

Ajman Bank PJSC and its Subsidiaries

Consolidated financial statements
For the year ended 31 December 2014

Ajman Bank PJSC and its Subsidiaries

Consolidated financial statements

For the year ended 31 December 2014

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Directors' report

The Directors submit their report dealing with the activities of Ajman Bank PJSC ("the Bank") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2014.

Principal activities

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

Financial position and results

The financial position and results of the Group for the year ended 31 December 2014 are set out in the accompanying consolidated financial statements.

Dividend

The Directors recommend the distribution of a 5% bonus shares dividend in respect of the year ended 31 December 2014, subject to the Central Bank's approval.

Directors

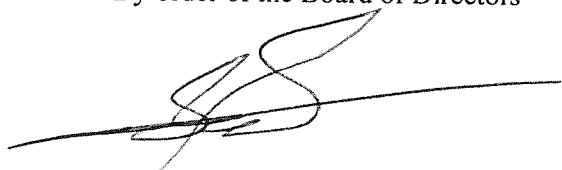
The following were the Directors of the Bank for the year ended 31 December 2014:

H.E. Sheikh Ammar Bin Humaid Al Nuaimi - Chairman
H.E. Sheikh Ahmed Bin Humaid Al Nuaimi - Deputy Chairman
H.E. Sheikh Rashid Bin Humaid Al Nuaimi
Dr. Ali Rashid Abdulla Al Nuaimi
Mr. Ali Bin Abdullah Al Hamrani
Mr. Salem Rashid Al Khudur
Mr. Yousef Ali Fadil Bin Fadil
Mr. Mohammad Hussain Al Shaali

Auditors

The auditors, KPMG, have expressed their willingness to continue in office.

By order of the Board of Directors



Director
[Date]

Independent auditors' report

The Shareholders
Ajman Bank PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Ajman Bank PJSC ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of comprehensive income (comprising a separate consolidated statement of income and a consolidated statement of comprehensive income), consolidated changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit; the consolidated financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law no.8 of 1984 (as amended), Union Law no.10 of 1980 and the Articles of Association of the Bank; that proper financial records have been kept by the Bank; and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Laws and the Articles of Association having occurred during the year ended 31 December 2014, which may have had a material adverse effect on the business of the Group or its financial position.

Ajman Bank PJSC and its Subsidiaries

Consolidated statement of financial position

As at 31 December

	<i>Note</i>	2014 AED'000	2013 AED'000
ASSETS			
Cash and balances with the			
Central Bank of the UAE and other banks	7	423,252	328,131
Wakala deposits with banks and other			
financial institutions		1,421,355	160,121
Investments in Islamic financing and			
investment products	8	8,536,309	5,783,208
Investment securities	9	518,547	497,832
Investment property	10	52,000	49,961
Property and equipment	11	43,848	42,370
Other assets	12	235,977	231,009
Total assets		11,231,288	7,092,632
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Customer deposits	13	8,508,742	5,479,093
Due to banks		1,329,947	344,870
Other liabilities	14	289,431	229,700
Total liabilities		10,128,120	6,053,663
Shareholders' equity			
Share capital	15	1,000,000	1,000,000
Statutory reserve	16	14,702	7,562
Fair value reserve		(26,407)	(19,210)
Retained earnings		114,873	50,617
Total shareholders' equity		1,103,168	1,038,969
Total liabilities and shareholders' equity		11,231,288	7,092,632

These consolidated financial statements were approved by the Board of Directors on _____ and signed on their behalf by:

Chairman

Chief Executive Officer

The notes on pages 8 to 54 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 2.

Ajman Bank PJSC and its Subsidiaries

Consolidated statement of profit or loss for the year ended 31 December

		2014 AED'000	2013 AED'000
	<i>Note</i>		
Operating Income			
Income from investments in			
Islamic financing and investment products	17	364,270	259,731
Income from investment securities		33,456	32,320
Fees, commission and other income		68,673	40,392
		-----	-----
Total operating income		466,399	332,443
Depositors' share of profits		(109,215)	(81,069)
		-----	-----
Net operating income		357,184	251,374
		-----	-----
Expenses			
Staff costs	18	(148,195)	(120,154)
General and administrative expenses	19	(46,322)	(42,506)
Depreciation	11	(13,730)	(15,436)
Impairment charge for Islamic financing and investment products	8	(75,284)	(62,679)
Impairment charge on other receivables		(2,257)	-
		-----	-----
Total expenses		(285,788)	(240,775)
		-----	-----
Net profit for the year		71,396	10,599
		=====	=====
Earnings per share – Basic (AED)	22	0.071	0.011
		=====	=====

The notes on pages 8 to 54 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 2.

Ajman Bank PJSC and its Subsidiaries

Consolidated statement of comprehensive income For the year ended 31 December

	2014 AED'000	2013 AED'000
Net profit for the year	71,396	10,599
<i>Other comprehensive income</i>		
Items that are or may be reclassified subsequently to profit or loss		
Fair value gain / (loss) on available for sale investment securities	2,826	(21,577)
Gain transferred to profit or loss on sales of investment securities	(10,023)	(5,203)
Other comprehensive income	(7,197)	(26,780)
Total comprehensive income for the year	64,199	(16,181)

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Ajman Bank PJSC and its Subsidiaries

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2014

	Share capital AED'000	Statutory reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total share holders' equity AED'000
At 1 January 2013	1,000,000	6,502	7,570	41,078	1,055,150
Total comprehensive income					
Net Profit for the year	-	-	-	10,599	10,599
Other comprehensive income	-	-	(26,780)	-	(26,780)
Total comprehensive income for the year	-	-	(26,780)	10,599	(16,181)
Transactions with owners recorded directly in equity					
Transfer to statutory reserve	-	1,060	-	(1,060)	-
Total transactions with owners	-	1,060	-	(1,060)	-
At 31 December 2013	1,000,000	7,562	(19,210)	50,617	1,038,969
At 1 January 2014	1,000,000	7,562	(19,210)	50,617	1,038,969
Total comprehensive income					
Net Profit for the year	-	-	-	71,396	71,396
Other comprehensive income	-	-	(7,197)	-	(7,197)
Total comprehensive income for the year	-	-	(7,197)	71,396	64,199
Transactions with owners recorded directly in equity					
Transfer to statutory reserve	-	7,140	-	(7,140)	-
Total transactions with owners	-	7,140	-	(7,140)	-
At 31 December 2014	1,000,000	14,702	(26,407)	114,873	1,103,168

The notes on pages 8 to 54 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 2.

Ajman Bank PJSC and its Subsidiaries

Consolidated statement of cash flows for the year ended 31 December

	Note	2014 AED'000	2013 AED'000
Cash flow from operating activities			
Net Profit for the year		71,396	10,599
<i>Adjustments for:</i>			
Depreciation		13,730	15,436
Impairment charge		77,541	62,679
Income from investment securities		(33,456)	(32,320)
Property and equipment written-off		1,668	-
Revaluation of investment property		(2,039)	-
		-----	-----
Operating cash flows before changes in operating assets and liabilities		128,840	56,394
<i>Changes in operating assets and liabilities:</i>			
Change in investments in Islamic financing and investment products		(2,828,385)	(1,308,328)
Change Wakala deposits with banks and other financial institutions (original maturity greater than three months)		160,121	(63,321)
Change in statutory deposit with the Central Bank of the UAE		(58,957)	(95,926)
Change in other assets		(7,225)	(126,474)
Change in customers' deposits		3,029,649	1,141,286
Change in due to banks		985,077	344,465
Change in other liabilities		59,731	133,323
		-----	-----
Net cash flows generated from operating activities		1,468,851	81,419
		-----	-----
Cash flows from investing activities			
Purchase of investment securities		(632,824)	(416,607)
Proceeds from sale of investment securities		638,368	355,268
Purchase of property and equipment		(16,876)	(10,318)
		-----	-----
Net cash used in investing activities		(11,332)	(71,657)
		-----	-----
Net increase in cash and cash equivalents		1,457,519	9,762
Net cash and cash equivalents at the beginning of the year		101,385	91,623
		-----	-----
Cash and cash equivalents at the end of the year	7	1,558,904	101,385
		=====	=====

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Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

1. Legal status and principal activities

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

In addition to its main office in Ajman, Ajman Bank PJSC and its subsidiaries (collectively referred to “the Group”) operates through 8 branches and 1 pay office in the UAE. The consolidated financial statements combine the activities of the Bank’s Head Office and its branches and subsidiaries.

The principal activities of the Group are undertaking banking, financing and investing activities through various Islamic financing and investment modes such as Murabaha, Ijarah, Wakala, Musharaka, Mudaraba and Sukuk. 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. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting standards (“IFRS”) as issued by International Accounting Standard Board (“IASB”), and comply with guidance of the Central Bank of UAE, Islamic Sharia’a principles and applicable requirements of the Federal laws relating to Islamic Banks.

(b) Changes in accounting policy

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- a) Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- b) Recoverable Amount Disclosures for Non-Financial Assets (Amendment to IAS 36) (2013)
- c) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- d) IFRS 12 Disclosure of Interests in Other Entities

The nature and effects of changes are explained below.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

2. Basis of preparation *(continued)*

(b) Changes in accounting policy *(continued)*

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

As a result of the amendments to IAS 1, the Group has modified the presentation of items of Other Comprehensive Income (OCI) in its consolidated statement of comprehensive income, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

The adoption of the new and amended standards and interpretations other than those explained above, did not have an impact on the financial position of the Group during the year.

(c) Basis of measurement

These consolidated financial statements are prepared under the historical cost basis, except for the following which are measured at fair value:

- Financial assets available-for-sale; and
- Investment property.

(d) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirate Dirhams, which is the Group's functional currency. Except as otherwise indicated, financial information presented in AED has been rounded to the nearest thousand.

(e) Significant estimates and judgment

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in notes 3 (p).

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The significant accounting policies adopted in preparation of these consolidated financial statements are as follows:

(a) Basis of consolidation

These consolidated financial statements comprise a consolidation of the financial statements of the Bank and its subsidiaries on a line-by-line basis.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements have been prepared using uniform accounting policies across the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from inter group transactions, are eliminated in preparing these consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument of another party. All assets and liabilities in the consolidated statement of financial position are financial instruments, except property and equipment, intangible assets, prepayments, advance receipts and shareholders' equity.

Classification

Financial instruments are categorized as follows:

Financial assets at fair value through profit or loss (FVPL): This category has two sub-categories: financial assets held-for-trading, and those designated to be fair valued through profit or loss at inception. The Group has designated financial assets at fair value through profit or loss when the assets are managed, evaluated and reported internally on a fair value basis.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

Classification (continued)

Financing represented by investments in Islamic financing products in these consolidated financial statements are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Group provides money directly to the customer with no intention of trading the receivable.

Held-to-maturity (HTM) assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, where the Group has the positive intent and ability to hold to maturity. Where the Group sells other than an insignificant amount of held-to-maturity assets, the entire category is to be re-classified as available-for-sale.

Available-for-sale (AFS) assets are those non-derivative financial assets that are designated as available-for-sale or not classified as (a) financing products, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Investments in Islamic financing and investment products

The investments in Islamic financing and investment products of the Group are represented by the following products:

Murabaha is a contract whereby the Group (the "Seller") sells an asset to its customer (the "Purchaser"), on a deferred payment basis, after purchasing the asset and gaining possession thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. Murabaha profit is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding. The Murabaha sale price is paid by the Purchaser to the Seller on an installment basis over the period of the Murabaha as stated in the contract.

Wakala is an agreement between two parties whereby one party is a fund provider (the "Muwakkil") who provides a certain amount of money (the "Wakala Capital") to an agent (the "Wakeel"), who invests the Wakala Capital in a Sharia'a compliant manner and according to the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle Wakala profit is distributed on declaration/distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally distributed on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Group may act either as Muwakkil or as Wakeel, as the case may be.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (*continued*)

(b) Financial instruments (*continued*)

Investments in Islamic financing and investment products (continued)

Mudaraba is a contract between two parties whereby one party is a fund provider (the “Rab Al Mal”) who would provide a certain amount of funds (the “Mudaraba Capital”), to the other party (the “Mudarib”). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity. In principle Mudaraba profit is distributed on declaration/distribution by the Mudarib. However, since the Mudaraba profit is always reliably estimated it is internally distributed on a time-apportioned basis over the Mudaraba tenure based on the Mudaraba Capital outstanding. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal, provided the Rab Al Mal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences of the same on the Mudaraba. Under the Mudaraba contract the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

Musharaka is an agreement between the Group and its customer, whereby both parties contribute towards the capital of the Musharaka (the “Musharaka Capital”). The Musharaka Capital may be contributed in cash or in kind, as valued at the time of entering into the Musharaka. The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement. In principle Musharaka profit is distributed on declaration/distribution by the managing partner. However, since the Musharaka profit is always reliably estimated, it is internally distributed on a time-apportioned basis over the Musharaka tenure based on the Musharaka Capital outstanding. Whereas the loss, if any, is shared in proportion to their capital contribution ratios, provided in the absence of the managing partner’s negligence, breach or default, the Group receives satisfactory evidence that such loss was due to force majeure and that the managing partner neither was able to predict the same nor could have prevented the negative consequences of the same on the Musharaka.

Ijarah is an agreement whereby the Group (the “Lessor”) leases an asset to its customer (the “Lessee”) (after purchasing/acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer’s request and based on his promise to lease), against certain rental payments for specific lease term/periods, payable on fixed or variable rental basis.

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(b) Financial instruments *(continued)*

Investments in Islamic financing and investment products (continued)

Ijarah rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rentals (which predominantly represent the cost of the leased assets).

Recognition and initial measurement

A financial asset or a financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Investment in Islamic financing and investment products, investment securities, customer deposits, and placement by banks are recognised on the date at which they are originated.

The Group initially recognizes investments in Islamic financing and investment products, investment securities, customer deposits, and Wakala deposits (placement) by banks on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the Group has transferred substantially all the risks and rewards of ownership. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Subsequent measurement

Subsequent to initial recognition, all financial instruments to be fair valued through profit or loss and available-for-sale assets are measured at fair value, except any instrument that does not have a reliably measurable fair value, in which case financial instruments are measured as set out in fair value measurement principles below.

All held-to-maturity financial instruments and investments in Islamic financing and investment products are measured at amortised cost using the effective profit method less impairment losses, if any.

Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortization using the effective profit method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment losses. Premiums and discounts including initial transaction costs are included in the carrying amount of the related instrument.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (*continued*)

(b) Financial instruments (*continued*)

Fair value measurement principles

Fair value is the amount for which assets could be exchanged, or liabilities settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

When a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and present value techniques. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The Group measures the fair value using the following fair value hierarchy that reflects the significance of input used in making these measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.
- Level 2: Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Pursuant to disclosure requirements of IFRS 7 Financial Instruments: Disclosures, the Group has disclosed the respective information under note 5.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (*continued*)

(b) Financial instruments (*continued*)

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the consolidated statement of income in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in other comprehensive income is reclassified to the consolidated statement of income.

Impairment of financial assets

Financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, the asset's recoverable amount is estimated. Impairment loss is the difference between the net carrying value of an asset and its recoverable amount. Any such impairment loss is recognized in the consolidated statement of income. The recoverable amount of investments in Islamic financing and investment products is calculated as the present value of the expected future cash flows by using the product's original effective profit rate. Short-term (up to one year maturity) balances are stated on a gross basis.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the customer or issuer, default or delinquency by a customer, restructuring of investment in Islamic financing instruments by the Group on terms that the Group would not otherwise consider, indications that a customer or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of customers or issuers, or economic conditions that correlate with defaults.

The Group considers evidence of impairment for investments in Islamic financing and investment products and held-to-maturity investments securities at both a specific asset and collective level. All individually significant investments in Islamic financing and investment products and held-to-maturity investment securities are assessed for specific impairment. All individually significant investments in Islamic financing and investment products and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Investments in Islamic financing and investment products and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together investments in Islamic financing and investment products and held-to-maturity investment securities with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows calculated using the asset's original effective profit rate. Impairment losses are recognised in consolidated statement of income and reflected in an allowance account against investments in Islamic financing and investment products. Profit on impaired assets continues to be recognised on a gross basis.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (*continued*)

(b) Financial instruments (*continued*)

Impairment of financial assets (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through the consolidated statement of income.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income, and is removed from consolidated statement of comprehensive income and recognised in the consolidated statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the consolidated statement of income and are reversed through the cumulative changes in fair value under equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated statement of income, then the impairment loss is reversed, with the amount of the reversal recognised in consolidated statement of income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other consolidated comprehensive income.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (*continued*)

(c) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of income as incurred.

Depreciation

Depreciation is recognised in statement of income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Leasehold improvements	7
Computers and software	3 to 7
Office furniture and equipment	5
Motor vehicles	5

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Gain and losses on disposals are determined by comparing proceeds with the carrying amount. The differences are included in the consolidated statement of income.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income, in the period in which they arise.

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's accounting policies.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (*continued*)

(d) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein is recognised in the consolidated statement of income.

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

Fair value measurement

The determination of fair values of investment property is based on quoted market prices or dealer price quotations traded in active markets. If quoted market prices are not available, the fair value of the investment property is estimated using pricing models or appropriate income based present value calculation techniques, including the use of recent arm's length market transactions, as applicable.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Central and other banks and highly liquid financial assets with original maturities of less than three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value, and are used by the Group in the management of its short term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(f) Customer deposits, placement by banks (Wakala deposits) and other liabilities

Customer deposits, placements by banks (Wakala deposits) and other liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(g) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by calculating the present value of the expected future cash flows that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) Revenue recognition

Income from investments in Islamic financing and investment products and investment securities, including fees which are considered an integral part of the effective profit of a financial instrument, are recognized in the consolidated statement of income using the effective profit rate method.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (*continued*)

(i) Fees and other income

Fees and other income from banking services provided by the Group are recognized on an accrual basis when the service has been provided.

(j) Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

(k) Employees' benefits

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security.

A provision is made based on the full amount of end of service benefits due to the non-UAE national employees in accordance with the UAE Labor Law, for their period of service up to the reporting date.

(l) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed for possible reversal of impairment at each reporting date.

(m) Foreign currency transactions

Transactions denominated in foreign currencies are translated into AED at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the foreign exchange rates ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into AED at the foreign exchange rates ruling on the date of the transaction. Realised and unrealised exchange gains and losses have been dealt within the consolidated statement of income.

(n) Donations received

Donations are classified to the appropriate asset category and initially recognized and subsequently measured in accordance with the accounting policy relating to that particular asset category.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (*continued*)

(o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or group of persons that allocates resources and assesses the performance of the operating segments of an entity. The Group has determined the Bank's Executive Committee as its chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

(p) Critical accounting estimates and judgments

The Group's consolidated financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for certain items are especially critical for the Group's results and financial situation due to their materiality.

Impairment losses on investment in Islamic financing and investment products

The Group reviews its investment in Islamic financing and investment products portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgments as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of investments in Islamic financing and investment products before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity investment securities

In accordance with IAS 39 guidance, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an other than insignificant amount close to maturity – the Group is required to reclassify the entire category as available for sale. Accordingly, the investment securities would be measured at fair value instead of amortised cost.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (*continued*)

(p) Critical accounting estimates and judgments (*continued*)

Investment property

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values have been determined using the residual method. The Residual method is applicable to properties where the value would be maximized if it were to be developed, redeveloped, or refurbished. To arrive at the current market value of the property in its existing state the estimated end development value is calculated, then all costs in carrying out the development are deducted, including cost of the physical construction, professional fees, financing, and developer's profit.

(q) Fair value measurement principles

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the consolidated income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

3. Significant accounting policies (*continued*)

(q) Fair value measurement principles (*continued*)

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, using the present value from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(r) New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 (2013)	Financial instruments	(effective 1 January 2018)
IFRS 15	Revenue from contracts with customers	(effective 1 January 2017)

Management has assessed the impact of the new standards, amendments to standards and interpretations and amendments to published standards, and concluded that they are either not relevant to the Group or their impact is limited to the disclosures and presentation requirement in the consolidated financial statements except for IFRS 9 where the Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is not expected to have a pervasive impact on the Group's consolidated financial statements.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management

The Group's activities expose it to a variety of financial risks and involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial services business, and the operational risks are an inevitable consequence of being in business. The Group's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, and is subject to risk limits and other controls.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realizable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk Management Framework

Risk management is carried out by the Risk Management Division under policies that are approved by the Board of Directors. The Risk Management Division is responsible for the independent review of risk management and the control environment. The most important types of risks that the Group is exposed to are, credit and concentrations risk, market risk and liquidity risk. Market risk includes profit rate risk, currency risk and price risk. The Group is also subject to operational risks. The independent risk control process does not however, monitor business risks such as changes in the environment, technology and industry. These risks are monitored through the Group's strategic planning process.

4.1 Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks of the Group.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Executive committee

Executive committee acts as the Board's senior executive management assuring that the Board meets its strategic and operational objectives. EC consists of four members.

Audit committee

The Audit committee consists of Board members and its purpose is to assist the Board in fulfilling its oversight responsibility by:

- Overseeing the Group's financial reporting processes, maintaining accounting policies, reviewing and approving the financial information;
- Reviewing reports on the internal controls;
- Managing the relationship with the Group's external auditors; and
- Reviewing the internal audit reports and monitors control issues of major significance of the Group.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (*Continued*)

4.1 Risk management structure (*continued*)

Sharia Board

The Sharia Board is responsible for Sharia governance in terms of overview and approval of products and documentation in relation to Sharia compatibility and overall Sharia compliance.

Risk & Compliance Committee of the Board ("RCC")

This RCC assists the Board of Directors in discharging its responsibilities with respect to ensuring that the Group's activities comply with the statutory laws and regulations, the system of internal control over financial reporting and with the Group's code of conduct.

Credit committee

Credit committee manages the credit risk of the Group by continuous review of credit limits, policies and procedures, the approval of specific exposures and work out situation, constant revaluation of the financing portfolio and the sufficiency of provisions thereof.

Asset and Liability Committee ("ALCO")

The objective of ALCO is to derive the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of profit rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy. The ALCO is also responsible to ensure that all strategies conform to the Group's risk appetite and levels of exposure as determined by the Board of Directors.

Human resource committee

Human resource committee manages the resources, performance and requirement of individuals required by Group on time to time basis.

Risk Management Division ("RMD")

The RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process. The RMD is also responsible for credit approval, credit administration, credit risk, market risk, operational risk and overall risk control.

Internal audit

Management processes at the Group are audited periodically by the internal audit function which examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal audit discusses the results of its assessments with management, and reports its findings and recommendations directly to the Audit Committee.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (*Continued*)

4.2 Risk measurement and reporting systems

The Group measures risks using conventional qualitative methods for credit, market and operational risks. Further, the Group also uses quantitative analysis and methods to support revisions in business and risk strategies as and when required. These analysis and methods reflect both the expected loss likely to arise in normal course of business or unexpected losses in an unforeseen event based on simple statistical techniques and probabilities derived from historical experience. The Group also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur or, in fact, occur.

Monitoring and controlling risks is primarily performed in relation to limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

4.3 Credit risk and concentrations of risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's investment in Islamic financing instruments and investment securities.

Credit risk measurement

The Group's Risk Management Framework assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. The framework has been developed internally and combines statistical analysis with credit officer judgment and is validated, where appropriate, by comparison with externally available data.

The Group's exposure to credit risk is measured on an individual counterparty basis, as well as by group of counterparties that share similar attributes. To reduce the potential of risk concentration, credit limits have been established and are monitored in the light of changing counterparty and market conditions.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (*Continued*)

4.3 Credit risk and concentrations of risk (*continued*)

Management of credit risk

The Group's Credit Risk Management Framework includes:

- Establishment of an authorization structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with the authorization structure and limits, prior to facilities being sanctioned to customers; renewals and reviews of facilities are subject to the same review process;
- Diversification of financing and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with the Group's risk management strategy and market trends.

Risks relating to credit-related commitments

The Group makes available to its customers, guarantees and letters of credit which require that the Group makes payments in the event that the customer fails to fulfill certain obligations to other parties. These instruments expose the Group to a similar risk to financing and investing assets and these are monitored by the same control processes and policies.

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Group monitors concentrations of credit risk by industry sectors and geographic location. Identified concentration of credit risk is controlled and managed accordingly.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (Continued)

4.3 Credit risk and concentrations of risk (continued)

Concentration of credit risk (continued)

By industry sectors

The following table breaks down the Group's credit exposures on investments in Islamic financing and investment products, investment securities, balances with other banks and off balance sheet items categorized by industry sectors.

2014	On balance sheet items					
	Investment in Islamic financing and investment products AED'000	Investment securities AED'000	Balances with other banks AED'000	Total funded AED'000	Off balance sheet items AED'000	Total AED'000
Banks	421,741	67,468	1,421,355	1,910,564	6,718	1,917,282
Manufacturing	591,340	-	-	591,340	77,696	669,036
Mining & quarrying	19,449	-	-	19,449	-	19,449
Construction	887,246	109,813	-	997,059	621,393	1,618,452
Trade	1,812,086	-	-	1,812,086	54,954	1,867,040
Transport, storage & communication	603,546	73,223	-	676,769	510	677,279
Financial institutions	486,462	10,000	-	496,462	88,415	584,877
Services	445,195	56,111	-	501,306	154,912	656,218
Government	1,034,950	201,932	-	1,236,882	142,068	1,378,950
Personal	2,225,526	-	-	2,225,526	4,656	2,230,182
Others	192,328	-	-	192,328	4,248	196,576
Total exposure	8,719,869	518,547	1,421,355	10,659,771	1,155,570	11,815,341

2013	On balance sheet items					
	Investment in Islamic financing and investment products AED'000	Investment securities AED'000	Balances with other banks AED'000	Total funded AED'000	Off balance sheet Items AED'000	Total AED'000
Banks	292,235	171,041	171,402	634,678	7,668	642,346
Manufacturing	488,202	-	-	488,202	21,248	509,450
Mining & Quarrying	1,199	-	-	1,199	-	1,199
Construction	454,967	-	-	454,967	159,654	614,621
Trade	1,264,749	-	-	1,264,749	130,937	1,395,686
Transport, storage & communication	446,621	-	-	446,621	136,027	582,648
Financial Institutions	-	10,000	-	10,000	29,430	39,430
Services	333,561	135,113	-	468,674	10,675	479,349
Government	603,727	136,086	-	739,813	167,277	907,090
Personal	993,776	-	-	993,776	1,161	994,937
Others	904,171	18,667	-	922,838	68,992	991,830
Total exposures	5,783,208	470,907	171,402	6,425,517	733,069	7,158,586

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (Continued)

4.3 Credit risk and concentrations of risk (continued)

Concentration of credit risk (continued)

By geographic location

Based on the domicile of the counterparties, the following table sets out the Group's main credit exposures at their carrying amounts, categorized by geographical region:

On balance sheet items

	UAE AED'000	GCC AED'000	Others AED'000	Total AED'000
2014				
Wakala deposits with banks and other financial Institutions	642,806	741,824	36,725	1,421,355
Investment in Islamic financing and investment products:				
- Retail	1,946,975	-	3,807	1,950,782
- Corporate	6,265,080	64	441,343	6,706,487
- Treasury	62,600	-	-	62,600
Investment securities	-	-	-	-
- Held-to-maturity	268,208	73,410	-	341,618
- Available-for-sale	94,021	15,440	67,468	176,929
Other assets	342,662	585	8,343	351,590
Total	9,622,352	831,323	557,686	11,011,361
2013				
Wakala deposits with banks and other financial Institutions	8,500	50,573	112,329	171,402
Investment in Islamic financing and investment products:				
- Retail	784,983	-	239	785,222
- Corporate	4,554,590	64	-	4,554,654
- Treasury	204,619	-	238,713	443,332
Investment securities				
- Held-to-maturity	10,000	-	-	10,000
- Available-for-sale	356,470	56,630	47,807	460,907
Other assets	200,869	1,158	814	202,841
Total	6,120,031	108,425	399,902	6,628,358

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (Continued)

4.3 Credit risk and concentrations of risk (continued)

Concentration of credit risk (continued)

By geographic location

Off balance sheet items

	UAE AED'000	GCC AED'000	Others AED'000	Total AED'000
2014				
Commitments	560,615	-	105,485	666,100
Letter of credit and guarantees	489,470	-	-	489,470
	-----	-----	-----	-----
Total	1,050,085	-	105,485	1,155,570
	=====	=====	=====	=====
	UAE AED'000	GCC AED'000	Others AED'000	Total AED'000
2013				
Commitments	274,490	-	85,707	360,197
Letter of credit and guarantees	372,872	-	-	372,872
	-----	-----	-----	-----
Total	647,362	-	85,707	733,069
	=====	=====	=====	=====

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (*Continued*)

4.3 Credit risk and concentrations of risk (*continued*)

Credit quality

The credit quality of the investment in Islamic financing and investment products is managed by the Group using internal credit ratings model. The risk rating system is used as a credit risk management tool whereby counter party risks are rated against a set of predetermined standards which also complies with the Central Bank guidelines.

Credit risk rating methodology

The Group's credit risk rating methodology follows the categorization of credit risk assets under the following risk classification/grading system:

	2014 AED'000	2013 AED'000
Neither past due nor impaired	8,169,245	5,579,562
Past due but not impaired	443,485	184,219
Impaired	107,139	127,724
	-----	-----
	8,719,869	5,891,505
Less: provision for impairment	(183,560)	(108,297)
	-----	-----
	8,536,309	5,783,208
	=====	=====
<i>Neither past due nor impaired:</i>		
AAA-BBB	4,718,092	2,781,163
BB-B	600,413	-
Not rated	2,850,740	2,798,399
	-----	-----
	8,169,245	5,579,562
	=====	=====
<i>Past due but not impaired:</i>		
AAA-BBB	204,572	94,507
BB-B	3,223	-
Not rated	235,690	89,712
	-----	-----
	443,485	184,219
	=====	=====
<i>Impaired:</i>		
Sub standard	4,752	13,685
Doubtful	3,029	33,590
Loss	99,358	80,449
	-----	-----
	107,139	127,724
	=====	=====

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (Continued)

4.3 Credit risk and concentrations of risk (continued)

Credit quality (continued)

Individually impaired by industry sectors

2014	90 - 120 days AED'000	Overdue		Total AED'000
		120 - 180 days AED'000	More than 180 days AED'000	
Personal	4,752	3,029	79,016	86,797
Manufacturing	-	-	11,289	11,289
Trade	-	-	7,179	7,179
Services	-	-	1,874	1,874
Others	-	-	-	-
Total	4,752	3,029	99,358	107,139

2013	90 - 120 days AED'000	Overdue		Total AED'000
		120 - 180 days AED'000	More than 180 days AED'000	
Personal	2,246	2,018	71,516	75,780
Manufacturing	11,401	-	31,391	42,792
Trade	38	-	7,077	7,115
Services	-	-	465	465
Others	-	-	1,572	1,572
Total	13,685	2,018	112,021	127,724

Past due but not impaired

Investments in Islamic financing and investment products less than 90 days past due are not considered impaired, unless information is available to indicate the contrary. Investments in Islamic financing and investment products past due but not impaired comprise:

	2014 AED'000	2013 AED'000
Past due up to 30 days	181,264	76,413
Past due 31 to 60 days	209,053	54,294
Past due 61 to 90 days	53,168	53,512
	443,485	184,219

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (*Continued*)

4.3 Credit risk and concentrations of risk (*continued*)

Credit quality (continued)

Maximum exposure to credit risk

The maximum exposure to credit risk taking into account the worst case scenario before taking the benefit of any collateral held or other credit enhancements is as follows:

	2014 AED'000	2013 AED'000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Balances with other banks	1,421,355	171,402
Investments in Islamic financing and investment products	8,719,869	5,783,208
Investment securities	518,547	470,907
Other assets	351,589	202,841
	<u>11,011,360</u>	<u>6,628,358</u>
 Credit risk exposures relating to off-balance sheet items are as follows:		
Contingencies and commitments	<u>1,155,570</u>	<u>733,069</u>

Risk mitigation and collateral management

The Group seeks to manage its credit risk exposures through diversification of financing and investment activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. The Group actively uses collateral to reduce its credit risk.

The amount and type of collateral depends on assessments of the credit risk of the counterparty. The types of collateral mainly include cash, guarantees, pledge over listed shares and mortgage and liens over properties or other securities over assets. Collateral generally is not held against investments securities and due from banks.

Management monitors the market value of collateral, and wherever necessary the Group requests additional collateral in accordance with the underlying agreement, and considers collateral obtained during its review of the adequacy of the allowance for impairment losses.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (Continued)

4.3 Credit risk and concentrations of risk (continued)

Credit quality (continued)

Estimates of fair value are generally assessed on an annual basis except in the case of mortgages which are updated when a financing is individually assessed as impaired. In case of sukuk fair value estimates are reviewed at each reporting date. Market values of listed shares are monitored on a monthly basis and in the event of a shortfall, the Group requests additional collateral in accordance with the underlying agreement with the customer. An estimate of fair value of collateral and other security enhancements held against investments in Islamic financing and investment products are shown below.

Particulars	Islamic financing and investments products		Collaterals	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Individually impaired				
Property	36,818	68,390	36,818	36,818
Others	70,321	59,334	-	14,640
	-----	-----	-----	-----
Gross amount	107,139	127,724	36,818	51,458
Impairment loss	(75,508)	(57,388)	-	-
	-----	-----	-----	-----
Carrying amount	31,631	70,336	36,818	51,458
	-----	-----	-----	-----
Past due but not impaired				
Pledged deposits	20,220	9,087	4,909	861
Property	272,546	102,131	257,862	102,131
Others	150,719	73,001	-	9,581
	-----	-----	-----	-----
Gross amount	443,485	184,219	262,771	112,573
	-----	-----	-----	-----
Carrying amount	443,485	184,219	262,771	112,573
	-----	-----	-----	-----
Neither past due nor impaired				
Pledged deposits	867,502	776,361	579,287	603,043
Debt / Equity securities	201,262	12,511	200,809	12,511
Property	2,264,079	1,467,289	2,156,057	1,381,929
Others	4,836,402	3,323,401	-	135,814
	-----	-----	-----	-----
Gross amount	8,169,245	5,579,562	2,936,153	2,133,297
Collective impairment provision	(108,052)	(50,909)	-	-
	-----	-----	-----	-----
Carrying amount	8,061,193	5,528,653	2,936,153	2,133,297
	-----	-----	-----	-----
Total	8,536,309	5,783,208	3,235,742	2,297,328
	=====	=====	=====	=====
Contingent liabilities				
Pledged deposits	143,369	92,011	34,517	27,407
Property	8,498	76,000	8,497	28,500
Others	337,603	204,861	-	-
	-----	-----	-----	-----
Total	489,470	372,872	43,014	55,907
	=====	=====	=====	=====

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (*Continued*)

4.3 Credit risk and concentrations of risk (*continued*)

Investments in Islamic financing and investment products individually impaired

At 31 December 2014, individually impaired investment in Islamic financing and investment products amount to AED 107.1 million (31 December 2013: AED 127.7 million). Collateral obtained by the Group against investments in Islamic financing and investment products individually impaired include vehicles, machinery and equipment.

Investment in Islamic financing and investment products renegotiated

During the year ended 31 December 2014, investments in Islamic financing and investment products of AED 43.3 million (31 December 2013: 54 million) were re-negotiated.

Credit risk in relation to cash and cash equivalents

The Group held cash and cash equivalents of AED 137.5 million at 31 December 2014 (2013: AED 101.4 million) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank and other banks and financial institutions counterparties, which are rated in between A1 and B3 based on rating provided by rating agencies.

Investment securities

The table below presents an analysis of debt securities based on external's ratings or their equivalent.

	2014 AED'000	2013 AED'000
Aa2	-	7,137
A1	15,440	49,493
A3	-	-
A2	-	-
Baa2	37,455	-
Baa3	36,404	-
Ba1	40,003	-
Ba2	38,036	104,287
Ba3	-	47,807
B	73,410	-
C	29,431	-
Unrated	248,368	289,108
Total	<u>518,547</u>	<u>497,832</u>

All of the investment securities (sukuks) as at 31 December 2014 classified as available for sale were neither past due nor impaired.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (*Continued*)

4.4 Market risk

Market risk arises from changes in market rates such as market price, foreign exchange and profit rate. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, currency rates and price movements. The Group uses appropriate models, based on standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management.
- Independent mark-to-market valuations, reconciliation of positions and tracking of stop-losses for trading positions are performed on a timely basis.

The policies, procedures and the trading limits are set to ensure the effective implementation of the Group's market risk policies. These policies are reviewed periodically to ensure they remain in line with the Group's overall market risk policies.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets, liabilities and off-balance sheet instruments that mature or re-price in a given period.

The Group is exposed to the effects of fluctuations in the prevailing levels of profit rates which arise from the investments in Islamic financing and investment products amounting to AED 8,536.3 million (2013: AED 5,783 million), investment securities amounting to AED 518.5 million (2013: AED 471 million), Wakala deposits with banks and other financial institutions AED 1,421.4 million (2013: AED 160 million, customer deposits amounting to AED 7,177 million (2013: AED 4,434 million) and AED 1,329.9 million (2013: AED 345 million) from placements by banks.

Ajman Bank PJSC and its subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (*Continued*)

4.4 Market risk (*continued*)

Profit rate risk (continued)

Sensitivity analysis

The amount mentioned in the table below reflect an equal but opposite potential effect on profit or loss based on assumed 50 basis point negative or positive movement in profit rates with all other variables being constant.

	2014		2013	
	Total AED'000	Effect on Profit/(loss) AED'000	Total AED'000	Effect on profit (loss) AED'000
Profit bearing asset	10,476,211	20,518	6,414,236	32,071
Profit bearing liabilities	8,634,284	23,203	4,778,448	23,892

Currency risk

The Group is not significantly exposed to movements in foreign currency exchange rates as its asset and liabilities are mainly denominated in AED, GCC currency or USD.

Price risk

Price risk is the possibility that investment pricing will fluctuate, affecting the fair value of investments and other instruments that derive their value from a particular instrument or index of price.

The Group manages the price risk by maintaining a diversified portfolio in terms of geographical and industry distribution.

The amount mentioned in the table below reflect an equal but opposite potential effect on profit before tax and investments based on assumed 5% strengthening or weakening prices with all other variable constant.

	Benchmark	Impact on equity of the Group	
		2014 AED'000	2013 AED'000
Investment securities at AFS	± 5%	8,846	24,392

Ajman Bank PJSC and its subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (*Continued*)

4.5 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding, if required.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands.

Non-derivative cash flows

The table set out in Note 23 presents the cash flows payable by the Group arising from remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual gross cash flows, whereas the Group manages the inherent liquidity risk based on expected gross cash flows.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities (Sukuk) for which there is an active and liquid market less any deposits from banks, debt securities (Sukuk) issued, other financings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Central Bank of UAE. Details of the reported Bank's ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2014	2013
At 31 December	9.31%	10.74%
Average for the year	11.13%	14.69%
Maximum month average	13.64%	22.04%
Minimum month average	8.97%	2.68%

4.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Ajman Bank PJSC and its subsidiaries

Notes to the consolidated financial statements

4. Financial risk management (*Continued*)

4.6 Operational risks ((*continued*))

The Group has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Risk and Compliance Committee identifies and manages operational risk to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Internal Audit Division. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

4.7 Capital management

The Group's lead regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements. The Central Bank has set the capital adequacy ratio which is 12 % analyzed in two tiers, of which Tier 1 capital adequacy ratio must not be less than 8%. The Group has complied with its capital adequacy calculation in accordance with Basel II Standardized Approach for credit, market and operational risks.

The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital and retained earnings; and
- Tier 2 capital, which includes fair value reserves relating to unrealized gains / losses on investments classified as available-for-sale and collective impairment provision. The following limits have been applied for Tier 2 capital:
 - Total tier 2 capital shall not exceed 67% of tier 1 capital;
 - Subordinated liabilities shall not exceed 50% of total tier 1 capital; and
 - Collective impairment provision shall not exceed 1.25% of total risk weighted assets.

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Notes to the consolidated financial statements

4. Financial risk management (Continued)

4.7 Capital management (continued)

The Group is required to report capital resources and risk-weighted assets under the Basel II Pillar 3 framework, as shown in the following table:

	2014 AED'000	2013 AED'000
Tier 1 capital		
Share capital	1,000,000	1,000,000
Reserves	129,575	58,179
	<u>1,129,575</u>	<u>1,058,179</u>
Tier 2 capital		
General provision and fair value reserve	81,645	31,699
	<u>81,645</u>	<u>31,699</u>
Total regulatory capital	<u>1,211,220</u>	<u>1,089,878</u>
Risk weighted assets		
Credit risk	8,281,904	5,233,815
Market risk	-	-
Operation risk	348,279	214,331
	<u>8,630,183</u>	<u>5,448,146</u>
Capital adequacy ratio on regulatory capital	<u>14.03%</u>	<u>20.0%</u>
Capital adequacy ratio on Tier 1 capital	<u>13.09%</u>	<u>19.4%</u>

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Notes to the consolidated financial statements

5. Fair value measurement

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.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2014				
Financial assets				
Investment securities at AFS	147,497	-	29,431	176,928
	=====	=====	=====	=====
Non Financial assets				
Investment Property	-	-	52,000	52,000
	=====	=====	=====	=====
At 31 December 2013				
Financial assets				
Investment securities at AFS	487,832	-	-	487,832
	=====	=====	=====	=====
Non Financial assets				
Investment Property	-	-	49,961	49,961
	=====	=====	=====	=====

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects.

	Effect on profit or loss		Effect on OCI	
31 December 2014	Favorable	Unfavorable	Favorable	Unfavorable
	<u>5,200</u>	<u>(5,200)</u>	<u>2,943</u>	<u>(2,943)</u>
	Effect on profit and loss		Effect on OCI	
31 December 2013	Favorable	Unfavorable	Favorable	Unfavorable
	<u>4,996</u>	<u>(4,996)</u>	<u>-</u>	<u>-</u>

Certain available-for-sale investment securities and investment property have been disclosed under level 3 of the fair value hierarchy. The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3:

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Notes to the consolidated financial statements

5. Fair value measurement (continued)

Available-for-sale financial assets	2014 AED'000	2013 AED'000
Balance as at 1 January	-	-
Transfer from level 1 to level 3	29,431	-
	-----	-----
Balance as at 31 December	29,431	-
	=====	=====

Investment property	2014 AED'000	2013 AED'000
Balance as at 1 January	49,961	49,961
Change in fair value	2,039	-
	-----	-----
Balance as at 31 December	52,000	49,961
	=====	=====

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000	Total carrying amount AED'000
At 31 December 2014					
Financial assets					
Cash and balances with the Central Bank of the UAE and other banks	423,252	-	-	423,252	423,252
Wakala deposits with banks and other financial institutions	-	1,421,355	-	1,421,355	1,421,355
Investments in Islamic financing and investments products	-	-	8,536,309	8,536,309	8,536,309
Investment securities	-	341,619	-	341,619	341,619
Other assets	-	-	235,977	235,977	235,977
	-----	-----	-----	-----	-----
	423,252	1,762,974	8,772,286	10,958,512	10,958,512
	=====	=====	=====	=====	=====
Financial Liabilities					
Customer deposits	-	-	8,508,742	8,508,742	8,508,742
Due to banks	-	1,329,947	-	1,329,947	1,329,947
Other liabilities	-	-	289,431	289,431	289,431
	-----	-----	-----	-----	-----
	-	1,329,947	8,798,173	10,128,120	10,128,120
	=====	=====	=====	=====	=====

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Notes to the consolidated financial statements

5. Fair value measurement (continued)

At 31 December 2013	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000	Total carrying amount AED'000
Financial assets					
Cash and balances with the Central Bank of the UAE and other banks	-	328,131	-	328,131	328,131
Wakala deposits with banks and other financial institutions	-	160,121	-	160,121	160,121
Investments in Islamic financing and investments products	-	5,655,484	127,724	5,783,208	5,783,208
Investment securities	-	10,000	-	10,000	10,000
Other assets	-	231,009	-	231,009	231,009
	-	6,384,745	127,724	6,512,469	6,512,469
Financial Liabilities					
Customer deposits	-	5,479,093	-	5,479,093	5,479,093
Due to banks	-	344,870	-	344,870	344,870
Other liabilities	-	229,700	-	229,700	229,700
	-	6,053,663	-	6,053,663	6,053,663

- 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 investments in sukuks, management has used the quoted price when available to assess fair value or used a present value calculation (PVC) based on market observable inputs.
- Investments in Islamic financing and investment products 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 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.

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Notes to the consolidated financial statements

6. Segment analysis

Following the management approach of IFRS 8, 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.

The Group has three main business segments:

- Retail banking – incorporating private customer current accounts, savings accounts, deposits, credit and debit cards, personal finance and house mortgage;
- Corporate banking – incorporating transactions with corporate bodies including government and public bodies and comprising of investments in Islamic financing and investment products, deposits and trade finance transactions; and
- 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, none of which constitute a separately reportable segment.

As the Group's segment operations are all financial with a majority of revenues deriving from income from investment in Islamic financing and investment products 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 Group's management reporting is based on a measure of operating profit comprising income from investments in Islamic financing and investment products, impairment charges on Islamic financing and investment products, 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.

Segment results of operations

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

At 31 December 2014	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Others AED'000	Total AED'000
Net income from investment in Islamic financing and investment products	63,126	182,704	8,591	633	255,054
Income from investment securities	-	-	30,318	3,138	33,456
Impairment charges on Islamic financing and investment products	(21,923)	(54,679)	(939)	-	(77,541)
Net fee and other income	30,900	28,191	8,991	591	68,673
Staff cost	(53,640)	(17,005)	(3,321)	(74,229)	(148,195)
General and administrative expenses	(19,466)	(2,248)	-	(24,607)	(46,321)
Depreciation and amortization expense	-	-	-	(13,730)	(13,730)
Operating (loss)/ profit	(1,003)	136,963	43,640	(108,204)	71,396
Total assets	1,947,728	6,589,442	2,112,081	582,037	11,231,288
Total liabilities	1,821,076	7,947,706	69,826	289,512	10,128,120

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Notes to the consolidated financial statements

6. Segment analysis (continued)

Segment results of operations (continued)

At 31 December 2013	Retail banking AED'000	Corporate banking AED'000	Treasury AED'000	Others AED'000	Total AED'000
Net income from investment in Islamic financing and investment products	34,708	130,245	46,029	-	210,982
Impairment charges on Islamic financing and investment products	(22,989)	(39,690)	-	-	(62,679)
Net fee and other income	11,637	21,469	7,286	-	40,392
Staff cost	(37,623)	(14,608)	(3,556)	(64,367)	(120,154)
General and administrative expenses	(9,983)	(427)	-	(32,096)	(42,506)
Depreciation and amortization expense	(7,750)	(2,228)	-	(5,458)	(15,436)
Operating (loss)/ profit	(32,000)	94,761	49,759	(101,921)	10,599
Total assets	785,222	4,554,654	1,101,284	651,472	7,092,632
Total liabilities	657,374	4,556,587	610,002	229,700	6,053,663

7. Cash and balances with the Central Bank of the UAE and other banks

	2014 AED'000	2013 AED'000
Cash and balances with the Central Bank of UAE	413,234	316,850
Balances with other banks	10,018	11,281
	423,252	328,131
Wakala deposits with banks and other financial institutions (original maturity less than three months)	1,421,355	-
	1,844,607	328,131
Less: Statutory deposit with the Central Bank of UAE	(285,703)	(226,746)
Cash and cash equivalents	1,558,904	101,385

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Notes to the consolidated financial statements

8. Investments in Islamic financing and investment products

	2014 AED'000	2013 AED'000
Murabaha	2,867,683	1,619,544
Wakala	540,568	183,321
Musharaka	140,030	137,782
Ijarah	3,938,664	2,815,773
Mudaraba	1,199,445	1,117,206
Credit cards	32,809	17,879
Istisna	670	-
	-----	-----
	8,719,869	5,891,505
Less: provision for impairment	(183,560)	(108,297)
	-----	-----
Total	<u>8,536,309</u>	<u>5,783,208</u>

Impairment charges for Islamic financing and investment products

	2014 AED'000	2013 AED'000
Impairment charges - specific provision (note 8.1)	18,141	36,655
Impairment charges - collective provision (note 8.2)	57,143	26,024
	-----	-----
	<u>75,284</u>	<u>62,679</u>

8.1 Movement of specific provision for impairment

	2014 AED'000	2013 AED'000
At 1 January	57,388	34,024
Charge for the year	18,141	36,655
Write-offs	(21)	(13,291)
	-----	-----
At 31 December	<u>75,508</u>	<u>57,388</u>

8.2 Movement of collective provision for impairment

At 1 January 2014	50,909	24,885
Charge for the year	57,143	26,024
	-----	-----
At 31 December 2014	<u>108,052</u>	<u>50,909</u>
	=====	=====
Total specific and collective provision	<u>183,560</u>	<u>108,297</u>
	=====	=====

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9. Investment securities

	2014 AED'000	2013 AED'000
Held to maturity - sukuks (note 9.1)	341,619	10,000
Available for sale - listed sukuks (note 9.2)	173,712	337,674
Available for sale - listed Islamic securities	3,216	150,158
	<u>518,547</u>	<u>497,832</u>

9.1 Held to maturity

At 31 December 2014, the quoted market price of the held to maturity Sukuk was AED 341.6 million (31 December 2013: AED 10 million) and the Group expects to receive cash flows of AED 339.9 million (31 December 13: AED 10 million) from the redemption of the held to maturity Sukuk on maturity.

9.2 Available for sale

During the year ended 31 December 2014, the Group recognized fair value gain on available for sale investments of AED 2.8 million in the fair value reserve (31 Dec 2013: fair value loss AED 21.5 million)

10. Investment property

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

This investment property (plot of land) was gifted to the Bank by one of the Bank's director during 2010.

A gain of AED 2.039 million is recognised in the profit or loss for the year ended 31 December 2014.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

11. Property and equipment	Leasehold improvements AED'000	Furniture, fittings and equipment AED'000	Vehicles AED'000	Computer equipment and software AED'000	Capital work in progress AED'000	Total AED'000
Cost						
Balance at 1 January 2013	42,941	19,342	1,250	36,083	5,205	104,821
Additions	295	2069	-	2,881	5,073	10,318
Transfers from capital work in progress	-	-	-	-	-	-
Write-off	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Balance at 31 December 2013	43,236	21,411	1,250	38,964	10,278	115,139
Balance at 1 January 2014	43,236	21,411	1,250	38,964	10,278	115,139
Additions	455	1,018	469	1,443	13,491	16,876
Write-off	(2,196)	(860)	(518)	-	-	(3,574)
At 31 December 2014	41,495	21,569	1,201	40,407	23,769	128,441
Depreciation						
Balance at 1 January 2013	19,687	11,102	921	25,623	-	57,333
Charge for year	6,465	4,137	198	4,636	-	15,436
Write-off	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
At 31 December 2013	26,152	15,239	1,119	30,259	-	72,769
Charge for year	6,210	2,796	148	4,576	-	13,730
Write-off	(843)	(545)	(518)	-	-	(1,906)
At 31 December 2014	31,519	17,490	749	34,835	-	84,593
Net book value						
At 31 December 2014	9,976	4,079	452	5,572	23,769	43,848
At 31 December 2013	17,084	6,172	131	8,705	10,278	42,370

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

12. Other assets

	2014 AED'000	2013 AED'000
Accrued income on investments in Islamic financing and investment products	42,552	36,332
Accrued income on investment securities	4,766	5,273
Prepaid rent/expenses	6,282	9,975
Staff advances	7,788	6,318
Acceptances	129,146	154,918
Others	45,443	18,193
	-----	-----
	235,977	231,009
	=====	=====

13. Customer deposits

	2014 AED'000	2013 AED'000
Current accounts	1,204,405	940,117
<i>Mudaraba deposits</i>		
Savings accounts	122,872	96,209
Term deposits	126,707	95,566
	-----	-----
	1,453,984	1,131,892
Wakala deposits	6,927,654	4,241,803
Escrow accounts	70,014	64,393
Margin accounts	57,090	41,005
	-----	-----
	8,508,742	5,479,093
	=====	=====

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

14. Other liabilities

	2014 AED'000	2013 AED'000
Managers' cheques	61,722	26,307
Provision for staff salaries and benefits	5,761	350
Accrued profit on customer deposits and placements by banks	49,209	20,921
Acceptances	129,146	154,918
Other liabilities	43,593	27,204
	<u>289,431</u>	<u>229,700</u>

15. Share capital

	2014 AED'000	2013 AED'000
<i>Authorized, issued and fully paid</i>		
1,000,000,000 (31 December 2013: 1,000,000,000) shares of AED 1 each	<u>1,000,000</u>	<u>1,000,000</u>

16. Statutory reserve

The UAE Federal Law No (8) of 1984, as amended, and the UAE Union Law No. 10 of 1980, as amended, require that 10% of the net profit for the year is transferred to a statutory reserve, until such time as the balance in the reserve equals 50% of the issued share capital. This reserve is not available for distribution.

17. Income from investments in Islamic financing and investment products

	2014 AED'000	2013 AED'000
Income from Wakala placements	6,477	7,302
Income from Murabaha	138,528	90,089
Income from Musharakah	3,915	5,980
Income from Ijarah	158,789	108,324
Income from Mudaraba	56,561	48,036
	<u>364,270</u>	<u>259,731</u>

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

18. Staff costs

	2014 AED'000	2013 AED'000
Salaries and allowances	94,480	84,667
Other staff related cost	53,715	35,487
	-----	-----
	<u>148,195</u>	<u>120,154</u>

19. General and administrative expenses

	2014 AED'000	2013 AED'000
Rental expenses	13,372	12,872
Marketing, designing, product development and communication expenses	6,412	6,823
Software license	4,064	2,185
Security services including cash in transit services	2,596	2,565
Consultancy expenses	1,204	356
Others	18,674	17,705
	-----	-----
	<u>46,322</u>	<u>42,506</u>

20. Commitments and contingent liabilities

Capital commitments

At 31 December 2014, the Group had outstanding capital commitments of AED 10.4 million (31 December 2013: AED 3.3 million), which will be funded within the next one year.

Credit-related commitments and contingencies

Credit-related commitments include commitments to extend credit which are designed to meet the requirements of the Group's customers.

At 31 December, the Group had the following credit related commitments and contingent liabilities:

	2014 AED'000	2013 AED'000
Commitments to extend credit	666,100	360,197
Letters of credit	165,621	88,073
Letters of guarantee	323,849	284,799
	-----	-----
	<u>1,155,570</u>	<u>733,069</u>

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

21. Related party transactions and balances

Related parties comprise the 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. In addition to the disclosure in note 10, following are other transaction and balances with related parties on mutually agreed terms.

Transactions	2014			2013		
	Major	Director	Total	Major	Director	Total
	shareholders	and other related parties		shareholders	and other related parties	
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Depositors' share of profit	<u>8,589</u>	<u>30,984</u>	<u>39,573</u>	<u>5,155</u>	<u>30,575</u>	<u>35,730</u>
Income from investment in Islamic financing and investment products	<u>-</u>	<u>27,994</u>	<u>27,994</u>	<u>-</u>	<u>30,290</u>	<u>30,290</u>
Rental expenses	<u>-</u>	<u>3,139</u>	<u>3,139</u>	<u>-</u>	<u>2,856</u>	<u>2,856</u>

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

21. Related party transactions and balances (continued)

Balances	2014			2013		
	Major	Directors	Total	Major	Directors	Total
	shareholders	and other related parties		shareholders	and other related parties	
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Investments in Islamic financing and investment products	-	727,401	727,401	-	721,109	721,109
Customer deposits	577,543	1,571,541	2,149,084	350,827	1,141,817	1,492,644

Compensation of directors and management personnel

Key management compensation is as shown below:

	2014 AED'000	2013 AED'000
Short term employment benefits	14,548	12,880
Terminal benefits	876	745
Total	15,424	13,625
Directors' remuneration	897	613

No impairment loss has been recognized against balances outstanding with key management personnel and other related parties.

22. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit for the year ended (AED in thousands)	71,396	10,599
Weighted average number of shares in issued (in thousands)	1,000,000	1,000,000
Earnings per share – (AED)	0.071	0.011

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

23. Maturity profile of financial liabilities

2014			
	Up to 1 year	1 – 5 years	Total
	AED'000	AED'000	AED'000
Customer deposits	8,457,247	51,495	8,508,742
Placements by banks	687,260	642,687	1,329,947
Other liabilities	289,431	-	289,431
	<u>9,433,938</u>	<u>694,182</u>	<u>10,128,120</u>
Commitments and contingent liabilities	<u>1,155,570</u>	<u>-</u>	<u>1,155,570</u>
2013			
	Up to 1 year	1 – 5 years	Total
	AED'000	AED'000	AED'000
Customer deposits	5,479,093	-	5,479,093
Placements by banks	344,870	-	344,870
Other liabilities	223,175	6,525	229,700
	<u>6,047,138</u>	<u>6,525</u>	<u>6,053,663</u>
Commitments and contingent liabilities	<u>953,648</u>	<u>-</u>	<u>953,648</u>

24. Subsidiaries

Special purpose entities ("SPE") consolidated by the Bank based on an assessment of control are as follows:

<u>Name of entity</u>	<u>Nature of entity</u>
Ajman Assets Management	SPE for trading purposes
Ajman Capital Investment	SPE for investment purposes
Ajman Development	SPE for trading purposes

The SPEs were registered in the free zone authority of Ajman in the name of Ajman Government. During the period the Bank has placed AED 62.6 million into the Ajman Development and these placements are further invested by these SPE's in Islamic institutions.

In addition to the above, there were no transactions during the year ended 31 December 2014 in Ajman Cars L.L.C, which was incorporated on 17 November 2013, with the Bank owning 99% of the share capital.

Ajman Bank PJSC and its Subsidiaries

Notes to the consolidated financial statements

25. Comparative figures

Certain comparative figures have been re-classified where necessary to conform to the current year's presentation.