Ajman Bank PJSC
(Public Joint Stock Company)

Interim condensed financial statements for the nine month period ended 30 September 2010

Ajman Bank PJSC

Interim condensed financial statements
for the nine month period ended 30 September 2010

Ajman Bank PJSC

Interim condensed balance sheet

	Note	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
ASSETS			
Cash and balances with the Central Bank of the UAE	3	127,149	72,756
Investments in Islamic financing instruments	4	2,567,919	1,724,002
Other assets	5	33,725	22,120
Investment securities held-to-maturity	6	127,155	43,468
Property and equipment		67,850	65,607
Total assets		2,923,798	1,927,953
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Placements by banks	7	391,389	81,015
Customer deposits	8	1,475,023	786,657
Other liabilities	9	70,889	55,311
Provision for employees' end of service benefits		2,676	1,901
Total liabilities		1,939,977	924,884
Shareholders' equity			
Share capital	10	1,000,000	1,000,000
Statutory reserve	11	2,050	2,050
(Accumulated losses) / retained earnings		(18,229)	1,019
Total shareholders' equity		983,821	1,003,069
Total liabilities and shareholders' equity		2,923,798	1,927,953

These interim condensed financial statements were approved on 8 November 2010 and signed on behalf of the Board of Directors by:

.... Chairman

.... Chief Executive Officer

Ajman Bank PJSC

Interim condensed statement of comprehensive income

	Note	Three month period ended 30 September 2010 AED'000 (Reviewed)	Three month period ended 30 September 2009 AED'000 (Reviewed)	Nine month period ended 30 September 2010 AED'000 (Reviewed)	8 January 2007 to 30 September 2009 AED'000 (Reviewed)
Income					
Income from investments in Islamic financing instruments	12	33,212	16,286	78,251	95,623
Income from investment securities		2,994	3,877	10,693	8,367
Fees and other income		4,002	2,067	11,854	3,952
		40,208	22,230	100,798	107,942
Depositors' share of profits		(12,237)	(3,847)	(23,141)	(7,914)
Net income		27,971	18,383	77,657	100,028
Expenses					
Staff costs	13	(19,601)	(17,040)	(59,245)	(82,613)
General and administrative expenses	14	(7,975)	(7,608)	(24,781)	(41,312)
Depreciation		(3,638)	(2,950)	(10,599)	(7,006)
Impairment charge on credit losses		(36)	(500)	(2,280)	(500)
Comprehensive result for the period		(3,279)	(9,715)	(19,248)	(31,403)
Loss per share - basic (AED)	17	(0.003)	(0.01)	(0.02)	(0.03)

The accompanying notes 1 through 17 form an integral part of these interim condensed financial statements

Ajman Bank PJSC

Interim condensed statement of changes in shareholders' equity

	Share capital AED'000	Net initial public offering surplus AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Total AED'000
Issue of shares (Note 10)	1,000,000	-	-	-	1,000,000
Surplus from initial public offering		1,936	-	-	1,936
Loss for the period		-	-	(31,403)	(31,403)
At 30 September 2009 (Reviewed)	1,000,000	1,936	-	(31,403)	970,533
At 1 January 2010	1,000,000	-	2,050	1,019	1,003,069
Loss for the period		-	-	(19,248)	(19,248)
At 30 September 2010 (Reviewed)	1,000,000	-	2,050	(18,229)	983,821

Ajman Bank PJSC

Interim condensed cash flow statement for the nine month period ended 30 September 2010

	Nine month period ended 30 September 2010 AED'000 (Reviewed)	Period from 8 January 2007 to 30 September 2009 AED'000 (Reviewed)
Operating activities		
Loss for the period	(19,248)	(31,403)
Adjustments for:		
Depreciation	10,599	7,006
Provision for impairment	2,280	500
Provision for employees' end of service benefits	1,060	1,782
Operating cash flows before changes in assets and liabilities	(5,309)	(22,115)
Changes in operating assets and liabilities:		
Investment in Islamic financing instruments	(846,197)	(1,563,048)
Statutory deposit with the Central Bank of the UAE	(19,564)	(48,222)
Other assets	(11,605)	(27,867)
Customer deposits	688,366	683,512
Placements by banks	310,374	27,500
Other liabilities	15,578	53,190
Payment of employees' end of service benefits	(285)	(253)
Net cash provided by / (used in) operating activities	131,358	(897,303)
Investing activities		
Purchase of investment securities, net	(83,687)	(42,997)
Purchase of property and equipment	(12,842)	(66,515)
Net cash used in investing activities	(96,529)	(109,512)
Financing activities		
Issue of shares	-	1,000,000
Net initial public offering surplus	-	1,936
Net cash provided by financing activities	-	1,001,936
Net increase/(decrease) in cash and cash equivalents	34,829	(4,879)
Net cash and cash equivalents at the beginning of the period	24,933	-
Cash and cash equivalents, at the end of the period (Note 3)	59,762	(4,879)

The accompanying notes 1 through 17 form an integral part of these interim condensed financial statements

Notes to the interim condensed financial statements for the nine month period ended 30 September 2010

1 Incorporation and principal activities

Ajman Bank (P.J.S.C) ("the Bank") is incorporated as a Public Joint Stock Company. The Bank has its registered office at Ajman Free Zone, Block C, Level 13, Al Mina Road, P.O. Box 7770, Ajman, United Arab Emirates ("UAE") and was legally incorporated on 17 April 2008. The Bank was registered with the Securities and Commodities Authority ("SCA") on 12 June 2008 and obtained a license from the Central Bank of UAE to operate as a Head Office on 14 June 2008. On 1 December 2008, the Bank obtained a branch banking license from the Central Bank of UAE and commenced operations on 22 December 2008.

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

2 Summary of significant accounting policies

Basis of preparation

The interim condensed financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed financial statements are prepared under the historical cost convention.

The accounting policies applied in the preparation of the interim condensed financial statements are consistent with those applied in the annual financial statements for the period ended 31 December 2009. The interim condensed financial statements should therefore be read in conjunction with the financial statements of the Bank for the period ended 31 December 2009.

Costs that occur unevenly during the financial year are anticipated or deferred in the condensed interim financial information only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

2 Summary of significant accounting policies (continued)

Amendments and interpretations to published standards that are effective for the Bank's accounting periods beginning on or after 1 January 2010

The following new amendments and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after 1 January 2010.

- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IFRS 1 and IAS 27, 'Cost of investment in a subsidiary, jointly controlled entity or associate', effective for annual periods beginning on or after 1 July 2009.
- IFRS 9, 'Financial Instruments part 1: Classification and Measurement', effective for annual periods commencing on or after 1 January 2013, earlier adoption is permitted.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective for annual periods commencing 1 July 2009).
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective for annual periods commencing 1 July 2009).
- Amendments to IAS 7, 'Statement of Cash Flows' (effective for annual periods commencing 1 January 2010)
- Amendments to IAS 39, 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18, 'Transfers of assets from customers' (effective for annual periods beginning on or after 1 July 2009)

Management has assessed the impact of the above amendments and interpretations to published standards on the Bank's financial statements and has concluded that they are either not relevant to the Bank or the effect on the Bank's financial statements is not material.

Standards, amendments and interpretations to published standards issued but not effective for financial year beginning 1 January 2010

The following new standards, interpretations and amendments to published standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Bank:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Bank's accounting for its financial assets. The standard is not materially applicable until 1 January 2013 but is available for early adoption.

2 Summary of significant accounting policies (continued)

Standards, amendments and interpretations to published standards issued but not effective for financial year beginning 1 January 2010 (continued)

- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.

- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2010.

Management has assessed the impact of the above new standards, amendments and interpretations to published standards on the Bank's financial statements and has concluded that they are either not relevant to the Bank or the effect on the Bank's financial statements is not likely to be material.

3 Cash and balances with Central Bank of the UAE

	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
Cash and balances with Central Bank of the UAE	121,877	69,927
Balances with other banks	5,272	2,829
	127,149	72,756
Less: Statutory deposit with the Central Bank of the UAE	(67,387)	(47,823)
Cash and cash equivalents	59,762	24,933

Cash and cash equivalents as well as the statutory deposit are non-profit bearing.

4 Investments in Islamic financing instruments

	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
Wakala deposits with banks	765,000	1,100,850
Murabaha financing transactions	1,264,326	437,562
Musharaka financing	70,046	40,608
Ijarah financing	459,120	143,952
Credit cards	19,321	8,680
Less: provision for impairment	(9,894)	(7,650)
	2,567,919	1,724,002

Investments in Islamic financing instruments carried an effective profit rate ranging from 0.1 % to 15.9 % per annum (31 December 2009: 0.25 % to 13.5 % per annum).

5 Other assets

	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
Accrued income on investments in Islamic financing instruments	13,460	9,639
Accrued income on investment securities	857	178
Prepaid rent	8,574	9,176
Staff advances	3,386	967
Other assets	7,448	2,160
	33,725	22,120

6 Investment securities held-to-maturity

	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
Listed sukuks	127,155	43,468

The sukuks are issued by institutions based in the UAE, which were rated 'B1' and 'A3' by Moody's.

At 30 September 2010, the quoted market price of the sukuks were AED 130.7 million (31 December 2009: AED 46.8 million) and the Bank expects to recover cash flows of AED 145.2 million (31 December 2009: AED 60 million) from the redemption of the investment securities on their respective maturities.

The sukuks carried an effective profit rate of 11% (31 December 2009: 16.29 %) per annum.

7 Placements by banks

	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
Wakala deposits from banks	391,389	81,015

At 30 September 2010, placements by banks carried an effective profit rate of 0.15 % to 2.57 % per annum (31 December 2009: 0.35 % to 0.65 % per annum).

8 Customer deposits

	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
Current accounts	130,411	270,756
Savings accounts	148,083	11,613
Mudaraba deposits	227,173	285,212
Wakala deposits	921,527	150,537
Escrow accounts	47,829	68,539
	1,475,023	786,657

At 30 September 2010, the Bank's customer deposits carried an effective profit rate of 1.3 % to 4.2 % per annum (31 December 2009: 1.45 % to 5.5 % per annum).

9 Other liabilities

	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
Provision for staff salaries and benefits	5,245	10,377
Accrued profit on customer deposits and placements by banks	8,505	10,320
Managers' cheques	14,984	23,109
Other liabilities	42,155	11,505
	70,889	55,311

10 Share capital

	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
Authorized, issued and fully paid up share capital:		
1,000,000,000 shares of AED 1 each	1,000,000	1,000,000

11 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. No transfer has been made for the current period as the transfer will be determined on the basis of the results of the Bank for the year ending 31 December 2010.

12 Income from investments in Islamic financing instruments

	Three month period ended 30 September 2010 AED'000 (Reviewed)	Three month period ended 30 September 2009 AED'000 (Reviewed)	Nine month period ended 30 September 2010 AED'000 (Reviewed)	8 January 2007 to 30 September 2009 AED'000 (Reviewed)
Income from Wakala deposits	13,198	9,295	31,288	80,738
Income from Murabaha financing transactions	11,007	5,264	26,215	12,235
Income from Ijara financing transactions	7,765	972	17,667	1,433
Income from Musharaka financing transactions	1,242	755	3,081	1,217
	33,212	16,286	78,251	95,623

13 Staff costs

	Three month period ended 30 September 2010 AED'000 (Reviewed)	Three month period ended 30 September 2009 AED'000 (Reviewed)	Nine month period ended 30 September 2010 AED'000 (Reviewed)	8 January 2007 to 30 September 2009 AED'000 (Reviewed)
Salaries and allowances	18,780	14,875	55,034	65,928
Provision for bonus	(2,387)	306	(4,313)	6,516
Contribution to pension fund	593	553	1,578	2,319
Staff training	149	23	582	675
Provision for employees' end of service benefits	436	-	1,060	1,782
Others	2,030	1,283	5,304	5,393
	19,601	17,040	59,245	82,613

14 General and administrative expenses

	Three month period ended 30 September 2010 AED'000 (Reviewed)	Three month period ended 30 September 2009 AED'000 (Reviewed)	Nine month Period ended 30 September 2010 AED'000 (Reviewed)	8 January 2007 to 30 September 2009 AED'000 (Reviewed)
Rental expenses	3,617	2,923	10,478	10,725
Marketing, designing, product development and communication expenses	1,423	1,215	3,620	8,410
Consultancy expenses	160	155	1,228	4,780
Legal and professional fees	240	27	329	360
Others	2,535	3,288	9,126	17,037
	7,975	7,608	24,781	41,312

15 Contingencies and commitments

Legal proceedings

At 30 September 2010, there were two legal proceedings pending against the Bank, one from a former employee and the other arising from a lease agreement.

Litigation is subject to many uncertainties and the Bank cannot predict the outcome of individual matters with assurance. The Bank establishes provisions in connection with pending or threatened litigation if a loss is probable and can be reasonably estimated. However, it not possible at this time to quantify the financial effect of the legal proceedings, if any. The Bank does not believe that the two legal claims have merit and is defending the claims. In the event that the proceedings go against the Bank, management believes that based on information available at the present time the damages should not materially affect the Bank's financial position.

Capital commitments

At 30 September 2010, the Bank had outstanding capital commitments of AED 9.6 million, which will be funded within the next one year (31 December 2009: AED 12 million).

15 Contingencies and commitments (continued)

Credit-related commitments and contingent liabilities

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

At 30 September 2010 and 31 December 2009, the Bank had the following credit related commitments and contingent liabilities:

	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
Commitments to extend credit	196,339	225,221
Letters of credit	11,653	11,262
Letters of guarantees	23,084	676
	231,076	237,159

16 Related party transactions and balances

Related parties comprise shareholders, directors and key management personnel, as well as businesses controlled by shareholders, directors and key management personnel and businesses over which they exercise significant influence.

	Three month period ended 30 September 2010 AED'000 (Reviewed)	Three month period ended 30 September 2009 AED'000 (Reviewed)	Nine month Period ended 30 September 2010 AED'000 (Reviewed)	8 January 2007 to 30 September 2009 AED'000 (Reviewed)
Transactions				
Rental expenses	924	1,033	3,416	5,923
Depositors' share of profit	3,350	1,783	4,428	2,475
Remuneration to key management personnel	4,674	1,879	13,327	15,722
Income from Investment in Islamic financing instruments	5,250	79	9,131	79

16 Related party transactions and balances (continued)

	30 September 2010 AED'000 (Reviewed)	31 December 2009 AED'000 (Audited)
Balances		
Investment in Islamic financing instruments	677,548	22,164
Customer deposits	541,310	304,781

17 Earnings / (loss) per share

The basic earnings / (loss) per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	Nine month period ended 30 September 2010 AED'000 (Reviewed)	8 January 2007 to 30 September 2009 AED'000 (Reviewed)
Loss for the period	(19,248)	(31,403)
Weighted average number of shares in issue	1,000,000	1,000,000
Loss per share - AED	(0.02)	(0.03)

At 30 September 2010 and 30 September 2009, there were no potentially dilutive shares.