

Ajman Bank PJSC
Condensed interim financial statements
For the six-month period ended 30 June 2011

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Independent Auditors' Report on Review of Condensed Interim Financial Information

The Shareholders
Ajman Bank PJSC

Introduction


We have reviewed the accompanying condensed interim statement of financial position of the Ajman Bank PJSC (the "Bank") as at 30 June 2011, and the condensed interim statements of comprehensive income (comprising of a condensed interim statements of comprehensive income and a separate condensed interim statement of income), changes in equity and cash flows for the six month period then ended ("the interim financial information"). Management is responsible for the preparation and presentation of the interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review. The interim financial information of the Bank as of and for the three month period ended 31 March 2010 and six month period ended 30 June 2010 and financial statements as of and for the year ended 31 December 2010, were reviewed and audited by another auditor whose reports dated 10 May 2010, 11 August 2010 and 8 March 2011 respectively, expressed unqualified conclusions and opinion on interim financial information and financial statements respectively.

Scope of review

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

Conclusion

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


Name: Vijendranath Malhotra
Registration No: 48B

07 AUG 2011

Ajman Bank PJSC

Condensed interim statement of financial position

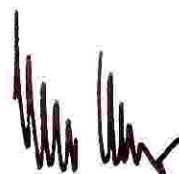
as at 30 June 2011

		(Reviewed) 30 June 2011 AED'000	(Audited) 31 Dec 2010 AED'000
	<i>Note</i>		
Assets			
Cash and deposits with the UAE Central Bank	6	169,107	130,310
Investments in Islamic financing instruments	7	3,725,857	2,786,313
Investment securities	8	369,163	169,039
Investment property	9	49,961	49,961
Receivables and other assets	10	95,126	32,489
Property and equipment		63,466	66,234
Total assets		4,472,680	3,234,346
Liabilities			
Customers' deposits	11	2,871,532	2,022,249
Due to banks and other financial institutions		506,083	140,596
Other liabilities	12	91,172	61,381
Provision for employee's end of service benefits		5,587	3,178
Total liabilities		3,474,374	2,227,404
Equity			
Share capital	13	1,000,000	1,000,000
Statutory reserve		2,454	2,454
Fair value reserve		(946)	(161)
(Accumulated losses) / retained earnings		(3,202)	4,649
Total equity		998,306	1,006,942
Total liabilities and equity		4,472,680	3,234,346

These condensed interim financial statements were approved and authorised by the Board of Directors on 07 August 2011 and are signed on their behalf by:



Chairman



Chief Executive Officer

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

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

Ajman Bank PJSC

Condensed interim statement of income – (Reviewed)

For the period ended

		Three month period ended 30 June 2011	Three month period ended 30 June 2010	Six month period ended 30 June 2011	Six month period ended 30 June 2010
	Note	AED'000	AED'000	AED'000	AED'000
Operating income					
Income from investments in Islamic financing instruments	14	51,161	24,965	92,443	45,039
Income from investment securities		10,713	5,973	15,163	7,699
Fees, commissions and other income		4,764	4,887	8,628	7,853
Total operating income		66,638	35,825	116,234	60,591
Depositors' share of profit		(18,078)	(7,080)	(38,420)	(10,904)
Net operating income		48,560	28,745	77,814	49,687
Expenses					
Staff costs	15	(28,141)	(16,897)	(48,958)	(39,644)
General and administrative expenses	16	(12,469)	(9,124)	(22,424)	(16,806)
Provisions for impairment and write-offs		(2,976)	(1,266)	(5,942)	(2,244)
Depreciation		(4,418)	(3,501)	(8,341)	(6,961)
Total expenses		(48,004)	(30,788)	(85,665)	(65,655)
Net profit/(loss) for the period		556	(2,043)	(7,851)	(15,968)
Earnings per share (AED)	17	0.0006	(0.0020)	(0.0079)	(0.0159)

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

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

Ajman Bank PJSC

Condensed interim statement of comprehensive income – (Reviewed)

For the period ended

	Three month period ended 30 June 2011 AED'000	Three month period ended 30 June 2010 AED'000	Six month period ended 30 June 2011 AED'000	Six month period ended 30 June 2010 AED'000
Net profit/ (loss) for the period	556	(2,043)	(7,851)	(15,968)
<i>Other comprehensive income</i>				
Change in the fair value reserve	(2,403)	-	(785)	-
Total comprehensive expense for the period	<u>(1,847)</u>	<u>(2,043)</u>	<u>(8,636)</u>	<u>(15,968)</u>

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

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Condensed interim statement of changes in equity

For the six month period ended

	Share capital AED'000	Statutory reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2010 (Audited)	1,000,000	2,050	-	1,019	1,003,069
Total comprehensive income for the period					
Net loss for the period	-	-	-	(15,968)	(15,968)
Change in the fair value reserve	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	(15,968)	(15,968)
At 30 June 2010 (Reviewed)	1,000,000	2,050	-	(14,949)	987,101
At 1 January 2011 (Audited)	1,000,000	2,454	(161)	4,649	1,006,942
Total comprehensive income for the period					
Net loss for the period	-	-	-	(7,851)	(7,851)
Change in the fair value reserve	-	-	(785)	-	(785)
Total comprehensive expense for the period	-	-	(785)	(7,851)	(8,636)
At 30 June 2011 (Reviewed)	1,000,000	2,454	(946)	(3,202)	998,306

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

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

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Condensed interim statement of cash flows – (Reviewed)

For six month period ended

	<i>Note</i>	30 June 2011 AED'000	30 June 2010 AED'000
Cash flows from operating activities			
Net loss for the period		(7,851)	(15,968)
Adjustments for:			
Depreciation		8,341	6,961
Provision for impairment		5,942	2,244
Provision for gratuity		2,409	353
Operating cash flows before changes in operating assets and liabilities		----- 8,841	----- (6,410)
<i>Changes in operating assets and liabilities</i>			
Change in investments in Islamic financing instruments		(945,486)	(542,878)
Change in statutory deposit with UAE Central Bank		(31,040)	(13,370)
Change in receivables and other assets		(62,637)	(5,381)
Change in customer deposits		849,283	638,875
Change in due to banks and other financial institutions		365,487	65,745
Change in other liabilities		29,791	(21,511)
Net cash flow generated from operating activities		----- 214,239	----- 115,070
Cash flows from investing activities			
Change in investment securities		(200,909)	(81,906)
Purchase of property and equipment		(5,573)	(10,298)
Net cash flow used in investing activities		----- (206,482)	----- (92,204)
Net increase in cash and cash equivalents		7,757	22,866
Net cash and cash equivalents at the beginning of the period		68,821	24,933
Cash and cash equivalents at the end of the period	6	----- 76,578	----- 47,799

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

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

Ajman Bank PJSC

Notes to the condensed interim financial statements – (Reviewed)

For the six month period ended 30 June 2011

1. Legal status and activities

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

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

2. Statement of compliance

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

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

3. Significant accounting policies

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

3.2 Financial risk management

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

3.3 Financial assets and liabilities

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

Ajman Bank PJSC

Notes (continued)

4. Key accounting estimates and judgments

The preparation of the condensed interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ as a result of future changes in these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the annual audited financial statements as at and for the year ended 31 December 2010.

5. Interim measurement

The nature of the Bank's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed interim financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year.

6. Cash and deposits with the UAE Central Bank

	(Reviewed) 30 June 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Cash and balances with UAE Central Bank	109,912	76,621
Balances with other banks	18,761	7,428
Cash on hand	40,434	46,261
	169,107	130,310
Less: Statutory deposit with the UAE Central Bank	(92,529)	(61,489)
Cash and cash equivalents	76,578	68,821

7. Investments in Islamic financing instruments

	(Reviewed) 30 June 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Wakala deposits with banks	510,443	1,065,263
Wakala deposits with others	750,000	-
Murabaha financing transactions (note 7.2)	1,397,902	1,114,302
Musharaka financing	98,005	85,745
Credit cards	18,262	18,123
Ijarah financing	667,030	447,070
Mudaraba	302,874	68,549
	3,744,516	2,799,052
Less: Provision for impairment losses (note 7.3)	(18,659)	(12,739)
	3,725,857	2,786,313

Ajman Bank PJSC

Notes (continued)

7. Investments in Islamic financing instruments (continued)

7.1 Investments in Islamic financing instruments carried a range of effective profit rate of 0.13% to 22.8% (31 December 2010: 0.20% to 13.5%) per annum.

7.2 Murabaha financing transactions are reported net of deferred profit of AED 119.66 million (31 December 2010: AED 99.79 million)

7.3 Provision for impairment losses

	(Reviewed) 30 June 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Movement in provision for impairment losses		
Balance at 1 January	12,739	7,650
Provided during the period / year	5,942	5,124
	<u>18,681</u>	<u>12,774</u>
Net provision for impairment losses	18,681	12,774
Written-off during the period / year	(22)	(35)
	<u>18,659</u>	<u>12,739</u>

8. Investment securities

	(Reviewed) 30 June 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Sukuk - Available for sale	210,428	39,234
Sukuk - Held to maturity (note 8.1)	133,936	129,805
Shares – IPO	24,799	-
	<u>369,163</u>	<u>169,039</u>

8.1 At 30 June 2011 the market value of the Sukuks held to maturity at the quoted market price was AED 139.9 million (31 December 2010: AED 131.3 million) and the Bank expects to recover cash flows of AED 145.2 million (31 December 2010: AED 145.2 million) from the redemption of the investment securities on their respective maturities.

The sukuku carried an effective profit rate of 8.9% (31 December 2010: 13.2%) per annum.

The sukuku are issued by institutions based in the UAE, which were rated 'B2', 'A3' and 'B3' by Moody's.

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

	(Reviewed) 30 June 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Public Sector	271,379	141,406
Banks and financial institutions	72,985	27,633
Others	24,799	-
	<u>369,163</u>	<u>169,039</u>

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Notes (continued)

9. Investment property

In 2010 the Bank was donated a plot of land in Ajman from a member of the ruling family of Ajman, who is also a director of the Bank. The fair value of the plot of land appraised by an independent valuer in December 2010, amounted to AED 49.9 million.

The management believes that the fair value as on 30 June 2011 is not materially different from 31 December 2010.

10. Receivables and other assets

	(Reviewed) 30 June 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Accrued income on investments in Islamic financing instruments	31,028	11,464
Accrued income on investment securities	1,163	372
Prepaid rent	12,409	9,903
Staff advances	2,170	1,252
Other assets	48,356	9,498
	<u>95,126</u>	<u>32,489</u>

11. Customer deposits

	(Reviewed) 30 June 2011 AED'000	(Audited) 31 Dec 2010 AED'000
By account:		
Current accounts	477,709	189,154
Savings accounts	176,852	152,515
Mudaraba deposits	242,245	247,795
Wakala deposits	1,925,331	1,386,037
Escrow accounts	42,278	41,286
Margin accounts	7,117	5,462
	<u>2,871,532</u>	<u>2,022,249</u>

At 30 June 2011, the Bank's customer deposits carried a range of effective profit rate of 1% to 4.5% per annum (31 December 2010: 1.3% to 4.18% per annum).

12. Other liabilities

	(Reviewed) 30 June 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Accrued profit on customer deposits and placements by other banks	25,830	12,263
Manager's cheques	5,746	12,866
Other liabilities	53,342	20,649
Provision for staff salaries and benefits	6,254	15,603
	<u>91,172</u>	<u>61,381</u>

Ajman Bank PJSC

Notes (continued)

13. Share capital

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

14. Income from investments in Islamic financing instruments

	(Reviewed) Three month period ended 30 June 2011 AED'000	(Reviewed) Three month period ended 30 June 2010 AED'000	(Reviewed) Six month period ended 30 June 2011 AED'000	(Reviewed) Six month period ended 30 June 2010 AED'000
Income from Wakala Deposits with banks	12,615	9,493	24,324	18,090
Income from Murabaha financing transactions	20,292	8,628	37,817	15,208
Income from Ijarah financing	12,336	5,838	20,829	9,902
Income from Mudaraba financing	4,155	-	6,099	-
Income from Musharaka financing	1,763	1,006	3,374	1,839
	<u>51,161</u>	<u>24,965</u>	<u>92,443</u>	<u>45,039</u>

15. Staff costs

	(Reviewed) Three month period ended 30 June 2011 AED'000	(Reviewed) Three month period ended 30 June 2010 AED'000	(Reviewed) Six month period ended 30 June 2011 AED'000	(Reviewed) Six month period ended 30 June 2010 AED'000
Salaries and allowances	20,478	18,358	39,998	36,254
Other staff related cost	7,663	(1,461)	8,960	3,390
	<u>28,141</u>	<u>16,897</u>	<u>48,958</u>	<u>39,644</u>

16. General and administrative expenses

	(Reviewed) Three month period ended 30 June 2011 AED'000	(Reviewed) Three month period ended 30 June 2010 AED'000	(Reviewed) Six month period ended 30 June 2011 AED'000	(Reviewed) Six month period ended 30 June 2010 AED'000
Rental expenses	3,656	3,616	7,134	6,861
Marketing, design and product development	2,990	1,134	4,490	2,197
Software license	1,139	681	2,091	934
Security services including cash in transit services	847	472	1,478	976
Consultancy expenses	230	953	716	1,068
Others	3,607	2,268	6,515	4,770
	<u>12,469</u>	<u>9,124</u>	<u>22,424</u>	<u>16,806</u>

Ajman Bank PJSC

Notes (continued)

17. Earnings per share

The calculation of earnings per share for the six month period ended 30 June 2011 is based on loss of AED 7,851 thousand (30 June 2010: AED 15,968 thousand) divided by the weighted average number of shares of 1,000,000 thousand (30 June 2010: 1,000,000 thousand shares) outstanding during the period.

18. Related parties

Related parties comprise shareholders, directors and key management personnel, as well as businesses controlled by shareholders, directors and key management personnel and businesses over which they exercise significant influence. Related party transactions, in the normal course of business, are executed at the terms agreed between the parties, which in opinion of the management are not significantly different from those that could have been obtained from third parties.

The major shareholder of the bank is Government of Ajman which owns 25% of the shares.

The volume of related party transactions, outstanding balances at 30 June 2011, and related expenses and income for the six months period ended are as follows:

Balances

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

	30 June 2011 (Reviewed)			31 Dec 2010 (Audited)		
	Major Shareholders	Director and other related parties	Total	Major Shareholders	Director and other related parties	Total
	AED	AED	AED	AED	AED	AED
Investments in Islamic financing instruments	-	900,457	900,457	-	169,454	169,454
Customer deposits	269,415	240,650	510,065	52,000	35,088	87,088

None of the investments in Islamic Financing Instruments extended to related parties or contingent liabilities issued in favour of the related parties had any impairment losses during the six months period ended 30 June 2011 (six months period ended 30 June 2010: nil).

Transactions

Transactions with related parties are shown below:

Three month period ended	30 June 2011 (Reviewed)			30 June 2010 (Reviewed)		
	Major Shareholders	Director and other related parties	Total	Major Shareholders	Director and other related parties	Total
	AED	AED	AED	AED	AED	AED
Depositor's share of profit	2,017	1,857	3,874	376	702	1,078
Income from investment in Islamic financing instruments	-	9,770	9,770	-	3,355	3,355
Rental expenses	-	1,179	1,179	-	1,313	1,313

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Notes (continued)

19. Contingencies and commitments (continued)

Credit-related commitments and contingencies (continued)

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

	(Reviewed) 30 June 2011 AED'000	(Audited) 31 Dec 2010 AED'000
Commitments to extend credit	339,043	287,854
Letters of credit	173,970	65,009
Letters of guarantee	29,862	32,088
	<u>542,875</u>	<u>384,951</u>

20. Segment analysis

Segment results of operations

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

At 30 June 2011	Retail banking AED'000	Corporate Banking AED'000	Treasury AED'000	Others AED'000	Total AED'000
Net income from investment in Islamic financing instruments	19,271	13,221	21,531	-	54,023
Income from investment securities	-	-	15,163	-	15,163
Impairment charges on Islamic instruments	(4,180)	(1,762)	-	-	(5,942)
Net fee and commission income	1,741	5,607	1,280	-	8,628
Staff cost	(17,332)	(6,039)	(1,191)	(24,396)	(48,958)
General and administrative expenses	(5,252)	(67)	(159)	(16,946)	(22,424)
Depreciation	-	-	-	(8,341)	(8,341)
Operating profit (Reviewed)	<u>(5,752)</u>	<u>10,960</u>	<u>36,624</u>	<u>(49,683)</u>	<u>(7,851)</u>
Total assets (Reviewed)	<u>440,469</u>	<u>1,584,748</u>	<u>2,045,004</u>	<u>402,459</u>	<u>4,472,680</u>
Total liabilities (Reviewed)	<u>246,255</u>	<u>2,594,566</u>	<u>536,083</u>	<u>97,470</u>	<u>3,474,374</u>

Ajman Bank PJSC

Notes (continued)

20. Segment analysis (continued)

Segment results of operations (continued)

At 30 June 2010	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Others AED'000	Total AED'000
Net income from investment Islamic financing instruments	9,173	10,029	14,933	-	34,135
Income from investment securities			7,699	-	7,699
Impairment charges on Islamic instruments	(2,244)	-	-	-	(2,244)
Net fee and commission income	2,840	4,704	309	-	7,853
Staff cost	(15,366)	(2,952)	(852)	(20,474)	(39,644)
General and administrative expenses	(6,412)	-	-	(10,394)	(16,806)
Depreciation	-	-	-	(6,961)	(6,961)
Operating profit (Reviewed)	<u>(12,009)</u>	<u>11,781</u>	<u>22,089</u>	<u>(37,829)</u>	<u>(15,968)</u>
Total assets as at 31 Dec 2010 (Audited)	<u>466,314</u>	<u>1,014,737</u>	<u>1,474,301</u>	<u>278,994</u>	<u>3,234,346</u>
Total liabilities as at 31 Dec 2010 (Audited)	<u>416,824</u>	<u>1,606,794</u>	<u>140,596</u>	<u>63,190</u>	<u>2,227,404</u>

21. Comparatives

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