

# **Ajman Bank PJSC**

## **CONDENSED INTERIM FINANCIAL INFORMATION**

**FOR THE NINE MONTH PERIOD ENDED  
30 SEPTEMBER 2021**

## **Ajman Bank PJSC**

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## **REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AJMAN BANK PJSC**

### ***Introduction***

We have reviewed the accompanying condensed interim financial information of Ajman Bank PJSC (the “Bank”), which comprise the interim statement of financial position as at 30 September 2021 and the related interim statement of income and comprehensive income for the three month and nine month period then ended, interim statement of cash flows and interim statement of changes in equity for the nine months period then ended and explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Financial Reporting Standard IAS 34, Interim financial reporting (“IAS 34”). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### ***Scope of Review***

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

### ***Conclusion***

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

### ***Other matter***

The financial statements of the Bank for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 February 2021. Furthermore, the condensed interim financial information as at and for the period ended 30 June 2020, 30 September 2020 and 31 March 2021 were reviewed by another auditor who expressed an unqualified conclusion on the interim financial information on 28 July 2020, 4 November 2020 and 7 May 2021 respectively.

For Ernst & Young

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

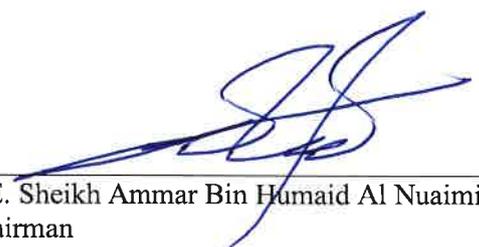
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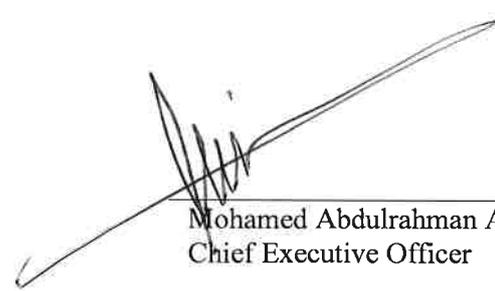
Dubai, United Arab Emirates

**Condensed interim statement of financial position  
As at 30 September 2021**

		<b>30 September 2021 (unaudited) AED'000</b>	31 December 2020 (audited) AED'000
	<b>Notes</b>		
<b>ASSETS</b>			
Cash and balances with the Central Bank	6	<b>2,179,837</b>	1,722,122
Due from banks and other financial institutions		<b>359,543</b>	613,271
Islamic financing and investing assets, net	7	<b>15,813,931</b>	16,960,858
Islamic investments securities at fair value	8	<b>2,229,592</b>	1,319,691
Investment in associate	9	<b>178,941</b>	177,556
Investment properties		<b>343,904</b>	343,393
Property and equipment		<b>127,793</b>	131,141
Other Islamic assets	10	<b>271,783</b>	239,096
<b>Total assets</b>		<b>21,505,324</b>	21,507,128
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Islamic customers' deposits	11	<b>14,010,295</b>	14,226,163
Due to banks and other financial institutions		<b>4,683,082</b>	4,338,583
Other liabilities	12	<b>213,902</b>	439,791
<b>Total liabilities</b>		<b>18,907,279</b>	19,004,537
<b>Equity</b>			
Share capital	13	<b>2,100,000</b>	2,100,000
Statutory reserve		<b>258,508</b>	258,508
Investment fair value reserve		<b>(62,609)</b>	(60,355)
General impairment reserve	14	<b>103,511</b>	97,042
Retained earnings		<b>198,635</b>	107,396
<b>Total equity</b>		<b>2,598,045</b>	2,502,591
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>21,505,324</b>	21,507,128

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

  
H.E. Sheikh Ammar Bin Humaid Al Nuaimi  
Chairman

  
Mohamed Abdulrahman Amiri  
Chief Executive Officer

**Condensed interim income statement (unaudited)  
for the nine month period ended 30 September 2021**

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
<b>Operating income</b>					
Income from Islamic financing and investing assets	16	174,934	208,917	521,818	656,924
Income from investment securities at fair value		22,019	33,597	71,484	80,895
Fees, commissions and other income		8,197	2,631	66,011	42,930
Share of results of associate	9	(4,200)	-	(6,637)	6,067
<b>Total operating income before depositors' share of profit</b>		<b>200,950</b>	<b>245,145</b>	<b>652,676</b>	<b>786,816</b>
Depositors' share of profit		(56,033)	(99,838)	(175,907)	(362,644)
<b>Net operating income</b>		<b>144,917</b>	<b>145,307</b>	<b>476,769</b>	<b>424,172</b>
<b>Expenses</b>					
Staff costs		(50,128)	(43,112)	(143,576)	(143,055)
General and administrative expenses		(12,960)	(17,536)	(49,783)	(45,761)
Depreciation of property and equipment		(6,202)	(6,428)	(18,647)	(19,796)
Impairment charge for financial assets	22.2	(47,378)	(65,342)	(174,633)	(159,702)
<b>Total expenses</b>		<b>(116,668)</b>	<b>(132,418)</b>	<b>(386,639)</b>	<b>(368,314)</b>
<b>PROFIT FOR THE PERIOD</b>		<b>28,249</b>	<b>12,889</b>	<b>90,130</b>	<b>55,858</b>
<b>Basic and diluted earnings per share (AED)</b>	17	<b>0.013</b>	0.006	<b>0.043</b>	0.026

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

**Condensed interim statement of other comprehensive income (unaudited)  
for the nine month period ended 30 September 2021**

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
<b>Profit for the period</b>	<b>28,249</b>	12,889	<b>90,130</b>	55,858
<b>Other comprehensive income/(loss):</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Movement in investment fair value reserve for equity instruments at FVTOCI	<b>5,289</b>	5,400	<b>14,469</b>	(27,540)
	<b>5,289</b>	5,400	<b>14,469</b>	(27,540)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Fair value (loss)/gain on investment securities at FVTOCI - Sukuk instruments	<b>(8,423)</b>	18,037	<b>(5,447)</b>	(9,608)
Reclassification adjustments relating to investments securities at FVTOCI	<b>(3,376)</b>	(10,720)	<b>(8,671)</b>	(14,724)
	<b>(11,799)</b>	7,317	<b>(14,118)</b>	(24,332)
<b>Other comprehensive (loss)/income</b>	<b>(6,510)</b>	12,717	<b>351</b>	(51,872)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>21,739</b>	25,606	<b>90,481</b>	3,986

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

**Condensed interim statement of changes in equity  
for the nine month period ended 30 September 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 (audited)	2,100,000	253,168	(7,256)	111,583	54,824	2,512,319
Profit for the period	-	-	-	-	55,858	55,858
Other comprehensive loss	-	-	(51,872)	-	-	(51,872)
Total comprehensive loss for the period	-	-	(51,872)	-	55,858	3,986
Transfer from impairment reserve (Note 14)	-	-	-	(7,484)	7,484	-
Directors' remuneration (Note 13)	-	-	-	-	(1,250)	(1,250)
At 30 September 2020 (unaudited)	2,100,000	253,168	(59,128)	104,099	116,916	2,515,055
At 1 January 2021 (audited)	2,100,000	258,508	(60,355)	97,042	107,396	2,502,591
Profit for the period	-	-	-	-	90,130	90,130
Other comprehensive income	-	-	351	-	-	351
Total comprehensive income for the period	-	-	351	-	90,130	90,481
Transfer on disposal of equity instrument at FVTOCI	-	-	(2,605)	-	2,605	-
Transfer from impairment reserve (Note 14)	-	-	-	6,469	(6,469)	-
Reversal of Zakat liability (Note 15)	-	-	-	-	4,973	4,973
<b>At 30 September 2021 (unaudited)</b>	<b>2,100,000</b>	<b>258,508</b>	<b>(62,609)</b>	<b>103,511</b>	<b>198,635</b>	<b>2,598,045</b>

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

**Condensed interim statement of cash flows (unaudited)  
for the nine month period ended 30 September 2021**

	Nine month period ended 30 September	
	2021 AED'000	2020 AED'000
<b>Cash flows from operating activities</b>		
Profit for the period	90,130	55,858
<i>Adjustments for:</i>		
Depreciation of property and equipment	18,647	19,796
Impairment charge on financial assets	174,633	159,702
Income from investment securities	(61,779)	(63,740)
Realized gain on disposal of investment securities	(9,705)	(17,155)
Share of results of associate	6,637	(6,067)
Gain on disposal of property and equipment	(17)	-
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>218,546</b>	<b>148,394</b>
<b>Changes in operating assets and liabilities</b>		
Decrease/(increase) in Islamic financing and investing assets	974,445	(72,323)
Decrease in due from banks and other financial institutions	18,738	44,669
(Increase)/decrease in statutory deposit with the Central Bank	(71,563)	216,955
Decrease in International murabahat with the Central Bank	1,050,000	540,000
(Increase)/decrease in other assets	(33,831)	49,684
Decrease in Islamic customers' deposits	(215,868)	(445,935)
Increase/(decrease) in due to banks and other financial institutions	344,499	(378,456)
Decrease in other liabilities	(220,719)	(192,397)
Payment of Directors' remuneration	-	(1,250)
<b>Net cash generated from/(used in) operating activities</b>	<b>2,064,247</b>	<b>(90,659)</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(2,476,386)	(1,642,796)
Proceeds from sale of investment securities	1,573,046	1,728,965
Addition in investment in associate	(8,762)	-
Dividend received from investment in associate	740	5,794
Purchase of property and equipment	(15,454)	(16,282)
Proceeds from disposal of property and equipment	172	
Profit income on investment securities	64,239	63,048
Additions to investment properties	(511)	(3,678)
Proceeds from disposal of investment in subsidiary	-	124,897
<b>Net cash (used in)/generated from investing activities</b>	<b>(862,916)</b>	<b>259,948</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,201,331</b>	<b>169,289</b>
Net cash and cash equivalents at the beginning of the period	589,565	809,715
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<b>1,790,896</b>	<b>979,004</b>

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

## Notes to the condensed interim financial statements for the nine month period ended 30 September 2021

### 1. Legal status and activities

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 two 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, Mudaraba, 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. The detail of the Bank disposal subsidiary is included in Note 23 to the condensed financial statement.

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

#### 2.1 *New and revised IFRS applied with no material effect on the condensed interim financial statements*

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendment to IFRS 3 *Business Combinations* relating to definition of a business.
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* relating to definition of material.
- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* relating to interest rate benchmark reforms.
- Amendments to conceptual framework

#### 2.2 *New and revised IFRSs in issue but not yet effective*

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

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the definition of material.	1 January 2022
IFRS 17 <i>Insurance Contract</i>	1 January 2023
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2011)</i> relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

## Notes to the condensed interim financial statements for the nine month period ended 30 September 2021 (continued)

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

#### 2.2 *New and revised IFRS in issue but not yet effective (continued)*

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

There are no other 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 condensed interim financial information.

#### **Interbank offered rates (“IBOR”) Phase 2 Transition**

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.

IBORs, such as the London Interbank Offered Rate (“LIBOR”), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, 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 alternative risk-free benchmark reference rates (“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 September 2023.

The Bank is in process of assessing the impact of rate replacement on its product and services, however as on 30 September 2021 management does not believe that the impact will be significant.

### 3. Summary of significant accounting policies

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

#### 3.1 *Basis of preparation*

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

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E.

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)****3. Summary of significant accounting policies (continued)****3.1 Basis of preparation (continued)**

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2020.

These condensed interim financial statements do not include all the information and disclosure required in full financial statements and should be read in conjunction with the Bank's financial statements for the year ended 31 December 2020. In addition, results for the period from 1 January 2021 to 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

**3.2 Financial risk management**

The Bank's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2020.

**3.3 Seasonality of results**

No income of a seasonal nature was recorded in the condensed interim statement of profit or loss for the Nine month period ended 30 September 2021 and 30 September 2020.

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

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

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2020.

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**5. Classification of financial assets and liabilities**

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

	At fair value AED'000	Amortised cost AED'000	Total AED'000
<b>At 30 September 2021 (unaudited)</b>			
<b>Financial assets</b>			
Cash and balances with the Central Bank	-	2,179,837	2,179,837
Due from banks and other financial institutions	-	359,543	359,543
Islamic financing and investing assets, net	-	15,813,931	15,813,931
Islamic investment securities at fair value	2,229,592	-	2,229,592
Other Islamic assets	285	156,022	156,307
<b>Total</b>	<b>2,229,877</b>	<b>18,509,333</b>	<b>20,739,210</b>
<b>At 30 September 2021 (unaudited)</b>			
<b>Financial liabilities</b>			
Islamic customers' deposits	-	14,010,295	14,010,295
Due to banks and other financial institutions	-	4,683,082	4,683,082
Other liabilities	1,372	128,306	129,678
<b>Total</b>	<b>1,372</b>	<b>18,821,683</b>	<b>18,823,055</b>
<b>31 December 2020 (audited)</b>			
<b>Financial assets:</b>			
Cash and balances with the Central Bank	-	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
<b>Total</b>	<b>1,321,302</b>	<b>19,434,762</b>	<b>20,756,064</b>
<b>Financial liabilities:</b>			
Islamic customers' deposits	-	14,226,163	14,226,163
Due to banks and other financial institutions	-	4,338,583	4,338,583
Other liabilities	-	365,502	365,502
<b>Total</b>	<b>-</b>	<b>18,930,248</b>	<b>18,930,248</b>

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**6. Cash and balances with the Central Bank**

	<b>30 September 2021 AED'000 (unaudited)</b>	31 December 2020 AED'000 (audited)
Cash on hand	100,430	98,709
Balances with the Central Bank:		
Current accounts	201,234	91,803
Reserve requirements with the Central Bank	428,173	356,610
International murabahat with the Central Bank	1,450,000	1,175,000
<b>Total</b>	<b>2,179,837</b>	<b>1,722,122</b>

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

	<b>30 September 2021 AED'000 (unaudited)</b>	30 September 2020 AED'000 (unaudited)
Cash and balances with the Central Bank	2,179,837	2,172,103
Due from banks and other financial institutions (original maturity less than three months)	39,232	62,040
	<b>2,219,069</b>	2,234,143
Less: Statutory reserve with the Central Bank	(428,173)	(415,139)
Less: International murabahat with the Central Bank (original maturity more than three months)	-	(840,000)
<b>Cash and cash equivalents</b>	<b>1,790,896</b>	<b>979,004</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 condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**7. Islamic financing and investing assets, net**

	<b>30 September 2021 AED'000 (unaudited)</b>	<b>31 December 2020 AED'000 (audited)</b>
<b>Islamic financing assets</b>		
Vehicles murabahat	51,211	65,759
Commodities murabahat	6,903,891	8,427,433
<b>Total murabahat</b>	<b>6,955,102</b>	<b>8,493,192</b>
Ijarahs	9,877,454	10,338,901
Istisna'a	1,753	2,771
Islamic credit cards	22,628	23,932
	<b>16,856,937</b>	<b>18,858,796</b>
Deferred income	<b>(838,556)</b>	<b>(1,062,614)</b>
<b>Total Islamic financing assets</b>	<b>16,018,381</b>	<b>17,796,182</b>
<b>Islamic investing Assets</b>		
Mudaraba	6,146	20,646
Wakalat	619,518	117,855
<b>Total Islamic investing assets</b>	<b>625,664</b>	<b>138,501</b>
<b>Total Islamic financing and investing assets</b>	<b>16,644,045</b>	<b>17,934,683</b>
Less: Impairment loss allowance (Note 22.1)	<b>(830,114)</b>	<b>(973,825)</b>
<b>Total Islamic financing and investing assets, net</b>	<b>15,813,931</b>	<b>16,960,858</b>

**8. Islamic investment securities at fair value**

	<b>30 September 2021 AED'000 (unaudited)</b>	<b>31 December 2020 AED'000 (audited)</b>
Islamic investments securities at FVTOCI		
Sukuk instruments	1,955,832	1,118,061
Equity instruments	270,885	201,630
	<b>2,226,717</b>	<b>1,319,691</b>
Islamic investments securities at FVTPL		
Equity instruments	2,875	-
	<b>2,229,592</b>	<b>1,319,691</b>

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**9. Investment in associate**

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

<b>Name</b>	<b>Nature of Business</b>	<b>Country of Incorporation</b>	<b>% Interest held</b>	<b>Measurement method</b>
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:

	<b>30 September 2021 AED'000 (unaudited)</b>	31 December 2020 AED'000 (audited)
At beginning of the period/year	177,556	74,282
Additions during the period/year	8,762	98,000
Share of results during the period/year	(6,637)	12,607
Distributions received during the period/year	(740)	(7,333)
Balance at the end of the period/year	<b>178,941</b>	177,556

**10. Other Islamic assets**

	<b>30 September 2021 AED'000 (unaudited)</b>	31 December 2020 AED'000 (audited)
Accrued income on Islamic financing and investing assets	104,833	101,753
Assets acquired in settlement of Islamic financing and investing assets	26,720	50,131
Accrued income on Islamic investments securities at FVTOCI	18,807	11,547
Prepaid expenses	11,281	4,899
Staff advances	9,982	10,998
Acceptances (Note 12)	835	17,748
Foreign currency forward contracts	285	1,611
Other	115,564	55,789
	<b>288,307</b>	254,476
Less: Impairment loss allowance (Note 22.1)	<b>(16,524)</b>	(15,380)
	<b>271,783</b>	239,096

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**11. Islamic customers' deposits**

	<b>30 September 2021 AED'000 (unaudited)</b>	31 December 2020 AED'000 (audited)
Current accounts	3,474,414	2,986,498
Mudaraba deposits:		
<i>Savings accounts</i>	325,992	279,099
<i>Term deposits</i>	28,202	47,707
	<b>3,828,608</b>	3,313,304
Wakala deposits	<b>9,880,589</b>	10,727,822
Escrow accounts	252,713	147,384
Margin accounts	48,385	37,653
	<b>14,010,295</b>	14,226,163

**12. Other liabilities**

	<b>30 September 2021 AED'000 (unaudited)</b>	31 December 2020 AED'000 (audited)
Accrued profit on Islamic customers' deposits and placements by banks	87,793	122,554
Managers' cheques	29,879	224,492
Provisions for staff salaries and benefits	22,555	21,154
Lease liability	6,582	8,946
Acceptances (Note 10)	835	17,748
Zakat payable	-	6,217
Impairment loss allowance (Note 22.1)	11,795	11,992
Other	54,463	26,688
	<b>213,902</b>	439,791

**13. Share capital**

	<b>30 September 2021 AED'000 (unaudited)</b>	31 December 2020 AED'000 (audited)
<i>Issued and fully paid:</i>		
2,100,000,000 (31 December 2020: 2,100,000,000) shares of AED 1 each	<b>2,100,000</b>	2,100,000

During the period ended 30 September 2021, 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 5<sup>th</sup> April 2021 and paid through income statement.

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**14. General impairment reserve**

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

**15. 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/BSN/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 period ended 30 September 2021.

**16. Income from Islamic financing and investing assets**

	<b>Nine month period ended 30 September</b>	
	<b>2021 AED'000 (unaudited)</b>	<b>2020 AED'000 (unaudited)</b>
Income from Ijarah	334,026	372,599
Income from Murabaha	181,005	265,384
Income from Mudaraba	173	1,248
Income from Wakala	6,553	17,278
Income from Istisna	61	415
	<b>521,818</b>	<b>656,924</b>

**17. Basic and diluted earnings per share**

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

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2021 (unaudited)</b>	<b>2020 (unaudited)</b>	<b>2021 (unaudited)</b>	<b>2020 (unaudited)</b>
<b><i>Basic earnings per share</i></b>				
Profit for the period (AED'000)	28,249	12,889	90,130	55,858
Directors remunerations (AED'000)	-	-	-	(1,250)
	<b>28,249</b>	<b>12,889</b>	<b>90,130</b>	<b>54,608</b>
Weighted average number of shares outstanding during the period (in thousands)	<b>2,100,000</b>	<b>2,100,000</b>	<b>2,100,000</b>	<b>2,100,000</b>
<b>Basic and diluted earnings per share (AED)</b>	<b>0.013</b>	<b>0.006</b>	<b>0.043</b>	<b>0.026</b>

There were no potentially dilutive shares as at 30 September 2021 and 30 September 2020.

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**18. 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.
- (b) The Bank is controlled by Ajman Government who own 26% (31 December 2020: 26%) of the issued and paid capital.

Transactions with related parties are shown below:

	Nine month period ended					
	30 September 2021 (unaudited)			30 September 2020 (unaudited)		
	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	70,941	560	71,501	83,126	1,207	84,333
Income from Islamic financing and investing assets	34,983	4,371	39,354	52,361	16,095	68,456

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

	30 September 2021 (unaudited)			31 December 2020 (audited)		
	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	1,208,996	533,295	1,742,291	2,018,111	499,961	2,518,072
Islamic customers' deposits	3,945,382	95,415	4,040,797	3,877,712	118,058	3,995,770

Islamic financing and investing assets to related parties have been secured against collateral amounting to AED 2,007 million (31 December 2020: AED 2,577 million).

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**18. Related parties transactions (continued)**

*Compensation of key management personnel*

Key management compensation is as shown below:

	<b>Nine month period ended 30 September</b>	
	<b>2021 AED'000 (unaudited)</b>	<b>2020 AED'000 (unaudited)</b>
Short term employment benefits	7,211	6,929
Terminal benefits	315	316
	<b>7,526</b>	<b>7,245</b>

**19. Contingencies and commitments**

*Capital commitments*

At 30 September 2021, the Bank had outstanding capital commitments of AED 45 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:

	<b>30 September 2021 AED'000 (unaudited)</b>	<b>31 December 2020 AED'000 (unaudited)</b>
Commitments to extend credit	209,452	138,440
Letters of credit	150,957	3,162
Letters of guarantee	291,232	229,822
	<b>7,526</b>	<b>7,245</b>

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**20. Segment analysis**

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

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

- (i) Consumer banking – comprising personal banking where various products are offered e.g. private customer current accounts, savings accounts, deposits, credit and debit cards, personal finance, auto finance and house mortgage;
- (ii) 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;
- (iii) Investment banking – comprising priority banking, investment solutions and alternative investment banking, leasing of commercial & residential properties; and
- (iv) 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.

These segments are the basis on which the Bank reports its segment information. Transactions between segments are conducted at rates determined by management, taking into consideration the cost of funds and an equitable allocation of expenses.

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**20. Segment analysis (continued)**

**Segment results of operations**

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

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000
<b>Nine month period ended 30 September 2021 (unaudited)</b>						
Net income from Islamic financing and investing assets	101,205	244,970	(19,184)	18,920	-	345,911
Income from Islamic investment securities at fair value	-	-	58,693	12,791	-	71,484
Share of results of associate	-	-	-	(6,637)	-	(6,637)
Impairment charges on financial assets	3,386	(171,627)	(6,424)	32	-	(174,633)
Fees, commissions and other income	17,400	11,613	6,136	30,923	(61)	66,011
Staff costs	(36,250)	(7,406)	(2,966)	(4,403)	(92,551)	(143,576)
General and administrative expenses	(22,494)	(6,105)	(535)	(1,723)	(18,926)	(49,783)
Depreciation of property and equipment	-	-	-	-	(18,647)	(18,647)
<b>Operating profit/(loss) (unaudited)</b>	<b>63,247</b>	<b>71,445</b>	<b>35,720</b>	<b>49,903</b>	<b>(130,185)</b>	<b>90,130</b>
<b>Nine month period ended 30 September 2020 (unaudited)</b>						
Net income from Islamic financing and investing assets	55,542	244,292	(25,808)	20,254	-	294,280
Income from Islamic investment securities at fair value	-	-	73,908	6,987	-	80,895
Share of results of associate	-	-	-	6,067	-	6,067
Impairment charges on financial assets	(22,869)	(127,146)	(2,427)	(7,260)	-	(159,702)
Fees, commissions and other income	13,747	17,705	3,932	8,951	(1,405)	42,930
Staff costs	(39,106)	(10,324)	(2,907)	(5,866)	(84,852)	(143,055)
General and administrative expenses	(25,061)	(4,751)	305	(1,420)	(14,834)	(45,761)
Depreciation of property and equipment	-	-	-	-	(19,796)	(19,796)
<b>Operating profit/(loss) (unaudited)</b>	<b>(17,747)</b>	<b>119,776</b>	<b>47,003</b>	<b>27,713</b>	<b>(120,887)</b>	<b>55,858</b>

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**20. Segment analysis (continued)**

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investments AED'000	Others AED'000	Total AED'000
<b>As at 30 September 2021</b>						
<b>Segment assets (unaudited)</b>	<b>3,298,695</b>	<b>11,447,826</b>	<b>3,808,362</b>	<b>1,777,049</b>	<b>1,173,392</b>	<b>21,505,324</b>
<b>Segment liabilities (unaudited)</b>	<b>3,982,907</b>	<b>8,696,005</b>	<b>3,040,292</b>	<b>1,503,016</b>	<b>1,685,059</b>	<b>18,907,279</b>
<b>As at 31 December 2020</b>						
<b>Segment assets (audited)</b>	<b>3,306,953</b>	<b>12,779,717</b>	<b>2,543,311</b>	<b>1,915,245</b>	<b>961,902</b>	<b>21,507,128</b>
<b>Segment liabilities (audited)</b>	<b>3,387,947</b>	<b>10,694,992</b>	<b>3,477,419</b>	<b>968,284</b>	<b>475,895</b>	<b>19,004,537</b>

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**21. Capital management**

The Bank's capital management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2020.

**Regulatory capital**

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

	<b>30 September 2021 AED'000 (unaudited)</b>	<b>31 December 2020 AED'000 (audited)</b>
<b>Tier 1 capital</b>		
Share capital	2,100,000	2,100,000
Reserves	394,534	305,549
	<u>2,494,534</u>	<u>2,405,549</u>
<b>Tier 2 capital</b>		
General provision and fair value reserve	191,518	188,272
	<u>191,518</u>	<u>188,272</u>
<b>Total regulatory capital</b>	<u>2,686,052</u>	<u>2,593,821</u>
<b>Risk weighted assets</b>		
Credit risk	15,321,404	15,061,720
Market risk	101,214	463
Operational risk	1,125,368	1,125,368
	<u>16,547,986</u>	<u>16,187,551</u>
	<b>Minimum requirement</b>	<b>Capital ratios 30 September 2021 (unaudited)</b>
<b>Capital element</b>		<b>Capital ratios 31 December 2020 (audited)</b>
Common equity tier 1 (CET 1) ratio	7%	15.07%
Tier 1 capital ratio	8.5%	14.86%
Capital adequacy ratio	10.5%	16.02%
CET1 available for the buffer requirement	2.5%	5.52%

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**22. Risk Management**

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

	30 September 2021			31 December 2020		
	Gross carrying amount AED '000 (unaudited)	ECL allowance AED '000 (unaudited)	Carrying amount AED '000 (unaudited)	Gross carrying amount AED '000 (unaudited)	ECL allowance AED '000 (unaudited)	Carrying amount AED '000 (unaudited)
<b>Balances with the Central Bank</b>						
Stage 1	2,079,407	-	2,079,407	1,623,413	-	1,623,413
<b>Due from banks and other financial institutions</b>						
Stage 1	360,077	(534)	359,543	274,056	-	274,056
Stage 2	-	-	-	339,580	(365)	339,215
	360,077	(534)	359,543	613,636	(365)	613,271
<b>Islamic financing and investing assets</b>						
Stage 1	10,381,237	(32,949)	10,348,288	10,050,713	(32,292)	10,018,421
Stage 2	3,533,159	(87,596)	3,445,563	5,781,527	(91,805)	5,689,722
Stage 3	2,729,649	(709,569)	2,020,080	2,102,443	(849,728)	1,252,715
	16,644,045	(830,114)	15,813,931	17,934,683	(973,825)	16,960,858
<b>Islamic investment securities at FVTOCI</b>						
Stage 1	1,954,686	(3,282)	1,951,404	1,115,880	(2,247)	1,113,633
Stage 3	54,506	(50,078)	4,428	54,506	(50,078)	4,428
	2,009,192	(53,360)	1,955,832	1,170,386	(52,325)	1,118,061
<b>Other Islamic financial assets</b>						
Stage 1	128,951	(76)	128,875	121,480	-	121,480
Stage 2	4,745	(2)	4,743	336	(1)	335
Stage 3	38,850	(16,446)	22,404	32,075	(15,379)	16,696
	172,546	(16,524)	156,022	153,891	(15,380)	138,511
<b>Financial commitments and financial guarantees</b>						
Stage 1	617,172	(584)	616,588	358,656	(2,174)	356,482
Stage 2	15,112	(1,288)	13,824	-	-	-
Stage 3	19,357	(9,923)	9,434	12,768	(9,818)	2,950
	651,641	(11,795)	639,846	371,424	(11,992)	359,432
	21,916,908	(912,327)	21,004,581	21,867,433	(1,053,887)	20,813,546

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**22. Risk Management (continued)**

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

**Due from banks and other financial institutions**

	<b>Stage 1 12-month ECL AED'000</b>	<b>Stage 2 Life time ECL AED'000</b>	<b>Stage 3 Lifetime ECL AED'000</b>	<b>Total AED'000</b>
Loss allowance as at 31 December 2020 (audited)	-	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	(234)	-	-	(234)
New financial assets recognized	403	-	-	403
<b>Loss allowance as at 30 September 2021 (unaudited)</b>	<b>534</b>	<b>-</b>	<b>-</b>	<b>534</b>

**Islamic financing and investing assets**

	<b>Stage 1 12-month ECL AED'000</b>	<b>Stage 2 Life time ECL AED'000</b>	<b>Stage 3 Lifetime ECL AED'000</b>	<b>Total AED'000</b>
Loss allowance as at 31 December 2020 (audited)	32,292	91,805	849,728	973,825
Changes in the loss allowance				
- Transfer to stage 1	2,155	(2,155)	-	-
- Transfer to stage 2	(1,024)	7,604	(6,580)	-
- Transfer to stage 3	(3,969)	(6,287)	10,256	-
Change in credit risk	5,706	(2,139)	173,214	176,781
New financial assets recognized	1,368	-	-	1,368
Financial assets derecognized	(3,579)	(1,232)	(856)	(5,667)
Write-offs and other transfers	-	-	(316,193)	(316,193)
<b>Loss allowance as at 30 September 2021 (unaudited)</b>	<b>32,949</b>	<b>87,596</b>	<b>709,569</b>	<b>830,114</b>

**Islamic investments securities at FVTOCI**

	<b>Stage 1 12-month ECL AED'000</b>	<b>Stage 2 Life time ECL AED'000</b>	<b>Stage 3 Lifetime ECL AED'000</b>	<b>Total AED'000</b>
Loss allowance as at 31 December 2020 (audited)	2,247	-	50,078	52,325
Change in credit risk	1,553	-	-	1,553
New financial assets recognised	180	-	-	180
Financial assets derecognized	(698)	-	-	(698)
<b>Loss allowance as at 30 September 2021 (unaudited)</b>	<b>3,282</b>	<b>-</b>	<b>50,078</b>	<b>53,360</b>

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**22. Risk Management (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 (audited)	-	1	15,379	15,380
Change in credit risk	76	1	1,067	1,144
<b>Loss allowance as at 30 September 2021 (unaudited)</b>	<b>76</b>	<b>2</b>	<b>16,446</b>	<b>16,524</b>

**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 (audited)	2,174	-	9,818	11,992
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	(1,039)	1,039	-	-
- Transfer to stage 3	-	-	-	-
Change in credit risk	(558)	249	105	(204)
New financial assets recognised	21	-	-	21
Financial assets derecognised	(14)	-	-	(14)
<b>Loss allowance as at 30 September 2021 (unaudited)</b>	<b>584</b>	<b>1,288</b>	<b>9,923</b>	<b>11,795</b>

	Opening balance AED'000	Net charge during the period AED'000	Write-off, net of recoveries and other transfers AED'000	Closing balance AED'000	Net charge during the period ended 30 September 2020 AED'000
Due from banks and other financial institutions	365	169	-	534	(21)
Islamic financing and investing assets (Note 7)	973,825	172,482	(316,193)	830,114	150,535
Islamic investment securities at FVTOCI	52,325	1,035	-	53,360	2,431
Other Islamic financial assets (Note 11)	15,380	1,144	-	16,524	7,232
Financial commitments and financial guarantees (Note 13)	11,992	(197)	-	11,795	(475)
<b>Total</b>	<b>1,053,887</b>	<b>174,633</b>	<b>(316,193)</b>	<b>912,327</b>	<b>159,702</b>

The credit impairment provisions calculated in accordance with CBUAE requirements were in excess of ECL allowance calculated under IFRS 9 as explained in note 4.

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**22. Risk Management (continued)**

**22.3 COVID-19 Impact on measurement of ECL**

The Covid-19 pandemic has had a far-reaching impact on the UAE economy, but slowly the economy is getting back on track post ease of lockdown. For interim period the government and CBUAE has implemented a number of measures to assist the business and minimize the impact of the pandemic through Targeted Economic Support Scheme (TESS).

To incorporate the uncertainty, the bank has updated the IFRS-9 model using the latest macro-economic forecast along with override of post Covid-19 projection provided by World Economic Outlook (WEO). As the projection data is taken after Covid-19 shock, IFRS-9 provision model itself incorporates significant Covid-19 impact across the Bank's exposures. Further to applying this WEO override, the bank has used the overlay strategy with management consensus to assign additional ECL charge by removing the upturn scenario and increased the weight for downturn scenario. Taking into consideration broader level measures and guidelines provided by Central Bank of UAE under the Targeted Economic Support Scheme (TESS). The Bank has done the grouping of the customer given relief based on significant increase in credit risk (SICR). The Bank has also considered guidelines issued by the International Accounting Standards Board (IASB) on 27 March 2021 and Basel Committee issued on 4 April 2020 on determination of expected credit losses.

As advised by CBUAE under TESS guidelines, customer grouping is done looking at the customer profile. Customers who have availed TESS and is facing short term liquidity issues without SICR is retained in group 1, while the customer's with SICR is moved to group 2. Under IFRS 9, Islamic financing and investing assets are required to be moved from Stage 1 to Stage 2 if they have been the subject of a significant increase in credit risk (SICR) since origination.

**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 along with additional shock of macro-economic outlook provided WEO. All the macro-economic variable used within the model has been shocked and applied to incorporate the effect of Covid-19 and bring the forecast in line with recent forecast published by well-known institutions.

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. In addition to incorporation of Covid-19 shock within the IFRS-9 model, the Bank has created additional overlay for corporate and retail portfolio using below set of mechanism.

For corporate portfolio the Bank has done the grouping of the customers who have availed TESS and are currently enjoying the payment relief, while simultaneously changed the scenario probability weights, to create additional overlay. For the retail portfolio a level of segmentation has been done where in UAE local exposure has been kept out of the grouping consideration (given the financial stability assurance provided to them).

Additional overlay for Corporate & SME portfolio is estimated as follows:

- Group 1: Customers who have availed TESS and are enjoying payment relief, and are facing short term liquidity issues without significant increase in credit risk. 12-month ECL is estimated for these customers keeping them in Stage 1.
- Group 2: Customers who have availed TESS and are enjoying payment relief, and are facing significant increase in credit risk (SICR). Life time ECL is estimated for these customers after classifying them in Stage 2.

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**22. Risk Management (continued)**

**22.3 COVID-19 Impact on measurement of ECL (continued)**

**Reasonableness of Forward Looking Information and probability weights (continued)**

- Scenario probability weights were changed from earlier (Baseline Scenario: 62.5%, Downturn Scenario: 18.75%, Upturn Scenario: 18.75%) to (Baseline Scenario: 75%, Downturn Scenario: 25%, Upturn Scenario: 0%). Upturn Scenario was taken out of consideration till the time uncertainty persists.

Additional overlay for Retail portfolio was estimated as follows:

- Bank ECL model for the retail portfolio is built on pool level data. Separate models are built for different segments of the retail portfolio (i.e. Home Finance, Auto Finance, and Personal Finance).
- Scenario probability weights were changed from earlier (Baseline Scenario: 62.5%, Downturn Scenario: 18.75%, Upturn Scenario: 18.75%) to (Baseline Scenario: 75%, Downturn Scenario: 25%, Upturn Scenario: 0%). Upturn Scenario is taken out of consideration till the time uncertainty persists.
- All the retail exposure for UAE local customers who availed TESS were not considered for grouping consideration as no significant increase in credit risk is anticipated because of financial assurance provided to them.
- By doing broader level assessment for all the expatriate's retail exposure who availed TESS. Secured exposures which are backed by collateral (i.e. Home Finance, Auto Finance) looked more resilient than unsecured exposure (Personal Finance).
- Looking at overall TESS availed retail expatriate's portfolio, 5% of the secured exposures was considered to have significant increase in credit risk and will move to Group 2 (i.e. Stage 2) whereas 15% of unsecured exposures in this segment was considered to have significant increase in credit risk and will move to Group 2. However, this will only be applied till the customer starts payment of installments, so the regular IFRS9 staging criteria shall apply.

The treasury segment of the portfolio comprises mostly of Sukuk, and is classified as FVTOCI. Considering much higher level of due diligence for listed securities, any risk associated with the securities immediately gets reflected in the price. The bank kept the scenario weights intact for this segment of portfolio.

The Credit Department of the Bank is progressively collecting all the information related to status of each customer who is under relief in the form of deferral during the current period. As soon as enough information is available to ascertain significant increase in credit risk, the department will classify those customers into Group 2. The same will be presented to the Credit committee for approval on the assignment of the customer to the appropriate stage.

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**22. Risk Management (continued)**

**22.3 COVID-19 Impact on measurement of ECL (continued)**

**Analysis of clients benefitting from payment deferrals**

The table below contains analysis of the deferred amount and outstanding balances of customers benefitting from deferrals:

	<b>Corporate banking AED'000</b>	<b>Consumer banking AED'000</b>	<b>Total AED'000</b>
<b>At 30 September 2021 (unaudited)</b>			
<b>Deferral Amount</b>			
Islamic Financing	291,475	74,081	365,556
	<u>291,475</u>	<u>74,081</u>	<u>365,556</u>
<b>Exposures</b>			
Islamic Financing	2,454,245	1,338,824	3,793,069
	<u>2,454,245</u>	<u>1,338,824</u>	<u>3,793,069</u>

The table below contains analysis of outstanding balances and related ECL of customers benefitting from deferrals:

	<b>12-month ECL AED'000</b>	<b>Lifetime ECL not credit- impaired AED'000</b>	<b>Lifetime ECL credit- impaired AED'000</b>	<b>Total AED'000</b>
<b>Corporate Banking</b>				
<b>Group 1</b>				
Islamic financing and investing assets	892,360	1,561,885	-	2,454,245
Less: Expected credit losses	(2,303)	(7,443)	-	(9,746)
	<u>890,057</u>	<u>1,554,442</u>	<u>-</u>	<u>2,444,499</u>
<b>Group 2</b>				
Islamic financing and investing assets	-	-	-	-
Less: Expected credit losses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**22. Risk Management (continued)**

**22.3 COVID-19 Impact on measurement of ECL (continued)**

	12-month ECL AED'000	Lifetime ECL not credit- impaired AED'000	Lifetime ECL credit- impaired AED'000	Total AED'000
<b>Consumer Banking</b>				
<b>Group 1</b>				
Islamic financing and investing assets	1,156,034	142,163	-	1,298,197
Less: Expected credit losses	(5,046)	(15,551)	-	(20,597)
	<b>1,150,988</b>	<b>126,612</b>	<b>-</b>	<b>1,277,600</b>
<b>Group 2</b>				
Islamic financing and investing assets	-	-	40,627	40,627
Less: Expected credit losses	-	-	(8,497)	(8,497)
	<b>-</b>	<b>-</b>	<b>32,130</b>	<b>32,130</b>

During 2020, the Bank had initiated a program of payment relief for its impacted customers by deferring profit/principal due for a period of one month to three months. These payment reliefs are considered as short-term liquidity to address customer cash flow issues. The relief offered to customers may indicate a SICR. However, the Bank believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the Covid-19 outbreak to resume regular payments.

The accounting impact of the one-time extension of credit facilities due to Covid-19 has been assessed and has been treated as per the requirements of IFRS 9 for modification of terms of arrangement.

**23. 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.

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**22. Risk Management (continued)**

**23. Fair value measurement (continued)**

*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).

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
<b>At 30 September 2021 (Unaudited)</b>				
<b>Financial assets</b>				
Islamic investments securities at FVTOCI				
Sukuk instrument	1,922,904	-	32,928	1,955,832
Equity instrument	122,440	-	148,445	270,885
Islamic investments securities at FVTPL				
Equity instrument	2,875	-	-	2,875
Positive fair value of Islamic derivative financial instruments*	285	-	-	285
	<u>2,048,504</u>	<u>-</u>	<u>181,373</u>	<u>2,229,877</u>
<b>Financial liabilities</b>				
Negative fair value of Islamic derivative financial instruments*	1,372	-	-	1,372
	<u>1,372</u>	<u>-</u>	<u>-</u>	<u>1,372</u>
<b>At 31 December 2020 (audited)</b>				
<b>Financial assets</b>				
Islamic investments securities at FVTOCI				
Sukuk instrument	1,083,633	-	34,428	1,118,061
Equity instrument	49,500	-	152,130	201,630
Positive fair value of Islamic derivative financial instruments	1,611	-	-	1,611
	<u>1,134,744</u>	<u>-</u>	<u>186,558</u>	<u>1,321,302</u>

\* Notional amount of Islamic derivative financial instruments is AED 2.35 billion.  
There were no transfers between Level 1 and 2 during the year.

**Notes to the condensed interim financial statements  
for the nine month period ended 30 September 2021 (continued)**

**23. Fair value measurement (continued)**

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

	<b>30 September 2021 AED'000 (unaudited)</b>	<b>31 December 2020 AED'000 (audited)</b>
At beginning of the period/year	<b>186,558</b>	199,659
Purchases during the period/year	<b>7,355</b>	29,380
Fair valuation loss in other comprehensive income	<b>(12,540)</b>	(38,960)
Disposals during the period/year	-	(3,521)
<b>Balance at the end of the period/year</b>	<b>181,373</b>	186,558

- 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.

**24. Approval of condensed interim financial statements**

The condensed interim financial statements were approved by the Board of Directors and authorized for issue on 28 October 2021.