
General and administrative expenses		(14,224)	(15,022)
Depreciation of property and equipment		(3,728)	(4,118)
Impairment charge for financial assets	17	(35,093)	(36,321)
<b>Total expenses</b>		<b>(111,236)</b>	<b>(107,992)</b>
<b>Profit for the period</b>		<b>42,841</b>	<b>34,016</b>
<b>Earnings per share (AED)</b>	18	<b>0.019</b>	<b>0.019</b>

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

**Condensed statement of other comprehensive income (unaudited)  
for the three month period ended 31 March 2019**

	<b>Three month period ended 31 March</b>	
	<b>2019 AED'000</b>	<b>2018 AED'000</b>
<b>Profit for the period</b>	<b>42,841</b>	<b>34,016</b>
<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>(9,180)</b>	-
	<b>(9,180)</b>	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value gain/(loss) on investment securities at FVTOCI – sukuk instruments	<b>48,035</b>	<b>(37,492)</b>
Reclassification adjustments relating to investment securities at FVTOCI	<b>(1,414)</b>	<b>1,340</b>
	<b>46,621</b>	<b>(36,152)</b>
<b>Other comprehensive income/(loss)</b>	<b>37,441</b>	<b>(36,152)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>80,282</b>	<b>(2,136)</b>

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

**Condensed statement of changes in equity  
for the three month period ended 31 March 2019**

	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 2018 (audited)	1,680,323	227,725	(65,206)	-	-	267,616	2,110,458
Impact of adopting IFRS 9 at 1 January 2018	-	-	42,960	-	-	(190,481)	(147,521)
Restated balance at 1 January 2018	1,680,323	227,725	(22,246)	-	-	77,135	1,962,937
Profit for the period	-	-	-	-	-	34,016	34,016
Other comprehensive loss	-	-	(36,152)	-	-	-	(36,152)
Total comprehensive loss for the period	-	-	(36,152)	-	-	34,016	(2,136)
Dividends (Note 13)	-	-	-	-	-	(58,811)	(58,811)
Directors' remuneration (Note 13)	-	-	-	-	-	(2,500)	(2,500)
<b>At 31 March 2018 (unaudited)</b>	<b>1,680,323</b>	<b>227,725</b>	<b>(58,398)</b>	<b>-</b>	<b>-</b>	<b>49,840</b>	<b>1,899,490</b>
At 1 January 2019 (audited)	2,100,000	244,728	(64,325)	-	-	166,445	2,446,848
Profit for the period	-	-	-	-	-	42,841	42,841
Other comprehensive income	-	-	37,441	-	-	-	37,441
Total comprehensive income for the period	-	-	37,441	-	-	42,841	80,282
Transfer to impairment reserve (Note 14 and 15)	-	-	-	7,419	51,780	(59,199)	-
Dividends (Note 13)	-	-	-	-	-	(73,500)	(73,500)
Directors' remuneration (Note 13)	-	-	-	-	-	(2,500)	(2,500)
<b>At 31 March 2019 (unaudited)</b>	<b>2,100,000</b>	<b>244,728</b>	<b>(26,884)</b>	<b>7,419</b>	<b>51,780</b>	<b>74,087</b>	<b>2,451,130</b>

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

**Condensed statement of cash flows (unaudited)  
for the three month period ended 31 March 2019**

	<b>Three month period ended 31 March</b>	
	<b>2019 AED'000</b>	<b>2018 AED'000</b>
<b>Cash flows from operating activities</b>		
Profit for the period	42,841	34,016
Adjustments for:		
Depreciation of property and equipment	3,728	4,118
Impairment charge for financial assets	35,093	36,321
Income from investment securities	(22,242)	(25,016)
Realized (gain)/loss on disposal of investment securities	(2,172)	1,186
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>57,248</b>	<b>50,625</b>
<i>Changes in operating assets and liabilities:</i>		
Increase in Islamic financing and investing assets	(247,334)	(907,720)
Increase in due from banks and other financial institutions	(945)	(78,332)
Increase in statutory deposit with the Central Bank	(57,665)	(42,125)
Decrease/(increase) in other Islamic assets	38,603	(33,000)
Increase in Islamic customers' deposits	576,368	1,041,384
Increase in due to banks and other financial institutions	242,181	211,754
(Decrease)/increase in other liabilities	(36,745)	8,499
<b>Net cash generated from operating activities</b>	<b>571,711</b>	<b>251,085</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(338,448)	(213,741)
Proceeds from sale of investment securities	126,977	84,366
Additions to investment properties	(3,834)	(12,410)
Profit income received on investment securities	24,535	22,708
Purchase of property and equipment	(3,102)	(15,358)
<b>Net cash used in investing activities</b>	<b>(193,872)</b>	<b>(134,435)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(73,500)	-
Payment of Directors' remunerations	(2,500)	(2,500)
<b>Net cash used in financing activities</b>	<b>(76,000)</b>	<b>(2,500)</b>
<b>Net increase in cash and cash equivalents</b>	<b>301,839</b>	<b>114,150</b>
Cash and cash equivalents at the beginning of the period	2,248,127	971,758
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<b>2,549,966</b>	<b>1,085,908</b>

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

## Notes to the condensed financial statements for the three months period ended 31 March 2019

### 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 office 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.

### 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 financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these condensed 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.

- Annual Improvements to IFRS Standards 2015 - 2017 Cycle amending IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.
- IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
  - Whether tax treatments should be considered collectively;
  - Assumptions for taxation authorities' examinations;
  - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
  - The effect of changes in facts and circumstances.
- IFRS 16 *Leases* specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
- Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
- Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendments to IAS 19 *Employee Benefits* regarding plan amendments, curtailments or settlements.



**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (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**

<b>New and revised IFRS</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the definition of material.	1 January 2020
Amendments to IFRS 3 <i>Business Combinations</i> to clarify the definition of a business	1 January 2020
<p>The International Accounting Standards Board (IASB) has published its revised 'Conceptual Framework for Financial Reporting'. Included are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure.</p> <p>Together with the revised Conceptual Framework, the IASB has also issued amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.</p>	
IFRS 17 <i>Insurance Contracts</i>	1 January 2022
<p>IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.</p>	
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) 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.
<p>Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's condensed financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the condensed financial statements of the Bank in the period of initial application.</p>	

**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)****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 financial statements.

**3.1 Basis of preparation**

The condensed 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 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 financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2018.

These condensed 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 financial statements for the year ended 31 December 2018. In addition, results for the period from 1 January 2019 to 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

**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 2018.

**3.3 Seasonality of results**

No income of a seasonal nature was recorded in the condensed statement of profit or loss for the three month period ended 31 March 2019 and 31 March 2018.

**3.4 Investment property**

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

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

**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)**

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

The preparation of condensed 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 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 financial statements for the year ended 31 December 2018, except for the change in business model assessment of certain financial assets explained in note 8.

**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 31 March 2019 (unaudited)</b>			
<b>Financial assets</b>			
Cash and balances with the Central Bank	-	3,009,519	3,009,519
Due from banks and other financial institutions	-	671,235	671,235
Islamic financing and investing assets, net	-	16,514,445	16,514,445
Islamic Investment securities at fair value	2,140,641	-	2,140,641
Other Islamic assets	161	162,204	162,365
<b>Total</b>	<b>2,140,802</b>	<b>20,357,403</b>	<b>22,498,205</b>
<b>Financial liabilities</b>			
Islamic customers' deposits	-	17,779,901	17,779,901
Due to banks and other financial institutions	-	2,890,903	2,890,903
Other liabilities	15	234,745	234,760
<b>Total</b>	<b>15</b>	<b>20,905,549</b>	<b>20,905,564</b>
<b>31 December 2018 (audited)</b>			
<b>Financial assets:</b>			
Cash and balances with the central banks	-	2,558,366	2,558,366
Due from banks and other financial institutions	-	761,711	761,711
Islamic financing and investing assets	-	16,304,026	16,304,026
Islamic investments securities at fair value	1,892,608	-	1,892,608
Other Islamic assets	-	144,337	144,337
<b>Total</b>	<b>1,892,608</b>	<b>19,768,440</b>	<b>21,661,048</b>
<b>Financial liabilities:</b>			
Islamic customers' deposits	-	17,203,533	17,203,533
Due to banks and other financial institutions	-	2,648,722	2,648,722
Other liabilities	1,209	181,189	182,398
<b>Total</b>	<b>1,209</b>	<b>20,033,444</b>	<b>20,034,653</b>

**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)**

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

	<b>31 March 2019 AED'000 (unaudited)</b>	31 December 2018 AED'000 (audited)
Cash on hand	76,925	87,443
Balances with the Central Bank:		
Current accounts	365,697	61,691
Reserve requirements with the Central Bank	666,897	609,232
International murabahat with the Central Bank	1,900,000	1,800,000
<b>Total</b>	<b>3,009,519</b>	<b>2,558,366</b>

Cash and cash equivalents included in the condensed statement of cash flows comprise of the following amounts:

	<b>31 March 2019 AED'000 (unaudited)</b>	31 March 2018 AED'000 (unaudited)
Cash and balances with the Central Bank	3,009,519	1,471,335
Due from banks and other financial institutions (original maturity less than three months)	207,344	200,751
	<b>3,216,863</b>	1,672,086
Less: Statutory reserve with the Central Bank	<b>(666,897)</b>	<b>(586,178)</b>
<b>Cash and cash equivalents</b>	<b>2,549,966</b>	<b>1,085,908</b>

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>31 March 2019 AED'000 (unaudited)</b>	31 December 2018 AED'000 (audited)
<b>Islamic financing assets</b>		
Vehicles murabahat	139,754	151,894
Commodities murabahat	6,789,929	6,853,468
<b>Total murabahat</b>	<b>6,929,683</b>	<b>7,005,362</b>
Ijarahs	9,687,259	9,267,637
Istisna'a	37,943	35,826
Islamic credit cards	38,253	39,400
	<b>16,693,138</b>	<b>16,348,225</b>
Deferred income	<b>(983,326)</b>	<b>(990,670)</b>
<b>Total Islamic financing assets</b>	<b>15,709,812</b>	<b>15,357,555</b>

**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)**

**7. Islamic financing and investing assets, net (continued)**

	<b>31 March 2019 AED'000 (unaudited)</b>	<b>31 December 2018 AED'000 (audited)</b>
<b>Islamic investing assets</b>		
Mudaraba	785,458	932,807
Wakalat	794,147	751,706
<b>Total Islamic investing assets</b>	<b>1,579,605</b>	<b>1,684,513</b>
<b>Total Islamic financing and investing assets</b>	<b>17,289,417</b>	<b>17,042,068</b>
Provisions for impairment (Note 17)	(774,972)	(738,042)
<b>Total Islamic financing and investing assets, net</b>	<b>16,514,445</b>	<b>16,304,026</b>

**8. Islamic investment securities at fair value**

	<b>31 March 2019 AED'000 (unaudited)</b>	<b>31 December 2018 AED'000 (audited)</b>
Investment securities measured at FVTPL	-	200,130
Investment securities measured at FVTOCI – sukuk instruments	1,945,441	1,692,478
Investment securities measured at FVTOCI – equity instruments	195,200	-
	<b>2,140,641</b>	<b>1,892,608</b>

At 1 January 2019, the Bank reclassified investment securities amounting to AED 200.1 million from FVTPL to FVTOCI as a result of a change in the Bank's business model for managing equity instruments. The Bank has made an irrevocable election, to present these equity instruments at FVTOCI and record any changes in fair value in other comprehensive income.

**Fair value hierarchy**

Islamic investment securities measured at fair value 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>31 March 2019 (unaudited)</b>				
<b>At FVTOCI</b>				
Sukuk instruments	1,911,013	-	34,428	1,945,441
Equity instruments	70,200	-	125,000	195,200
<b>Total</b>	<b>1,981,213</b>	<b>-</b>	<b>159,428</b>	<b>2,140,641</b>

**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)**

**8. Islamic investment securities at fair value (continued)**

**Fair value hierarchy (continued)**

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>31 December 2018 (audited)</b>				
<b>At FVTPL</b>				
Equity instruments	79,380	-	120,750	200,130
	<u>79,380</u>	<u>-</u>	<u>120,750</u>	<u>200,130</u>
<b>At FVTOCI</b>				
Sukuk instruments	1,658,050	-	34,428	1,692,478
	<u>1,658,050</u>	<u>-</u>	<u>34,428</u>	<u>1,692,478</u>
<b>Total</b>	<u><u>1,737,430</u></u>	<u><u>-</u></u>	<u><u>155,178</u></u>	<u><u>1,892,608</u></u>

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

**9. Investment properties**

Movement in investment properties is as follows:

	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
At beginning of the period/year	658,131	580,448
Additions during the period/year	3,834	43,088
Transfer from property and equipment	-	31,000
Increase in fair value during the period/ year	-	3,595
Balance at the end of the period/year	<u><u>661,965</u></u>	<u><u>658,131</u></u>

All of the Bank's investment properties are held under free hold interest and located in the U.A.E. The fair value of the Bank's investment properties as at 31 March 2019 is AED 662 million (31 December 2018: AED 658 million). The fair value is mainly based on unobservable market inputs (i.e. Level 3).

**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)**

**10. Other Islamic assets**

	<b>31 March 2019 AED'000 (unaudited)</b>	<b>31 December 2018 AED'000 (audited)</b>
Accrued income on Islamic financing and investing assets	107,115	110,621
Acceptances (Note 12)	3,684	102,678
Assets acquired in settlement of Islamic financing and investing assets	39,016	39,016
Accrued income on Islamic investments securities	27,575	21,940
Prepaid expenses	27,383	18,217
Staff advances (Soft finance)	13,705	12,212
Foreign currency forward contracts	161	-
Other	119,678	72,236
	<u>338,317</u>	<u>376,920</u>
Less: Impairment loss allowance	(28,137)	(27,859)
	<u><u>310,180</u></u>	<u><u>349,061</u></u>

**11. Islamic customers' deposits**

	<b>31 March 2019 AED'000 (unaudited)</b>	<b>31 December 2018 AED'000 (audited)</b>
Current accounts	3,336,217	2,686,661
<i>Mudarba deposits:</i>		
Savings accounts	234,547	202,408
Term deposits	74,064	60,209
	<u>3,644,828</u>	<u>2,949,278</u>
Wakala deposits	13,984,616	13,998,041
Escrow accounts	107,904	191,404
Margin accounts	42,553	64,810
	<u><u>17,779,901</u></u>	<u><u>17,203,533</u></u>



**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)**

**12. Other liabilities**

	<b>31 March 2019 AED'000 (unaudited)</b>	31 December 2018 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	200,492	152,519
Provisions for staff salaries and benefits	20,552	19,690
Managers' cheques	30,605	26,701
Acceptances (Note 10)	3,684	102,678
Impairment loss allowance	12,906	15,536
Other	38,008	28,498
	<u>306,247</u>	<u>345,622</u>

**13. Share capital**

	<b>31 March 2019 AED'000 (unaudited)</b>	31 December 2018 AED'000 (audited)
<i>Issued and fully paid:</i>		
2,100,000,000 (31 December 2018: 2,100,000,000) shares of AED 1 each	<u>2,100,000</u>	<u>2,100,000</u>

At the Annual General Meeting of the shareholders held on 4 March 2019, the shareholders approved cash dividend in respect of the year ended 31 December 2018 at 3.5% (31 December 2017: 3.5%) of the share capital amounting to AED 73.5 million (31 December 2017: 58.8 million). Further AED 2.5 million as Directors' remuneration was also approved.

**14. 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 IFRS 9 is transferred to 'General impairment reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends. Had the Bank taken this excess provision through income statement, the profit for the period would have been lower by AED 7.4 million.

**15. Specific 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 IFRS 9 is transferred to 'Specific impairment reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends. Had the Bank taken this excess provision through income statement, the profit for the period would have been lower by AED 51.8 million.



**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)**

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

	<b>Three month period ended 31 March</b>	
	<b>2019 AED'000 (unaudited)</b>	<b>2018 AED'000 (unaudited)</b>
Income from Ijarah	119,716	88,419
Income from Murabaha	100,815	86,113
Income from Mudaraba	8,830	10,251
Income from Wakala	11,593	8,455
Income from Istisna	407	540
	<u>241,361</u>	<u>193,778</u>

**17. Impairment allowance**

17.1 Allocation of impairment allowance as of 31 March 2019 and 31 December 2018 is as follows:

	<b>Stage 1 AED'000</b>	<b>Stage 2 AED'000</b>	<b>Stage 3 AED'000</b>	<b>Total AED'000</b>
<b>31 March 2019 (unaudited)</b>				
Due from banks and financial institutions	175	37	-	212
Islamic financing and investing assets	63,319	145,324	566,329	774,972
Islamic Investment securities at FVTOCI*	2,807	-	50,078	52,885
Other Islamic financial assets	-	71	28,066	28,137
Financial commitments and financial guarantees	4,532	-	8,374	12,906
<b>Total</b>	<u>70,833</u>	<u>145,432</u>	<u>652,847</u>	<u>869,112</u>
<b>31 December 2018 (audited)</b>				
Due from banks and financial institutions	403	37	-	440
Islamic financing and investing assets	60,896	144,885	532,261	738,042
Islamic Investment securities at FVTOCI*	2,049	-	50,078	52,127
Other Islamic financial assets	-	1	27,858	27,859
Financial commitments and financial guarantees	7,994	-	7,542	15,536
<b>Total</b>	<u>71,342</u>	<u>144,923</u>	<u>617,739</u>	<u>834,004</u>

**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)**

**17. Impairment allowance (continued)**

17.2 The movement in impairment allowance by financial asset category during the period ended 31 March 2019 is as follows:

	Opening balance AED'000	Net charge during the period AED'000	Other movement during the period AED'000	Closing balance AED'000	Net charge during the period ended 31 March 2018 AED'000
Due from banks and financial institutions	440	(228)	-	212	-
Islamic financing and investing assets (Note 7)	738,042	36,915	15	774,972	36,001
Islamic investment securities at FVTOCI	52,127	758	-	52,885	154
Other Islamic financial assets	27,859	278	-	28,137	166
Financial commitments and financial guarantees	15,536	(2,630)	-	12,906	-
<b>Total</b>	<b>834,004</b>	<b>35,093</b>	<b>15</b>	<b>869,112</b>	<b>36,321</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 14 and note 15.

**18. Earnings per share**

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

	Three month period ended 31 March	
	2019 (unaudited)	2018 (unaudited)
<b>Earnings per share</b>		
Profit for the period (AED'000)	42,841	34,016
Directors' remuneration (AED'000)	(2,500)	(2,500)
	<b>40,341</b>	<b>31,516</b>
Weighted average number of shares outstanding during the period (in thousands)	<b>2,100,000</b>	<b>1,680,323</b>
<b>Earnings per share (AED)</b>	<b>0.019</b>	<b>0.019</b>

There were no potentially dilutive shares as at 31 March 2019 and 31 March 2018.

**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.

**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)**

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

**Transactions**

Transactions with related parties are shown below:

	Three month period ended					
	31 March 2019 (unaudited)			31 March 2018 (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	21,501	350	21,851	16,211	321	16,532
Income from Islamic financing and investing assets	13,623	1,314	14,937	12,751	1,125	13,876

**Balances**

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

	31 March 2019 (unaudited)			31 December 2018 (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	1,952,988	111,037	2,064,025	1,944,144	130,116	2,074,260
Islamic customers' deposits	3,154,637	97,653	3,252,290	3,122,996	109,023	3,232,019

**Compensation of key management personnel**

Key management compensation is as shown below:

	Three month period ended	
	31 March 2019 AED'000 (unaudited)	2018 AED'000 (unaudited)
Short term employment benefits	4,897	4,731
Terminal benefits	286	265
	<b>5,183</b>	<b>4,996</b>

**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)**

**20. Contingencies and commitments**

*Capital commitments*

At 31 March 2019, the Bank had outstanding capital commitments of AED 44 million (31 December 2018: AED 46 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:

	<b>31 March 2019 AED'000 (unaudited)</b>	31 December 2018 AED'000 (audited)
Commitments to extend credit	<b>1,262,442</b>	1,370,517
Letters of credit	<b>7,702</b>	11,630
Letters of guarantee	<b>389,763</b>	445,330
	<b><u>1,659,907</u></b>	<u>1,827,477</u>

**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 business segments:

- (i) Consumer, corporate and investment banking, which principally provides finances and other credit facilities, deposits and current accounts for corporate, government, institutional and individual customers; and
- (ii) Treasury, which involves the management of the Bank's investment portfolio.

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 financial statements  
for the three months period ended 31 March 2019 (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>Three month period ended 31 March 2019 (unaudited)</b>						
Net income from Islamic financing and investing assets	22,581	61,384	(3,081)	4,133	-	85,017
Income from Islamic investment securities at fair value	-	-	24,414	-	-	24,414
Impairment charges on financial assets	(3,606)	(31,457)	-	(30)	-	(35,093)
Net fee and other income	5,930	22,064	4,349	12,216	87	44,646
Staff cost	(13,938)	(3,637)	(1,191)	(1,871)	(37,554)	(58,191)
General and administrative expenses	(6,816)	(1,657)	(287)	(215)	(5,249)	(14,224)
Depreciation of property and equipment	-	-	-	-	(3,728)	(3,728)
<b>Operating profit/(loss) (unaudited)</b>	<b>4,151</b>	<b>46,697</b>	<b>24,204</b>	<b>14,233</b>	<b>(46,444)</b>	<b>42,841</b>
<b>Three month period ended 31 March 2018 (unaudited)</b>						
Net income from Islamic financing and investing assets	21,090	72,223	(7,680)	3,484	-	89,117
Income from Islamic investment securities at fair value	-	-	18,250	5,580	-	23,830
Impairment charges on financial assets	(1,648)	(28,988)	(5,685)	-	-	(36,321)
Net fee and other income	5,098	12,137	1,646	10,475	(295)	29,061
Staff cost	(12,643)	(3,712)	(685)	(1,625)	(33,866)	(52,531)
General and administrative expenses	(8,698)	(1,245)	(86)	(10)	(4,983)	(15,022)
Depreciation of property and equipment	-	-	-	-	(4,118)	(4,118)
<b>Operating profit/(loss) (unaudited)</b>	<b>3,199</b>	<b>50,415</b>	<b>5,760</b>	<b>17,904</b>	<b>(43,262)</b>	<b>34,016</b>

Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (continued)

21. Segment analysis (continued)

<b>As at 31 March 2019</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>			
	4,039,913	12,627,664	3,921,571	1,966,373	872,660	23,428,181			
<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>			
	3,736,472	13,776,559	1,989,482	1,109,114	365,424	20,977,051			
<b>As at 31 December 2018</b>									
<b>Segment assets (audited)</b>	4,056,545	12,337,147	3,752,223	1,990,431	508,379	22,644,725			
<b>Segment liabilities (audited)</b>	3,294,304	13,508,213	1,662,429	1,345,786	387,145	20,197,877			

**Notes to the condensed financial statements  
for the three months period ended 31 March 2019 (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 2018.

**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>31 March 2019 AED'000 (unaudited)</b>	<b>31 December 2018 AED'000 (audited)</b>
<b>Tier 1 capital</b>		
Share capital	2,100,000	2,100,000
Reserves	291,931	345,567
	<u>2,391,931</u>	<u>2,445,567</u>
<b>Tier 2 capital</b>		
General provision and fair value reserve	186,405	179,785
	<u>186,405</u>	<u>179,785</u>
<b>Total regulatory capital</b>	<u>2,578,336</u>	<u>2,625,352</u>
<b>Risk weighted assets</b>		
Credit risk	14,912,424	14,382,738
Market risk	-	158,760
Operation risk	1,011,148	1,011,148
	<u>15,923,572</u>	<u>15,552,646</u>
<b>Total risk weighted assets</b>	<u>15,923,572</u>	<u>15,552,646</u>
	<b>Minimum requirement</b>	<b>Capital ratios 31 March 2019 (unaudited)</b>
<b>Capital element</b>		<b>Capital ratios 31 December 2018 (audited)</b>
Common equity tier 1 (CET 1) ratio	7%	15.72%
Tier 1 capital ratio	8.5%	15.72%
Capital adequacy ratio	10.5%	16.88%
CET1 available for the buffer requirement	2.5%	6.38%

**23. Approval of condensed financial statements**

The condensed financial statements were approved by the Board of Directors and authorized for issue on 29 April 2019.