

**Ajman Bank PJSC
(Public Joint Stock Company)**

**Interim financial statements
for the period from 8 January 2007 to
31 December 2008**

Ajman Bank PJSC

Interim financial statements for the period from 8 January 2007 to 31 December 2008

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Independent auditor's report to the directors of Ajman Bank PJSC

Report on the financial statements

We have audited the accompanying interim financial statements of Ajman Bank PJSC ("the Bank") which comprise the interim balance sheet as of 31 December 2008 and the interim income statement, statement of changes in equity and cash flow statement for the period from 8 January 2007 to 31 December 2008 and a summary of significant accounting policies and other explanatory notes, prepared for management purposes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of interim financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim financial statements.

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

**Independent auditor's report to the directors
of Ajman Bank PJSC (continued)**

Opinion

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2008 and its financial performance and its cash flows for the period from 8 January 2007 to 31 December 2008 then ended in accordance with International Financial Reporting Standards.

15 March 2009


Amin H Nasser

Registered Auditor Number 307
Dubai, United Arab Emirates


Ajman Bank PJSC

Interim balance sheet at 31 December 2008

	Notes	AED'000
ASSETS		
Cash and cash equivalents	4	4,686
Investment in Islamic financing instruments	5	967,250
Property and equipment	6	39,514
Other assets	7	9,900
Total assets		<u>1,021,350</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Customer's deposits		2,298
Provision for employees' end of service benefits		1,116
Other liabilities	8	12,948
Total liabilities		<u>16,362</u>
Shareholders' equity		
Share capital	9	1,000,000
Net initial public offering surplus	11	1,936
Retained earnings		3,052
Total shareholders' equity		<u>1,004,988</u>
Total liabilities and shareholders' equity		<u>1,021,350</u>

These interim financial statements were approved on 15 March 2009 and signed on behalf of the Board of Directors by:


.....
Chairman


.....
Director


.....
Chief Executive Officer

Ajman Bank PJSC

Interim income statement for the period from 8 January 2007 to 31 December 2008

	Notes	AED'000
Income		
Income from investment in Islamic financing instruments		<u>50,627</u>
Expenses		
Staff costs	12	(33,574)
General and administrative expenses	13	(13,353)
Depreciation	6	<u>(648)</u>
Profit for the period		<u><u>3,052</u></u>
Earnings per share - Basic	16	<u><u>AED 0.003</u></u>

Ajman Bank PJSC

Interim statement of changes in shareholders' equity for the period from 8 January 2007 to 31 December 2008

	Share capital AED'000	Net initial public offering surplus AED'000	Retained earnings AED'000	Total AED'000
Issue of shares (Note 9)	1,000,000	-	-	1,000,000
Surplus from initial public offering (Note 11)	-	1,936	-	1,936
Profit for the period	-	-	3,052	3,052
At 31 December 2008	<u>1,000,000</u>	<u>1,936</u>	<u>3,052</u>	<u>1,004,988</u>

Ajman Bank PJSC

Interim cash flow statement for the period from 8 January 2007 to 31 December 2008

	AED'000
Operating activities	
Profit for the period	3,052
Adjustments for:	
Depreciation	648
Provision for employees' end of service benefits	1,116
Provision for inaugural bonus	4,639
	<u>9,455</u>
Changes in operating assets and liabilities:	
Purchase of property and equipment	(40,162)
Other assets	(9,900)
Customer's deposits	2,298
Other liabilities	8,309
	<u>(30,000)</u>
Net cash used in operating activities	<u>(30,000)</u>
Investing activities	
Investment in Islamic financing instruments	(967,250)
	<u>(967,250)</u>
Financing activities	
Issue of shares	1,000,000
Net initial public offering surplus	1,936
	<u>1,001,936</u>
Net cash provided by financing activities	<u>1,001,936</u>
Net increase in cash and cash equivalents	<u>4,686</u>
Cash and cash equivalents, at the end of the period (Note 4)	<u>4,686</u>

Ajman Bank PJSC

Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008

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 UAE Central Bank 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 the 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.

Although the Bank commenced operations in 2008, it commenced incurring pre-operating expenses from 8 January 2007 and, accordingly, these interim financial statements includes pre-operating expenses incurred from that date.

2 Summary of significant accounting policies

The significant accounting policies adopted by the Bank in the preparation of these interim financial statements are set out below:

Basis of preparation

These interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and under the historical cost convention.

The preparation of interim financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed under the relevant accounting policies.

Standards, amendments and interpretations to published standards that are not yet effective

The following new standards, amendments and interpretations to existing standards that have been published, are mandatory for the Bank’s accounting periods commencing on or after 1 January 2009, and have not been early adopted by the Bank.

- IFRS 8 – ‘Operating segments’ (effective for annual periods commencing 1 January 2009).
- IAS 23 (amendment), ‘Borrowing costs’ (effective for annual periods commencing 1 January 2009).
- IFRS 2 (amendment) ‘Share-based payment’ (effective for annual periods commencing 1 January 2009).
- 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.

Ajman Bank PJSC

Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008 (continued)

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

Standards, amendments and interpretations to published standards that are not yet effective (continued)

- IAS 1 (amendment), 'Presentation of financial statements' (effective for annual periods commencing 1 January 2009).
- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements' (effective for annual periods commencing 1 January 2009).
- 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).
- IAS 28 (amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective for annual periods commencing 1 January 2009).
- IAS 36 (amendment), 'Impairment of assets' (effective for annual periods commencing 1 January 2009).
- IAS 38 (amendment), 'Intangible assets' (effective for annual periods commencing 1 January 2009).
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective for annual periods commencing 1 January 2009).
- IFRIC 13, 'Customer loyalty programmes' (effective for annual periods commencing 1 July 2008).
- IAS 31 (amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective for annual periods commencing 1 January 2009).
- IAS 40 (amendment), 'Investment property' (and consequential amendments to IAS 16) (effective for annual periods commencing 1 January 2009).
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
- IFRIC 12, 'Service concession arrangements'.
- IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

Management has assessed the impact of the above new standards, amendments and interpretations to published standards on its interim financial statements and has concluded that they are either not relevant or material to the Bank's interim financial statements, except for the amendment to IAS 1, which will affect the presentation of the statement of changes in equity and of comprehensive income, and IFRS 8. This amendment does not impact the recognition, measurement or disclosure of specific transactions and other events required by other IFRS. The application of IFRS 8 will be reflected in the Bank's financial statements for the year ending 31 December 2009.

Ajman Bank PJSC

Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008 (continued)

2 Summary of significant accounting policies (continued)

Foreign currencies

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Bank's functional and presentation currency.

Transactions denominated in foreign currencies are translated into AED at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with in the income statement.

Investment in Islamic financing instruments

All investments in Islamic financing instruments are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides funds directly to a debtor with no intention of trading in the financial instruments. Investment in Islamic financing instruments is initially measured at fair value, and is subsequently measured at their amortized cost. Investment in Islamic financing instruments is reported net of impairment provisions.

Murabaha is a contract of sale between the Bank and its customer for the sale of goods at a price which includes a profit margin agreed by both parties. As a financing technique it involves the purchase of goods by the Bank as requested by its customer. The goods are sold to the customer with a mark-up. Repayment, usually in installments, is specified in the contract.

Wakala involves the Bank providing a certain sum of money to an agent, who invests it according to specific conditions for a certain fee (a lump sum of money or a percentage of the amount invested). On maturity, the Bank receives the invested amount from the agent, along with the agreed rate of return.

Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if and only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the asset that can be reliably estimated. If there is objective evidence that an impairment loss on investments in Islamic financing instruments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective rate of return, including any amounts recoverable from guarantees and collateral, and recognized in the income statement.

Ajman Bank PJSC

Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008 (continued)

2 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed through the income statement.

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.

Property and equipment

Property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Leasehold improvements	7
Furniture, fittings and equipment	5
Vehicles	5
Computer equipment	3 - 7

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Refer 'Impairment of non-financial assets').

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

Ajman Bank PJSC

Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008 (continued)

2 Summary of significant accounting policies (continued)

Property and equipment (continued)

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 Bank's accounting policies.

Revenue recognition

Income from investment in Islamic financing instruments is recognized on a time apportioned basis, over the period of the contract, based on the principal amount outstanding.

Employee 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 balance sheet date.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand, money in current and call accounts and placements with original maturity of less than three months.

3 Financial risk management

The Bank'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 resultant risks are an inevitable consequence of being in business. The Bank's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. During the period from 8 January 2007 to 31 December 2008, the Bank was not exposed to any significant financial risks other than credit risk, concentration of risk and profit rate risk.

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Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008 (continued)

3 Financial risk management (continued)

3.1 Credit risk and concentration of risk

The Bank is exposed to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Financial assets which potentially subject the Bank to concentrations of credit risk consist principally of cash and cash equivalents and investment in Islamic financing instruments, including accrued income on Islamic financing instruments. The Bank uses external ratings such as Standard & Poor's or its equivalent in order to measure its credit risk exposures. In the normal course of business, the Bank places significant deposits with high credit quality Banks and financial institutions. At 31 December 2008, the Bank's investment in Islamic financing instruments were all placed with three Islamic financial institutions based in the UAE.

3.2 *Profit rate risk*

The Bank is exposed to the effects of fluctuations in the prevailing levels of profit rates which arise from the investment in Islamic financing instruments of AED 967.3 million.

During the period from 8 January 2007 to 31 December 2008, had prevailing profit rates increased/decreased by 50 basis points, with all other variables remaining constant, the impact on the results and equity of the Bank would have been as follows:

Product	Benchmark	Impact on results and equity of the Bank
		Period from 8 January 2007 to 31 December 2008 AED'000
Wakala deposits with Banks	± 50 basis points change in profit rates	4,836

4 Cash and cash equivalents

	31 December 2008 AED'000
Cash and balances with Central Bank of the UAE	4,111
Balances with other banks	575
	<u>4,686</u>

Cash and cash equivalents are non-profit bearing.

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Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008 (continued)

5 Investment in Islamic financing instruments

	31 December 2008 AED'000
Wakala deposits with Banks	967,250

Investment in Islamic financing instruments carried an effective rate of return of 2.85 % to 6.5 % per annum.

6 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						
Additions and balance at 31 December 2008	3,803	702	671	1,856	33,130	40,162
Depreciation						
Charge for the period and balance at 31 December 2008	(139)	(62)	(69)	(378)	-	(648)
Net book amount						
At 31 December 2008	3,664	640	602	1,478	33,130	39,514

7 Other assets

	31 December 2008 AED'000
Accrued income on investment in Islamic financing instruments	6,520
Prepaid rent	2,784
Staff advances	185
Other assets	411
	<u>9,900</u>

Ajman Bank PJSC

Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008 (continued)

8 Other liabilities

	31 December 2008 AED'000
Provision for inaugural bonus	4,639
Pension payable	974
Other liabilities	7,335
	<u>12,948</u>

9 Share capital

	31 December 2008 AED'000
Authorized, issued and fully paid up share capital 1,000,000,000 shares of AED 1 each	<u>1,000,000</u>

10 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 period ending 31 December 2009.

11 Net initial public offering surplus

	31 December 2008 AED'000
Initial public offering fees collected at AED 0.02 per share	20,000
Less: Expenses incurred in connection with the initial public offering	(18,064)
	<u>1,936</u>

The net initial public offering surplus of AED 1.9 million will be transferred to the statutory reserve (Note 10) on 31 December 2009.

Ajman Bank PJSC

Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008 (continued)

12 Staff costs

	8 January 2007 to 31 December 2008 AED'000
Salaries and allowances	24,461
Inaugural bonus	4,639
Contribution to pension fund	907
Staff training	245
Provision for employees' end of service benefits	1,116
Others	2,206
	<hr/>
	33,574
	<hr/>

13 General and administrative expenses

	8 January 2007 to 31 December 2008 AED'000
Consultancy expenses	4,455
Rental expenses	3,428
Marketing, designing, product development and communication expenses	2,378
Legal and professional fees	98
Others	2,994
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	13,353
	<hr/>

14 Commitments

At 31 December 2008, the Bank had outstanding capital commitments of AED 13 million, within the next one year.

Ajman Bank PJSC

Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008 (continued)

15 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.

	8 January 2007 to 31 December 2008 AED'000
Transactions	
Rental expenses	3,225
Remuneration to key management personnel	8,129
Customer's deposits	115

16 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 period.

	2008 AED
Profit for the period from 8 January 2007 to 31 December 2008	3,051,795
Weighted average number of shares in issue	1,000,000,000
Basic earnings per share	0.003

At 31 December 2008, there were no potentially dilutive shares.

17 Comparatives

There are no comparatives as these are the first financial statements since the date of incorporation of the Bank.

Ajman Bank PJSC

Notes to the interim financial statements for the period from 8 January 2007 to 31 December 2008 (continued)

18 Maturity profile of liabilities

	31 December 2008		
	Up to 1 year AED'000	1 – 5 years AED'000	Total AED'000
Customer's deposits	2,298	-	2,298
Provision for employees' end of service benefits	1,116	-	1,116
Other liabilities	12,948	-	12,948
	<u>16,362</u>	<u>-</u>	<u>16,362</u>