Annual Report of the Board of Directors of Ajman Bank PJSC

For financial year 2021

Dear Shareholders,

Greetings,,,

Ajman Bank, represented by its management and adhering to the frameworks set by decision-makers in the United Arab Emirates, and the directives of His Highness Sheikh Humaid bin Rashid Al Nuaimi, Member of the Supreme Council and Ruler of Ajman, and his Crown Prince, His Highness Sheikh Ammar bin Humaid bin Rashid Al Nuaimi, Chairman of the Board of Directors, may God prolong their lives, And their continuous support to the bank to overcome challenges and obstacles that arose in 2021 and turn them into great achievements for the bank. Ajman Bank has witnessed rise and development in line with the economic successes and developments of the United Arab Emirates, despite the pressures brought by the Corona pandemic.

The year 2021 was an exceptional year. The United Arab Emirates witnessed remarkable economic growth and was a pioneer in overcoming difficulties and turning them into achievements. As one of the most important goals of the Bank, such achievements were adopted by Ajman Bank and turned them into practical application in digital transformation, speed in achievement and community service.

The Bank's Performance and Achievements:

The Bank's achievements and performance in the year 2021 were a like a light in the dark that lit at local and societal levels, and they were - for example, but not limited to - as follows:

1. **Consolidating the Bank's brand and the Bank's performance as one of the leading banks in the United Arab Emirates:**

The high and increasing turnout of individuals and companies to the bank contributed to reaching 15,263,046,000 dirhams in total Islamic deposits, and net profits of 116,160,000 dirhams, which were achieved by modern ways and frameworks for managing the basic business of the bank, where the total assets amounted to 22,342,286,000 dirhams, and shareholders' equity amounted to 2,634,622,000 dirhams.

2. **Social responsibility:**

Ajman Bank was one of the pioneering banks in charity works and took – as usual - social responsibility, represented by the following:

a) Ajman Bank donated 110,000 dirhams to rent the headquarters of the (Sanctuary), which is the first shelter in Ajman under the management of the Woman and Child Protection Foundation. The house was developed to provide shelter for women and children for humanitarian reasons, this includes victims of domestic violence, children placed in correctional and punitive institutions, and humanitarian emergency cases. The shelter also provides rehabilitation, psychological and social programs to support victims.

b) Ajman Bank has provided financial assistance to qualified students of Ajman University to support their development. As part of the initiative, students were awarded by the bank, 50,000 dirhams in March 2019, 14,200 dirhams in November 2019 and 60,000 dirhams in May 2021 since Ajman Bank believes that education is a fundamental human right.

c) Ajman Bank contributed AED 300,000 to the “Endowment Fund” of Ajman University to provide one scholarship to a qualified student from Ajman University to study majors in Islamic banking and finance. The endowment was named "Ajman Bank Scholarship in Islamic Banking and Finance".

d) In order to enhance its humanitarian partnership with all vital local sectors, Ajman Bank contributed 50,000 dirhams to the Emirates Red Crescent's "Health Campaign", which aims to improve the health of vulnerable and needy groups and families in the United Arab Emirates.

e) In line with ethical and sustainable business practices, Ajman Bank launched its Go Green Paperless initiative designed to protect the environment and enhance the customer experience. This is also an important aspect of the bank’s digital transformation, whereby customers and employees are encouraged to minimize paper usage and advised to perform most of the tasks in digital formats such as electronic account statements and electronic notifications, this is intended to reduce the carbon footprint, negative impact on natural resource consumption, pollution and waste.

3. Emiratizations Policy:

- Employing UAE nationals with a growth rate of no less than 4% each year in line with the instructions of the UAE Central Bank and the Ministry of Human Resources and Emiratization. The percentage of citizens in the bank reached around 45% of the total number of employees.
- Retaining at least 60% of UAE nationals whose performance exceeds expectations.
- Appointing competent and qualified Emirati nationals in specified positions in accordance with the objectives of the annual replacement plan in leadership positions.
- 587 employees were trained through instructor-led online training.
- 245 different training programs have been implemented through online learning.
- A total of 13,187 training hours during 2021.

4. Investment climate:

Despite the low interest rate at the global level for banks, and despite the challenges of the Corona pandemic, the world witnessed an economic recovery, and the United Arab Emirates witnessed an exceptional year full of economic achievements, due to the rise in oil prices, and the recovery in global and local financial markets compared to the year 2020 In addition to the opening of the World Expo events, the Management of Ajman

Bank has made an appreciable effort at all levels to take advantage of this atmosphere and has worked to seize opportunities, taking into account the rules of investment risks, and this resulted in an exceptional performance for Ajman Bank in the year 2021.

5. future vision:

The bank's management saves no effort and dedication to cooperate with all pillars and state institutions for the success of the bank's march and to advance it from year to year and seize all possible opportunities through safe investment at the local level, which enhances the investor and client's confidence in the bank and pushes the bank to progress and continuous achievement and progress and development from year to year.

In conclusion, we would like to extend our sincere thanks, gratitude to everyone who contributed to the success of Ajman Bank's journey, in particular:

- His Highness Sheikh Humaid bin Rashid Al Nuaimi, Supreme Council Member and Ruler of Ajman, and His Highness Sheikh Ammar bin Humaid bin Rashid Al Nuaimi the Crown Prince of Ajman.
- Central Bank of the United Arab Emirates.
- Securities and Commodities Authority.
- Dubai Financial Market.
- Ministry of Economy.
- Shareholders and valued customers of the bank.
- Members of the Board of Directors for the effort and dedication they gave to the Bank.
- The entire Ajman Bank team, from the heads of departments to all employees, for their continuous dedication to serving and making the bank's journey a success.

End of Report

Thank you and have wonderful day

Ajman Bank PJSC

Report and financial statements

for the year ended 31 December 2021

Ajman Bank PJSC

Report and financial statements
for the year ended 31 December 2021

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AJMAN BANK PJSC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ajman Bank PJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2021, and the statement of income and statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International - Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AJMAN BANK PJSC (continued)

Report on the audit of the financial statements(continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECL") for Islamic financing and investing assets. Refer to Note 7 of the financial statements. The balance of loss allowances on Islamic financing and investing assets represents management's best estimate, at the balance sheet date, of the expected credit losses under the expected credit loss models ("ECL Models") as stipulated by International Financial Reporting Standard No. 9: Financial Instruments ("IFRS 9"). Management first assesses whether the credit risk of Islamic financing and investing assets to customers has increased significantly since their initial recognition, and then applies a three-stage impairment model to calculate the ECL. For Islamic financing and investing assets classified in stage 1 (no significant increase in credit risk) and stage 2 (with significant increase in credit risk), loss allowances are assessed using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default, discount rates and macroeconomic inputs. For Islamic financing and investing assets in stage 3 (default and credit-impaired), loss allowances are assessed by estimating the future discounted cash flows from the loans. Management has also applied significant level of judgement in areas noted above in determining the impact of COVID-19 on the allowances for credit losses by considering the following: 1. Forward looking information, including variables used in macroeconomic scenarios and their associated weightings, 2. Stress in specific sectors and industries, and 3. Impact of Government support measures.	We have obtained an understanding of management's assessment of impairment of Islamic financing and investing assets, the Bank's credit impairment provision policy and the ECL modelling methodology. We have performed process walkthroughs to identify the controls over ECL process. We have tested design and operational effectiveness of the following internal controls relating to the measurement of ECL: - Review and approval of classification of Islamic financing and investing assets. - The management regular monitoring of: i) staging and ECL for Islamic financing and investing assets. ii) identification of loans displaying indicators of impairment (including more than 90 days past due) under stage 3. iii) macroeconomic variables and forecast iv) performance of ECL models - The review and approval of management overlays and the governance process around such overlays. - The model validation function. We have performed the following substantive audit procedures: - Reviewed the reasonableness and appropriateness of the methodology and assumptions used in various components of ECL modelling. This typically included challenging key assumptions/judgements relating to significant increase in credit risk, definition of default, probability of default, loss given default, recovery rates, cure rate, and discount rate.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AJMAN BANK PJSC (continued)

Report on the audit of the financial statements(continued)

Key audit matter	How our audit addressed the key audit matter
We considered ECL for Islamic financing and investing assets as a key audit matter as the determination of ECL involves significant management judgement such as categorisation of Islamic financing and investing assets into stages 1, 2 or 3, assumptions used in the ECL model such as expected future cash flows, macro-economic factors etc., and additional overlays to reflect current or future external factors. These judgments have a material impact on the financial statements of the Bank.	- For selected samples, we performed procedures to determine whether significant increase in credit risk have been correctly identified. - For forward-looking measurements, reviewed management's selection of economic indicators, scenarios and application of weightings; assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis. - We have reviewed the impact on expected credit losses on account of COVID 19 with specific focus on reassessment of macroeconomic weights, impact of financial stress on various industries and the consideration of Government support measures. - For selected samples, we examined key data inputs into the ECL models. - We re-performed key elements of the ECL calculations and evaluated the model performance results for accuracy. - We assessed the appropriateness of disclosures in the financial statements against the requirements of IFRS.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AJMAN BANK PJSC (continued)

Other information

Other information consists of the information included in the Bank's Annual Report 2021, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's Annual Report 2021 is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

***Responsibilities of management and those charged with governance for the* financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Bank's Memorandum and Articles of Association and the UAE Federal Law No. (2) of 2015 (amended), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AJMAN BANK PJSC (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AJMAN BANK PJSC (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (amended), we report that for the year ended 31 December 2021:

i) the Bank has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Bank's Memorandum and Articles of Association and the UAE Federal Law No. (2) of 2015 (amended);

iv) the financial information included in the strategic report, directors' report and corporate governance report is consistent with the books of account of the Bank;

v) note 12 reflects the shares purchased by the Bank during the year;

vi) note 32 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (amended) or in respect of Bank, its Memorandum and Articles of Association which would have a material impact on its activities or its financial position; and

viii) note 37 reflects the social contributions made during the year.

Further, as required by the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Other matter

The financial statements of the Bank for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 February 2021.

For Ernst & Young

Signed by:
Anthony O'Sullivan
Partner
Registration No. 687

7 February 2022

Dubai, United Arab Emirates

Statement of financial position
as at 31 December 2021

	Notes	31 December 2021 AED'000	31 December 2020 AED'000
ASSETS			
Cash and balances with the Central Bank	9	**2,185,729**	1,722,122
Due from banks and other financial institutions	10	**726,986**	613,271
Islamic financing and investing assets, net	11	**14,924,244**	16,960,858
Islamic investments securities at FVTOCI	12	**2,646,658**	1,319,691
Investment in associate	13	**177,313**	177,356
Investment properties	14	**359,739**	343,393
Property and equipment	15	**124,057**	131,141
Other Islamic assets	16	**1,197,560**	239,096
Total assets		**22,342,286**	21,507,128
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	17	**15,263,046**	14,226,163
Due to banks and other financial institutions	18	**4,211,113**	4,338,583
Other liabilities	19	**233,505**	439,791
Total liabilities		**19,707,664**	19,004,537
Equity			
Share capital	20	**2,100,000**	2,100,000
Statutory reserve	21	**270,124**	258,508
Investment fair value reserve		**(51,930)**	(60,355)
General impairment reserve	22	**112,364**	97,042
Retained earnings		**204,064**	107,396
Total equity		**2,634,622**	2,502,591
Total liabilities and equity		**22,342,286**	21,507,128

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Bank.

H.H. Sheikh Ammar Bin Humaid Al Noaimi
Chairman

Mohamed Abdulrahman Amiri
Chief Executive Officer

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

Income statement
for the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
Operating income			
Income from Islamic financing and investing assets	24	**706,368**	879,081
Income from Islamic investments securities at fair value	25	**96,015**	109,045
Fees, commission and other income	26	**106,020**	48,762
Share of results of associate	13	**(8,265)**	12,607
Total operating income before depositors' share of profit		**900,138**	1,049,495
Depositors' share of profits		**(232,054)**	(434,815)
Net operating income		**668,084**	614,680
Expenses			
Staff costs	27	**(196,800)**	(182,046)
General and administrative expenses	28	**(62,690)**	(53,092)
Depreciation of property and equipment	15	**(25,052)**	(26,080)
Impairment charge for financial assets	29	**(267,382)**	(297,260)
Impairment charge for non-financial assets	16	**-**	(2,799)
Total expenses		**(551,924)**	(561,277)
Profit for the year		**116,160**	53,403
Basic and diluted earnings per share (AED)	30	**0.055**	0.025

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

Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	2021 AED'000	2020 AED'000
Profit for the year	**116,160**	53,403
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss		
Movement in investment fair value reserve for equity instruments at FVTOCI	**31,674**	(62,585)
	31,674	(62,585)
Items that may be reclassified subsequently to profit or loss		
Fair value (loss)/gain on investments securities at FVTOCI	**(9,097)**	31,881
Reclassification adjustments relating to investments securities at FVTOCI	**(11,679)**	(24,960)
	(20,776)	6,921
Other comprehensive income/(loss) for the year	**10,898**	(55,664)
Total comprehensive income/(loss) for the year	**127,058**	(2,261)

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

Statement of changes in equity
for the year ended 31 December 2021

	Share capital AED'000	Statutory reserve AED'000	Investment fair value reserve AED'000	General impairment reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2020	2,100,000	253,168	(7,256)	111,583	54,824	2,512,319
Profit for the year	-	-	-	-	53,403	53,403
Other comprehensive income	-	-	(55,664)	-	-	(55,664)
Total comprehensive income/ (loss) for the year	-	-	(55,664)	-	53,403	(2,261)
Transfer on disposal of equity instrument at FVTOCI	-	-	2,565	-	(2,565)	-
Transfer to statutory reserve	-	5,340	-	-	(5,340)	-
Transfer to general impairment reserve (Note 22)	-	-	-	(14,541)	14,541	-
Zakat (Note 36)	-	-	-	-	(6,217)	(6,217)
Directors' remuneration (Note 23)	-	-	-	-	(1,250)	(1,250)
At 31 December 2020	2,100,000	258,508	(60,355)	97,042	107,396	2,502,591
Profit for the year	-	-	-	-	116,160	116,160
Other comprehensive loss	-	-	10,898	-	-	10,898
Total comprehensive income for the year	-	-	10,898	-	116,160	127,058
Transfer on disposal of equity instrument at FVTOCI	-	-	(2,473)	-	2,473	-
Transfer to statutory reserve	-	11,616	-	-	(11,616)	-
Transfer to general impairment reserve (Note 22)	-	-	-	15,322	(15,322)	-
Reversal of Zakat liability (Note 36)	-	-	-	-	4,973	4,973
At 31 December 2021	**2,100,000**	**270,124**	**(51,930)**	**112,364**	**204,064**	**2,634,622**

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

Statement of cash flows
for the year ended 31 December 2021

	2021	2020
	AED'000	AED'000
Cash flows from operating activities		
Profit for the year	**116,160**	53,403
Adjustments for:		
Depreciation of property and equipment	**25,052**	26,080
Impairment charge on financial assets	**267,382**	297,260
Impairment charge on other non-financial assets	**-**	2,799
Income from Islamic investments securities	**(82,185)**	(83,367)
Fair value adjustment of investment properties	**(12,029)**	24,394
Realized gain on disposal of Islamic investments securities	**(13,830)**	(25,678)
Share of results of associate	**8,265**	(12,607)
Gain on disposal of property and equipment	**(17)**	-
Operating cash flows before changes in operating assets and liabilities	**308,798**	282,284
Changes in operating assets and liabilities:		
Decrease in Islamic financing and investing assets	**1,771,644**	59,626
Decrease in due from banks and other financial institutions	**13,827**	42,996
(Increase)/decrease in statutory deposit with the Central Bank	**(72,188)**	275,484
Decrease in International Murabahat with the Central Bank	**1,050,000**	330,000
(Increase)/decrease in other assets	**(959,938)**	48,906
Increase/(decrease) in Islamic customers' deposits	**1,036,883**	(696,597)
Decrease in due to banks and other financial institutions	**(127,470)**	(1,394,895)
Decrease in other liabilities	**(201,043)**	(23,969)
Cash generated from/(used in) operations	**2,820,513**	(1,076,165)
Payment of directors' remuneration	**-**	(1,250)
Net cash generated from/(used in) operating activities	**2,820,513**	(1,077,415)
Cash flows from investing activities		
Purchase of Islamic investments securities	**(3,174,127)**	(2,089,919)
Proceeds from sale of Islamic investments securities	**1,863,794**	2,760,910
Addition in investment in associate	**(8,762)**	-
Dividend received from investment in associate	**740**	7,333
Purchase of property and equipment	**(18,123)**	(21,011)
Proceeds from disposal of property and equipment	**172**	-
Profit income on Islamic investments securities	**88,981**	80,882
Additions to investment properties	**(4,317)**	(5,827)
Proceeds from disposal of investment in subsidiary	**-**	124,897
Net cash (used in)/generated from investing activities	**(1,251,642)**	857,265
Net increase/(decrease) in cash and cash equivalents	**1,568,871**	(220,150)
Cash and cash equivalents at the beginning of the year	**589,565**	809,715
Cash and cash equivalents at the end of the year (Note 31)	**2,158,436**	589,565

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

Notes to the financial statements
for the year ended 31 December 2021 (continued)

1. General information

Ajman Bank PJSC (the "Bank") was incorporated as a Public Joint Stock Company. 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 three pay offices in the UAE. The financial statements combine the activities of the Bank's head office and its branches.

The principal activities of the Bank are to undertake banking, financing and investing activities through various Islamic financing and investment products such as Murabaha, Mudarba, Musharika, 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. Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 Standards, amendments and interpretations

Standards, amendments and interpretations that are effective for the Bank's accounting period beginning on 1 January 2021

Interbank offered rates ("IBORs) reform disclosure – Phase 2

In August 2020, the IASB issued IBOR reform - Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

IBOR Reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing profit rate benchmark with an alternative risk-free benchmark reference rate ("RFR"). The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Bank may designate an profit rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the profit rate risk component is separately identifiable. The Bank has assessed the impact of Phase 2 and concluded that it is not material to the Bank financial statements.

IBORs, such as the London Interbank Offered Rate ("LIBOR"), play a critical role in global financial markets, serving as reference rates for derivatives, loans (financing) and investment securities including Sukuks, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years led regulators, central banks and market participants to work towards a transition to RFRs and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

The majority of LIBOR and other IBORs are to be discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates ("ARRs"), with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023. The transition away from the IBORs covers most of the business units and support functions of the Bank.

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

2.1 Standards, amendments and interpretations (continued)

The Bank is in process of assessing the impact of rate replacement on its product and services, however as on 31 December 2021 management does not believe that the impact will be significant considering they have immaterial portfolio of other currencies apart from AED.

There are no other significant applicable new standards and amendments to the published standards or IFRS IC interpretations that have been issued but are not effective for the first time for the Bank's financial year beginning on 1 January 2021 that would be expected to have a material impact on the Bank's financial statements.

3. Definitions

The following terms are used in the financial statements with the meaning specified:

Murabaha

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

Wakala

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

3. Definitions (continued)

Istisna'a

Is a sale contract between two parties whereby the Bank (the "Sani" or "Seller") undertakes to construct, for its customer (the "Mustasni" or "Purchaser"), a specific asset or property (being "Al-Masnoo") according to certain pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount. The work undertaken is not restricted to be accomplished by the Sani' alone and the whole or part of the construction or development can be undertaken by third parties under the control and responsibility of the Sani'. Under an Istisna'a contract the Bank could be the Sani' or the Mustasni'. Istisna'a profit (difference between the sale price of Al-Masnoo to the customer and the Bank's total Istisna'a cost) is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding.

Mudaraba

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

Musharaka

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

3. Definitions (continued)

Ijarah

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

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

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

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

Sukuk

These comprise asset backed, Sharia'a compliant trust certificates.

4. Summary of significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates laws, including the UAE Federal Law No.2 of 2015 and Decretal Federal Law No.14 of 2018.

(b) Basis of preparation

The financial statements of the Bank have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets, goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account when pricing the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value such as value in use in IAS 36.

4. Significant accounting policies (continued)

(c) Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than that quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

The principal accounting policies are set out below:

These financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has:

- power over the investee,
- exposure, or has 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 its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders and other parties;
- rights raising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control over of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial period are included in the income statement from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income is attributable to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Bank's accounting policies.

4. Significant accounting policies (continued)

(c) Basis of preparation (continued)

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to shareholders of the Parent.

When the Bank loses control of a subsidiary, a gain or loss is recognised in the income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss have been recognised in the statement of comprehensive income and accumulated in equity, the amounts previously recognised in the statement of comprehensive income and accumulated in equity are accounted for as if the Parent had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

(d) Cash and cash equivalents

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

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

(e) Due from banks

Due from banks are stated at cost less any amounts written-off and allowance for impairment, if any

(f) Financial instruments

Financial assets and liabilities are recognised when Bank becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Business model assessment (continued)

The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected
- The frequency, volume and timing of sales in prior periods, the reasons for such sales; and
- Its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) financing instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and profit on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

(ii) financing instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

(iii) all other financing instruments (e.g. instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Bank may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis;

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

(iv) the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and

(v) the Bank may irrevocably designate a financing instruments that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Islamic financing and investing assets

Islamic financing and investing assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financing and receivables (including cash and cash equivalents, Islamic finance receivables, due from banks and other financial institutions, and other receivables) are measured at amortised cost using the effective profit method, less any impairment.

Profit income is recognised by applying the effective profit rate, except for short-term receivables when the effect of discounting is immaterial.

(i) Financing instruments at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and profit on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are payments of principal). Profit consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs, as well as a margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic financing arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

(i) Financing instruments at amortised cost or at FVTOCI (continued)

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models.

When a financing instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financing instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

(ii) Financial assets at FVTPL

Financial assets at FVTPL are:

(i) assets with contractual cash flows that are not SPPI; or/and
(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
(iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued. Financial assets designated as FVTPL are recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in investment income.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

(iii) Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current period and previous accounting period, there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

(iv) Impairment

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Due from banks and other financial institutions
- Islamic investments securities at FVTOCI
- Islamic financing and investing assets
- Other Islamic assets
- Off balance sheet exposures subject to credit risk

No impairment loss is recognised on Islamic equity investments.

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EPR.
- for undrawn financial commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the finance and the cash flows that the Bank expects to receive if the finance is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed financing instrument less any amounts that the Bank expects to receive from the holder, the customer or any other party.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

(iv) Impairment (continued)

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of finances that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EPR, regardless of whether it is measured on an individual basis or a collective basis.

(v) Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the customer or issuer;
- a breach of contract such as a default or past due event;
- the financer of the customer, for economic or contractual reasons relating to the customer's financial difficulty, having granted to the customer a concession that the financer would not otherwise consider;
- the financer of the customer has downgraded the ratings because of deterioration in financial condition of the customer; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether financing instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate financing instruments are credit impaired, the Bank considers factors such as delinquency, watchlist indication, restructuring flag, deterioration in credit ratings and the ability of the customer to raise funding.

A financial asset is considered credit-impaired when a concession is granted to the customer due to a deterioration in the customer's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. However, the cases where the impairment is not recognised for assets beyond 90 days overdue are supported by reasonable information.

(vi) Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

(vii) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the customer is past due more than 90 days on any material credit obligation to the Bank; or
- the customer is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Further, there are cases where the criteria of 90 days overdue are rebutted based on management assessment. When assessing if the customer is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate financing a qualitative indicator used is the 'watchlist flag', which is not used for retail financing. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

(viii) Significant increase in credit risk

The Bank monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Bank monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the internal risk rating of the financial instrument at the reporting date based on the remaining maturity of the instrument with the internal risk rating when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

(viii) Significant increase in credit risk (continued)

For corporate financing, forward-looking information includes the future prospects of the macroeconomic indicators like Crude Oil price, GDP growth rate, real estate price index, etc. obtained from regulatory guidelines, economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, financing forward looking information includes the same economic forecasts as corporate financing with additional forecasts of local economic indicators.

The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The Bank considers the credit risk upon initial recognition of asset and whether there has been a significant increase in it on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal risk grade;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers in the group and changes in the operating results of the customer; and
- Macroeconomic information: in its models, the Bank relies on a broad range of forward looking information as economic inputs, such as: average crude oil prices, real estate Dubai and Abu Dhabi, inflation, GDP growth rate etc. along with various transformations of the same. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

Regardless of the analysis above, a significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis.

However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate financing there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated.

For retail financing, when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

(ix) Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing finance would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the profit rate that arises when covenants are breached).

The Bank renegotiates finances to customers in financial difficulty to maximise collection and minimise the risk of default. A finance forbearance is granted in cases where although the customer made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the customer is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the finance, changes to the timing of the cash flows of the finance (principal and profit payment), reduction in the amount of cash flows due (principal and profit forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies for corporate and retail financing.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new finance is considered to be originated credit impaired. This applies only in the case where the fair value of the new finance is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the customer is in past due status under the new terms.

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised financing for the proceeds received.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

(ix) Modification and derecognition of financial assets (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

(x) Write-offs

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a payment plan with the company. The company categorises a finance or receivable for write off after almost all possible avenues of payments have been exhausted. However where finances or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Financial liabilities

(i) Classification and subsequent measurement

In both the current period and prior period, financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: the classification is applied to Islamic derivatives and other financial liabilities designated as such at initial recognition. Gains and losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to the changes in credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in the profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer; and
- Financial guarantee contracts and financial commitments.

  <u>*Effective profit method*</u>

  The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Financial liabilities (continued)

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original financer of financing instruments with substantially different terms, as well as substantial modifications of the terms of existing liabilities, are accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective profit rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors such as, currency that the instrument is denominated in, changes in the type of profit rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of financing instruments or modification of terms is accounted for as an extinguishment, any cost or fees incurred as recognised as part of the gain or loss on extinguishment. If an exchange or modification is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified customer fails to make payments when due in accordance with the terms of a financing instrument.

Financial guarantee contracts issued by a Bank entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the statement of financial position and the remeasurement is presented in other revenue.

The Bank has not designated any financial guarantee contracts as at FVTPL.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

Islamic derivative financial instruments

Islamic derivative financial instruments are primarily used in trading activities. These are also used to manage our exposure to profit, currency, credit and other market risks. All Islamic derivative financial instruments are recorded in statement of financial position at fair value.

When Islamic derivative financial instruments are used in trading activities, the realized and unrealized gains and losses on these Islamic derivative financial instruments are recognized in other income. Islamic derivative financial instruments with positive fair values are presented as asset and Islamic derivative financial instruments with negative fair values are reported as liabilities. In accordance with our policy for offsetting financial assets and financial liabilities, the net fair value of certain Islamic derivative assets and liabilities are reported as an asset or liability, as appropriate. Valuation adjustments are included in the fair value of Islamic derivative assets and Islamic derivative liabilities. Premiums paid and premiums received are part of Islamic derivative assets and Islamic derivative liabilities, respectively. When derivatives are used to manage our own exposures, we determine for each derivative whether hedge accounting can be applied.

(g) Investment in associate

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Bank's share of the profit or loss and other comprehensive income of the associate. When the Bank's share of losses of an associate exceeds the Bank's interest in that associate (which includes any long-term interests that, in substance, form part of the Bank's net investment in the associate), the Bank discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Bank's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

The Bank discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Bank retains an interest in the former associate and the retained interest is a financial asset, the Bank measures the retained interest at fair value at that date is regarded as its fair value on initial recognition in accordance with IFRS 9.

4. Significant accounting policies (continued)

(g) Investment in associate (continued)

The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. Gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the associate.

Unrealized gains and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

(h) Property and equipment

Recognition and measurement

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

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

Subsequent costs

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

Depreciation

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

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

	Years
Leasehold improvements	7
Computers equipment and software	3 to 7
Furniture, fitting and equipment	5
Vehicles	5
Right-of-use assets	2 to 5
Buildings	25

4. Significant accounting policies (continued)

(h) Property and equipment (continued)

Depreciation (continued)

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

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.

(i) Investment properties

Investment properties is held to earn rental income and/or capital appreciation. Investment properties includes cost of initial purchase, developments transferred from property under development, subsequent cost of development, and fair value adjustments. Investment properties is reported at valuation based on fair value at the end of the reporting period. The 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, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment properties are included in the income statement in the period in which these gains or losses arise.

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

(j) Assets acquired in settlement of Islamic financing and investing assets

The Bank occasionally acquires real estate and other collateral in settlement of Islamic financing and investing assets. Such real estate and other collateral are stated at the lower of the net realisable value of Islamic financing and investing assets and the current fair value of such assets at the date of acquisition. Gains or losses on disposal and unrealised losses on revaluation are recognised in the income statement.

(k) Islamic customer deposits, due to bank and other financial institutions and other liabilities

Islamic customer deposits, due to bank and other financial institutions and other liabilities are initially recognised at fair value and subsequently measured at amortised cost.

4. Significant accounting policies (continued)

(l) Provisions and contingent liabilities

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Bank's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

(m) Acceptances

Acceptances are recognised as financial liabilities in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments with respect to acceptances have been accounted for as financial assets and financial liabilities.

(n) Revenue recognition

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

(o) Fees, commission and other income

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

(p) Dividend income

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

4. Significant accounting policies (continued)

(q) Employees' benefits

The Bank provides end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for the U.A.E. citizens are made by the Bank in accordance with Federal Law No. 2 of 2000.

(r) 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.

(s) Foreign currency transactions

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

(t) Segment reporting

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

(u) Fiduciary activities

The Bank acts as trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the Bank's financial statements as they are not assets of the Bank.

4. Significant accounting policies (continued)

(v) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts or when the Branches intend to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(w) Fair value measurement principles

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

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

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

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

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

Critical judgments in applying the Bank's accounting policies

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

The COVID-19 pandemic continues to evolve and the economic environment in which we operate continues to be subject to sustained volatility, which could continue to negatively impact our financial results, as the duration of the COVID-19 pandemic and the effectiveness of steps undertaken by governments and central banks in response to the COVID-19 pandemic remain uncertain. The current environment requires particularly complex judgments and estimates in certain areas. We are closely monitoring the changing conditions and their impacts.

Reasonableness of Forward Looking Information and probability weights

Despite several challenges associated with doing IFRS-9 provision estimate by incorporating the overall impact of Covid-19. Bank has refreshed the IFRS-9 provision model using the latest macro-economic forecast. All the macro-economic variables used within the models have been shocked to incorporate the available latest information.

The Bank has used the workout LGD model which is purely based on Bank specific data based on its own curing, restructuring, recovery and collateral backing.

Analysis of clients benefitting from payment deferrals

The below table contains analysis of deferred amount and outstanding balances of customers benefitting from deferrals along with the stage and ECL.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
At 31 December 2021				
Deferral Amount				
Islamic Financing	**2,009**	**34,641**	**-**	**36,650**
Exposures				
Islamic Financing	**32,764**	**158,029**	**-**	**190,793**
ECL				
Islamic Financing	**2**	**2,267**	**-**	**2,269**

5. Critical accounting judgments and key sources of estimation of uncertainty (continued)

Analysis of clients benefitting from payment deferrals (continued)

The table below contains analysis of outstanding balances and related ECL of customers benefiting from deferrals.

	12-month ECL AED'000	Lifetime ECL not credit-impaired AED'000	Lifetime ECL credit-impaired AED'000	Total AED'000
Corporate Banking				
Group 1				
Islamic financing and investing assets	32,764	73,893	-	106,657
Less: Expected credit losses	(2)	(339)	-	(341)
	32,762	**73,554**	**-**	**106,316**
Group 2				
Islamic financing and investing assets	-	84,136	-	84,136
Less: Expected credit losses	-	(1,928)	-	(1,928)
	-	**82,208**	**-**	**82,208**

The total changes in Exposure at Default (EAD) since December 2020

Below is an analysis of total changes in EAD since 31 December 2020 on customers benefitting from payment deferrals:

	AED'000
EAD as at 1 January 2021	6,133,464
Additions during the year	36,424
Repayments / de-recognition during the year	(5,979,095)
EAD as at 31 December 2021	**190,793**

Below is an analysis of change in ECL since 31 December 2020 on corporate customers benefitting from payment deferrals.

	AED'000
ECL allowance as at 1 January 2021	**41,168**
01 – Manufacturing	(3,877)
02 - Construction and real estate	(9,190)
03 – Education	(254)
04 – Trading	(16,352)
05 – Hospitals	(6,528)
06 – Transportation	(453)
07 – Others	(2,245)
ECL allowance as at 31 December 2021	**2,269**

5. Critical accounting judgments and key sources of estimation of uncertainty (continued)

Business model assessment

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with7 the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continue to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

Significant increase of credit risk: As explained in Note 6, ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. However, in assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information.

Establishing groups of assets with similar credit risk characteristics

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. instrument type, credit risk, stage classification etc.). The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that if there is a credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

5. Critical accounting judgments and key sources of estimation of uncertainty (continued)

Critical judgments in applying the Bank's accounting policies (continued)

Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

a) Classification of and measurement of financial assets and liabilities

The Bank classifies financial instruments, or its component parts, at initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of the instruments. The substance of the financial instrument, rather than the legal form, governs its reclassification in the statement of financial position.

The Bank determines the classification at initial recognition and, when allowed and appropriate, re-evaluates this designation at every statement of financial position date.

In measuring financial assets and liabilities, some of the Bank's assets and liabilities are measured at a fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Bank uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Bank engages independent professionally qualified valuers to perform the valuation. The Bank works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

b) Fair value measurement

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

c) Islamic derivative financial instruments

Subsequent to initial recognition, the fair value of Islamic derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate. When prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The main factors which management considers when applying a model are:

5. Critical accounting judgments and key sources of estimation of uncertainty (continued)

Critical judgments in applying the Bank's accounting policies (continued)

Models and assumptions used (continued)

c) Islamic derivative financial instruments (continue)

(i) The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although management judgment may be required in situations where the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt; and

(ii) An appropriate discount rate of the instrument. Management determines this rate, based on its assessment of the appropriate spread of the rate for the instrument over the risk-free rate. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared. When valuing instruments on a model basis using the fair value of underlying components, management considers, in addition, the need for adjustments to take account of a number of factors such as bid-offer spread, credit profile, servicing costs of portfolios and model uncertainty.

Determining whether it is reasonably certain that an extension or termination option in a lease agreement will be exercised

Extension and termination options are included in a number of tenancy lease agreement entered into the Bank. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Key sources of estimation uncertainty

The following are key estimations that the management has used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario: When measuring ECL the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the financier would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

- Determination of appropriate rate to discount the lease payments:

6. 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 operational 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.

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

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

Risk Management Framework

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

6.1 Risk management structure

Board of directors bears the ultimate responsibility for risk management within the Bank through board approved risk management policy. However, all the necessary organizational structures are created to facilitate the effectiveness of proper risk management function. Separate independent bodies are responsible for managing and monitoring risks of the Bank

Board of Directors

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles. Board ensure appropriate risk management framework, internal control, compliance and reporting systems are in place and operating efficiently.

Executive committee

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

6. Financial risk management (continued)

6.1 Risk management structure (continued)

Audit committee

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

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

Internal Sharia Supervisory Committee (ISSC)

The ISSC is responsible for Sharia governance in terms of overview and approval of products and documentation in relation to Sharia compatibility and overall Sharia compliance as mentioned in Standard Re. Shari'ah Governance – issued by Central Bank of UAE under the notice No. CBUAE/BSD/N/2020/2123.

Risk Committee of the Board ("RC")

The RCC assists the Board of Directors in discharging the responsibilities with respect to ensuring that bank activities comply with established risk appetite framework along with statutory law and regulations, the system of internal control over financial reporting and with the Bank's code of conduct.

Compliance Committee of the Board ("CC")

Compliance Committee assist the Board in its oversight of the Bank's compliance with laws and regulation issued by CBUAE. Oversee the Bank's policies, procedures, and training relating to compliance and simultaneously evaluate the reports of examination, and ongoing communication from CBUAE.

Credit Committee

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

Asset and Liability Committee ("ALCO")

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

Remuneration committee

Remuneration committee manages the resources, performance and requirement of individuals required by Bank on time to time basis.

6. Financial risk management (continued)

6.1 Risk management structure (continued)

Risk Management Division ("RMD")

The RMD is responsible for implementing and maintaining risk related procedure to ensure independent control process. Department monitor portfolio credit risk, market & liquidity risk, operational risk against the risk appetite framework established for the Bank.

Internal Audit

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

6.1.1 Risk measurement and reporting systems

The Bank measures credit risk using current IFRS-9 regulations, where macro-economic models are used to do the early recognition of impairment. Whereas market, liquidity and operational risks are measured using standards currently enforced under regulatory guidelines. Further, the Bank uses quantitative analysis and methods to estimate business risk and revise risk strategies based on risk appetite. These analysis and methods reflect the expected loss likely to arise in normal course of business where as Bank also estimate unexpected losses which might occur due to unforeseen events based on statistical techniques and probabilities associated with it. Bank also runs multiple stress scenarios based on extreme macroeconomic events which are likely to occur, as well as idiosyncratic risk factors which are specific to Bank. This helps the Bank in doing its own internal assessment of the capital requirement and in turn establish the risk appetite framework of the Bank.

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

6.1.2 Credit risk and concentrations of risk

Credit risk is defined as the risk that the Bank's customers, clients or counter parties fail to perform or are unwilling to pay profit, repay the principal or otherwise to fulfil their contractual obligations under finance agreements or other credit facilities, thus causing the Bank to suffer a financial loss.

Credit risk also arises through the downgrading of counter parties, whose credit instruments are held by the Bank, thereby resulting in the value of the assets to fall. As credit risk is the Bank's most significant risk, considerable resources, expertise and controls are devoted to managing this risk within the core departments of the Bank.

6. Financial risk management (continued)

6.1.2 Credit risk and concentrations of risk (continued)

Credit risk measurement

The Bank's Risk Management Framework assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. The Framework has been developed internally which combines statistical analysis with credit officer judgment. The models are validated periodically.

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

Management of credit risk

The Bank's Credit Risk Management Framework includes:

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

6.1.3 Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

Internal credit risk ratings

In order to adequately assess the credit exposure profile, the Bank has acquired a globally acclaimed system for obligor and facility internal risk rating. It facilitates the analysis of credit proposals by putting a robust risk rating system as well as structurally supports the Bank in estimating various elements of risk. The system is comprised of 22 notch obligor risk rating in ten scales from 1 to 10. Such a credit risk grades are defined using both quantitative and qualitative factors that are indicative of default. The table below provides a mapping of the Bank's internal credit risk grades to external ratings.

6. Financial risk management (continued)

6.1.3 Significant increase in credit risk (continued)

Internal credit risk ratings (continued)

Bank's credit risk grades	Agency rating	Description
1	AAA	Very Low credit risk
2	AA+ to AA-	Very Low credit risk
3	A+ to A-	Low credit risk
4	BBB+ to BBB-	Moderate credit risk
5	BB+ to BB-	Substantial credit risk
6	B+ to B-	High credit risk
7	CCC+ to C	Very High credit risk
8	DDD	Substandard
9	DD	Doubtful
10	D	Impaired

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. The exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Bank's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilization of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- Information obtained by periodic review of customer files including audited financial statements review, market data such as prices of credit default swaps (CDS) or quoted bonds where available, changes in the financial sector the customer operates etc.

The Bank analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as oil prices, non-oil commodities indexes, inflation, oil production, house prices in the United Arab Emirates and the tourism indicators. The Bank generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Bank then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs. The probability weights used are 65% for Base case, 20% for Upturn and 15% for Downturn scenario across all portfolios.

The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

6. Financial risk management (continued)

6.1.4 Measurement of ECL

The key elements used in the computation of ECL are:

• Probability of default (PD);
• Loss given default (LGD); and
• Exposure at default (EAD).

These elements are derived from our internally developed statistical models based on our historical data and the data provided by the Central Bank of UAE. They are adjusted to reflect probability-weighted forward-looking information.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2021 for the years 2021 to 2024, for UAE which is the country where the Bank operates and therefore is the country that has a material impact on ECLs.

List of macro variables used	Definition	Range
Oil price, Brent USD	Price per barrel	Between USD 61 and USD 62
Dubai real estate sale prices	% Change	Between 0% and 5%
Abu Dhabi real estate sale prices	% Change	Between 0% and 5%
Real GDP growth	% Change	Between 3.3% and 4%
Dubai Stock Price index	Index	Between 2,714 and 3,154
Abu Dhabi Stock Price index	Index	Between 5,800 and 6,741

There has been no significant sensitivity impact on ECL if the macroeconomic variables (defined above) were to change by the base case, upside and downside scenarios.

PD is an estimate at certain point in time which is derived based on model output of regression of historical observed default rates against macro-economic variables. These outputs are calibrated against through the cycle (TTC) PD which is currently used by the Bank, and assessed using rating tools tailored to various categories of counterparties and exposures. It helps the Bank to avoid procyclicality i.e. underestimation and overestimation if there is one of outlier data. These statistical models are based on market data, as well as internal data compromising both quantitative as well as qualitative factors. PD's are estimated considering the contractual maturities of exposures by building term structure of default using the cumulative survival probability.

LGD is an estimate of the loss magnitude arising on in case the customer defaults. It is based on the difference between the contractual cash flows due and those that the financier would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realization of collateral, cross-collateralization and seniority of claim, cost of realization of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original effective profit rate (EPR) of the finance.

EAD represent the expected exposures in the event of a default. The Bank derives the EAD from the current exposures to the counterparty and the potential changes to the current amount allowed under the contract including amortization. The EAD for the on balance sheet items are its gross carrying amount whereas for off balance sheet items such as letters of credits, financial and general guarantees undrawn non-cancellable finance commitments are estimated by applying credit conversion factors on the committed exposures.

6. Financial risk management (continued)

6.1.4 Measurement of ECL (continued)

The measurement of loss allowance is done on individual basis for corporate portfolio where as it is measured on collective basis for retail portfolio (measurement on collective basis is more practical for retail portfolio where portfolio constituents share similar portfolio attributes). In relation to the assessment of whether there has been a significant increase in credit risk it is necessary to perform the assessment on a collective basis as noted below.

Groupings based on shared risks characteristics:

When ECL are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics, such as:

- Instrument type;
- Credit risk grade;
- Collateral type.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

The Bank has in place policies, which govern the determination of eligibility of various collaterals, to be considered for credit risk mitigation, which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigating. The Bank's major collaterals are mortgaged properties, investments, vehicles and deposits under lean.

The collateral is valued periodically, depending on the type of collateral. Specifically for mortgaged property, a framework for valuation of mortgaged properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of mortgaged properties and other related activities in relation to the interpretation, monitoring and management of valuation of mortgaged properties.

6. Financial risk management (continued)

6.1.4 Measurement of ECL (continued)

Summarised information of the Bank's maximum exposure to credit risk before collateral held per class of financial asset (subject to impairment) is provided in following table:

	31 December 2021			31 December 2020		
	Gross carrying amount	**ECL allowance**	**Carrying amount**	Gross carrying amount	ECL allowance	Carrying amount
	AED '000	**AED '000**	**AED '000**	AED '000	AED '000	AED '000
Balances with the Central Bank						
Stage 1	**2,047,984**	**-**	**2,047,984**	1,623,413	-	1,623,413
Due from banks and other financial institutions						
Stage 1	489,876	(275)	489,601	274,056	-	274,056
Stage 2	237,385	-	237,385	339,580	(365)	339,215
	727,261	**(275)**	**726,986**	613,636	(365)	613,271
Islamic financing and investing assets						
Stage 1	10,800,485	(33,394)	10,767,091	10,050,713	(32,292)	10,018,421
Stage 2	3,241,266	(88,681)	3,152,585	5,781,527	(91,805)	5,689,722
Stage 3	1,783,236	(778,668)	1,004,568	2,102,443	(849,728)	1,252,715
	15,824,987	**(900,743)**	**14,924,244**	17,934,683	(973,825)	16,960,858
Islamic investment securities at FVTOCI						
Stage 1	2,362,983	(3,545)	2,359,438	1,115,880	(2,247)	1,113,633
Stage 3	54,506	(50,078)	4,428	54,506	(50,078)	4,428
	2,417,489	**(53,623)**	**2,363,866**	1,170,386	(52,325)	1,118,061
Other Islamic financial assets						
Stage 1	115,638	(1)	115,637	121,480	-	121,480
Stage 2	942	(2)	940	336	(1)	335
Stage 3	33,793	(16,849)	16,944	32,075	(15,379)	16,696
	150,373	**(16,852)**	**133,521**	153,891	(15,380)	138,511
Financial commitments and financial guarantees (off balance sheet exposures)						
Stage 1	463,710	(1,209)	462,501	358,656	(2,174)	356,482
Stage 2	63,762	(724)	63,038	-	-	-
Stage 3	19,357	(9,789)	9,568	12,768	(9,818)	2,950
	546,829	**(11,722)**	**535,107**	371,424	(11,992)	359,432
	21,714,923	**(983,215)**	**20,731,708**	21,867,433	(1,053,887)	20,813,546

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

6. Financial risk management (continued)

6.1.4 Measurement of ECL (continued)

Risks relating to credit-related commitments

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

6.2 Credit risk and concentrations of risk

Concentration of credit risk

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

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

Concentration of credit risk

By geographic location

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

On balance sheet items

2021	**UAE AED'000**	**GCC AED'000**	**Other AED'000**	**Total AED'000**
Cash and balances with Central Bank	**2,047,984**	**-**	**-**	**2,047,984**
Due from banks and other financial institutions	**619,006**	**970**	**107,285**	**727,261**
Islamic financing and investing assets:				
- Retail	**3,438,156**	**-**	**-**	**3,438,156**
- Corporate	**11,011,756**	**40,766**	**660,524**	**11,713,046**
- Treasury	**685**	**-**	**-**	**685**
- Investments	**673,100**	**-**	**-**	**673,100**
Islamic investments securities at FVTOCI	**1,021,262**	**1,268,826**	**73,778**	**2,363,866**
Other assets	**150,373**	**-**	**-**	**150,373**
Total	**18,962,322**	**1,310,562**	**841,587**	**21,114,471**

Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

Concentration of credit risk (continued)

By geographic location (continued)

On balance sheet items

2020	UAE AED'000	GCC AED'000	Other AED'000	Total AED'000
Cash and balances with Central Bank	1,623,413	-	-	1,623,413
Due from banks and other financial institutions	536,416	56,057	21,163	613,636
Islamic financing and investing assets:				
- Retail	3,458,146	-	-	3,458,146
- Corporate	13,000,146	44,033	563,676	13,607,855
- Treasury	702	-	-	702
- Investments	867,980	-	-	867,980
Islamic investments securities at FVTOCI	550,080	563,553	4,428	1,118,061
Other assets	153,891	-	-	153,891
Total	20,190,774	663,643	589,267	21,443,684

Off balance sheet items

2021	**UAE AED'000**	**GCC AED'000**	**Other AED'000**	**Total AED'000**
Commitments	**99,317**	**-**	**-**	**99,317**
Letters of credit and guarantee	**301,975**	**18,363**	**127,174**	**447,512**
Total	**401,292**	**18,363**	**127,174**	**546,829**

2020	UAE AED'000	GCC AED'000	Other AED'000	Total AED'000
Commitments	138,440	-	-	138,440
Letters of credit and guarantee	232,984	-	-	232,984
Total	371,424	-	-	371,424

Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

Credit risk exposure per class of financial asset, internal rating and stage

An analysis of the Bank's credit risk exposure per class of financial asset (subject to impairment), internal rating and stage without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. These amounts in the table represent gross carrying amounts. For financial commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

- **Due from banks and other financial institutions**

	2021					
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	2020 Total AED'000
Normal	489,876	237,385	-	-	727,261	613,636
Watchlist	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Gross carrying amount	**489,876**	**237,385**	**-**	**-**	**727,261**	613,636
Impairment allowance	275	-	-	-	275	365
Carrying amount	**489,601**	**237,385**	**-**	**-**	**726,986**	613,271

- **Islamic financing and investing assets**

	2021					
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	2020 Total AED'000
Normal	10,800,485	2,792,285	-	-	13,592,770	15,617,549
Watchlist	-	448,981	-	-	448,981	214,691
Substandard	-	-	247,032	-	247,032	589,634
Doubtful	-	-	197,592	-	197,592	494,301
Loss	-	-	1,338,612	-	1,338,612	1,018,508
Gross carrying amount	**10,800,485**	**3,241,266**	**1,783,236**	**-**	**15,824,987**	17,934,683
Impairment allowance	33,394	88,681	778,668	-	900,743	973,825
Carrying amount	**10,767,091**	**3,152,585**	**1,004,568**	**-**	**14,924,244**	16,960,858

Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

Credit risk concentrations (continued)

- **Islamic investments securities at FVTOCI**

	2021					
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	2020 Total AED'000
Normal	2,362,983	-	-	-	2,362,983	1,115,880
Watchlist	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	-	-	54,506	-	54,506	54,506
Gross carrying amount	2,362,983	**-**	**54,506**	**-**	**2,417,489**	1,170,386
Impairment allowance	3,545	-	50,078	-	53,623	52,325
Carrying amount	**2,359,438**	**-**	**4,428**	**-**	**2,363,866**	1,118,061

- **Other financial assets**

	2021					
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	2020 Total AED'000
Normal	115,638	-	-	-	115,638	121,480
Watchlist	-	942	-	-	942	336
Substandard	-	-	14,812	-	14,812	14,861
Doubtful	-	-	102	-	102	118
Loss	-	-	18,879	-	18,879	17,096
Gross carrying amount	**115,638**	**942**	**33,793**	**-**	**150,373**	**153,891**
Impairment allowance	1	2	16,849	-	16,852	15,380
Carrying amount	**115,637**	**940**	**16,944**	**-**	**133,521**	**138,511**

Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

- **Financial commitments and financial guarantees**

	2021					2020
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	Total AED'000
Normal	463,710	31,098	-	-	494,808	357,669
Watchlist	-	32,664	-	-	32,664	987
Substandard	-	-	1,503	-	1,503	752
Doubtful	-	-	256	-	256	128
Loss	-	-	17,598	-	17,598	11,888
Gross carrying amount	**463,710**	**63,762**	**19,357**	**-**	**546,829**	371,424
Impairment allowance	1,209	724	9,789	-	11,722	11,992
Carrying amount	**462,501**	**63,038**	**9,568**	**-**	**535,107**	359,432

Expected credit loss allowance

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, 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 2020	1,623,413	-	-	1,623,413
Change in exposure	424,571	-	-	424,571
As at 31 December 2021	**2,047,984**	**-**	**-**	**2,047,984**

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 2020	274,056	339,580	-	613,636
- Transfer to stage 1	11,299	(11,299)	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
Change in exposure	47,507	(9,201)	-	38,306
New financial assets recognized	409,188	-	-	409,188
Financial assets derecognized	(252,174)	(81,695)	-	(333,869)
As at 31 December 2021	**489,876**	**237,385**	**-**	**727,261**

Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

Islamic financing and investing assets

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2020	10,050,713	5,781,527	2,102,443	17,934,683
- Transfer to stage 1	1,691,355	(1,691,355)	-	-
- Transfer to stage 2	(739,005)	946,960	(207,955)	-
- Transfer to stage 3	(27,247)	(604,211)	631,458	-
Change in exposure	(135,278)	(977,567)	(336,708)	(1,449,553)
New financial assets recognized	1,248,824	6,583	253	1,255,660
Financial assets derecognized	(1,288,877)	(220,671)	(68,203)	(1,577,751)
Write-offs	-	-	(338,052)	(338,052)
As at 31 December 2021	**10,800,485**	**3,241,266**	**1,783,236**	**15,824,987**

Islamic investments securities at FVTOCI

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2020	1,115,880	-	54,506	1,170,386
Change in exposure	422,292	-	-	422,292
New financial assets recognised	1,095,860	-	-	1,095,860
Financial assets derecognized	(271,049)	-	-	(271,049)
As at 31 December 2021	**2,362,983**	**-**	**54,506**	**2,417,489**

Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

Other Islamic financial assets

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2020	121,480	336	32,075	153,891
Change in exposure	(5,842)	606	1,720	(3,516)
Write-offs	-	-	(2)	(2)
As at 31 December 2021	**115,638**	**942**	**33,793**	**150,373**

Financial commitments and financial guarantees

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 31 December 2020	358,656	-	12,768	371,424
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	(28,762)	28,762	-	-
- Transfer to stage 3	-	-	-	-
Change in exposure	80,842	35,000	6,589	122,431
New financial commitments and financial guarantees recognized	152,592	-	-	152,592
Financial commitments and financial guarantees derecognised	(99,618)	-	-	(99,618)
As at 31 December 2021	**463,710**	**63,762**	**19,357**	**546,829**

The tables below analyse the movement of the ECL allowance during the year 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 2020	-	365	-	365
Changes in the loss allowance				
- Transfer to stage 1	365	(365)	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
Change in credit risk	(314)	-	-	(314)
New financial assets recognized	224	-	-	224
Loss allowance as at 31 December 2021	**275**	**-**	**-**	**275**

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

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 2020	32,292	91,805	849,728	973,825
Changes in the loss allowance				
- Transfer to stage 1	2,817	(2,817)	-	-
- Transfer to stage 2	(2,563)	6,143	(3,580)	-
- Transfer to stage 3	-	(10,473)	10,473	-
Change in credit risk	(165)	5,039	270,145	275,019
New financial assets recognized	8,965	1,587	19	10,571
Financial assets derecognized	(7,952)	(2,603)	(10,065)	(20,620)
Write-offs	-	-	(338,052)	(338,052)
Loss allowance as at 31 December 2021	**33,394**	**88,681**	**778,668**	**900,743**

Islamic investments 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 2020	2,247	-	50,078	52,325
Change in credit risk	1,331	-	-	1,331
New financial assets recognised	627	-	-	627
Financial assets derecognized	(660)	-	-	(660)
Loss allowance as at 31 December 2021	**3,545**	**-**	**50,078**	**53,623**

Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

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 2020	-	1	15,379	15,380
Change in credit risk	1	1	(1,934)	(1,932)
New financial assets recognised	-	-	6,480	6,480
Financial assets derecognized	-	-	(3,074)	(3,074)
Write-offs	-	-	(2)	(2)
Loss allowance as at 31 December 2021	**1**	**2**	**16,849**	**16,852**

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 2020	2,174	-	9,818	11,992
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	(262)	262	-	-
- Transfer to stage 3	-	-	-	-
Change in credit risk	(649)	462	(29)	(216)
New financial commitments and financial guarantees recognized	221	-	-	221
Financial commitments and financial guarantees derecognised	(275)	-	-	(275)
Loss allowance as at 31 December 2021	**1,209**	**724**	**9,789**	**11,722**

As discussed above in the significant increase in credit risk section, under the Bank's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for Islamic financing and investing assets to customers and more specifically for retail financing exposures because for corporate financing and other exposures there is more borrower specific information available which is used to identify significant increase in credit risk. The table below provides an analysis of the gross carrying amount of Islamic financing and investing assets to customers by past due status:

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

	2021		2020	
	Gross carrying amount AED'000	**ECL AED'000**	Gross carrying amount AED'000	ECL AED'000
Normal or Past due up to 30 days	**13,261,117**	**168,638**	15,576,651	177,686
Past due 31 - 60 days	**310,567**	**33,651**	145,907	5,664
Past due 61 - 90 days	**526,948**	**46,037**	299,373	13,400
Past due 91 - 180 days	**131,733**	**16,253**	455,077	41,400
Past due of more than 180 days	**1,594,622**	**636,164**	1,457,675	735,675
	15,824,987	**900,743**	17,934,683	973,825

Modified financial assets

As a result of the Bank's forbearance activities financial assets might be modified. The following tables refer to modified financial assets where modification does not result in derecognition.

Financial assets (with loss allowance based on lifetime ECL) modified during the period

	2021 AED'000	2020 AED'000
Gross carrying amount before modification	**173,419**	396,849
ECL allowance before modification	**(24,452)**	(18,435)
Net amortized cost before modification	**148,967**	378,414
Net amortized cost after modification	**148,967**	378,414

Collateral held as security and other credit enhancements

The Bank holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The Bank holds financial instrument of AED 3.4 billion for which no loss allowance is recognised because of collateral at 31 December 2021 (31 December 2020: AED 3.9 billion).

Mortgage financing

The Bank holds residential and commercial properties as collateral for the mortgage financing it grants to its customers. The Bank monitors its exposure to retail mortgage financing using the LTV ratio, which is calculated as the ratio of the gross amount of the finance, or the amount committed for financing commitments, to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. At 31 December 2021 the carrying amount of credit impaired mortgage financing was AED 105 million (2020: AED 125 million) and the value of the respective collateral was AED 206 million (2020: AED 213 million).

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

Personal financing

The Bank's personal financing portfolio consists of unsecured financing and credit cards.

Corporate financing

The Bank requests collateral and guarantees for corporate financing. The most relevant indicator of corporate customers' creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. The valuation of collateral is closely monitored especially if the performance of financing deteriorates.

For credit-impaired financing the Bank obtains appraisals of collateral to inform its credit risk management actions. At 31 December 2021 the net carrying amount of credit impaired Islamic financing and investing assets to corporate customers was AED 1,604 million (2020: AED 1,904 million) and the value of the respective collateral was AED 948 million (2020: AED 1,845 million).

Islamic investments securities

Islamic investments securities

Islamic investments securities comprise of investment in Sukuk and equity shares.

The table below presents analysis of investments by external rating agency at 31 December 2021 and 2020:

	2021	2020
	AED'000	AED'000
AA to AA-	**236,297**	-
A+ to A-	**610,607**	492,353
BBB+ to BBB-	**628,628**	99,028
BB+ to BB	**216,024**	126,580
B+ to B-	**255,514**	66,926
CCC	**-**	-
Unrated	**699,588**	534,804
	2,646,658	1,319,691

6. Financial risk management (continued)

6.2 Credit risk and concentrations of risk (continued)

Assets obtained by taking possession of collateral

The Bank obtained the following financial and non-financial assets during the year by taking possession of collateral held as security against Islamic financing and investing assets and held at the year end. The Bank has done revaluation of these properties and there is no indication of any impairment as of 31 December 2021. The Bank's policy is to realise collateral on a timely basis. The Bank does not use non-cash collateral for its operations.

	2021	2020
	AED'000	AED'000
Property	**920,383**	50,131
Total assets obtained by taking possession of collateral	**920,383**	50,131

6.3 Market risk

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

The trading market risk framework comprises the following elements:

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

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

Profit rate risk

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

The Bank is exposed to the effects of fluctuations in the prevailing levels of profit rates which arise from the Islamic financing and investing assets amounting to AED 14,924 million (2020: AED 16,961 million), investment securities amounting to AED 2,360 million (2020: AED 1,118 million), International Murabaha with Central bank AED 1,405 million (2020: AED 1,175 million), Due from banks and financial institutions AED 693 million (2020: AED 589 million), customer deposits amounting to AED 11,306 million (2020: AED 11,055 million) and AED 4,177 million (2020: AED 3,664 million) from due to banks and other financial institutions.

6. Financial risk management (continued)

6.3 Market risk (continued)

***Profit rate risk* (continued)**

Sensitivity analysis

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

	2021		2020	
	Total AED'000	**Effect on profit/(loss) AED'000**	Total AED'000	Effect on profit/(loss) AED'000
Profit bearing asset	**19,382,975**	**49,804**	19,843,137	53,930
Profit based liabilities	**15,483,645**	**40,972**	14,719,011	37,795

Currency risk

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

6. Financial risk management (continued)

6.3 Market risk (continued)

Price risk

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

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

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

		Impact on equity	
	Benchmark	**2021**	2020
		AED'000	AED'000
Islamic investments securities at FVTOCI	± 5%	**132,333**	65,985

6.4 Liquidity risk management

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

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

Maturity profile:

The maturity profile of the assets and liabilities at 31 December 2021 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Financial risk management (continued)

6.4 Liquidity risk management (continued)

Maturity profile: (continued)

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Undated AED'000	Total AED'000
Assets							
Cash and balances with central bank	2,185,729	-	-	-	-	-	**2,185,729**
Due from banks and other financial institutions	290,739	16,403	52,252	367,592	-	-	**726,986**
Islamic financing and investing assets, net	2,096,089	1,089,630	1,564,992	5,584,933	4,588,600	-	**14,924,244**
Islamic investments securities at FVTOCI	-	-	18,366	1,382,049	963,451	282,792	**2,646,658**
Investment in associates	-	-	-	-	-	177,313	**177,313**
Investment properties	-	-	-	-	-	359,739	**359,739**
Property and equipment	-	-	-	-	-	124,057	**124,057**
Other Islamic assets	200,755	47,865	-	-	-	948,940	**1,197,560**
Total assets	**4,773,312**	**1,153,898**	**1,635,610**	**7,334,574**	**5,552,051**	**1,892,841**	**22,342,286**
Liabilities and equity							
Islamic customers' deposits	3,837,464	2,539,363	3,246,176	4,357,055	1,282,988	-	**15,263,046**
Due to banks and other financial institutions	2,728,677	360,327	1,072,109	50,000	-	-	**4,211,113**
Other liabilities	148,401	28,994	-	-	-	56,110	**233,505**
Equity	-	-	-	-	-	2,634,622	**2,634,622**
Total liabilities and equity	**6,714,542**	**2,928,684**	**4,318,285**	**4,407,055**	**1,282,988**	**2,690,732**	**22,342,286**

Notes to the financial statements
for the year ended 31 December 2021 (continued)

6. Financial risk management (continued)

6.4 Liquidity risk management (continued)

Maturity profile:

The maturity profile of the assets and liabilities at 31 December 2020 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Undated AED'000	Total AED'000
Assets							
Cash and balances with central bank	1,312,122	-	410,000	-	-	-	**1,722,122**
Due from banks and other financial institutions	312,770	218,806	81,695	-	-	-	**613,271**
Islamic financing and investing assets, net	2,009,194	1,716,821	2,199,066	5,361,468	5,674,309	-	**16,960,858**
Islamic investments securities at FVTOCI	59,558	87,809	-	555,230	617,094	-	**1,319,691**
Investment in associates	-	-	-	-	-	177,556	**177,556**
Investment properties	-	-	-	-	-	343,393	**343,393**
Property and equipment	-	-	-	-	-	131,141	**131,141**
Other Islamic assets	185,234	53,862	-	-	-	-	**239,096**
Total assets	**3,878,878**	**2,077,298**	**2,690,761**	**5,916,698**	**6,291,403**	**652,090**	**21,507,128**
Liabilities and equity							
Islamic customers' deposits	3,498,805	2,727,448	3,840,211	4,002,236	157,463	-	**14,226,163**
Due to banks and other financial institutions	2,635,081	494,102	1,116,981	92,419	-	-	**4,338,583**
Other liabilities	409,210	30,581	-	-	-	-	**439,791**
Equity	-	-	-	-	-	2,502,591	**2,502,591**
Total liabilities and equity	**6,543,096**	**3,252,131**	**4,957,192**	**4,094,655**	**157,463**	**2,502,591**	**21,507,128**

6. Financial risk management (continued)

6.4 Liquidity risk (continued)

During the year, the key measure used by the Bank for managing liquidity risk is the ratio prescribed by Central Bank. For this purpose, only high quality liquid assets were considered, which include cash and cash equivalents, Murabaha with Central Bank and debt securities (Sukuk) with 0% risk weight with a liquid market. Denominator comprise of total liabilities excluding provisions from total liabilities. This prescribed ratio was more stringent and comprehensive in managing the Bank's liquidity positions. The liquidity ratio at the reporting dates were as follows:

	2021	2020
At 31 December	**15%**	9%

6.5 Operational risks

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

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

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

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

6.6 Capital management

In February 2017, the Central Bank of the UAE adopted 'Basel III' and published enhanced regulatory capital requirements rules vide notifications 52 and 60/2017. In addition minimum capital requirements, Basel III introduces capital conservation buffer (CCB) and countercyclical buffers (CCyB) to induce banking organizations to hold capital in excess of regulatory minimums.

After adoption of Basel III, the regulatory capital is computed under the following items:

(i) Tier 1 capital, which is composed of;

- a - Common equity tier 1 (CET 1) - comprise of share capital, statutory reserves, retained earnings and accumulated other comprehensive income reserves,
- b - Additional tier 1 (AT 1)- comprise of any instrument which is not included in CET1.

(ii) Tier 2 capital, which includes general provisions (after implementation of IFRS - 9, the ECL classified that is classified under stage 1 and 2).

6. Financial risk management (continued)

6.6 Capital management (continued)

In addition to the above, all banks are required to maintain a capital conservation buffer (CCB) to encourage the banks to hold capital over and above the minimum requirements.

As per current requirement of the Central Bank of UAE, banks are required to maintain minimum capital levels as below:

	2021	2020
Capital element		
Minimum common equity tier 1 (CET 1) ratio	**7%**	7%
Minimum Tier I capital ratio	**8.5%**	8.5%
Minimum capital adequacy ratio	**10.5%**	10.5%
Capital conservation buffer (CCB)	**2.5%**	2.5%

However, effective from 15 March 2020 until 30 June 2021, banks are allowed to tap into the capital conservation buffer up to a maximum of 60% as part of the measures adopted by the CBUAE to help banks deal with the COVID-19 crisis. Further, CBUAE has issued regulation regarding Accounting Provisions and Capital Requirements – Transitional Arrangements dated 22 April 2020. The prudential Filter allows banks to add back increases in IFRS 9 ECL provision, stage 1 and 2, from 31 December 2019 to the regulatory capital and transition over 5 years.

The Bank's assets are risk weighted as to their relative credit, market, and operational risk. Credit risk and market risk includes both on and off-balance sheet risks. Credit risk is defined as the risk of default on a debt that may arise from a customer failing to make required payments. Such risk includes loss of principal and profit, disruption to cash flows, and increased collection costs. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, commodity risk, and options risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

For Central Bank reporting purposes, the Bank is currently following the standardised measurement approach for credit, market and operational risk, as per Pillar 1 of Basel II.

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. Historically the Bank has followed a conservative dividend policy to increase capital from internal resources to meet future growth.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

6. Financial risk management (continued)

6.6 Capital management (continued)

The Bank is required to report capital resources and risk-weighted assets under the Basel III Pillar 1 framework, as shown in the following table:

	2021	2020
	AED'000	AED'000
Tier 1 capital		
Share capital	**2,100,000**	2,100,000
Reserves	**422,257**	305,549
	2,522,257	2,405,549
Tier 2 capital		
General provision and fair value reserve	**198,552**	188,272
Total regulatory capital	**2,720,809**	2,593,821
Risk weighted assets		
Credit risk	**15,884,151**	15,061,720
Market risk	**116,908**	463
Operation risk	**1,154,498**	1,125,368
Total risk weighted assets	**17,155,557**	16,187,551
Capital adequacy ratio on regulatory capital	**15.86%**	16.02%
Capital adequacy ratio on Tier 1 capital	**14.70%**	14.86%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by the optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based on the inherent risk it carries. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Finance and Risk Groups, and is subject to review by the Bank's Assets and Liabilities Committee (ALCO) as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

7. Classification of financial assets and liabilities

(a) The table below sets out the Bank's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December:

	At fair value AED'000	Amortised cost AED'000	Total AED'000
2021			
Financial assets:			
Cash and balances with the Central Banks	**-**	**2,185,729**	**2,185,729**
Due from banks and other financial institutions	**-**	**726,986**	**726,986**
Islamic financing and investing assets, net	**-**	**14,924,244**	**14,924,244**
Islamic investments securities at FVTOCI	**2,646,658**	**-**	**2,646,658**
Other Islamic assets	**330**	**133,521**	**133,851**
Total	**2,646,988**	**17,970,480**	**20,617,468**
Financial liabilities:			
Islamic customers' deposits	**-**	**15,263,046**	**15,263,046**
Due to banks and other financial institutions	**-**	**4,211,113**	**4,211,113**
Other Islamic liabilities	**916**	**164,898**	**165,814**
Total	**916**	**19,639,057**	**19,639,973**
2020			
Financial assets:			
Cash and balances with the Central Banks	-	1,722,122	1,722,122
Due from banks and other financial institutions	-	613,271	613,271
Islamic financing and investing assets, net	-	16,960,858	16,960,858
Islamic investments securities at FVTOCI	1,319,691	-	1,319,691
Other Islamic assets	1,611	138,511	140,122
Total	1,321,302	19,434,762	20,756,064
Financial liabilities:			
Islamic customers' deposits	-	14,226,163	14,226,163
Due to banks and other financial institutions	-	4,338,583	4,338,583
Other Islamic liabilities	-	365,502	365,502
Total	-	18,930,248	18,930,248

8. 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 Bank 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 Bank'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).

Notes to the financial statements
for the year ended 31 December 2021 (continued)

8. Fair value measurement (continued)

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

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
At 31 December 2021				
Financial assets				
Islamic investments securities at FVTOCI	**2,460,926**	**-**	**185,732**	**2,646,658**
Positive fair value of Islamic derivative financial instruments*	**330**	**-**	**-**	**330**
	2,461,256	**-**	**185,732**	**2,646,988**
Financial liabilities				
Negative fair value of Islamic derivative financial instruments*	**916**	**-**	**-**	**916**
	916	**-**	**-**	**916**
At 31 December 2020				
Financial assets				
Islamic investments securities at FVTOCI	1,133,133	-	186,558	1,319,691
Positive fair value of Islamic derivative financial instruments	1,611	-	-	1,611
	1,134,744	-	186,558	1,321,302

* Notional amount of Islamic derivative financial instruments is AED 2.38 billion.

There were no transfers between Level 1 and 2 during the year.

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

	2021 AED'000	2020 AED'000
Balance at 1 January	**186,558**	199,659
Purchases during the year	**25,707**	29,380
Fair valuation loss in other comprehensive income	**(12,840)**	(38,960)
Disposals during the year	**(13,693)**	(3,521)
Total	**185,732**	186,558

The effect of unobservable input on fair value measurement

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used by ± 10% to reasonably possible alternative assumptions would have the following effects.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

8. Fair value measurement (continued)

The effect of unobservable input on fair value measurement (continued)

	Effect on OCI	
	Favorable AED'000	**Unfavorable AED'000**
31 December 2021	**18,573**	**(18,573)**
31 December 2020	18,656	(18,656)

- 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.

9. Cash and balances with the Central Bank

(a) The analysis of the Bank's cash and balances with the Central Bank as at 31 December 2021 and 2020 is as follows:

	2021 AED'000	2020 AED'000
Cash on hand	**137,745**	98,709
Balances with the Central Bank:		
Current accounts	**214,186**	91,803
Reserve requirements with the Central Bank (note 9 (b))	**428,798**	356,610
International murabahat with the Central Bank	**1,405,000**	1,175,000
Total	**2,185,729**	1,722,122

The cash and balances with the Central Bank as at 31 December 2021 and 2020 were held within the U.A.E.

(b) The reserve requirements are kept with the Central Bank are not available for use in the Bank'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.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

10. Due from banks and other financial institutions

(a) The analysis of the Bank's due from banks and financial institutions as at 31 December 2021 and 2020 is as follows:

	2021	2020
	AED'000	AED'000
Current accounts	**33,851**	24,053
Islamic deposits with banks and financial institutions	**693,410**	589,583
	727,261	613,636
Less: Impairment loss allowance (Note 29)	**(275)**	(365)
Total	**726,986**	613,271

(b) The geographical analysis of the due from banks and financial institutions as at 31 December 2021 and 2020 is as follows:

	2021	2020
	AED'000	AED'000
Within the U.A.E.	**618,943**	536,413
Outside the U.A.E.	**108,043**	76,858
Total	**726,986**	613,271

Notes to the financial statements
for the year ended 31 December 2021 (continued)

11. Islamic financing and investing assets, net

(a) The analysis of the Bank's Islamic financing and investing assets, net, as at 31 December 2021 and 2020 is as follows:

	2021	2020
	AED'000	AED'000
Islamic financing assets		
Vehicles murabahat	**46,001**	65,759
Commodities murabahat	**6,459,296**	8,427,433
Total murabahat	**6,505,297**	8,493,192
Ijarahs	**9,232,067**	10,338,901
Istisna'a	**2,130**	2,771
Islamic credit cards	**23,361**	23,932
	15,762,855	18,858,796
Deferred income	**(811,572)**	(1,062,614)
Total Islamic financing assets	**14,951,283**	17,796,182
Islamic investing Assets		
Mudaraba	**6,146**	20,646
Wakalat	**867,558**	117,855
Total Islamic investing assets	**873,704**	138,501
Total Islamic financing and investing assets	**15,824,987**	17,934,683
Less: Impairment loss allowance (Note 29)	**(900,743)**	(973,825)
Total Islamic financing and investing assets, net	**14,924,244**	16,960,858

(b) The Bank, in the ordinary course of providing finance, holds collateral as security to mitigate credit risk associated with Islamic financing and investing assets. The collaterals include mortgage on land and buildings and lien on savings and investment deposits and equity. The estimated value of collaterals for Islamic financing and investing assets other than retail assets which are mainly asset based financing, is as follows:

	2021	2020
	AED'000	AED'000
Property and mortgages	**8,963,217**	10,549,538
Deposits and equities	**3,191,754**	3,940,498

Notes to the financial statements
for the year ended 31 December 2021 (continued)

11. Islamic financing and investing assets, net (continued)

(c) Analysis of Islamic financing and investing assets, net by industry group and geography as at 31 December 2021 and 2020 are as follows:

	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000
2021			
Economic sector			
Government	**94,963**	**660,524**	**755,487**
Manufacturing and services	**4,202,562**	**40,766**	**4,243,328**
Trade	**698,994**	**-**	**698,994**
Real estate	**7,159,390**	**-**	**7,159,390**
Consumer home finance	**1,388,115**	**-**	**1,388,115**
Consumer financing	**1,579,673**	**-**	**1,579,673**
	15,123,697	**701,290**	**15,824,987**
Provision for impairment (Note 11(a))			**(900,743)**
Total			**14,924,244**
2020			
Economic sector			
Government	1,829,572	275,488	2,105,060
Manufacturing and services	4,623,332	44,033	4,667,365
Trade	914,112	-	914,112
Real estate	6,958,156	288,188	7,246,344
Consumer home finance	1,479,722	-	1,479,722
Consumer financing	1,522,080	-	1,522,080
	17,326,974	607,709	17,934,683
Provision for impairment (Note 11(a))			(973,825)
Total			16,960,858

12. Islamic investments securities at FVTOCI

	2021 AED'000	2020 AED'000
Islamic investments securities measured at FVTOCI – sukuk instruments	**2,363,866**	1,118,061
Islamic investments securities measured at FVTOCI – equity instruments	**282,792**	201,630
	2,646,658	1,319,691

Notes to the financial statements
for the year ended 31 December 2021 (continued)

12. Islamic investments securities at FVTOCI (continued)

(a) The geographical analysis of the Islamic investments securities at fair value as at 31 December 2021 and 2020 is as follows:

	Within the U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the World AED'000	Total AED'000
2021				
Sukuk instruments at FVTOCI				
Quoted	**993,062**	**1,268,826**	**69,350**	**2,331,238**
Unquoted	**28,200**	**-**	**4,428**	**32,628**
	1,021,262	**1,268,826**	**73,778**	**2,363,866**
Equity instruments at FVTOCI				
Quoted	**129,688**	**-**	**-**	**129,688**
Unquoted	**71,250**	**26,766**	**55,088**	**153,104**
	200,938	**26,766**	**55,088**	**282,792**
Total	**1,222,200**	**1,295,592**	**128,866**	**2,646,658**
2020				
Sukuk instruments at FVTOCI				
Quoted	597,261	486,372	-	1,083,633
Unquoted	30,000	-	4,428	34,428
	627,261	486,372	4,428	1,118,061
Equity instruments at FVOCI				
Quoted	49,500	-	-	49,500
Unquoted equity instruments	86,040	36,710	29,380	152,130
	135,540	36,710	29,380	201,630
Total	762,801	523,082	33,808	1,319,691

(b) Analysis of Islamic investments securities at fair value by industry group as at 31 December 2021 and 2020 is as follows:

	2021 AED'000	2020 AED'000
Government	**1,453,954**	401,022
Manufacturing and services	**181,280**	193,890
Real estate	**144,999**	250,875
Financial institutions	**866,425**	473,904
Total	**2,646,658**	1,319,691

12. Islamic investments securities at FVTOCI (continued)

(c) Included in Islamic investments securities at FVTOCI is an amount of AED Nil (31 December 2020: AED 458 million), pledged under collateralized Murabaha with financial institutions.

13. Investment in associate

Information about the associate and the nature of the investment is shown below:

Name	Nature of Business	Country of incorporation	% Interest held	Measurement method
Makaseb Real Estate Investment SPV Limited	Real Estate Investments	United Arab Emirates	54%	Equity
Makaseb 3 Real Estate Investment SPV Limited	Real Estate Investments	United Arab Emirates	44%	Equity

Movement in investment in associate is as follows:

	2021 AED'000	2020 AED'000
At beginning of the year	**177,556**	74,282
Additions during the year	**8,762**	98,000
Share of results during the year	**(8,265)**	12,607
Distributions received during the year	**(740)**	(7,333)
Balance at the end of the year	**177,313**	177,556

Notes to the financial statements
for the year ended 31 December 2021 (continued)

14. Investment properties

(a) Movement in investment properties during the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
	AED'000	AED'000
At beginning of the year	**343,393**	783,362
Additions during the year	**4,317**	5,827
Derecognised due to disposal of investment in subsidiary	**-**	(421,402)
Change in fair value during the year (Note 26)	**12,029**	(24,394)
Balance at the end of the year	**359,739**	343,393

(b) Details of the Bank's investment properties and information about the fair value hierarchy as at 31 December 2021 and 31 December 2020 are as follows:

	Level 1	**Level 2**	**Level 3**	**Fair value**
	AED'000	**AED'000**	**AED'000**	**AED'000**
31 December 2021	**-**	**-**	**359,739**	**359,739**
31 December 2020	-	-	343,393	343,393

All of the Bank's investment properties are held under free hold interest and located in the U.A.E.

(c) The valuations were carried out by professional valuers not related to the Bank who held recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

15. Property and equipment

	Leasehold improvements	Furniture, fittings and equipment	Vehicles	Computer equipment and software	Right-of-use assets	Capital work in progress*	Land and buildings	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost								
At 1 January 2020	61,763	48,225	1,246	84,859	17,610	14,435	68,315	296,453
Additions	622	134	-	1,722	-	17,962	571	21,011
Transfers	80	199	-	11,160	-	(11,439)	-	-
At 31 December 2020	62,465	48,558	1,246	97,741	17,610	20,958	68,886	317,464
Additions	69	372	569	85	1,268	15,760	-	18,123
Transfers	4,306	713	-	11,130	-	(16,149)	-	-
Disposals	-	-	(422)	-	(811)	-	-	(1,233)
At 31 December 2021	**66,840**	**49,643**	**1,393**	**108,956**	**18,067**	**20,569**	**68,886**	**334,354**
Accumulated depreciation								
At 1 January 2020	47,523	33,084	940	69,474	2,023	-	7,199	160,243
Charge for year	4,146	4,824	94	10,218	5,296	-	1,502	26,080
At 31 December 2020	51,669	37,908	1,034	79,692	7,319	-	8,701	186,323
Charge for year	4,224	3,520	130	10,414	5,248	-	1,516	25,052
Disposals	-	-	(267)	-	(811)	-	-	(1,078)
At 31 December 2021	**55,893**	**41,428**	**897**	**90,106**	**11,756**	**-**	**10,217**	**210,297**
Net book value								
At 31 December 2021	**10,947**	**8,215**	**496**	**18,850**	**6,311**	**20,569**	**58,669**	**124,057**
At 31 December 2020	10,796	10,650	212	18,049	10,291	20,958	60,185	131,141

* Capital work in progress comprises cost incurred on IT projects.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

16. Other Islamic assets

	2021 **AED'000**	2020 AED'000
Accrued income on Islamic financing and investing assets	**78,508**	101,753
Acceptances (Note 19)	**-**	17,748
Assets acquired in settlement of Islamic financing and investing assets*	**943,903**	50,131
Accrued income on Islamic investments securities	**23,275**	11,547
Prepaid expenses	**23,145**	4,899
Staff advances (Soft finance)	**10,431**	10,998
Foreign currency forward contracts	**330**	1,611
Other	**134,820**	55,789
	1,214,412	254,476
Less: Impairment loss allowance	**(16,852)**	(15,380)
	1,197,560	239,096

(*) During the year, the Bank charged an impairment of AED Nil (2020: 2.8 million) against Assets acquired in settlement of Islamic financing and investing assets.

17. Islamic customers' deposits

(a) The analysis of the Islamic customers' deposits as at 31 December 2021 and 2020 is as follows:

	2021 **AED'000**	2020 AED'000
Current accounts	**3,580,845**	2,986,498
Mudarba deposits:		
Savings accounts	**392,910**	279,099
Term deposits	**23,164**	47,707
	3,996,919	3,313,304
Wakala deposits	**10,890,350**	10,727,822
Escrow accounts	**316,421**	147,384
Margin accounts	**59,356**	37,653
	15,263,046	14,226,163

All Islamic customers' deposits as at 31 December 2021 and 2020 were held within the U.A.E.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

18. Due to banks and other financial institutions

(a) The analysis of the due to banks and other financial institutions as at 31 December 2021 and 2020 is as following:

	2021 **AED'000**	2020 AED'000
Current accounts	**33,892**	33,335
Investment deposits	**4,177,221**	4,305,248
Total	**4,211,113**	4,338,583

(b) The geographical analysis of the Bank's due to banks and other financial institutions as at 31 December 2021 and 2020 is as follows:

	2021 **AED'000**	2020 AED'000
Within the U.A.E.	**1,080,102**	1,150,109
Outside the U.A.E.	**3,131,011**	3,188,474
Total	**4,211,113**	4,338,583

19. Other liabilities

	2021 **AED'000**	2020 AED'000
Accrued profit on Islamic customers' deposits and placements by banks	**115,991**	122,554
Provisions for staff salaries and benefits	**21,991**	21,154
Managers' cheques	**38,198**	224,492
Acceptances (Note 16)	**-**	17,748
Lease liability	**5,962**	8,946
Zakat payable	**-**	6,217
Impairment loss allowance	**11,722**	11,992
Other	**39,641**	26,688
	233,505	439,791

20. Share capital

	2021 **AED'000**	2020 AED'000
Issued and fully paid:		
2,100,000,000 (31 December 2020: 2,100,000,000) shares of AED 1 each	**2,100,000**	2,100,000

Notes to the financial statements
for the year ended 31 December 2021 (continued)

21. Statutory reserve

The U.A.E. Commercial Companies Law and the Articles of Association of the Bank, require that 10% of the profit attributable to the shareholders is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

22. 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.

23. Dividends paid

During the year, AED 1 million (31 December 2020: AED 1.25 million) was approved as Directors' remuneration by the shareholders at the annual general meeting held on the 5th April 2021 and paid through income statement.

24. Income from Islamic financing and investing assets

	2021 **AED'000**	2020 AED'000
Income from Ijarah	**463,490**	505,543
Income from Murabaha	**232,075**	343,155
Income from Mudaraba	**172**	1,434
Income from Wakala	**10,551**	28,518
Income from Istisna financing	**80**	431
	706,368	879,081

25. Income from Islamic investments securities at fair value

	2021 **AED'000**	2020 AED'000
Income from Islamic investments securities at FVTOCI	**82,185**	83,367
Realized gain on disposal of Islamic investments securities at FVTOCI	**12,977**	25,678
Realized gain on disposal of Islamic investments securities At FVTPL	**853**	-
Total	**96,015**	109,045

Notes to the financial statements
for the year ended 31 December 2021 (continued)

26. Fees, commission and other income

	2021 **AED'000**	2020 AED'000
Processing and evaluation fees	**9,973**	10,452
Arrangement fee	**7,073**	7,764
Foreign exchange income	**12,057**	10,867
Trade related commission and fees	**2,260**	3,393
Investment agent fees	**13,298**	12,946
Deposit and credit card fees	**2,877**	6,385
Income from investment properties	**34,804**	16,474
Fair value gain/ (loss) on investment properties	**12,029**	(24,394)
Other	**11,649**	4,875
Total	**106,020**	48,762

27. Staff costs

	2021 **AED'000**	2020 AED'000
Salaries and allowances	**118,358**	116,596
Other staff related cost	**78,442**	65,450
	196,800	182,046

28. General and administrative expenses

	2021 **AED'000**	2020 AED'000
Premises and equipment maintenance costs	**13,713**	9,463
Brokerage and commissions	**7,371**	2,481
Communication expenses	**5,495**	4,248
Insurance expenses	**5,257**	5,640
Legal and professional fees	**3,999**	3,978
Security services including cash in transit services	**2,775**	4,398
Software license	**2,725**	3,251
License fees	**2,224**	2,079
Printing and stationary	**1,632**	2,101
Marketing, designing and product development expenses	**853**	753
Rental expenses	**796**	1,125
Consultancy expenses	**486**	4,482
Finance lease charges	**171**	355
Other	**15,193**	8,738
	62,690	53,092

Notes to the financial statements
for the year ended 31 December 2021 (continued)

29. Impairment allowance

The movement in impairment allowance by financial asset category is as follows:

	Opening balance AED'000	**Net charge during the year AED'000**	**Write-off, net of recoveries and other transfers AED'000**	**Closing balance AED'000**	Net charge 31 December 2020 AED'000
Due from banks and financial institutions	**365**	**(90)**	**-**	**275**	118
Islamic financing and investing assets (Note 11)	**973,825**	**264,970**	**(338,052)**	**900,743**	288,591
Islamic investments securities at FVTOCI*	**52,325**	**1,298**	**-**	**53,623**	718
Other Islamic financial assets	**15,380**	**1,474**	**(2)**	**16,852**	7,523
Financial commitments and financial guarantees	**11,992**	**(270)**	**-**	**11,722**	310
Total	**1,053,887**	**267,382**	**(338,054)**	**983,215**	297,260

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

The credit impairment provisions calculated in accordance with CBUAE requirements were in excess of ECL allowance calculated under IFRS 9 as explained in note 22.

30. Basic and diluted earnings per share

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

	2021	2020
Basic earnings per share		
Profit for the year ended (AED'000)	**116,160**	53,403
Directors' remuneration (AED'000)	**-**	(1,250)
Profit for the year after Directors' remuneration	**116,160**	52,153
Weighted average number of shares outstanding at 31 December (in thousands)	**2,100,000**	2,100,000
Basic and diluted earnings per share (AED)	**0.055**	0.025

As at 31 December 2021 and 2020, there were no potential dilutive shares outstanding.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

31. Cash and cash equivalents

	2021 AED'000	2020 AED'000
Cash and balances with the Central Banks (Note 9)	**2,185,729**	1,722,122
Due from banks and other financial institutions (original maturity less than three months)	**401,505**	274,053
	2,587,234	1,996,175
Less: Statutory deposit with Central Banks (Note 9)	**(428,798)**	(356,610)
Less: International Murabahat with the Central Bank (original maturity more than three months)	**-**	(1,050,000)
	2,158,436	589,565

32. Related parties transactions

(a) Certain "related parties" (such as directors, key management personnel and major shareholders of the Bank and companies of which they are principal owners) are customers of the Bank 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. Such related party transactions are disclosed below.

(b) The Bank is controlled by Ajman Government who own 26% (2020: 26%) of the issued and paid capital.

Transactions

Transactions with related parties are shown below:

	2021			2020		
	Major shareholders AED'000	**Director and other related parties AED'000**	**Total AED'000**	Major shareholders AED'000	Director and other related parties AED'000	Total AED'000
Depositors' share of profit	**95,686**	**728**	**96,414**	106,837	1,558	108,395
Income from Islamic financing and investing assets	**42,152**	**9,109**	**51,261**	69,205	18,388	87,593

Notes to the financial statements
for the year ended 31 December 2021 (continued)

32. Related parties transactions (continued)

Balances

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

	2021			2020		
	Major shareholders AED'000	**Director and other related parties AED'000**	**Total AED'000**	Major shareholders AED'000	Director and other related parties AED'000	Total AED'000
Islamic financing and investing assets	**1,118,273**	**481,428**	**1,599,701**	2,018,111	499,961	2,518,072
Customers' deposits	**4,040,407**	**90,981**	**4,131,388**	3,877,712	118,058	3,995,770

Compensation of management personnel

Key management compensation is as shown below:

	2021 AED'000	2020 AED'000
Short term employment benefits	**9,720**	8,818
Terminal benefits	**426**	404
Total	**10,146**	9,222

33. Contingencies and commitments

Capital commitments

At 31 December 2021, the Bank had outstanding capital commitments of AED 41 million (31 December 2020: AED 67 million), which will be funded within the next twelve months.

Credit related commitments and contingencies

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

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

	2021 AED'000	2020 AED'000
Commitments to extend credit	**99,317**	138,440
Letters of credit	**155,662**	3,162
Letters of guarantee	**291,850**	229,822
	546,829	371,424

34. Segment analysis

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Executive Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance.

The Bank has three main business segments:

- 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;
- Corporate banking - incorporating transactions with corporate bodies including government and public bodies and comprising of Islamic financing and investing assets, deposits and trade finance transactions;
- Investment Banking – comprising investment solutions, wealth management, leasing of commercial and residential properties; and
- Treasury - incorporating activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the Central Bank of the UAE.

As the Bank'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 Bank's management reporting is based on a measure of operating profit comprising income from Islamic financing and investing assets, impairment charges on Islamic financing and investing assets, 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 financial statements
for the year ended 31 December 2021 (continued)

34. Segment analysis

Segment results of operations

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

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investment banking AED'000	Other AED'000	Total AED'000
At 31 December 2021						
Net income from Islamic financing and investing assets	128,392	341,593	(14,873)	19,202	-	474,314
Income from Islamic investments securities at fair value	-	-	80,952	15,063	-	96,015
Share of results of associate	-	-	-	(8,265)	-	(8,265)
Impairment charges	5,379	(271,594)	(1,107)	(60)	-	(267,382)
Fees, commission and other income	22,788	19,321	12,832	54,462	(3,383)	106,020
Staff costs	(49,277)	(10,417)	(3,631)	(5,689)	(127,786)	(196,800)
General and administrative expenses	(32,002)	(6,610)	(490)	(3,275)	(20,313)	(62,690)
Depreciation of property and equipment	-	-	-	-	(25,052)	(25,052)
Operating profit/(loss)	75,280	72,293	73,683	71,438	(176,534)	116,160
Segment assets	3,315,074	11,002,906	4,170,981	1,723,181	2,130,144	22,342,286
Segment liabilities	4,272,585	9,429,967	1,017,863	2,378,362	2,608,887	19,707,664

Notes to the financial statements
for the year ended 31 December 2021 (continued)

34. Segment analysis (continued)

Segment results of operations (continued)

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investment banking AED'000	Other AED'000	Total AED'000
At 31 December 2020						
Net income from Islamic financing and investing assets	94,180	370,284	(31,898)	11,700	-	444,266
Income from Islamic investments securities at fair value	-	-	100,907	8,138	-	109,045
Share of results of associate	-	-	-	12,607	-	12,607
Impairment charges	(27,547)	(262,382)	(603)	(9,527)	-	(300,059)
Fees, commission and other income	8,793	23,733	8,187	11,680	(3,631)	48,762
Staff costs	(50,475)	(12,807)	(3,860)	(7,067)	(107,837)	(182,046)
General and administrative expenses	(30,087)	(5,880)	(5)	(906)	(16,214)	(53,092)
Depreciation of property and equipment	-	-	-	-	(26,080)	(26,080)
Operating profit/(loss)	(5,136)	112,948	72,728	26,625	(153,762)	53,403
Segment assets	3,306,953	12,779,717	2,543,311	1,915,245	961,902	21,507,128
Segment liabilities	3,387,947	10,694,992	3,477,419	968,284	475,895	19,004,537

Revenue from major products and services

Revenue from major products and services are disclosed in Note 24 in the financial statements.

Information about major customers

No single customer contributed 10% or more to the Bank's revenue for both years ended 31 December 2021 and 2020.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

35. Maturity profile of financial liabilities

	2021		
	Up to 1 year AED'000	**1 - 5 years AED'000**	**Total AED'000**
Islamic customers' deposits	**9,623,003**	**5,640,043**	**15,263,046**
Due to banks and other financial institutions	**4,161,113**	**50,000**	**4,211,113**
Other liabilities	**165,814**	**-**	**165,814**
	13,949,930	**5,690,043**	**19,639,973**
Commitments and contingent liabilities	**326,716**	**220,113**	**546,829**

	2020		
	Up to 1 year AED'000	1 - 5 years AED'000	Total AED'000
Islamic customers' deposits	10,066,464	4,159,699	14,226,163
Due to banks and other financial institutions	4,246,164	92,419	4,338,583
Other liabilities	365,502	-	365,502
	14,678,130	4,252,118	18,930,248
Commitments and contingent liabilities	75,812	295,613	371,425

36. Zakat

In line with the CBUAE regulations and The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Shari'a standards, zakat payable amounting to AED 6.2 million, had been reflected in the 31 December 2020 financial statements as an appropriation from retained earnings. However, pursuant to the CBUAE notice CBUAE/BSD/N/2021/956 dated 16 February 2021 regarding the cancellation of the resolution pertinent to the transfer of Zakat monies to the Zakat Fund in the United Arab Emirates (UAE), zakat payable had been reversed back to retained earnings during the year ended 31 December 2021.

37. Social contributions

The social contribution (including donations and charities) made during the year amounted to AED 0.4 million (2020: AED 0.02 million).

38. Comparative Information

Certain comparative amounts in the notes to the financial statements have been adjusted to confirm with the current period's presentation.

39. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 7 February 2022.

التقرير الشرعي السنوي للجنة الرقابة الشرعية الداخلية

ANNUAL SHARI'AH REPORT OF INTERNAL SHARI'AH SUPERVISION COMMITTEE*

*This document is drafted in Arabic and translated to English. In case of any differences in interpretation, the Arabic version shall prevail.

التقرير الشرعي السنوي (باللغة العربية)

التقرير السنوي للجنة الرقابة الشرعية الداخلية لـمصرف عجمان ش م ع

الحمد لله ربِّ العالمين، والصَّلاة والسَّلام على أشرف الأنبياء والمرسلين سيدنا محمدٍ وعلى آله وصحبه أجمعين.

صدر في: 2021/01/26م

إلى السادة المساهمين في مصرف عجمان ("المؤسسة")

السَّلام عليكم ورحمة الله تعالى وبركاته، وبعد:
إن لجنة الرقابة الشرعية الداخلية للمؤسسة ("اللجنة") ووفقا للمتطلبات المنصوص عليها في القوانين والأنظمة والمعايير ذات العلاقة ("المتطلبات الرقابية")، تقدم تقريرها للسنة المالية المنتهية في 31 ديسمبر من عام (2021م) ("السنة المالية").

1. مسؤولية اللجنة

إن مسؤولية اللجنة وفقا للمتطلبات الرقابية ولائحتها التنظيمية تتحدد في الرقابة الشرعية على جميع أعمال، وأنشطة، ومنتجات، وخدمات، وعقود، ومستندات، ومواثيق عمل المؤسسة، والسياسات، والمعايير المحاسبية، والعمليات والأنشطة بشكل عام، وعقد التأسيس، والنظام الأساسي، والقوائم المالية للمؤسسة، وتوزيع الأرباح وتحميل الخسائر والنفقات والمصروفات بين المساهمين وأصحاب حسابات الاستثمار ("أعمال المؤسسة") وإصدار قرارات شرعية بخصوصها، ووضع الضوابط الشرعية اللازمة لأعمال المؤسسة والتزامها بالشريعة الإسلامية في إطار القواعد والمبادئ والمعايير التي تضعها الهيئة العليا الشرعية ("**الهيئة**")، لضمان توافقها مع أحكام الشريعة الإسلامية.

وتتحمل الإدارة العليا مسؤولية التزام المؤسسة بالشريعة الإسلامية وفقا لقرارات، فتاوى، وآراء الهيئة، وقرارات اللجنة في إطار القواعد والمبادئ والمعايير التي تضعها الهيئة ("الالتزام بالشريعة الإسلامية") في جميع أعمالها والتأكد من ذلك، ويتحمل مجلس الإدارة المسؤولية النهائية في هذا الشأن.

2. المعايير الشرعية

اعتمدت اللجنةُ على المعايير الشرعية الصادرة عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية ("أيوفي") معايير للحد الأدنى للمتطلبات الشرعية والتزمت بها في كل ما تفتي به أو تعتمده أو توافق عليه أو توصي به فيما يتعلق بأعمال المؤسسة خلال السنة المالية المنتهية دون استثناء وفقا لقرار الهيئة رقم 2018/3/18.

3. الأعمال التي قامت بها اللجنة خلال السنة المالية

لقد قامت اللجنة بالرقابة الشرعية على أعمال المؤسسة، من خلال مراجعة أعمال المؤسسة ومراقبتها من خلال إدارة الرقابة الشرعية الداخلية وإدارة التدقيق الشرعي الداخلي، وفقا لصلاحيات اللجنة ومسؤولياتها والمتطلبات الرقابية في هذا الشأن. ومن الأعمال التي قامت بها اللجنة ما يأتي:

أ. عقد (4) اجتماعات خلال السنة المالية،
ب. إصدار الفتاوى والقرارات وإبداء الآراء فيما يتعلق بأعمال المؤسسة التي عرضت على اللجنة.

ج. مراجعة السياسات، واللوائح الإجرائية، والمعايير المحاسبية، وهياكل المنتجات، والعقود، والمستندات، ومواثيق العمل، والوثائق الأخرى المقدمة من قبل المؤسسة للجنة للاعتماد/الموافقة.
د. التأكد من مدى توافق توزيع الأرباح وتحميل النفقات والمصروفات بين أصحاب حسابات الاستثمار والمساهمين مع الضوابط الشرعية المعتمدة من قبل اللجنة.
ه. الرقابة من خلال إدارة أو قسم الرقابة الشرعية الداخلية، والتدقيق الشرعي الداخلي، على أعمال المؤسسة بما في ذلك المعاملات المنفذة والإجراءات المتبعة، وذلك على أساس اختيار عينات من العمليات المنفذة، ومراجعة التقارير المقدمة في هذا الخصوص.
و. تقديم توجيهات إلى الجهات المعنية في المؤسسة بتصحيح ما يمكن تصحيحه من الملاحظات التي وردت في التقارير المقدمة من قبل إدارة أو قسم الرقابة الشرعية الداخلية، والتدقيق الشرعي الداخلي، وإصدار قرارات بتجنيب عوائد المعاملات التي وقعت مخالفات في تطبيقها لصرفها في وجوه الخير.
ز. اعتماد التدابير التصحيحية/الوقائية فيما يتعلق بالأخطاء التي تم الكشف عنها لمنع حدوثها مرة أخرى.
ح. بيان مقدار الزكاة الواجبة على السهم الواحد من أسهم المؤسسة.
ط. التواصل مع مجلس الإدارة واللجان التابعة له والإدارة العليا للمؤسسة، حسب الحاجة، بخصوص التزام المؤسسة بالشريعة الإسلامية.

وقد سعت اللجنة للحصول على جميع المعلومات والتفسيرات التي اعتبرتها ضرورية للتأكد من التزام المؤسسة بالشريعة الإسلامية.

4. استقلالية اللجنة

تؤكد اللجنة بأنها أدت مسؤولياتها وقامت بجميع أعمالها باستقلالية تامة، وقد حصلت على التسهيلات اللازمة من المؤسسة وإدارتها العليا ومجلس إدارتها للاطلاع على جميع الوثائق والبيانات، ومناقشة التعديلات والمتطلبات الشرعية.

5. رأي اللجنة بخصوص التزام المؤسسة بالشريعة الإسلامية

بناء على ما حصلنا عليه من معلومات وإيضاحات من أجل التأكد من التزام المؤسسة بالشريعة الإسلامية، فقد خلصت اللجنة بدرجة مقبولة من الاطمئنان إلى أن أعمال المؤسسة خلال السنة المالية **متوافقة مع الشريعة الإسلامية إلا ما لوحظ من مخالفات** تم رفع تقارير بشأنها، وقد وجهت اللجنة باتخاذ الإجراءات المناسبة في هذا الخصوص.
ورأي اللجنة، المذكور أعلاه، مبني على المعلومات التي اطلعت عليها خلال السنة المالية حصراً.

نسأل الله العلي القدير أن يحقق للجميع الرشاد والسداد
والسلام عليكم ورحمة الله وبركاته

توقيع أعضاء لجنة الرقابة الشرعية الداخلية للمؤسسة

فضيلة الأستاذ الدكتور/ جاسم علي الشامسي	الرئيس والعضو التنفيذي	
فضيلة الدكتور/ إبراهيم علي المنصوري	عضو اللجنة	
فضيلة الدكتور/ محمد احمد الهاشمي	عضو اللجنة	

Annual Shari'ah Report (English)

Annual Report of the Internal Shari'ah Supervision Committee of Ajman Bank PJSC

Issued on: (*26/01/2021*)

To: Shareholders of Ajman Bank PJSC ("the Institution")

After greetings,

Pursuant to requirements stipulated in the relevant laws, regulations and standards ("the Regulatory Requirements"), the Internal Shari'ah Supervision Committee of the Institution ("ISSC") presents to you the ISSC's Annual Report for the financial year ending on 31 December 2021 ("Financial Year").

1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

a. undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Institution's Activities") and issue Shari'ah resolutions in this regard, and

b. determine Shari'ah parameters necessary for the Institution's Activities, and the Institution's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of the Institution with Islamic Shari'ah.

The senior management is responsible for compliance of the Institution with Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ("Compliance with Islamic Shari'ah") in all Institution's Activities, and the Board bears the ultimate responsibility in this regard.

2. Shari'ah Standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution's Activities without exception.

3. Duties Fulfilled by the ISSC During the Financial Year

The ISSC conducted Shari'ah supervision of the Institution's Activities by reviewing those Activities, and monitoring them through the internal Shari'ah control division or section, internal Shari'ah audit, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's activities included the following:

a. Convening (4) meetings during the year.
b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution's Activities.
c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.
d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.
e. Supervision through the internal Shari'ah control division or section, internal Shari'ah audit, of the Institution's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
f. Providing guidance to relevant parties in the Institution – to rectify (where possible) incidents cited in the reports prepared by internal Shari'ah control division or section, internal Shari'ah audit, and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.
g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.
h. Specifying the amount of Zakat due on each share of the Institution.
i. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Institution is compliant with Islamic Shari'ah.

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Institution. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

5. The ISSC's Opinion on the Shari'ah Compliance Status of the Institution

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable

level of confidence, that the Institution's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

Signatures of members of the Internal Shari'ah Supervision Committee of the Institution

Prof. Dr. Jassim Ali Al-Shamsi **Chairman & Executive Member** _____

Dr. Ibrahim Ali Al-Mansoori **Member of ISSC** _____

Dr. Muhammad Ahmad Al-Hashmi **Member of ISSC** _____

Zakat of Ajman Bank Shares for a Financial Period from 1st Jan 2021 to 31st Dec 2021		زكاة الأسهم لمصرف عجمان عن الفترة المالية من 1 يناير 2021 م إلى 31 ديسمبر 2021 م
Zakat of Shares to be calculated as per the following way:		تحسب زكاة الأسهم على النحو التالي:
• **Shares purchased for the purpose of trading i.e. for sale when the market price increases:**		• **الزكاة المفروضة على الأسهم المشتراة بقصد الاتجار فيها أي البيع عند ارتفاع قيمتها السوقية:**
Zakat Base for one share = Market rate of a share Zakat of one share = Zakat base X 2.5775% Total Zakat Due = Number of shares x Zakat of one share		وعاء الزكاة للسهم الواحد = قيمة السهم السوقية. زكاة السهم الواحد = وعاء الزكاة للسهم الواحد x %2,5775 إجمالي الزكاة المستحقة = عدد الأسهم X زكاة السهم الواحد
• **Zakat Due on Shares purchased for the purpose of receiving dividends (profit) [Not for Trading]**		• **الزكاة المفروضة شرعاً على الأسهم المشتراة للحصول على أرباحها ودون قصد الاتجار**
0.012227 *Fills Emarati* on each share		0.012227 فلس إماراتي زكاةً عن السهم الواحد

Internal Sharia Supervision Committee لجنة الرقابة الشرعية الداخلية

فضيلة أ.د. جاسم علي الشامسي
الرئيس والعضو التنفيذي

فضيلة د. محمد احمد الهاشمي
عضو اللجنة

فضيلة د. ابراهيم علي المنصوري
عضو اللجنة

ملاحظة: مقدار الزكاة للسنة الهجرية 2,50 % و للسنة الميلادية 2,5775%

Note: Zakat % for Hijri Year: 2.5%, Gregorian Year: 2.5775%

صدر بتاريخ: 26 يناير 2022م

Issued on: 26th Jan 2022.

مصرف عجمان
Ajman Bank

Corporate Governance Report 2021

Board of Directors

H.H Sheikh Ammar Bin Humaid Al Noaimi	H.H Sheikh Rashid Bin Humaid Al Noaimi	Mr. Abdullah Mohammed Alhosani	Mr. Mahmood Khaleel Alhashmi	Mr. Faisal Hassan Galadari	Mr. Ali Rashid Almazroei	Mr. Faisal Aqil Albastaki
Chairman	Vice Chairman	Member	Member	Member	Member	Member

Nomination & Compensation Committee

H.H Sheikh Rashid Bin Humaid Al Noaimi	Mr. Faisal Hassan Galadari	Mr. Ali Rashid Almazroei
Committee Chairman	Member	Member

Executive Committee

H.H Sheikh Rashid Bin Humaid Al Noaimi	Mr. Abdullah Mohammed Alhosani	Mr. Faisal Hassan Galadari
Committee Chairman	Member	Member

Compliance Committee

Mr. Abdullah Mohammed Alhosani	Mr. Mahmood Khaleel Alhashmi	Mr. Faisal Aqil Albastaki
Committee Chairman	Member	Member

Risk Committee

Mr. Abdullah Mohammed Alhosani	Mr. Mahmood Khaleel Alhashmi	Mr. Faisal Hassan Galadari
Committee Chairman	Member	Member

Audit Committee

Mr. Faisal Aqil Albastaki	Mr. Mahmood Khaleel Alhashmi	Mr. Ali Rashid Almazroei
Committee Chairman	Member	Member

Nomination & Compensation Committee Functions & Responsibilities
Establish procedures for the selection and recommendation of candidates suitable for appointment to the Board
Assist in ensuring that an appropriate mix of skills, experience and expertise is held by Board members and Committee members
Assist in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of a Director
Assist in ensuring that appropriate remuneration policies for management and the Board are in place which is designed to meet the needs of the Bank and to enhance corporate and individual performance
Review and evaluate the performance of the CEO
Verify ongoing independence of independent Board members

Executive Committee Functions & Responsibilities
Reviewing Strategic plan and objectives, mission, vision and values
Reviewing Annual business plan and budget and recommend to BOD
Approving Overall service offerings and Strategic partnerships
Acting on behalf of the BOD for the management of some business affairs of the Bank

Risk Committee Functions & Responsibilities
review the risk appetite of the bank on the basis of the analysis from the chief Risk officer and formulate appropriate policies for its implementation
Review significant financial and other risk exposures and the steps management has taken to monitor, control and report such exposures
approve the credit rating system used by the bank and the basic policies for asset and liability management
review the scope of the work of the risk management department and their planned activities with respect to the risk management activities of the bank
Reviewing the policies to maintain the continuity of the bank's business
Reviewing the risk of "credit, market, liquidity, operation, fraud, strategies" and to set the appropriate limits.

Audit Committee Functions & Responsibilities
Review the annual and quarterly audited financial reports and statements with the bank's management and the external auditor
Reviewing the performance of the external auditor and making a recommendation regarding his appointment/re-appointment or dismissal of his services to be presented to the Board of Directors while the final decision remains for the general assembly of the bank.
Review the internal audit reports and the results of the executive management's follow-up to the audit observations to verify that effective and timely steps are taken to correct and address those observations.
Strengthening the independence of internal audit by verifying that internal audit reports are submitted to the Board through the Audit Committee.
Verify the review and update of the internal audit charter and periodically evaluate the internal audit activity.
Reviewing and approving the annual audit plan, any material changes in the plan, the scope of work of the plan, and the budget for the internal audit activity.
Verify the effectiveness and efficiency of the internal control and governance system in the bank through the reports submitted to the committee.
Reviewing the observations raised by regulatory authorities and any observations by any supervisory authority

Compliance Committee Functions & Responsibilities
Supervising the compliance risk management in the bank.
Ensure that the appropriate compliance framework is in place and effectively operational.
Evaluate the extent to which the Bank effectively manages compliance risks.
Agree on the compliance policy and the powers to create a permanent and effective compliance role.
Ensure adherence to internal policies, procedures, local regulatory requirements and regulations, as well as international standards.
Review matters related to the concept and role of compliance and the areas that pose any potential risks or threat to Ajman Bank's compliance with regulatory requirements.

Meetings & Attendance Record for BOD & BOD Committees 2021

Ex-Board Members (2018-2020)				New BOD Members (2021-2023)				BOD Members (2018-2020) & (2021-2023)						
Mr. Ali Abdulla Alhamrani	Mr. Khalid Jassim Kalban	Mr. Yousef Ali Fadil Bin Fadil	Mr. Mohammed Hussain AlShaali	Mr. Faisal Aqil Albastaki	Mr. Ali Rashid Almazroei	Mr. Faisal Hassan Galadari	Mr. Mahmood Khaleel Alhashmi	Mr. Abdullah Mohammed Alhosani	H.H Sheikh Rashid Bin Humaid Al Noaimi	H.H Sheikh Ammar Bin Humaid Al Noaimi	First election/ appointment in the BOD	Date	Meeting #	
16-04-2008	21-03-2018	16-04-2008	04-04-2012	14-06-2021	24-05-2021	24-05-2021	05-04-2021	21-03-2018	16-04-2008	16-04-2008				
Ex-Member	Ex-Member	Ex-Member	Ex-Member	Member	Member	Member	Member	Member	Vice Chairman	Chairman	Board of Directors			
	Ex-Member	Ex-Member	Ex-Member			Member		Member	Committee Chairman		Executive Committee			
Ex-Member		Ex-Member			Member	Member			Committee Chairman		Nomination & Compensation Committee			
		Ex-Member	Ex- Committee Chairman			Member	Member	Committee Chairman			Risk Committee			
		Ex-Member	Ex- Committee Chairman	Member			Member	Committee Chairman			Compliance Committee			
Ex-Member	Ex-Member			Committee Chairman	Member		Member	Ex- Committee Chairman			Audit Committee			
-	Attend	Attend	Attend	-	-	-	-	Attend	Attend	Attend		17-02-2021	1-2021	Board of Directors
				Attend	Attend	Attend	Attend remotely	Attend	-	Attend		09-08-2021	2-2021	
				Attend	Attend	Attend	Attend	Attend	Attend	Attend		28-10-2021	3-2021	
				Attend	Attend	Attend	Attend	-	Attend	Attend		29-12-2021	4-2021	
				By Circulation	By Circulation	By Circulation	By Circulation	By Circulation	By Circulation	By Circulation		04-05-2021	1C-2021	
				By Circulation	By Circulation	By Circulation	By Circulation	By Circulation	By Circulation	By Circulation		21-12-2021	2C-2021	
	-	Attend	Attend						Attend			21-01-2021	1-2021	Executive Committee
	Attend	Attend	Attend						Attend			04-03-2021	2-2021	
	Attend	-	Attend						Attend			24-03-2021	3-2021	
						Attend		Attend	Attend remotely			16-08-2021	4-2021	
						Attend		Attend	Attend			14-10-2021	5-2021	
						Attend remotely		Attend	Attend			18-11-2021	6-2021	
By Circulation		By Circulation							By Circulation			11-03-2021	1-2021	Nomination & Compensation Committee
By Circulation		By Circulation							By Circulation			14-03-2021	2-2021	
By Circulation		By Circulation							By Circulation			04-04-2021	3-2021	
					By Circulation	By Circulation			By Circulation			16-08-2021	4-2021	
					By Circulation	By Circulation			By Circulation			04-11-2021	5-2021	
					By Circulation	By Circulation			By Circulation			15-11-2021	6-2021	
					By Circulation	By Circulation			By Circulation			07-12-2021	7-2021	
		Attend	Attend					Attend				17-03-2021	1-2021	Risk Committee
							Attend	Attend				16-06-2021	2-2021	
						Attend	Attend	Attend				26-08-2021	3-2021	
						Attend	Attend	Attend				12-09-2021	4-2021	
						Attend	Attend	Attend				14-12-2021	5-2021	
		Attend						Attend				02-02-2021	1-2021	Compliance Committee
		Attend						Attend				07-03-2021	2-2021	
							Attend	Attend				01-06-2021	3-2021	
				Attend			Attend	Attend				09-11-2021	4-2021	
-	Attend remotely							Attend remotely Ex- committee chairman				15-02-2021	1-2021	Audit Committee
				Attend	Attend		Attend					13-09-2021	2-2021	
				Attend	Attend		Attend					20-10-2021	3-2021	

"Paid" Board of Directors remuneration for year (2020) = AED 1,000,000
"Proposed for AGM Approval" Board of Directors remuneration for year (2021) = AED 1,500,000

External Auditor	
Audit office name	Ernst & Young
Partner auditor name	Anthony O'Sullivan
About the external auditor	It is one of the largest professional companies in the world in the field of auditing, auditing, taxation and financial consultancy, and it is considered one of the Big Four, which, in addition to E&Y: PricewaterhouseCoopers, Deloitte and KPMG, were appointed by a decision of the General Assembly of the Bank on: 5/ 4/2021
The number of years he spent as an external auditor for the bank	One Year
Number of years the partner auditor has spent auditing bank accounts	One Year
Total audit fees for the year 2021 (AED)	AED 470,000

Board of Directors Secretariat	
Name of the Board Secretory	General Counsel: Badreldin Eltahir Elmogadam
Appointment date	4/11/2021
The special resolutions presented at the general assembly held during 2021 and the actions taken in their regard	Pursuant to the decision of the General Assembly held on: 4/5/2021, the bank's articles of association were amended to be in line with Federal Decree-Law No. (26) of 2020 amending some provisions of Federal Law No. (2) of 2015 regarding commercial companies

Investor Relations	
Investor Relations Officer and contact details	Hothaifa Marwan Sheikh Alard
Email	Investors@Ajmanbank.ae
Direct	067018199
The website link for the investor relations page on the Ajman Bank website	https://www.ajmanbank.ae/site/investor-relations.html

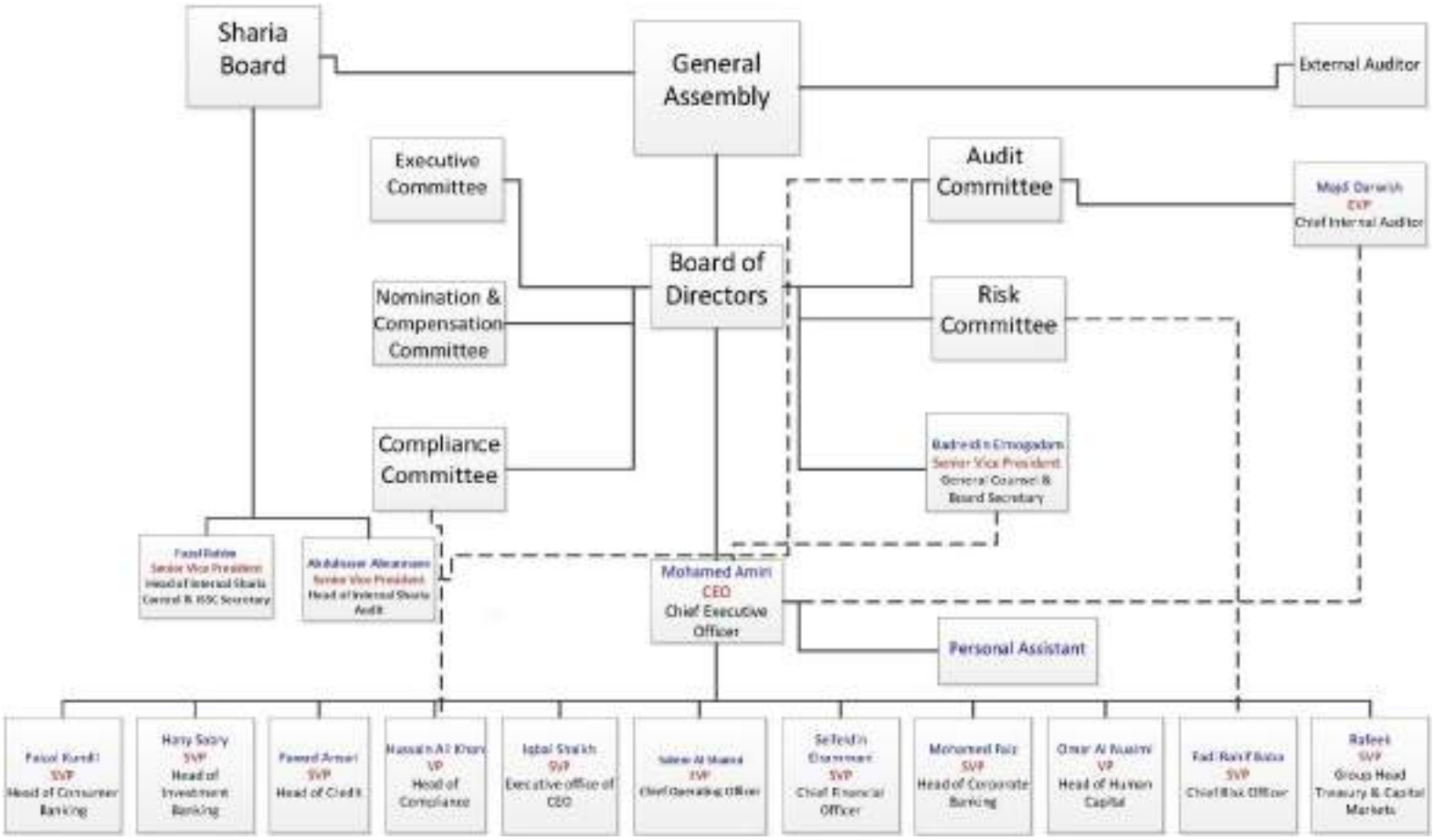
A statement of the comparative performance of the company's shares with the general market index and the sector index to which the company belongs during the year (2021)			
BANKING	DFMGI	Ajman Bank	Month
2485.76	2654.06	0.75	Jan
2402.45	2551.54	0.73	Feb
2386.86	2550.23	0.74	Mar
2452.05	2605.38	0.708	Apr
2651.75	2797.52	0.745	May
2621.18	2810.56	0.778	Jun
2628.51	2765.71	0.746	July
2732.87	2902.97	0.705	Aug
2745.79	2845.49	0.73	Sep
2749.14	2864.21	0.726	Oct
2765.1	3072.91	0.808	Nov
2861.21	3195.91	0.824	Dec

Ajman Bank Share Price (Closing price, High Price, Low Price) at end of each month during financial year 2021			
Month_Close	Month_Low	Month_High	Month
0.75	0.750	0.827	Jan
0.73	0.717	0.778	Feb
0.74	0.717	0.755	Mar
0.708	0.696	0.740	Apr
0.745	0.709	0.760	May
0.778	0.725	0.810	Jun
0.746	0.715	0.800	July
0.705	0.705	0.770	Aug
0.73	0.643	0.735	Sep
0.726	0.666	0.728	Oct
0.808	0.720	0.910	Nov
0.824	0.789	0.864	Dec

5% + Ownership as of 31/12/2021		
Owned %	Owned qty	Name
26.2319	550,870,033	Ajman Gov.
10.475	219,975,019	H.H Sheikh Humaid Bin Rashid Al Nuaimi
5	105,000,000	Al Salem Co LTD

Ajman Bank Shares Ownership report as of 31/12/2021				
Ownership %				Type
Total	Government	Companies	Individual	
93.926	26.232	27.969	39.725	UAE
1.204	-	0.270	0.934	GCC
2.248	-	0.085	2.163	ARAB
2.622		1.588	1.034	Others
100.000	26.232	29.911	43.857	Total

Mohamed Abdulrahman Mir Abdulwahid Amiri	Chief Executive Officer
Salem Abdulla Hamad Alshamsi	Chief Operating Officer
Seifeldin Elsammani	Chief Financial Officer
Badreldin Eltahir Elmogadam	General Counsel & Board Secretary
Majdi Hussein Deeb Darwish	Chief Internal Auditor
Fadi Rahif Baba	Chief Risk Officer
Mohamed Nassim Faiz	Head of Corporate Banking
Hany Mostafa Sabry	Head of Investment Banking
Kochi Peedikayil Rafeek	Group Head Treasury & Capital Markets
Faizal Kundil	HEAD OF CONSUMER BANKING
Hussain Ali Khan	Head of Compliance
Omar Abdulla Alnuaimi	Head Of Human Capital
Mohamed Iqbal Sheikh	Executive office of CEO
Fawad Hadi Ansari	Head of Credit
Abdulnaser Almannaee	Head of Internal Sharia Audit
Fazal Rahim Abdul Rahim	Head of Internal Sharia Control & ISSC Secretary



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Ajman Bank

We deliver our services with knowledge, honesty, and passion. Our way of measuring excellence is based on how efficiently you think we respond to your financial needs. We have brought the human touch back to banking by listening to you - by being close to you.

Ajman Bank

Sustainability Report 2021

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Ajman Bank

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COMPANY PROFILE

Established in 2007, Ajman Bank was the first Islamic bank incorporated in Ajman. While its shares were listed on the Dubai Financial Market in February 2008, the bank officially began operations in 2009 from two branches in Ajman. Strongly supported by the emirate's government, which owns 25 per cent shares of the bank, it is headquartered in Ajman with branches and ATMs across the UAE.

A key pillar in the emirate's economic development strategy, Ajman Bank provides a broad range of value-driven responsible banking and financial services in the UAE, in compliance with Shari'ah principles, for individual, business and government institutions aimed at enabling growth and economic progress.

With a focus on delivering value to our shareholders and customers, at Ajman Bank we are committed to becoming a sustainable organization in the truest sense by reaching our real potential through excellence. Balancing care for the community and employees, we are dedicated to creating a better future for all, with exciting financial opportunities. We have the right vision, the right strategy, the right resources, and the right people to meet our objectives.

It is a source of pride for us to nurture, support and develop the careers of the UAE Nationals. At Ajman Bank we are among the pioneers of Emiratisation in the United Arab Emirates having made Nationalization the core of our strategy since the very beginning. Over the years we have been recognised and honoured by the country's top awards for our role in Emiratisation including the prestigious UAE Emiratisation Award by the Ministry of Human Resources and Emiratisation and Nationalization Award by the GCC Council of Ministers of Labour and Social Affairs.

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AWARD & ACCOLADES

2020
ISO 9001:2015 (Quaility Management System)
ISO 10002:2018 (Customer Satisfaction)

2019
RheinBucke Pinnacle Award.
Most Improved Alternative Channels Award by ETHOS Consultancy.
Sharjah Gulf Nationalization Award.
GCCs Best Brand Citation Award.

2018
Emiratization Award from Ministry of Human Resources and Emiratisation
Nationalization Award, awarded by the GCC Council of Ministers of Labor and Social Affairs
Fastest growing bank in the UAE - Bankers Middle East Industry Awards 2018

2017
Best Branches in UAE award – Ethos
Most Improved call center Award - Ethos

2016
2nd Best Call Center in the UAE Award - Ethos
Zakat Card. Innovative Solution Award - MasterCard
Best Islamic Banking Marketing Campaign (JWAYEZ) UAE 2016
Fastest Growing Corporate Bank UAE 2016

2015
Most improved bank in the UAE - Ethos
POWER Card, Best Islamic Credit Card Award - Critics´ Choice Awards Committee 2015
Fastest Growing Bank in both the UAE and the Middle East - Banker Middle East Industry Awards 2015
POWER Card, Best Islamic Credit Card Award 2015 - Banker Middle East
The Top CEO in the GCC 2015 Award - TRENDS Magazine
Best New Investment Product Award – Banker Middle East Products 2015 Awards

2014
Islamic Banker of the Year - Islamic Business & Finance
Most Overall Improved Bank Customer Experience, Website - Benchmark Index Awards, Ethos Consultancy

2012
Best Syndicated Deal of the Year - Islamic Finance News
Best Customer Loyalty Programme - Banker Middle East
Best Website Structure - UAE Web Awards
Best Islamic Bank - Arab Achievement Awards
Fastest Growing Bank in the UAE - Banker Middle East

2011
Best Home Finance - Banker Middle East
Best Branding - Islamic Business & Finance

2010
Best Domestic Bank - Islamic Business & Finance
Best Small Bank - Ethos Consultancy

2009
Best Card Design - VISA International
Best New Islamic Bank - Islamic Finance News
Sharjah Human Resources Development Award - Emirates Institute for Banking & Financial Studies

CORPORATE GOVERNANCE

Board Of Directors

Being the first Islamic bank established in the Emirate of Ajman, Ajman Bank aims to actively contribute to the overall diversification, development and growth experienced by the Emirate, under the wise guidance and leadership of His Highness Sheikh Humaid bin Rashid Al Nuaimi, Member of the Federal Supreme Council of United Arab Emirates and Ruler of Ajman, and His Highness Sheikh Ammar bin Humaid Al Nuaimi , Crown Prince of Ajman and Chairman of the Ajman Bank, who continued to support the Bank all over the previous years.

"The support provided by the Government of Ajman, together with the sound and prudent policy adopted by the Bank's Board of Directors' underpinned and is reflected in the growth seen in 2014 that bolstered the Bank's performance".

H.H. Sheikh Ammar bin Humaid Al Nuaimi
Crown Prince of Ajman and Chairman of Ajman Bank

H.H Sheikh Ammar Bin Humaid Bin Rashid Al Noaimi
Chairman

H.H Sheikh Rashid Bin Humaid Bin Rashid Al Noaimi
Vice Chairman of Ajman Bank

Mr Abdullah Mohammed Hassan Mohammed Alhosani
Member

Mr Mahmood Khaleel Ahmed Alsayed Alhashmi
Member

Mr Faisal Hassan Ibrahim Galadari
Member

Mr Ali Rashid Humaid Almazroei
Member

Mr Faisal Aqil Mohamed Albastaki
Member

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Ajman Bank's CEO

Mohamed Abdul Rahman Amiri
Chief Executive Officer

Joined Ajman Bank in Oct 2010
Over 20 years of working with HSBC, Dubai Islamic Bank and Dubai Bank
Experience includes several key positions in several leading UAE banks.
Holds a Bachelor's Degree in Management Information Systems and a Graduate from the first batch of the Mohmmad Bin Rashed Program for Leadership Development (MBRPLD).

SENIOR MANAGEMENT

Name	Designation
Mohamed Abdulrahman Mir Abdulwahid Amiri	Chief Executive Officer
Salem Abdulla Hamad Rashed Alhamsi	Chief Operating Officer
Seifeldin Elsammani	Chief Financial Officer
Majdi Hussein Deeb Darwish	EVP - Chief Internal Auditor
Kochi Peedikayil Rafeek	SVP - Group Head Treasury & Capital Markets
Badreldin Elzahir Elmogadam Mudawi	SVP - General Counsel & Board Secretary
Fadi Rahif Baba	SVP - Chief Risk Officer
Mohamed Nassim Faiz	Head of Corporate Banking
Abdulnaser Almannaee	SVP - Head of Internal Sharia Audit
Fazal Rahim Abdul Rahim	SVP - Head Of Internal Sharia Control & ISSC Secretary
Mohamed Iqbal Sheikh	SVP - Head of PMO & Customer Excellence
Hany Mostafa Sabry	SVP - Head of Investment Banking
Faizal Kundil Abdul Kader Koyamma	SVP - HEAD OF CONSUMER BANKING
Fawad Hadi Abdul Hadi Ansari	VP - Head of Credit
Omar Abdulla Salem Alnuaimi	Head Of Human Capital
Hussain Ali Khan	VP - Head of Compliance

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AJMAN BANK FINANCIAL PERFORMANCE 2021

Key Audit Matter

Management first assesses whether the credit risk of Islamic financing and investing assets to customers has increased significantly since their initial recognition, and then applies a three-stage impairment model to calculate the ECL. For Islamic financing and investing assets classified in stage 1 (no significant increase in credit risk) and stage 2 (with significant increase in credit risk), loss allowances are assessed using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default, discount rates and macroeconomic inputs. For Islamic financing and investing assets in stage 3 (default and credit-impaired), loss allowances are assessed by estimating the future discounted cash flows from the loans. Management has also applied significant level of judgement in areas noted above in determining the impact of COVID-19 on the allowances for credit losses by considering the following:

1. Forward looking information, including variables used in macroeconomic scenarios and their associated weightings,
2. Stress in specific sectors and industries, and
3. Impact of Government support measures.

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Ajman Bank

Income statement
for the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
Operating income			
Income from Islamic financing and investing assets	24	706,968	879,081
Income from Islamic investments securities at fair value	25	96,015	109,045
Fees, commission and other income	26	106,020	48,762
Share of results of associate	13	-8,265	12,607
Total operating income before depositors' share of profit		900,138	1,049,495
Depositors' share of profits		-232,054	-434,815
Net operating income		668,084	614,680
Expenses	27	-186,800	-182,048
General and administrative expenses	28	-62,690	-53,092
Depreciation of property and equipment	15	-25,052	-26,080
Impairment charge for financial assets	29	-267,382	-297,260
Impairment charge for non-financial assets	16	-	-2,799
Total expenses		-551,924	-561,277
Profit for the year		116,160	53,403
Basic and diluted earnings per share (AED)	30	0.055	0.025

OUR VISION

To be one of the favorite financial services brands in the UAE and the entire region

OUR VALUE

EXCELLENCE
We believe in and demonstrate outstanding service and we commit to being the best.

KNOWLEDGE
We have the knowledge, as well as skills and experience, to deliver information or to respond to your questions in a quick and reliable manner.

FRIENDLINESS
We are friendly and approachable people who have the time to listen to you. Our attitude is a true expression of a modern society: fresh, warm, and welcoming.

CLARITY
We explain our products and services simply, clearly, and accurately to help you make the right decision.

FAIRNESS
We believe in an honest, fair, and equal partnership – irrespective of ethnic, social, and religious backgrounds.

CREATIVITY
We strive to develop new ideas, modern systems, and innovative products and services. We believe in continuous development and improvement.

CORPORATE GOVERNANCE

PRINCIPLES AND ETHICS

The following set of business ethics affect employees of Ajman Bank :

Fair Dealing

Each employee and Director of AB, will deal fairly with the bank's customers, competitors, independent auditors, and other parties during the course of business, and will not take unfair advantage through price or market manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or other unfair transactions or acts.
AB and its employees will comply with the Central Bank regulations, while ensuring that manipulative and deceptive acts are not practiced.

Conflicts of Interest

The Policy is designed to ensure that all relevant persons engaged in any business activity that involves a conflict of interest entailing a material risk of damage to the interest of the client carry on those activities with a level of independence
The bank's policy is to separate the functions physically from each other within the banking office. The reason for this is so that effective segregation prevents the possibility of information leaking to the other side of the "Chinese Wall".
Conflicts of interest are to be identified and defined in a Staff Code of Conduct and monitored regularly

Payments, Inducements and other Business Courtesies

AB and its employees and directors will not make any improper payments to government or non-government officials, employees, customers, or entities nor will they request or accept any improper payment from suppliers, customers, or anyone seeking to do business with the bank.
AB's employees are prohibited from accepting and giving gifts, bribes or business courtesies that will compromise his/ her judgment, inappropriately influence others, conflict with his/ her ability to succeed and/ or reflect negatively on the bank.
Details will be defined in the Staff Code of Conduct

Corporate Opportunities

No employee of AB would involve himself/ herself in insider trading.
Employees and directors are prohibited from:
Taking for themselves personal opportunities that are discovered through the use of corporate property, information or position, or
Using corporate property, information or position for personal gain

Reporting Ethical Violations

If an apparent ethical violation has substantially harmed or is likely to harm AB or any of its employees, the bank shall take action appropriate to the situation

CORPORATE GOVERNANCE

SHAREHOLDERS

The bank capital of AED 2.1 billion which the Government of Ajman owns 26.2%. Other founding shareholders include some leading financial institutions and private individuals from the UAE. The bank is listed in the Dubai Financial Market.

Other founding shareholders include some leading financial institutions and private individuals from the UAE. The bank is listed in the Dubai Financial Market.

A statement of the shareholders who own 5% or more of the company's capital as on December 31, 2021

Name	Number of shares owned	The percentage of shares owned by the company's capital
Ajman Government	550,870,033	26.2
His Highness Sheikh Humaid bin Rashid Al Nuaimi	219,975,019	10.475
Al Salam Co., Ltd.	105,000,000	5

CORPORATE GOVERNANCE

MANAGEMENT COMMITTEE CHARTERS

"IT COMMITTEE CHARTER

Purpose

The Technology Committee has been created to provide the strategic and tactical guidance for managing Ajman Bank's overall technology systems in the long and short term
Ensure systems development and maintenance projects initiated are consistent with the strategic business goals
Ensure that systems development and maintenance project priorities best meet the overall priorities of the Bank
Ensure the systems implemented meet the requirements and specifications of the users

Authority

IT Committee is primarily a decision making body for executing the IT related decision of the Bank within the authorities delegated from the Board and as per the decisions of the Management Committee
All decisions are to be taken by a simple majority vote. The casting vote in the event of a tie will be that of the Chairman of the Committee.

Composition

The Composition of the IT Committee will be determined by the CEO and will include representatives of the relevant divisions
Other members of the management can be invited on a case by case basis, however, they will not constitute a part of IT Committee|

Meetings

The IT Committee shall meet quarterly or as required.
The Committee shall meet in person or telephonically, or by circulation of documents.
Majority of the members must be present in order for a quorum to be achieved at the meeting.

Responsibilities:

The Committee shall be responsible for:
Agreeing and approving the Bank's IT strategy and budget to ensure it aligns with the business needs
Reviewing and approving the IT policies established
Reviewing IT performance against plans and budgets and recommend changes as needed
Reviewing systems and development project requests (NPR's) against cost/benefits to the bank and approval or reject
Reviewing all the systems development projects and set priorities based on resources required, cost/benefit, implementation schedule requirements or limitations
Approving re-allocation of resources within IT to facilitate meeting priorities and business needs
Reviewing and approving implementation plans
Reviewing results of quality assurance testing to ensure projects meet user specifications and approve implementation or require more development before implementation
Reviewing results of implementation and agree to final acceptance of the system or require additional development
Reviewing the reports and approve actions that result from the IT Security Committee meetings

CORPORATE GOVERNANCE

MANAGEMENT COMMITTEE CHARTERS

"HR COMMITTEE CHARTER

Purpose

The HR Committee has been created to provide the framework to strategically manage AB's human resources
Ensure the key personnel processes are consistent with the strategic business goals
Ensure personnel processes will enable AB to have sufficient qualified people in the right jobs at all times
Ensure the method and the levels of compensation & other benefits to be distributed to support individuals in achieving organization goals
Ensure the Bank meets its social and legal obligations in promoting employment of local staff

Authority

HR Committee is primarily a decision making body for executing the HR related decision of the Bank within the authorities delegated from the Board
All decisions are to be taken by a simple majority vote. The casting vote in the event of a tie will be that of the Chair of the Committee

Composition

The Composition of the HR Committee will be determined by the CEO and will include representatives of the relevant divisions
Other members of the management can be invited on a case by case basis; however, they will not constitute a part of HR Committee

Meetings

The HR Committee shall meet quarterly or as required.
The Committee shall meet in person or telephonically, or by circulation of documents.
Majority of the members must be present in order for a quorum to be achieved at the meeting.

Responsibilities

The Committee shall be responsible for:

Approve personnel processes
Review and all the key
Approved Manpower Planning process
Approved Succession Planning process
Approved Individual Development Planning process
Approved Career Path Planning process
Approved Performance/Potential Appraisal process
Approve the UAE National plans and development processes
Review the long-term and short-term Manpower Plan and decide the best policies to resolve shortfalls and excesses in employees
Recruiting policy decisions
Development policies decisions
Redeployment policy decisions
Review Succession Plan recommendations and decide on the Succession Candidates
Review and approve, Individual Development Plans for Succession Candidates
Review and recommend or approve transfers, promotions, etc. (level and authorities to be recommended by committee and approved by Board)
Review and approve Career Path Management candidates and their progress annually

Approve the delegation of authority of personnel decisions to the appropriate level
Establish compensation strategy clarifying how compensation should be used to achieve AB's goals
Establish how AB should position its compensation levels relative to the competition
Approve the specific compensation change methodology
Review and approve or recommend approval of compensation, benefits and bonuses (level and authorities to be recommended by committee and approved by Board)
Develop policies, review, and make periodic reports and recommendations to the Management committee all matters relating to HR management, policy and strategy and advise, guide and approve operational aspects of the HR department including but not limited to:
Recruitment
Terms & conditions of employment
Staff appraisal systems
Job descriptions
Performance measurement
Job grading
Promotions
Manpower and succession planning
UAE National recruitment and development program
Staff training program
Career development program

INTERNAL SHARIA SUPERVISION COMMITTEE (ISSC)

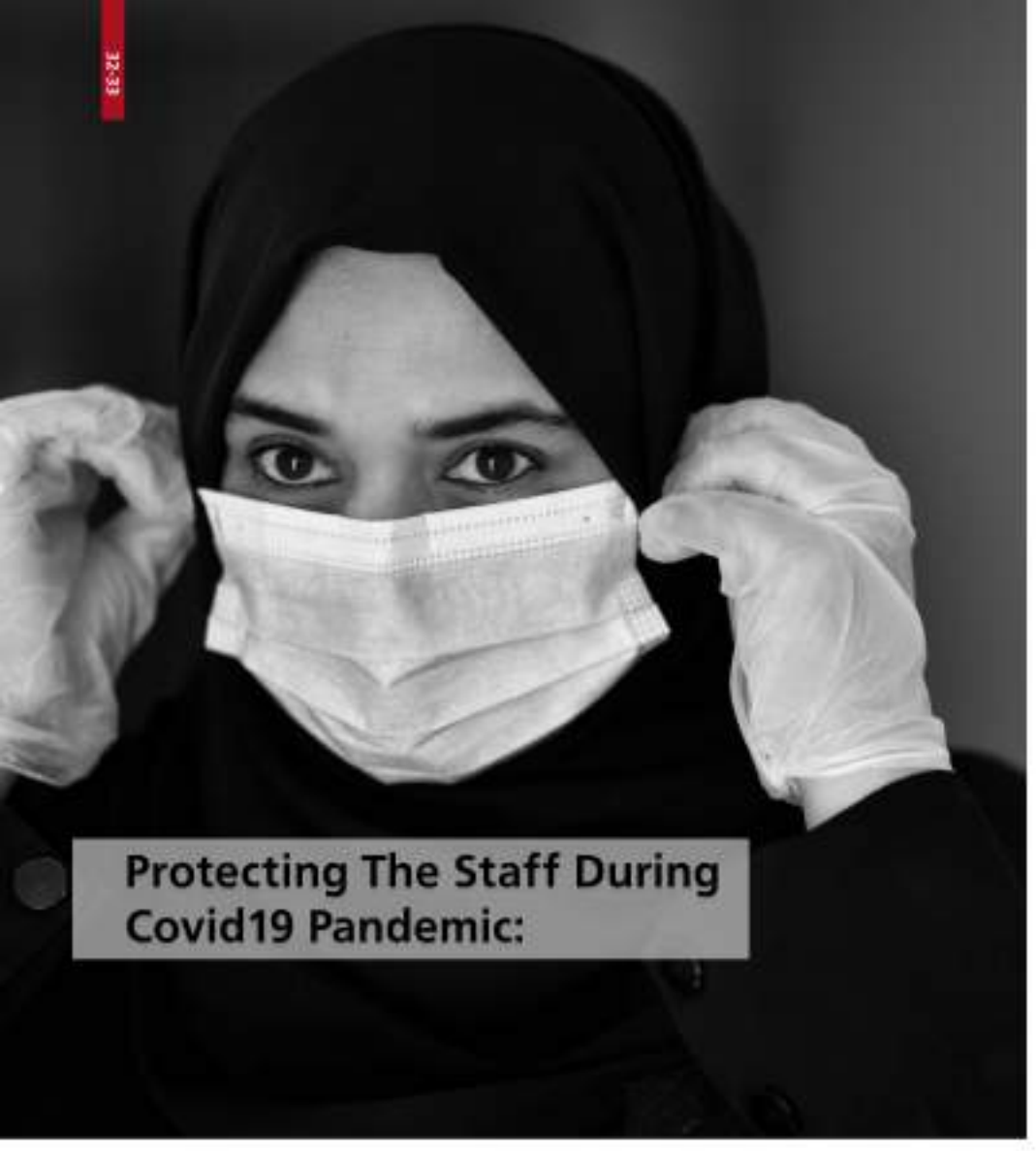
The ISSC is responsible for ensuring that Ajman Bank's activities are in compliance specifically with AAOIFI Sharia Standards and generally with the Sharia laws and principles. The ISSC meets at least four times a year or as frequently as required. All day to day activities and urgent matters referred to the Executive Member of the ISSC.

The ISSC is entrusted with the duty of providing advice and reviewing all products and services with the relevant contracts and agreements relating to the Bank's transactions to ensure that the Bank's activities are at all times consistent with the principles of Islamic jurisprudence. The ISSC is responsible to the General Assembly and submits an annual report for their consideration post approval of the annual report by the Higher Sharia Authority of the UAE Central Bank.

Ajman Bank Internal Sharia Supervision Committee (ISSC) members are highly reputed Sharia Scholars with intensive experience in Fiqh-al-Muamalaat, Law, economics, banking and financial systems.

The member of the Internal Sharia Supervision Committee (ISSC) of Ajman Bank as follows:

Prof. Dr. Jassim Ali Al-Shamsi, Chairman & Executive Member – ISSC
Prof. Dr. Ibrahim Al-Mansoori, Member – ISSC
Dr. Mohammed Ahmed Abdulla Al Hashimi , Member – ISSC



Protecting The Staff During Covid19 Pandemic:

When the pandemic started, Ajman bank management took so many actions /indicatives to protect staff & their families as well as the customers.

Below some of the actins implemented:

Many general communications sent to staff to educate them about the preventive & precautions measures they have to adopt during the working hours to maximize safety & minimize spreading the virus.
Face to face meetings is not allowed, rather than this, staff were encouraged to use the e-channels tools like WebEx, zoom…,etc.
Staff gathering is not allowed.
No visitors allowed without valid PCR.
Maintenance work if any will be done after working hours OR during the week ends.
Delivery people from outside were not allowed to enter the building.
All staff should be vaccinated as per the authorities guide lines.
PCR should be conducted every two weeks.
70% & 50% of staff capacity were implemented among the divisions.
Regular sanitizing of the premises.
New leave policy were applied to cover those who got the virus OR got contacted with someone who is positive.
Disciplinary actions will be taken against staff who are not following the preventive measures.
IT division brought in systems to facilitate working from home.
Facilitate getting hospital staff to perform PCR tests to our employees at the head office building.

Emiratization policy

To recruit UAE nationals at a minimum growth of 4% of each year as per UAE labor law.
To retain at least 60% of the UAE nationals whose performance is above expectations.
Appoint competent and qualified UAE nationals to identified positions according to the annual succession plan targets with critical positons.

Strategy, hiring mechanism, Emiratization program.

Emiratisation strategy
Prepare annual Emiratisation plan approved by head of Human Capital
Head of Human Capital to implement the Emiratisation strategy (Recruitment , Retention and training/ development)
Hiring mechanism:
Recruits qualified UAE nationals in all divisions and as per the annual Emiratisation plan
Advertises the job internally and externally in Career Portals, universities and career fairs.
Promote banks vacancies in reputable sources and digital platform to attract qualified UAE nationals selection across the bank.
Emiratisation program.
Part of the Emiratisation program is the UAE national trainee and management trainee program. Its major focus to hire fresh and experience staff in 2 levels to be injected internally across the bank.
They are also part of the internal training program which they committed to the employment and development of UAE nationals to complete by 6 months.
Annual training budget allocated for the training and development of UAE nationals
Education assistance scheme is part of the development of programs that will encourage UAE nationals to acquire professional qualified by enrolling in formal educations for university degree such as Bachelors and Masters – along with also specified professional certifications
Examination leave –staff will be granted assistance for examination leave with full pay to sit for the required examinations.

ENVIRONMENT, HEALTH & SAFETY

ENVIRONMENTAL PERFORMANCE

For environmental sustainability. Ajman Bank has implemented several innovative approaches to reduce electricity and water consumption, increase recycling and ensure safe and secure disposal of assots. The below results highlight few of the key measures as well. as the results:

Water Consumption GLN in 2021
- Total actual consumption 1,850,877
- Per employee consumption 1,944

Energy Consumption KWT
- Total actual consumption 10,650,221
- Per employee consumption 8,340.05

Ajman Bank witnessed changes in its energy consumption during Y201 owing to the digitization drive in the organization.
Further, the transition that came in the form of roling out of digital services also saW a significant reduction in use of paper through removal of physical document requirements and implementation of services.
The bank sees different business related conditions as an opportunity that came in the interest of the community and cause of sustainability in some way. with an attempt to keep the perspective positive. Tracking such metrics helps us to understand and measure our consumption levels and scope for improving our activities to help minimize depletion of resources.

ENVIRONMENT, HEALTH & SAFETY

The pandemic has required a dramatic shift in the learning and development, this has meant a rapid change in the use of digital learning technology, we have adapted to the sudden change by reconfiguring the programs for digital platforms & overcame the common barriers to transitioning to this new context as a result:

- 587 employees were trained through online- instructor-led training
- 245 different training programs have been conducted through on-line learning
- 3187 total training hours during 2021

WORKPLACE ENVIRONMENT

Our goal at Ajman Bank is to foster a culture of inclusion and provide a working environment that is supportive of all of our colleagues where every employee has the opportunity to realize their potential to the fullest.

DIVERSITY

As we endeavor to succeed in achieving the target points set by Central Bank for each Bank every year. Ajman Bank too has its target which is %25. and to achieve this we had capped each nationality (with the.exception of UAE)to the maximum of %25 in each division. Our primary focus will be on hiring UAE Nationalsas potential caindidates for vacancies in Ajman Bank.

Ajman Bank has always strived to maintain gender equality in the workplace in order to nurture an organizational culture

capable of haressing the power of both genders. This is in line with the wise guidance of the UAE leadership which has always enablea women in the UAE to enjoy the same constitutional rights as men.

Ajman Bank focus on gender diversity is also focused on the following perspectives:

Enhanced collaboration

Improved staff retention

A better reflection ofthe bank to our customers

Improved recruitment and reputation

QUALITY AND SAFETY

While employee safety has always been a priority for Ajman Bank the pandemic has brought this aspect into greater focus

for the bank over the past year.The bank is fuly investing in

insuring to have processes in place to manage the employee wellbeing and

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SUPPLY CHAIN

Supplier Management

Partner centric areas are responsible for leveraging partnerships, they are also responsible for segmenting them and managing them effectively.
There are standard processes for Vendor qualification, selection and evaluation processes to derive sustainable benefits, the partnerships are evaluated based on the Annual Maintenance Contracts (AMC). SLAS are reviewed against the terms in the AMC's and partnerships are discontinued or strengthened respectively.
Established networks are in place to identify partnership opportunities. Stakeholders visit exhibitions and forums to become aware of the new entrants and their value propositions. Benchmarking is performed and partners are invited for Demos and POCS.

SOCIAL SUPORT

1. Ajman Bank donated AED 110,000 for renting the premises of Dar (Sanctuary) which is the first shelter house in Ajman operated under the management of a women's and children's protection institution headed by Sheikha Azza bint Rashid al-Nuaimi. The house has been developed to provide shelter to women and children on humanitarian grounds. These may include victims of violence, children of the inmates of the correctional and punitive institution or children of unknown descent and humanitarian emergencies. The shelter also provides rehabilitation, psychological and social programmes that support victims.

2. Education is a fundamental human right. Ajman Bank provided financial assistance to eligible students from Ajman University in an effort to support their development. As part of the initiative, the students were given AED 50,000 in March 2019, AED 14,200 in November 2019 and AED 60,000 in May 2021.

3. Ajman Bank contributed AED 300,000 to Ajman University's 'Endowment Fund' to provide one scholarship to a qualifying student from Ajman University to study majors in Islamic Banking and Finance. The endowment was named as 'Ajman Bank Scholarship in Islamic Banking and Finance'.

4. Reinforcing its humanitarian partnership with all vital local sectors, Ajman Bank contributed AED 50,000 for the Emirates Red Crescent campaign 'the Health Campaign' that aims to improve the health of vulnerable and needy people and families in the UAE.

5. In keeping with its ethical and sustainable business practices, Ajman Bank launched its Go Green Paperless initiative designed to protect the environment and enhance the customer experience. As part of this programme, that is also an important aspect of the bank's digital transformation, customers and employees are encouraged to minimize the use of paper and advised to perform most tasks in digital formats such as e-statements and e-notifications. This is aimed at reducing the carbon footprint and negative impact on natural resource consumption, pollution and waste.

مصرف عجمان
Ajman Bank

Ajman Bank

Sustainability Report 2021