

Ajman Bank PJSC

REVIEW REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

**FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2024**

Ajman Bank PJSC

Contents	<u>Pages</u>
Report on review of condensed consolidated interim financial information	1
Condensed consolidated interim statement of financial position (unaudited)	2
Condensed consolidated interim statement of profit or loss (unaudited)	3
Condensed consolidated interim statement of other comprehensive income (unaudited)	4
Condensed consolidated interim statement of changes in equity (unaudited)	5
Condensed consolidated interim statement of cash flows (unaudited)	6
Notes to the condensed consolidated interim financial information (unaudited)	7 - 31

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors
Ajman Bank PJSC
Dubai
United Arab Emirates**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Ajman Bank PJSC** (the “Bank”) and its subsidiary (collectively referred as the “Group”) as at 30 June 2024 and the interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Other matter

The financial statements of the Bank for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 14 February 2024. The interim financial information for the six-month period ended 30 June 2023 was reviewed by another auditor who expressed an unmodified conclusion on that information on 1 August 2023.

Deloitte & Touche (M.E.)



Firas Anabtawi
Registration No.: 5482
18 July 2024
Dubai
United Arab Emirates

Condensed consolidated interim statement of financial position (unaudited)
As at 30 June 2024

		30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
	Notes		
ASSETS			
Cash and balances with the Central Bank	6	3,158,129	4,467,728
Due from banks and other financial institutions		1,737,635	1,714,027
Islamic financing and investing assets, net	7	13,906,466	13,775,993
Islamic investment securities at amortised cost	8	36,228	263,029
Islamic investment securities at fair value	9	3,192,199	2,781,228
Investment properties		387,648	385,755
Property and equipment		130,446	125,787
Other Islamic assets	10	1,686,523	1,421,985
Total assets		24,235,274	24,935,532
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	11	19,305,518	19,724,748
Due to banks and other financial institutions		916,477	1,604,754
Other liabilities	12	1,132,136	931,078
Total liabilities		21,354,131	22,260,580
Equity			
Share capital	13	2,723,500	2,723,500
Treasury shares	13	(37,306)	(27,675)
Statutory and reserves		237,689	253,676
Investment fair value reserve		(260,488)	(276,735)
General impairment reserve	14	53,052	60,835
Retained earnings/(accumulated losses)		164,696	(58,649)
Total equity		2,881,143	2,674,952
TOTAL LIABILITIES AND EQUITY		24,235,274	24,935,532

To the best of our knowledge, the condensed consolidated interim financial information present fairly, in all material respects, the financial position, financial performance and cash flows of the Group as of, and for, the periods presented therein.


H.H. Sheikh Ammar Bin Humaid Al Nuaimi
Chairman


Mustafa Al Khalfawi
Chief Executive Officer

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

**Condensed consolidated interim statement of profit or loss (unaudited)
for the six month period ended 30 June 2024**

	Notes	Three month period ended 30 June		Six month period ended 30 June	
		2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
Operating income					
Income from Islamic financing and investing assets	15	298,089	275,932	606,948	580,824
Income from Islamic investment securities		35,452	34,349	80,447	58,493
Fees, commissions and other income		79,200	45,027	125,613	89,728
Total operating income before depositors' share of profits		412,741	355,308	813,008	729,045
Depositors' share of profits		(179,440)	(165,615)	(384,877)	(307,779)
Net operating income		233,301	189,693	428,131	421,266
Expenses					
Staff costs		(63,979)	(65,335)	(128,943)	(122,068)
General and administrative expenses		(26,170)	(22,567)	(45,914)	(47,166)
Depreciation of property and equipment		(5,958)	(6,842)	(12,282)	(15,723)
(Provision for)/ write-back of expected credit losses on financial assets	21.4	(21,609)	11,532	(8,297)	(55,475)
Impairment of associates		-	-	-	(25,200)
Impairment loss on non-financial assets		-	(53,300)	-	(53,300)
Total expenses		(117,716)	(136,512)	(195,436)	(318,932)
Profit before tax		115,585	53,181	232,695	102,334
Income tax expense	23	(7,446)	-	(17,133)	-
Profit for the period		108,139	53,181	215,562	102,334
Basic and diluted earnings per share (AED)		0.040	0.024	0.080	0.047

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

**Condensed consolidated interim statement of other comprehensive income (unaudited)
for the six month period ended 30 June 2024**

	Three month period ended 30 June		Six month period ended 30 June	
	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
Profit for the period	108,139	53,181	215,562	102,334
Other comprehensive (loss)/income:				
<i>Items that will not be reclassified subsequently to the statement of profit or loss</i>				
Fair value (loss)/gain on equity securities at FVTOCI	(6,154)	11,106	(14,593)	15,140
	(6,154)	11,106	(14,593)	15,140
<i>Items that may be reclassified subsequently to the statement of profit or loss</i>				
Fair value gain on Sukuk investment securities at FVTOCI	3,897	6,589	31,173	12,984
Reclassification to the statement of profit or loss upon dispose of investments at FVTOCI	(3,701)	(32)	(333)	2,275
	196	6,557	30,840	15,259
Other comprehensive (loss)/income	(5,958)	17,663	16,247	30,399
Total comprehensive income for the period	102,181	70,844	231,809	132,733

**Condensed consolidated interim statement of changes in equity (unaudited)
for the six month period ended 30 June 2024**

	Share capital AED'000	Treasury shares AED'000	Statutory and other reserves AED'000	Investment fair value reserve AED'000	General impairment reserve AED'000	Retained earnings/ (accumulated losses) AED'000	Total AED'000
At 1 January 2023	2,100,000	-	286,331	(334,393)	105,810	357,329	2,515,077
Profit for the period	-	-	-	-	-	102,334	102,334
Other comprehensive income	-	-	-	30,399	-	-	30,399
Total comprehensive income for the period	-	-	-	30,399	-	102,334	132,733
Transfer on disposal of equity instruments at FVTOCI	-	-	-	(5,391)	-	5,391	-
Transfer from general impairment reserve (Note 14)	-	-	-	-	(10,659)	10,659	-
Issuance of stock dividends (Note 13)	73,500	-	-	-	-	(73,500)	-
At 30 June 2023 (unaudited)	2,173,500	-	286,331	(309,385)	95,151	402,213	2,647,810
At 1 January 2024	2,723,500	(27,675)	253,676	(276,735)	60,835	(58,649)	2,674,952
Profit for the period	-	-	-	-	-	215,562	215,562
Other comprehensive income	-	-	-	16,247	-	-	16,247
Total comprehensive income for the period	-	-	-	16,247	-	215,562	231,809
Treasury shares (Note 13.1)	-	(9,631)	(15,987)	-	-	-	(25,618)
Transfer from general impairment reserve (Note 14)	-	-	-	-	(7,738)	7,738	-
At 30 June 2024 (unaudited)	2,723,500	(37,306)	237,689	(260,488)	53,052	164,696	2,881,143

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

**Condensed consolidated interim statement of cash flows (unaudited)
for the six month period ended 30 June 2024**

	Six month period ended 30 June	
	2024 AED'000	2023 AED'000
Cash flows from operating activities		
Profit before tax for the period	232,695	102,334
<i>Adjustments for:</i>		
Depreciation of property and equipment	12,282	15,723
Amortisation of discount on Islamic investment securities at amortised cost	(132)	(34)
Credit loss expenses on financial assets	8,297	55,475
Income from Islamic investment securities	(70,820)	(56,159)
Impairment of property and equipment	-	446
Impairment charge for non-financial assets	-	53,300
Realized gain on disposal of Islamic investment securities	(1,826)	(2,299)
Impairment of associates	-	25,200
Gain on disposal of property and equipment	-	(7,129)
Operating cash flows before changes in operating assets and liabilities	180,496	186,857
<i>Changes in operating assets and liabilities:</i>		
Islamic financing and investing assets	(144,350)	(1,139,477)
Due from banks and other financial institutions	153,910	(349,077)
Statutory deposit with the Central Bank	(131,253)	(285,141)
International Murabaha with the Central Bank	1,100,000	(560,000)
Other assets	(263,142)	(148,483)
Islamic customers' deposits	(419,230)	2,881,161
Due to banks and other financial institutions	(688,277)	(1,242,488)
Other liabilities	183,237	700,630
Net cash (used in)/generated from operating activities	(28,609)	43,982
Cash flows from investing activities		
Purchase of Islamic investment securities	(552,994)	(427,176)
Proceeds from sale of Islamic investment securities	388,406	37,841
Purchase of property and equipment	(16,941)	(15,933)
Proceeds from disposal of property and equipment	-	10,000
Profit income on Islamic investment securities	73,013	61,677
Additions to investment properties	(1,893)	(4,425)
Net cash used in investing activities	(110,409)	(338,016)
Cash flows from financing activities		
Treasury shares	(25,618)	-
Net cash used in financing activities	(25,618)	-
Net decrease in cash and cash equivalents	(164,636)	(294,034)
Net cash and cash equivalents at 1 January	1,981,413	1,125,897
Cash and cash equivalents at 30 June (Note 6)	1,816,777	831,863

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

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2024

1. General information

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

In addition to its Head office in Ajman, the Bank operates through nine branches and six pay offices in the UAE.

The principal activities of the Bank are to undertake banking, financing and investing activities through various Islamic financing and investment products such as Murabaha, Ijarah, Mudaraba, Musharaka, Wakala and Sukuk. The activities of the Bank are conducted in accordance with the Islamic Shariah principles and within the provisions of its Memorandum and Articles of Association.

These condensed consolidated interim financial information combines the activities of the Bank’s head office, its branches and its subsidiary as disclosed below.

The Bank and its following subsidiary, which was incorporated by the Bank on 19 January 2024, form the “Group” and are together referred to as the “Group” in these interim condensed consolidated financial statements. The subsidiary included in these interim condensed consolidated financial statements, its principal activities and legal and beneficial ownership are set out below:

Name of Subsidiary	Ownership interest		Country of incorporation	Principal activities
	2024	2023		
Skyrise Properties (S.P.S - L.L.C)	100%	-	UAE	Real estate brokerage and property management services

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

2.1 New and revised IFRS applied with no material effect on the condensed consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these condensed consolidated interim financial information. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 1 Presentation of Financial Statements relating to classification of liabilities as current or non-current
- Amendments to IFRS 16 Leases relating to lease liability in a sale and leaseback transaction
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information;
- IFRS S2 Climate Related Disclosures;

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

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

2.2 New and revised IFRSs in issue but not yet effective

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> relating to Lack of Exchangeability	1 January 2025
IFRS 18 <i>Presentation and Disclosures in Financial Statements</i>	1 January 2027
Amendment to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> relating to treatment of sale or contribution of assets from investors	Effective date deferred indefinitely.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s condensed consolidated interim financial information for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

3. Summary of material accounting policies

As required by the Securities and Commodities Authority of the U.A.E. (“SCA”) Notification No. 2624/2008 dated 12 October 2008, certain required accounting policies have been disclosed in the condensed consolidated interim financial information.

3.1 Basis of preparation

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

These condensed consolidated interim financial information are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E including UAE Federal Law No. 32 of 2021 and Decretal Federal Law No 14 of 2018.

The accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those used in the audited annual financial statements for the year ended 31 December 2023.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)****3. Summary of material accounting policies (continued)****3.1 Basis of preparation (continued)**

These condensed consolidated interim financial information do not include all the information and disclosures required in full financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2023. In addition, results for the period from 1 January 2024 to 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

3.2 Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The condensed consolidated interim financial statements comprise the financial statements of the Bank and its subsidiary as disclosed in Note 1 to these condensed consolidated interim financial statements. The financial statements of the subsidiary are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

All significant inter-group balances, income and expense items are eliminated on consolidation.

3.3 Financial risk management

Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2023.

3.4 Seasonality of results

No income of a seasonal nature was recorded in the condensed consolidated interim income statement for the six month period ended 30 June 2024 and 30 June 2023.

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

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

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2023.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

5. Classification of financial assets and liabilities

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

	At fair value AED'000	Amortised cost AED'000	Total AED'000
At 30 June 2024 (unaudited)			
Financial assets			
Cash and balances with the Central Bank	-	3,158,129	3,158,129
Due from banks and other financial institutions	-	1,737,635	1,737,635
Islamic financing and investing assets, net	-	13,906,466	13,906,466
Islamic investment securities at amortised cost	-	36,228	36,228
Islamic investment securities at fair value	3,192,199	-	3,192,199
Other Islamic assets	4	1,110,923	1,110,927
Total	3,192,203	19,949,381	23,141,584
Financial liabilities			
Islamic customers' deposits	-	19,305,518	19,305,518
Due to banks and other financial institutions	-	916,477	916,477
Other Islamic liabilities	69	748,416	748,485
Total	69	20,970,411	20,970,480
31 December 2023 (audited)			
Financial assets			
Cash and balances with the Central Bank	-	4,467,728	4,467,728
Due from banks and other financial institutions	-	1,714,027	1,714,027
Islamic financing and investing assets, net	-	13,775,993	13,775,993
Islamic investment securities at amortised cost	-	263,029	263,029
Islamic investments securities at fair value	2,781,228	-	2,781,228
Other Islamic assets	80	842,022	842,102
Total	2,781,308	21,062,799	23,844,107
Financial liabilities			
Islamic customers' deposits	-	19,724,748	19,724,748
Due to banks and other financial institutions	-	1,604,754	1,604,754
Other Islamic liabilities	2,659	554,587	557,246
Total	2,659	21,884,089	21,886,748

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

6. Cash and balances with the Central Bank

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Cash on hand	131,773	144,883
Balances with the Central Bank:		
Current accounts	125,728	523,470
Reserve requirements with the Central Bank	850,628	719,375
International Murabahat with the Central Bank	2,050,000	3,080,000
Total	3,158,129	4,467,728

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

Cash and cash equivalents included in the condensed consolidated interim statement of cash flows are as follows:

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)	30 June 2023 AED'000 (unaudited)
Cash and balances with the Central Bank	3,158,129	4,467,728	3,026,338
Due from banks and other financial institutions (original maturity less than three months)	609,276	433,060	108,159
	3,767,405	4,900,788	3,134,497
Less: Statutory reserve with the Central Bank	(850,628)	(719,375)	(762,634)
Less: International Murabahat with the Central Bank (original maturity more than three months)	(1,100,000)	(2,200,000)	(1,540,000)
Cash and cash equivalents	1,816,777	1,981,413	831,863

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

7. Islamic financing and investing assets, net

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Islamic financing assets		
Vehicles murabahat	51,728	43,530
Commodities murabahat	6,168,463	5,472,404
Total murabahat	6,220,191	5,515,934
Ijarahs	8,055,339	8,852,914
Istisna'a	-	347
Islamic credit cards	54,775	46,478
	14,330,305	14,415,673
Deferred income	(659,100)	(685,993)
Total Islamic financing assets	13,671,205	13,729,680
Islamic investing assets		
Wakalat	862,738	680,133
Total Islamic investing assets	862,738	680,133
Total Islamic financing and investing assets	14,533,943	14,409,813
Less: Impairment loss allowance (Note 21.1)	(627,477)	(633,820)
Total Islamic financing and investing assets, net	13,906,466	13,775,993

8. Islamic investment securities at amortised cost

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Sukuk instruments	36,654	265,467
Less: Impairment loss allowance (Note 21.1)	(426)	(2,438)
	36,228	263,029

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

9. Islamic investment securities at fair value

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Islamic investment securities at FVTOCI		
Sukuk instruments	2,930,057	2,494,941
Equity instruments	202,050	216,432
	3,132,107	2,711,373
Islamic investment securities at FVTPL		
Equity instruments	60,092	69,855
	3,192,199	2,781,228

10. Other Islamic assets

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Accrued income on Islamic financing and investing assets	109,870	116,850
Accrued income on Islamic investment securities	28,025	29,298
Prepaid expenses	13,879	8,153
Staff advances	14,984	15,631
Acceptances (Note 12)	1,555	1,126
Foreign currency forward contracts	4	80
Assets acquired in settlement of Islamic financing and investing assets (*)	530,050	530,050
Financial assets acquired in settlement of Islamic financing and investing assets (**)	-	644,383
Rent receivable	47,894	14,797
Other (**)	964,063	87,199
	1,710,324	1,447,567
Less: Impairment loss allowance (Note 21.1)	(23,801)	(25,582)
	1,686,523	1,421,985

(*) Assets acquired in settlement of Islamic financing and investing assets include properties with a carrying value of AED 418.4 million which are beneficially held by the Group but the title deed of these properties is not yet transferred in the Group's name (Note 18.3). The fair value of these assets amounted to AED 355.4 million; accordingly, during 2023, the Group booked an impairment loss of AED 63 million against these assets.

(**) During the period, the Group has disposed off the assets to a related party for a consideration of AED 650 million which resulted in a gain recognized in the statement of profit or loss of AED 6 million. As at the reporting date, a receivable balance of AED 650 million is included within other assets.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

11. Islamic customers' deposits

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Current accounts	4,311,725	4,750,220
Mudaraba deposits:		
<i>Savings accounts</i>	450,345	381,772
<i>Term deposits</i>	32,268	29,760
Wakala deposits	14,158,518	14,176,456
Escrow accounts	286,219	315,954
Margin accounts	66,443	70,586
	<u>19,305,518</u>	<u>19,724,748</u>

12. Other liabilities

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	467,272	391,640
Provisions for staff salaries and benefits	27,489	24,921
Managers' cheques	174,793	65,459
Acceptances (Note 10)	1,555	1,126
Lease liability	10,835	10,010
Provision for income tax (Note 23)	17,133	-
Impairment loss allowance on financial commitments and financial guarantees (Note 21.1)	297,008	325,853
Others	136,051	112,069
	<u>1,132,136</u>	<u>931,078</u>

13. Share capital and treasury shares

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
<i>Issued and fully paid:</i>		
2,723,500,000 (31 December 2023: 2,723,500,000) shares of AED 1 each	2,723,500	2,723,500
	<u>2,723,500</u>	<u>2,723,500</u>

The Group's Board of Directors resolved on 16 March 2023 to distribute dividends in the form of bonus shares of 3.5% of the Group's current paid-up capital by issuing 73,500,000 bonus shares amounting to AED 73,500,000. This resolution was subsequently approved by the shareholders at the annual general meeting held on 19 April 2023. Further, AED 2.5 million as directors' remuneration was also approved during 2023.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

13. Share capital and treasury shares (continued)

13.1 Treasury shares

The Group engaged a third-party licensed Market Maker on the Dubai Financial Market that offers liquidity provision services, to place buy and sell orders of the Bank's shares with the objective of reducing bid/ask spreads as well as reducing price and volume volatility. At 30 June 2024, the Market Maker held 37,306,248 of Ajman Bank's shares (31 December 2023: 27,674,759 shares) on behalf of the Bank, which are classified under equity as treasury shares at par value of AED 1 at 30 June 2024 and 31 December 2023. During the six month period ended 30 June 2024, AED 16 million (year ended 31 December 2023: AED 32.7 million) has been utilised from share premium reserve (included under statutory reserve) to account for premium paid on acquisition of treasury shares, net of realized gains/losses on disposal of such shares. At the end of the contract term with the Market Maker, the Bank will have the option to either transfer the outstanding shares under its name or dispose of the shares in the market.

14. General impairment reserve

In accordance with the requirements of the Central Bank of the U.A.E. the excess of the credit impairment provisions calculated in accordance with CBUAE requirements over the ECL allowance calculated under Stage 1 and Stage 2 as per IFRS 9 is transferred to 'General impairment reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends.

15. Income from Islamic financing and investing assets

	Three month period ended		Six month period ended	
	30 June		30 June	
	2024	2023	2024	2023
	AED'000	AED'000	AED'000	AED'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income from Ijarah	154,974	140,886	299,883	324,719
Income from Murabaha	115,290	104,705	252,834	204,635
Income from Wakala	27,825	30,307	54,228	51,402
Income from Istisna	-	34	3	68
	298,089	275,932	606,948	580,824

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

16. Basic and diluted earnings per share

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

	Three month period ended 30 June		Six month period ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
<i>Basic earnings per share</i>				
Profit before tax for the period (AED'000)	108,139	53,181	215,562	102,334
Weighted average number of shares outstanding at 1 January (in thousands)	2,691,010	2,100,000	2,691,010	2,100,000
Effects of bonus shares issued in 2023 (in thousands)	-	73,500	-	73,500
Weighted average number of shares outstanding at 30 June (in thousands)	2,691,010	2,173,500	2,691,010	2,173,500
Basic and diluted earnings per share (AED)	0.040	0.024	0.080	0.047

There were no potentially dilutive shares as at 30 June 2024 and 30 June 2023.

17. Related parties transactions

- (a) Certain “related parties” (such as directors, key management personnel and major shareholders of the Group and companies of which they are principal owners) are customers of the Group in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties.
- (b) The Group is controlled by Ajman Government which owns 28% (31 December 2023: 26%) of the issued and paid capital.

Transactions with related parties are shown below:

	Six month period ended					
	30 June 2024 (unaudited)			30 June 2023 (unaudited)		
	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000
Depositors' share of profit	146,648	3,983	150,631	74,850	2,085	76,935
Income from Islamic financing and investing assets	2,689	5,218	7,907	3,040	6,929	9,969

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

17. Related parties transactions (continued)

During the period ended 30 June 2023, AED 2.5 million was approved as Directors' remuneration by the shareholders at the annual general meeting held on 19 April 2023 and recorded in the statement of profit or loss.

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

	30 June 2024 (unaudited)			31 December 2023 (audited)		
	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000	Major shareholders AED'000	Directors and other related parties AED'000	Total AED'000
Islamic financing and investing assets	222,819	330,357	553,176	248,550	547,095	795,645
Islamic customers' deposits	5,826,328	167,791	5,994,119	4,898,239	104,610	5,002,849

Compensation of key management personnel

Key management compensation is as shown below:

	Six month period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Short term employment benefits	4,564	4,394
Terminal benefits	163	339
	4,727	4,733

18. Contingencies and commitments

18.1 Capital commitments

At 30 June 2024, the Group had outstanding capital commitments of AED 34 million (31 December 2023: AED 45 million), which will be funded within the next twelve months.

18.2 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.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

18. Contingencies and commitments (continued)

The Group had the following credit related commitments and contingent liabilities:

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Investment commitments	-	26,500
Letters of credit	24,514	30,541
Letters of guarantee	451,601	392,563
Legal claim	285,242	285,242
	761,357	734,846

18.3 Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such claims, many of which are beyond its control. At the reporting date, the Group has several unresolved legal claims and based on the advice from legal counsel, management believes that these claims will not result in any material financial loss to the Group, other than what has been already provided for in these condensed consolidated interim financial statements.

During previous years, the Group signed settlement agreements with a customer wherein both parties agreed that the Group acquires the assets of the customer in settlement of the financial obligation. The carrying value of the properties recorded under “Assets acquired in settlement of Islamic financing and investing assets” was AED 418.4 million while the fair value of these properties amounted to AED 355.4 million. Accordingly, during the year 2023, the Group booked an impairment loss of AED 63 million against these properties (Note 10). The Group had a first-degree mortgage over the properties; however, the transfer of the title deed of the mortgaged properties in the Group’s name in accordance with provisions of the settlement agreements with the Group’s customer could not be completed due to some attachments and claims on such properties enforced by Dubai Courts in different cases filed by third parties against the Group and the Group’s customer.

The Dubai Court of First Instance judgement indicated that the third party shall have a claim to the properties under dispute in the limit of AED 250 million, in addition to interest and legal charges. On 20 July 2023, the Dubai Court of Appeal confirmed the judgment of the Dubai Court of First Instance. The Group has filed an appeal before the Dubai Court of Cassation demanding revocation of the previous judgments. The Dubai Court of Cassation issued its judgment on 22 April 2024 rejecting the appeal filed by the Group. There are pending substantive cases and the Group is waiting for the decision from the judge of execution.

During the year 2023, the Group has recorded a provision of AED 285 million to cover any contingencies that will arise from the claim against the properties under dispute.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)****19. Segment analysis**

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

For operating purposes, the Group is organised into the following business segments:

- (i) Consumer banking – comprising personal banking and priority banking where various products are offered like private customer current accounts, savings accounts, deposits, credit and debit cards, personal finance and house mortgage;
- (ii) Wholesale banking - incorporating transactions with corporate bodies including government and public bodies and comprising of Islamic financing and investing assets, deposits, trade finance transactions, investment solutions, wealth management, leasing of commercial and residential properties; and
- (iii) Treasury - incorporating activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the Central Bank of the UAE.

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

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

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

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

19. Segment analysis (continued)

Segment results of operations

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

	Consumer banking AED'000	Wholesale banking AED'000	Treasury AED'000	Others AED'000	Total AED'000
Six month period ended 30 June 2024 (unaudited)					
Net income/(loss) from Islamic financing and investing assets	128,611	149,066	(55,606)	-	222,071
Income from Islamic investment securities	-	9,254	71,193	-	80,447
(Provision for)/ write back of provision of expected credit loss on financial assets	(23,827)	14,971	559	-	(8,297)
Fees, commissions and other income	20,276	88,318	17,019	-	125,613
Staff costs	(79,419)	(46,028)	(3,496)	-	(128,943)
General and administrative expenses and depreciation of property and equipment	(37,972)	(18,794)	(1,430)	-	(58,196)
Income tax expense	(1,270)	(13,160)	(2,703)	-	(17,133)
Operating profit (unaudited)	6,399	183,627	25,536	-	215,562
Six month period ended 30 June 2023 (unaudited)					
Net income/(loss) from Islamic financing and investing assets	106,054	210,720	(43,729)	-	273,045
Income from Islamic investment securities	-	11,736	46,757	-	58,493
Impairment of investment in associates	-	(25,200)	-	-	(25,200)
Write-back of provision / (provision for) expected credit losses on financial assets	301	(50,604)	(5,172)	-	(55,475)
Impairment loss on non-financial assets	-	(53,300)	-	-	(53,300)
Fees, commissions and other income (expense)	18,224	51,906	20,039	(441)	89,728
Staff costs	(79,532)	(29,372)	(13,164)	-	(122,068)
General and administrative expenses and depreciation of property and equipment	(37,270)	(23,452)	(2,167)	-	(62,889)
Operating profit/(loss) (unaudited)	7,777	92,434	2,564	(441)	102,334

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

19. Segment analysis (continued)

	Consumer banking AED'000	Wholesale banking AED'000	Treasury AED'000	Others AED'000	Total AED'000
As at 30 June 2024					
Segment assets (unaudited)	5,916,751	11,700,043	4,744,700	1,873,780	24,235,274
Segment liabilities (unaudited)	11,653,538	8,211,335	6,315	1,482,943	21,354,131
As at 31 December 2023					
Segment assets (audited)	3,773,772	13,383,178	5,836,205	1,942,377	24,935,532
Segment liabilities (audited)	6,318,865	14,258,606	745,440	937,669	22,260,580

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

20. Capital management

The Group's capital management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2023.

Regulatory capital

The Group calculates its Capital Adequacy Ratio in line with guidelines issued by the Central Bank of the U.A.E. The Group's regulatory capital position at the end of reporting period under Basel III is as follows:

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Tier 1 capital		
Share capital	2,723,500	2,723,500
Reserves	66,162	(159,137)
	<hr/> 2,789,662 <hr/>	<hr/> 2,564,363 <hr/>
Tier 2 capital		
General provision and fair value reserve	194,806	203,511
	<hr/> 2,984,468 <hr/>	<hr/> 2,767,874 <hr/>
Risk weighted assets		
Credit risk	15,584,510	16,280,881
Market risk	57,972	71,115
Operational risk	1,363,687	1,363,687
	<hr/> 17,006,169 <hr/> <hr/>	<hr/> 17,715,683 <hr/> <hr/>
	Minimum requirement	Capital ratios 30 June 2024 (unaudited)
Capital element		Capital ratios 31 December 2023 (audited)
Common equity tier 1 (CET 1) ratio	7%	14.48%
Tier 1 capital ratio	8.5%	14.48%
Capital adequacy ratio	10.5%	15.62%
CET1 available for the buffer requirement	2.5%	5.12%
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

21. Risk Management

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

	30 June 2024 (unaudited)			31 December 2023 (audited)		
	Gross carrying amount AED'000	ECL allowance AED'000	Carrying amount AED'000	Gross carrying amount AED'000	ECL allowance AED'000	Carrying amount AED'000
Balances with the Central Bank						
Stage 1	3,026,356	-	3,026,356	4,322,845	-	4,322,845
Due from banks and other financial institutions						
Stage 1	1,747,131	(9,496)	1,737,635	1,724,825	(10,798)	1,714,027
Islamic financing and investing assets						
Stage 1	10,995,831	(59,384)	10,936,447	10,188,344	(68,904)	10,119,440
Stage 2	1,751,795	(98,085)	1,653,710	1,908,374	(88,597)	1,819,777
Stage 3	1,786,317	(470,008)	1,316,309	2,313,095	(476,319)	1,836,776
	<u>14,533,943</u>	<u>(627,477)</u>	<u>13,906,466</u>	<u>14,409,813</u>	<u>(633,820)</u>	<u>13,775,993</u>
Islamic investment securities at amortised cost						
Stage 1	36,654	(426)	36,228	265,467	(2,438)	263,029
Islamic investment securities at FVTOCI (*)						
Stage 1	2,935,513	(5,456)	2,930,057	2,498,904	(3,963)	2,494,941
Other Islamic financial assets						
Stage 1	1,093,903	-	1,093,903	831,326	(4,385)	826,941
Stage 2	2,541	(286)	2,255	247	(126)	121
Stage 3	38,280	(23,515)	14,765	36,031	(21,071)	14,960
	<u>1,134,724</u>	<u>(23,801)</u>	<u>1,110,923</u>	<u>867,604</u>	<u>(25,582)</u>	<u>842,022</u>
Financial commitments and financial guarantees (off balance sheet exposures)						
Stage 1	396,107	(5,303)	390,804	316,207	(2,329)	313,878
Stage 2	50,754	(2,280)	48,474	73,557	(1,837)	71,720
Stage 3	314,496	(289,425)	25,071	345,082	(321,687)	23,395
	<u>761,357</u>	<u>(297,008)</u>	<u>464,349</u>	<u>734,846</u>	<u>(325,853)</u>	<u>408,993</u>
	<u>24,175,678</u>	<u>(963,664)</u>	<u>23,212,014</u>	<u>24,824,304</u>	<u>(1,002,454)</u>	<u>23,821,850</u>

(*) Impairment allowance is recognised under "Revaluation reserve of investments designated at FVTOCI".

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

21. Risk Management (continued)

21.2 More information about the significant changes in the gross carrying amount of financial assets during the period is provided in the table below:

Balances with the Central Bank

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	4,322,845	-	-	4,322,845
Net movement on existing assets	(1,296,489)	-	-	(1,296,489)
As at 30 June 2024 (unaudited)	3,026,356	-	-	3,026,356

Due from banks and other financial institutions

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	1,724,825	-	-	1,724,825
Net movement on existing assets	(17,366)	-	-	(17,366)
New financial assets recognized	668,903	-	-	668,903
Financial assets derecognized	(629,231)	-	-	(629,231)
As at 30 June 2024 (unaudited)	1,747,131	-	-	1,747,131

Islamic financing and investing assets

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	10,188,344	1,908,374	2,313,095	14,409,813
- Transfer to stage 1	499,853	(499,853)	-	-
- Transfer to stage 2	(185,326)	616,594	(431,268)	-
- Transfer to stage 3	(9,307)	(20,263)	29,570	-
Net movement on existing assets	1,401,021	(98,415)	(7,141)	1,295,465
New financial assets recognized	1,068,477	134	96	1,068,707
Financial assets derecognized	(1,967,231)	(154,776)	(97,815)	(2,219,822)
Write-offs	-	-	(20,220)	(20,220)
As at 30 June 2024 (unaudited)	10,995,831	1,751,795	1,786,317	14,533,943

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

21. Risk Management (continued)

Islamic investment securities at amortised cost

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	265,467	-	-	265,467
Net movement on existing assets	(82,505)	-	-	(82,505)
Financial assets derecognized	(146,308)	-	-	(146,308)
As at 30 June 2024 (unaudited)	36,654	-	-	36,654

Islamic investment securities at FVTOCI

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	2,498,904	-	-	2,498,904
Net movement on existing assets	366,971	-	-	366,971
New financial assets recognized	214,157	-	-	214,157
Financial assets derecognized	(144,519)	-	-	(144,519)
As at 30 June 2024 (unaudited)	2,935,513	-	-	2,935,513

Other Islamic financial assets

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2023 (audited)	831,326	247	36,031	867,604
- Transfer to stage 2	(641)	641	-	-
Net movement on existing assets	263,218	1,653	2,634	267,505
Write-offs	-	-	(385)	(385)
As at 30 June 2024 (unaudited)	1,093,903	2,541	38,280	1,134,724

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

21. Risk Management (continued)

Financial commitments and financial guarantees

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
As at 31 December 2023 (audited)	316,207	73,557	345,082	734,846
- Transfer to stage 1	16,885	(16,885)	-	-
Net movement on existing assets	(3,630)	(2,678)	(4,086)	(10,394)
New financial commitments and financial guarantees recognized	89,521	-	-	89,521
Financial commitments and financial guarantees derecognized	(22,876)	(3,240)	(18)	(26,134)
Write-offs	-	-	(26,482)	(26,482)
As at 30 June 2024 (unaudited)	396,107	50,754	314,496	761,357

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

Due from banks and other financial institutions

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2023 (audited)	10,798	-	-	10,798
Change in credit risk	(3,000)	-	-	(3,000)
New financial assets recognized	3,698	-	-	3,698
Financial assets derecognized	(2,000)	-	-	(2,000)
Loss allowance as at 30 June 2024 (unaudited)	9,496	-	-	9,496

Islamic financing and investing assets

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2023 (audited)	68,904	88,597	476,319	633,820
Changes in the loss allowance				
- Transfer to stage 1	22,082	(22,082)	-	-
- Transfer to stage 2	(1,861)	8,707	(6,846)	-
- Transfer to stage 3	(53)	(857)	910	-
Change in credit risk	(22,696)	24,457	28,328	30,089
New financial assets recognized	2,311	55	25	2,391
Financial assets derecognized	(9,303)	(792)	(8,508)	(18,603)
Write-offs	-	-	(20,220)	(20,220)
Loss allowance as at 30 June 2024 (unaudited)	59,384	98,085	470,008	627,477

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

21. Risk Management (continued)

Islamic investment securities at amortised cost

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2023 (audited)	2,438	-	-	2,438
Change in credit risk	11	-	-	11
Financial assets derecognized	(2,023)	-	-	(2,023)
Loss allowance as at 30 June 2024 (unaudited)	426	-	-	426

Islamic investment securities at FVTOCI

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2023 (audited)	3,963	-	-	3,963
Change in credit risk	1,843	-	-	1,843
New financial assets recognized	158	-	-	158
Financial assets derecognized	(508)	-	-	(508)
Loss allowance as at 30 June 2024 (unaudited)	5,456	-	-	5,456

Other Islamic financial assets

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2023 (audited)	4,385	126	21,071	25,582
Changes in the loss allowance				
- Transfer to stage 2	(2)	2	-	-
Change in credit risk	(4,383)	158	2,829	(1,396)
Write-offs	-	-	(385)	(385)
Loss allowance as at 30 June 2024 (unaudited)	-	286	23,515	23,801

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

21. Risk Management (continued)

Financial commitments and financial guarantees

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 31 December 2023 (audited)	2,329	1,837	321,687	325,853
Changes in the loss allowance				
- Transfer to stage 1	475	(475)	-	-
Change in credit risk	2,251	1,118	(5,762)	(2,393)
New financial commitments and financial guarantees recognized	408	-	-	408
Financial commitments and financial guarantees derecognized	(160)	(200)	(18)	(378)
Write-offs	-	-	(26,482)	(26,482)
Loss allowance as at 30 June 2024 (unaudited)	5,303	2,280	289,425	297,008

21.4 The below table represents the movement between the opening and closing balance of the impairment loss and thereby the net charge in the consolidated statement of profit and loss for the six month period:

(Unaudited)	Opening balance AED'000	Net charge during the period AED'000	Recoveries, net of write-offs AED'000	Closing balance AED'000	Net charge during the period ended 30 June 2023 AED'000
Due from banks and other financial institutions	10,798	(1,302)	-	9,496	2,177
Islamic financing and investing assets (Note 7)	633,820	13,877	(20,220)	627,477	47,712
Islamic investment securities at amortised cost (Note 8)	2,438	(2,012)	-	426	1,680
Islamic investment securities at fair value	3,963	1,493	-	5,456	2,275
Other Islamic financial assets (Note 10)	25,582	(1,396)	(385)	23,801	1,575
Financial commitments and financial guarantees (Note 12)	325,853	(2,363)	(26,482)	297,008	56
Total	1,002,454	8,297	(47,087)	963,664	55,475

The credit impairment provisions calculated in accordance with CBUAE requirements were in excess of ECL allowance calculated under IFRS 9 as explained in note 14.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)****22. Fair value measurement**

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

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

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

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

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

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

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

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

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

22. Fair value measurement (continued)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 June 2024 (Unaudited)				
Financial assets				
Islamic investments securities at FVTOCI				
Sukuk instruments	2,906,057	-	24,000	2,930,057
Equity instruments	136,625	-	65,425	202,050
Islamic investments securities at FVTPL				
Equity instruments	1,914	-	58,178	60,092
Positive fair value of Islamic derivative financial instruments*	4	-	-	4
	<u>3,044,600</u>	<u>-</u>	<u>147,603</u>	<u>3,192,203</u>
Financial liabilities				
Negative fair value of Islamic derivative financial instruments*	69	-	-	69
	<u>69</u>	<u>-</u>	<u>-</u>	<u>69</u>
At 31 December 2023 (audited)				
Financial assets				
Islamic investments securities at FVTOCI				
Sukuk instruments	2,466,441	-	28,500	2,494,941
Equity instruments	140,094	-	76,338	216,432
Islamic investments securities at FVTPL				
Equity instruments	1,750	-	68,105	69,855
Positive fair value of Islamic derivative financial instruments	80	-	-	80
	<u>2,608,365</u>	<u>-</u>	<u>172,943</u>	<u>2,781,308</u>
Financial liabilities				
Negative fair value of Islamic derivative financial instruments	2,659	-	-	2,659
	<u>2,659</u>	<u>-</u>	<u>-</u>	<u>2,659</u>

* Notional amount of Islamic derivative financial instruments is AED 0.7 billion as at 30 June 2024 (31 December 2023: AED 3.55 billion).

There were no transfers between levels during the period.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2024 (continued)**

22. Fair value measurement (continued)

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

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
At beginning of the period/year	172,943	125,238
Purchases during the period/year	-	20,000
Fair valuation (loss)/gain in other comprehensive income	(15,340)	53,570
Disposals during the period/year	(10,000)	(25,865)
Balance at the end of the period/year	147,603	172,943

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

23. Income tax

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

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

During the six month period ended 30 June 2024, the Group has recorded a provision for current income tax amounting AED 17.1 million in accordance with the CT Law, representing an effective tax rate of 7.4% (30 June 2023: nil). The Group will continue to monitor further developments and assess the impact of the corporate tax on its financial statements, particularly focusing on both current and deferred tax implications, in light of any further explanations and instructions regarding the application of the CT Law.

24. Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information were approved by the Board of Directors and authorized for issue on 18 July 2024.