**Bank of Sharjah P.J.S.C.**

**Review report and**
**Condensed consolidated interim financial information**
**for the nine-month period ended 30 September 2021**

**Bank of Sharjah P.J.S.C.**

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# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors**
**Bank of Sharjah PJSC**
**Sharjah**
**United Arab Emirates**

### *Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Bank of Sharjah PJSC** (the "Bank") **and its subsidiaries** (collectively referred as the "Group"), as at 30 September 2021, and the related condensed consolidated interim statement of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: Interim financial reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

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

**Deloitte & Touche (M.E.)**

Akbar Ahmad
Registration No. 1141
14 November 2021
Dubai
United Arab Emirates

## Condensed consolidated interim statement of financial position
**As at**

| | Note | 30 September 2021 (unaudited) AED'000 | 31 December 2020 (audited) AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | 6 | **6,018,569** | 5,534,099 |
| Deposits and balances due from banks | 7 | **272,727** | 129,046 |
| Reverse-repo placements | 8 | **-** | 114,234 |
| Loans and advances, net | 9 | **20,328,911** | 19,455,607 |
| Investments measured at fair value | 10 | **505,972** | 420,978 |
| Investments measured at amortised cost | 10 | **4,222,791** | 4,240,833 |
| Investment properties | | **850,567** | 767,594 |
| Intangible assets | | **58,794** | 40,370 |
| Assets acquired in settlement of debt | | **4,155,130** | 4,020,165 |
| Other assets | 11 | **1,346,437** | 868,248 |
| Derivative assets held for risk management | | **15,882** | 49,730 |
| Property and equipment | | **723,691** | 502,586 |
| **Total assets** | | **38,499,471** | 36,143,490 |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Customers' deposits | 12 | **25,169,536** | 23,672,584 |
| Deposits and balances due to banks | 13 | **219,538** | 240,915 |
| Repo borrowings | 14 | **1,867,000** | 2,438,842 |
| Other liabilities | 15 | **2,099,581** | 1,655,840 |
| Derivative liabilities held for risk management | | **20,711** | 15,941 |
| Issued bonds | 16 | **5,355,371** | 4,953,951 |
| **Total liabilities** | | **34,731,737** | 32,978,073 |
| **Equity** | | | |
| **Capital and reserves** | | | |
| Share capital | | **2,200,000** | 2,100,000 |
| Statutory reserve | | **1,050,000** | 1,050,000 |
| Contingency reserve | | **640,000** | 640,000 |
| General and impairment reserve | | **213,176** | 288,962 |
| Investment fair value reserve | | **(691,394)** | (740,095) |
| Retained earnings/(accumulated losses) | | **347,657** | (182,157) |
| **Equity attributable to equity holders of the Bank** | | **3,759,439** | 3,156,710 |
| Non-controlling interests | | **8,295** | 8,707 |
| **Total equity** | | **3,767,734** | 3,165,417 |
| **Total liabilities and equity** | | **38,499,471** | 36,143,490 |

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**Mohammed Bin Saud Al Qasimi**
**Chairman**

..................................................
**Yarouj Nerguizian**
**Group CEO**

The accompanying notes 1 to 29 form an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated interim statement of profit or loss (unaudited) for the nine -month period ended 30 September

| | Note | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|---|---|---|---|---|---|
| | | **2021 AED'000** | 2020 AED'000 | **2021 AED'000** | 2020 AED'000 |
| Interest income | | **350,871** | 284,680 | **952,644** | 909,836 |
| Interest expense | | **(180,688)** | (192,329) | **(539,413)** | (619,784) |
| **Net interest income** | | **170,183** | 92,351 | **413,231** | 290,052 |
| Net fee and commission income | | **56,508** | 24,239 | **140,822** | 71,389 |
| Exchange profit | | **2,204** | 4,905 | **8,180** | 147,688 |
| Income/(loss) on investments | | **32,942** | 10,220 | **67,983** | (24,763) |
| Other income | 22 | **19,737** | 196,094 | **34,620** | 272,580 |
| **Operating income** | | **281,574** | 327,809 | **664,836** | 756,946 |
| Net impairment loss on financial assets | 17 | **(33,069)** | (129,721) | **(87,268)** | (390,082) |
| **Net operating income** | | **248,505** | 198,088 | **577,568** | 366,864 |
| General and administrative expenses | | **(136,937)** | (79,800) | **(323,809)** | (218,044) |
| Amortisation of intangible assets | | **(3,920)** | (313) | **(7,135)** | (937) |
| Loss on monetary position | | **(914,347)** | - | **(1,491,158)** | - |
| **(Loss)/earnings before taxes** | | **(806,699)** | 117,975 | **(1,244,534)** | 147,883 |
| Income tax expense – overseas | | **(26,710)** | (7,792) | **(55,846)** | (19,498) |
| **Net (loss)/earnings** | | **(833,409)** | 110,183 | **(1,300,380)** | 128,385 |
| **Attributable to:** | | | | | |
| Equity holders of the Bank | | **(833,333)** | 110,445 | **(1,299,968)** | 129,103 |
| Non-controlling interests | | **(76)** | (262) | **(412)** | (718) |
| **Net (loss)/earnings for the period** | | **(833,409)** | 110,183 | **(1,300,380)** | 128,385 |
| **Basic (loss)/earnings per share (AED)** | 19 | **(0.38)** | 0.052 | **(0.59)** | 0.061 |

The accompanying notes 1 to 29 form an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated interim statement of comprehensive income (unaudited) for the nine-month period ended 30 September

| | **Three-month period ended 30 September** | | **Nine-month period ended 30 September** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| **(Loss)/profit for the period** | **(833,409)** | 110,183 | **(1,300,380)** | 128,385 |
| **Other comprehensive (loss)/income items** | | | | |
| *Items that will not be reclassified subsequently to the condensed consolidated interim statement of profit or loss:* | | | | |
| Net changes in fair value of financial assets measured at fair value through other comprehensive income | **21,459** | 7,474 | **36,674** | (8,044) |
| Net changes in fair value of own credit risk on financial liabilities designated at fair value through profit or loss | **7,205** | (36,212) | **12,027** | 25,422 |
| **Total other comprehensive income/(loss) for the period** | **28,664** | (28,738) | **48,701** | 17,378 |
| **Total comprehensive (loss)/income for the period** | **(804,745)** | 81,445 | **(1,251,679)** | 145,763 |
| **Attributable to:** | | | | |
| Equity holders of the Bank | **(804,669)** | 81,707 | **(1,251,267)** | 146,481 |
| Non-controlling interests | **(76)** | (262) | **(412)** | (718) |
| **Total comprehensive (loss)/income for the period** | **(804,745)** | 81,445 | **(1,251,679)** | 145,763 |

## Condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September

| | **Share capital AED'000** | **Statutory reserve AED'000** | **Contingency reserve AED'000** | **General and impairment reserve AED'000** | **Changes in fair value reserve AED'000** | **(Accumulated losses) / retained earnings AED'000** | **Total equity attributable to equity holders of the Bank AED'000** | **Non-controlling interests AED'000** | **Total equity AED'000** |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 (audited) | 2,100,000 | 1,050,000 | 640,000 | 293,109 | (682,249) | (291,984) | 3,108,876 | 20,220 | 3,129,096 |
| Profit for the period | - | - | - | - | - | 129,103 | 129,103 | (718) | 128,385 |
| Other comprehensive income | - | - | - | - | 17,378 | - | 17,378 | - | 17,378 |
| Total comprehensive income/(loss) for the period | - | - | | - | 17,378 | 129,103 | 146,481 | (718) | 145,763 |
| Transfer from impairment reserves | - | - | - | (19,372) | - | 19,372 | - | - | - |
| Charity donations | - | - | - | - | - | (7,500) | (7,500) | - | (7,500) |
| **Balance at 30 September 2020 (unaudited)** | **2,100,000** | **1,050,000** | **640,000** | **273,737** | **(664,871)** | **(151,009)** | **3,247,857** | **19,502** | **3,267,359** |
| Balance at 1 January 2021 (audited) | 2,100,000 | 1,050,000 | 640,000 | 288,962 | (740,095) | (182,157) | 3,156,710 | 8,707 | 3,165,417 |
| Loss for the period | - | - | - | - | - | (1,299,968) | (1,299,968) | (412) | (1,300,380) |
| Other comprehensive income | - | - | - | - | 48,701 | - | 48,701 | - | 48,701 |
| Total comprehensive income/(loss) for the period | - | - | - | - | 48,701 | (1,299,968) | (1,251,267) | (412) | (1,251,679) |
| Hyperinflation impact | - | - | - | - | - | 1,865,977 | 1,865,977 | - | 1,865,977 |
| **Transaction with owners of the Group** | | | | | | | | | |
| Transfer to impairment reserve | - | - | - | 24,214 | - | (24,214) | - | - | - |
| Transfer to share capital (Note 18) | 100,000 | - | - | (100,000) | - | - | - | - | - |
| Directors fees (Note 18) | - | - | - | - | - | (4,481) | (4,481) | - | (4,481) |
| Charity donations (Note 18) | - | - | - | - | - | (7,500) | (7,500) | - | (7,500) |
| **Balance at 30 September 2021 (unaudited)** | **2,200,000** | **1,050,000** | **640,000** | **213,176** | **(691,394)** | **347,657** | **3,759,439** | **8,295** | **3,767,734** |

The accompanying notes 1 to 29 form an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated interim statement of cash flows (unaudited) for the nine-month period ended 30 September

| | **2021 AED'000** | 2020 AED'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net (loss)/income before tax for the period | **(1,244,534)** | 147,883 |
| **Adjustments for:** | | |
| Depreciation of property and equipment | **72,360** | 23,071 |
| Amortisation of other intangible assets | **7,135** | 937 |
| Amortisation of discount on debt instruments | **(578)** | (754) |
| Gain on sale on fixed assets | **(586)** | (1,124) |
| Net fair value loss on issued debt securities | **14,736** | 32,054 |
| Net fair value gain on interest rate swaps | **(14,736)** | (32,054) |
| Fair value (gain)/loss on other financial assets | **(42,940)** | 40,918 |
| Gain on sale on assets acquired in settlement of debts | **(5,172)** | - |
| Net impairment loss on financial assets | **87,268** | 390,082 |
| Dividends income | **(15,925)** | (16,187) |
| Loss on monetary position | **1,491,158** | - |
| **Operating profit before changes in operating assets and liabilities** | **348,186** | 584,826 |
| **Changes in** | | |
| Deposits and balances due from banks maturing after three months | **(351,879)** | 27,548 |
| Statutory deposits with central banks | **343,664** | 65,386 |
| Loans and advances | **(938,882)** | (2,071,452) |
| Other assets | **(635,803)** | 110,309 |
| Customers' deposits | **1,496,951** | 1,927,005 |
| Other liabilities | **405,570** | (59,162) |
| **Cash generated from operations** | **667,806** | 564,962 |
| Payment of directors' remuneration and charity donations | **(11,981)** | (7,500) |
| **Net cash generated from operating activities** | **655,825** | 557,462 |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | **(8,022)** | (3,998) |
| Proceeds from sale of property and equipment | **5,926** | 10,229 |
| Purchase of investments | **(82,972)** | (1,921,225) |
| Additions to investment properties | **-** | (82,224) |
| Proceeds from sale of investments | **23,917** | 77,776 |
| Proceeds from sale of assets acquired in settlement of debts | **63,486** | - |
| Dividends received | **15,925** | 16,187 |
| **Net cash generated from/(used in) investing activities** | **18,260** | (1,903,255) |
| **Cash flows from financing activities** | | |
| Partial settlement of bonds | **-** | (721,539) |
| Proceeds from bonds issued | **459,125** | - |
| Payment of lease liabilities | **(12,906)** | (14,486) |
| **Net cash generated from/(used in) financing activities** | **446,219** | (736,025) |
| **Net increase/(decrease) in cash and cash equivalents** | **1,120,304** | (2,081,818) |
| Cash and cash equivalents at the beginning of the period | **1,358,191** | 4,034,393 |
| **Cash and cash equivalents at the end of the period (Note 21)** | **2,478,495** | 1,952,575 |

The accompanying notes 1 to 29 form an integral part of these condensed consolidated interim financial statements.

**Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2021**

## 1. General information

Bank of Sharjah P.J.S.C. (the "Bank"), is a public joint stock company incorporated by an Amiri Decree issued on 22 December 1973 by His Highness The Ruler of Sharjah and was registered in February 1993 under the Commercial Companies Law Number 8 of 1984 (as amended). The Bank commenced its operations under a banking license issued by the United Arab Emirates Central Bank dated 26 January 1974. The Bank is engaged in commercial and investment banking activities.

The Bank's registered office is located at Al Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates. The Bank operates through eight branches in the United Arab Emirates located in the Emirates of Sharjah, Dubai, Abu Dhabi, and City of Al Ain.

The accompanying condensed consolidated interim financial statements combine the activities of the Bank and its subsidiaries (collectively the "Group").

## 2. Hyperinflation and basis of preparation

### a) Hyperinflation

The International Monetary Fund (IMF) publishes inflation forecasts. Applying the October 2020 IMF information and the indicators laid out in IAS 29, the Lebanese economy is considered a hyperinflationary economy for the purposes of applying IAS 29 and for retranslation of foreign operations in accordance with IAS 21 *The Effect of Changes in Foreign Exchange Rates* in the consolidated financial statements for the year ending December 31, 2020 and the condensed consolidated interim financial information for the nine-month period ended 30 September 2021.

Consequently, the Group has applied for the first time IAS 29 *Financial reporting in Hyperinflationary Economies* to its subsidiary, Emirates Lebanon Bank SAL from 1 January 2020 and for financial reporting purposes for the year ended 31 December 2020.

| | | 30/09/2021 | |
|---|---|---|---|
| | **Before Hyperinflation AED'000 (unaudited)** | **Hyperinflation impact AED'000 (unaudited)** | **After Hyperinflation AED'000 (unaudited)** |
| **Net profit/ (loss)** | **175,058** | **(1,475,438)** | **(1,300,380)** |
| **Total comprehensive profit/ (loss)** | **223,759** | **(1,475,438)** | **(1,251,679)** |
| **Accumulated Hyperinflation effect on equity - 31.12.2020** | | **236,269** | |
| **Hyperinflation effect on equity - 9 months 2021** | | **1,865,977** | |
| **Equity** | **3,140,926** | **626,808** | **3,767,734** |

| | | 31/12/2020 | |
|---|---|---|---|
| | **Before Hyperinflation AED'000 (audited)** | **Hyperinflation impact AED'000 (audited)** | **After Hyperinflation AED'000 (audited)** |
| **Net loss** | **(23,891)** | **(642,505)** | **(666,396)** |
| **Total comprehensive loss** | **(81,737)** | **(642,505)** | **(724,242)** |
| **Hyperinflation effect on equity - 12 months 2020** | | **878,774** | |
| **Equity** | **2,929,148** | **236,269** | **3,165,417** |

**Notes to the condensed consolidated interim financial statements**
**for the nine-month period ended 30 September 2021**

## 2. Hyperinflation and basis of preparation (continued)

### a) Hyperinflation (continued)

In line with IAS 29, the financial statements of Emirates Lebanon Bank SAL have been restated by applying a general price index to the historical cost, in order to reflect the changes in the purchasing power of the LBP, on the closing date of the financial statements. The non-monetary items of the statement of financial position as well as the income statement, statement of other comprehensive income and statement of cash flows of Emirates Lebanon Bank SAL, have been adjusted for inflation and re-expressed in accordance with the variation of the consumer price index ('CPI'), at the presentation date of its financial statements. The re-expression of non-monetary items is made from the date of initial recognition in the statements of financial position and considering that the financial statements are prepared under the historical cost criterion. The consumer price index at the beginning of the reporting period was 284.04 and closed at 613.96.

The gain or loss on the net monetary position which has been derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of comprehensive income is recognised in the statement of profit or loss. During 2021, the resulting loss on the net monetary position for Emirates Lebanon Bank SAL was AED 1,491 million.

The comparative amounts in the consolidated financial statements presented in a stable currency are not adjusted for subsequent changes in the price level or exchange rates. Opening equity reported in the stable currency is affected by the cumulative effect of restating non-monetary items at the subsidiary level from the date they were first recognised and the effect of translating those balances to the closing rate. This resulted in a difference of AED 1,866 million between the closing equity of the previous year and the opening equity of the current year, and is recorded under equity.

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

### 2. Hyperinflation and basis of preparation (continued)

### a) Hyperinflation (continued)

| | September 2021 | | December 2020 | |
|---|---|---|---|---|
| | After hyperinflation AED'000 | Before hyperinflation AED'000 | After hyperinflation AED'000 | Before hyperinflation AED'000 |
| **ASSETS** | | | | |
| Cash and balances with central banks | 6,018,569 | 6,018,569 | 5,534,099 | 5,534,099 |
| Deposits and balances due from banks | 272,727 | 272,727 | 129,046 | 129,046 |
| Reverse-repo placements | - | - | 114,234 | 114,234 |
| Loans and advances, net | 20,328,911 | 20,328,911 | 19,455,607 | 19,455,607 |
| Investments measured at fair value | 505,972 | 505,972 | 420,978 | 420,978 |
| Investments measured at amortised cost | 4,222,791 | 4,222,791 | 4,240,833 | 4,240,833 |
| Investment properties | 850,567 | 850,567 | 767,594 | 767,594 |
| Intangible assets | 58,794 | 23,672 | 40,370 | 24,609 |
| Assets acquired in settlement of debt | 4,155,130 | 3,870,604 | 4,020,165 | 3,931,502 |
| Other assets | 1,346,437 | 1,349,303 | 868,248 | 868,248 |
| Derivative assets held for risk management | 15,882 | 15,882 | 49,730 | 49,730 |
| Property and equipment | 723,691 | 303,050 | 502,586 | 329,028 |
| **Total assets** | 38,499,471 | 37,762,048 | 36,143,490 | 35,865,508 |
| **LIABILITIES AND EQUITY** | | | | |
| **Liabilities** | | | | |
| Customers' deposits | 25,169,536 | 25,169,536 | 23,672,584 | 23,672,584 |
| Deposits and balances due to banks | 219,538 | 219,538 | 240,915 | 240,915 |
| Repo borrowings | 1,867,000 | 1,867,000 | 2,438,842 | 2,438,842 |
| Other liabilities | 2,099,581 | 1,988,966 | 1,655,840 | 1,614,143 |
| Derivative liabilities held for risk management | 20,711 | 20,711 | 15,941 | 15,941 |
| Issued bonds | 5,355,371 | 5,355,371 | 4,953,951 | 4,953,951 |
| **Total liabilities** | 34,731,737 | 34,621,122 | 32,978,073 | 32,936,376 |
| **Equity** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 2,200,000 | 2,200,000 | 2,100,000 | 2,100,000 |
| Statutory reserve | 1,050,000 | 1,050,000 | 1,050,000 | 1,050,000 |
| Contingency reserve | 640,000 | 640,000 | 640,000 | 640,000 |
| General and impairment reserve | 213,176 | 213,176 | 288,962 | 291,962 |
| Investment fair value reserve | (691,394) | (691,394) | (740,095) | (740,095) |
| Retained earnings/(accumulated losses) | 347,657 | (279,151) | (182,157) | (421,442) |
| **Equity attributable to equity holders of the Bank** | 3,759,439 | 3,132,631 | 3,156,710 | 2,920,425 |
| Non-controlling interests | 8,295 | 8,295 | 8,707 | 8,707 |
| **Total equity** | 3,767,734 | 3,140,926 | 3,165,417 | 2,929,132 |
| **Total liabilities and equity** | 38,499,471 | 37,762,048 | 36,143,490 | 35,865,508 |

**Notes to the condensed consolidated interim financial statements**
**for the nine-month period ended 30 September 2021**

## 2. Hyperinflation and basis of preparation (continued)

### a) Hyperinflation (continued)

**For the nine-month period ended 30 September**

| | 2021<br>After<br>hyperinflation<br>AED'000 | 2021<br>Before<br>hyperinflation<br>AED'000 | 2020<br>Hyperinflation not<br>applied*<br>AED'000 |
|---|---|---|---|
| Interest income | 952,644 | 876,105 | 909,836 |
| Interest expense | (539,413) | (534,998) | (619,784) |
| **Net interest income** | 413,231 | 341,107 | 290,052 |
| Net fee and commission income | 140,822 | 132,639 | 71,389 |
| Exchange profit | 8,180 | 6,129 | 147,688 |
| Income/(loss) on investments | 67,983 | 67,975 | (24,763) |
| Other income | 34,620 | 34,629 | 272,580 |
| **Operating income** | 664,836 | 582,479 | 756,946 |
| Net impairment loss on financial assets | (87,268) | (133,253) | (390,082) |
| **Net operating income** | 577,568 | 449,226 | 366,864 |
| Personnel expenses | (167,485) | (149,942) | (124,315) |
| Depreciation | (69,849) | (28,301) | (20,764) |
| Other expenses | (86,475) | (74,475) | (72,965) |
| Amortisation of intangible assets | (7,135) | (937) | (937) |
| Loss on monetary position | (1,491,158) | - | - |
| **(Loss)/profit before taxes** | (1,244,534) | 195,571 | 147,883 |
| Income tax expense - overseas | (55,846) | (20,513) | (19,498) |
| **Net (loss)/profit** | (1,300,380) | 175,058 | 128,385 |

*In the nine months ended 30 September 2020, IAS 29 *Financial Reporting in Hyperinflationary Economies* was not applicable.

The Lebanese authorities did not declare hyperinflation and thus the increase in income tax expense arises due to accounting of fixed assets under hyperinflation.

### b) Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard No. 34 - *Interim Financial Reporting ("IAS 34")* issued by the International Accounting Standards Board and the applicable provisions of UAE Federal Law No 2 of 2015 as amended by the Federal Decretal Law No. 26 of 2020 issued on 27 September 2020 and the Decretal Federal Law No. (14) of 2018.

The condensed consolidated interim financial statements are presented in U.A.E. Dirhams (AED) as that is the currency in which the majority of the Group's transactions are denominated.

**Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2021**

## 2. Hyperinflation and basis of preparation (continued)

### b) Basis of preparation (continued)

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

These condensed consolidated interim financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020. In addition, the 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.

*Basis of measurement*

The Lebanese economy is considered to be hyperinflationary. Accordingly, the results, cash flows and the financial position of the Emirates Lebanon Bank SAL have been expressed in terms of the measuring unit current at the reporting date.

## 3. Application of new and revised Standards

### 3.1 New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2021.

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these condensed consolidated financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these condensed consolidated financial statements.

| New and revised IFRS | Summary |
|---|---|
| Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases) | The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. |
| Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16 Leases) | The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. |

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2021.

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

## 3. Application of new and revised Standards (continued)

### 3.2 New and revised IFRS in issue but not yet effective and not early adopted

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 16 *Property, Plant and Equipment* relating to Proceeds before Intended Use<br>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. | 1 January 2022 |
| Annual Improvements to IFRS Standards 2018 – 2020<br>Makes amendments to the following standards:<br>• IFRS 1 First-Time Adoption of International Financial Reporting Standards – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.<br>• IFRS 9 Financial Instruments – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.<br>• IFRS 16 Leases – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.<br>• IAS 41 Agriculture – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. | 1 January 2022 |

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

### 3. Application of new and revised Standards (continued)

### 3.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IFRS 3 *Business Combinations* relating to Reference to the Conceptual Framework<br>The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. | 1 January 2022 |
| Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* relating to Onerous Contracts - Cost of Fulfilling a Contract<br>The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). | 1 January 2022 |
| IFRS 17 *Insurance Contracts*<br>IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023. | 1 January 2023 |

## 3. Application of new and revised Standards (continued)

### 3.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IFRS 17 *Insurance Contracts*<br>Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:<br>• Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023.<br>• Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.<br>• Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.<br>• Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.<br>• Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.<br>• Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.<br>• Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.<br>• Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.<br>• Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach. | 1 January 2023 |
| Amendments to IAS 1 *Presentation of Financial Statements* relating to Classification of Liabilities as Current or Non-Current<br>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. | 1 January 2023 |

## 3. Application of new and revised Standards (continued)

### 3.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IFRS 4 *Insurance Contracts* Extension of the Temporary Exemption from Applying IFRS 9<br>The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023. | 1 January 2023 |
| Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2<br>The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. | 1 January 2023 |
| Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*<br>The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. | 1 January 2023 |
| Amendments to IAS 12 *Income Taxes relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction*<br>The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences | 1 January 2023 |
| Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* 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. |

The Group anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated interim financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the condensed consolidated interim financial statements of the Group in the period of initial application.

### 3.3 Critical accounting judgments and key sources of estimation of uncertainty

The preparation of condensed consolidated 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.

## 3. Application of new and revised Standards (continued)

### 3.3 Critical accounting judgments and key sources of estimation of uncertainty (continued)

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

## 4. Financial risk management

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

## 5. Basis of consolidation

These condensed consolidated interim financial statements incorporate the condensed interim 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 its returns.

The condensed consolidated interim financial statements comprise the financial statements of the Bank and of the following subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

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 Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group'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 owners of the Group.

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

## 5. Basis of consolidation (continued)

The Bank's interests, held directly or indirectly, in the subsidiaries are as follows:

| Name of Subsidiary | Proportion of ownership interest 2021 | 2020 | Year of incorporation | Year of acquisition | Country of incorporation | Principal activities |
|---|---|---|---|---|---|---|
| Emirates Lebanon Bank S.A.L. | **100%** | 100% | 1965 | 2008 | Lebanon | Financial institution |
| El Capital FZC | **100%** | 100% | 2007 | 2017 | U.A.E. | Investment in a financial institution |
| BOS Real Estate FZC | **100%** | 100% | 2007 | 2007 | U.A.E. | Real estate development activities |
| BOS Capital FZC | **100%** | 100% | 2007 | 2007 | U.A.E. | Investment |
| Polyco General Trading L.L.C. | **100%** | 100% | 2008 | 2008 | U.A.E. | General trading |
| Borealis Gulf FZC | **100%** | 100% | 2010 | 2010 | U.A.E. | Investment & Real estate development activities |
| BOS Funding Limited | **100%** | 100% | 2015 | 2015 | Cayman Islands | Financing activities |
| Muwaileh Capital FZC | **90%** | 90% | 2010 | 2017 | U.A.E. | Developing of real estate & related activities |
| BOS Repos Limited | **100%** | 100% | 2018 | 2018 | Cayman Islands | Financing activities |
| BOS Derivatives Limited | **100%** | 100% | 2018 | 2018 | Cayman Islands | Financing activities |

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

### 6. Cash and balances with central banks

(a) The analysis of the Group's cash and balances with central banks is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Cash on hand | **214,326** | 163,768 |
| Statutory deposits (note 6.1) | **980,378** | 1,128,266 |
| Current accounts | **4,420,084** | 3,720,562 |
| Certificates of deposits | **1,135,774** | 1,231,611 |
| | **6,750,562** | 6,244,207 |
| Expected credit losses | **(731,993)** | (710,108) |
| | **6,018,569** | 5,534,099 |

(b) The geographical analysis of the cash and balances with central banks is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Banks abroad | **4,009,944** | 4,056,630 |
| Banks in the U.A.E. | **2,740,618** | 2,187,577 |
| | **6,750,562** | 6,244,207 |
| Expected credit losses | **(731,993)** | (710,108) |
| | **6,018,569** | 5,534,099 |

6.1 The Group is required to maintain statutory deposits with various central banks on demand, time and other deposits as per the statutory requirements. The statutory deposits with the central banks are not available to finance the day to day operations of the Group. However, as per notice 4310/2008, the Central Bank of the U.A.E. has allowed banks to borrow up to 100% of their AED and USD reserve requirement limit. As at 30 September 2021, the statutory deposits with the Central Bank of the U.A.E. amounted to AED 384 million (31 December 2020: AED 434 million).

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

## 7. Deposits and balances due from banks

(a) The analysis of the Group's deposits and balances due from banks is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Demand | **266,292** | 123,631 |
| Time | **8,702** | 7,032 |
| | **274,994** | 130,663 |
| Expected credit losses | **(2,267)** | (1,617) |
| | **272,727** | 129,046 |

(b) The geographical analysis of deposits and balances due from banks is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Banks abroad | **247,452** | 114,563 |
| Banks in the U.A.E. | **27,542** | 16,100 |
| | **274,994** | 130,663 |
| Expected credit losses | **(2,267)** | (1,617) |
| | **272,727** | 129,046 |

## 8. Reverse-repo placements

The analysis of the Group's repurchase agreements is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Banks in the U.A.E. | **-** | 115,386 |
| | **-** | 115,386 |
| Expected credit losses | **-** | (1,152) |
| | **-** | 114,234 |

As at 31 December 2020, the Group had entered into reverse-repo agreements under which bonds with fair value of AED 113 million were received as collateral against cash placements. The risks and rewards relating to these bonds remain with the counter parties. These reverse-repo agreements were matured during the nine-month period ended 30 September 2021.

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

## 9. Loans and advances, net

(a) The analysis of the Group's loans and advances measured at amortised cost is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Overdrafts | **5,644,630** | 5,797,403 |
| Commercial loans | **12,960,343** | 11,487,866 |
| Bills receivable | **2,539,497** | 2,943,203 |
| Other advances | **1,256,740** | 1,171,088 |
| Gross amount of loans and advances net of interest in suspense | **22,401,210** | 21,399,560 |
| Less: Expected credit losses | **(2,072,299)** | (1,943,953) |
| Net loans and advances | **20,328,911** | 19,455,607 |

(b) The geographic analysis of the gross loans and advances of the Group is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Loans and advances resident in the U.A.E. | **19,892,949** | 18,502,625 |
| Loans and advances non-resident in Lebanon | **1,665,414** | 1,666,555 |
| Loans and advances non-resident others | **842,847** | 1,230,380 |
| | **22,401,210** | 21,399,560 |

(c) **Impairment reserve**

In accordance with CBUAE circular, in case where provision under CBUAE guidance exceeds provision under IFRS 9, the excess is required to be transferred to impairment reserve. The details of the same are below:

| | **Bank 30 September 2021 AED'000 (unaudited)** | Bank 31 December 2020 AED'000 (audited) |
|---|---|---|
| ***Impairment reserve – Specific*** | | |
| Specific provisions and interest in suspense under Circular 28/2010 of CBUAE | **1,455,690** | 1,459,501 |
| Stage 3 provisions under IFRS 9* | **1,873,001** | 1,756,299 |
| Specific provision transferred to the impairment reserve | **-** | - |

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

## 9. Loans and advances, net (continued)

### (c) Impairment reserve (continued)

| | **Bank 30 September 2021 AED'000 (unaudited)** | Bank 31 December 2020 AED'000 (audited) |
|---|---|---|
| ***Impairment reserve – Collective*** | | |
| Collective provisions under Circular 28/2010 of CBUAE | **369,637** | 317,264 |
| Stage 1 and Stage 2 provisions under IFRS 9* | **156,461** | 128,302 |
| Collective provision transferred to the impairment reserve | **213,176** | 188,962 |

As at 30 September 2021, AED 24 million are transferred from retained earnings to impairment reserve (30 September 2020: AED 19 million were transferred from retained earnings to impairment reserve).

* Provisions under IFRS 9 are determined based on CB UAE classification of loans and advances, only for the purpose of this disclosure.

## 10. Investments measured at fair value and amortised cost

(a) The analysis of the Group's investments is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| **Investments measured at fair value** | | |
| **(i) Investments measured at FVTPL** | | |
| Quoted equity | **171,570** | 121,760 |
| | **171,570** | 121,760 |
| **(ii) Investments measured at FVTOCI** | | |
| Quoted equity | **141,044** | 94,818 |
| Unquoted equity | **163,988** | 175,042 |
| Debt securities | **99,692** | 99,680 |
| Expected credit losses | **(70,322)** | (70,322) |
| | **334,402** | 299,218 |
| **Total investments measured at fair value** | **505,972** | 420,978 |
| **Investments measured at amortised cost** | | |
| Debt securities | **4,336,450** | 4,354,187 |
| Expected credit losses | **(113,659)** | (113,354) |
| | **4,222,791** | 4,240,833 |
| **Total Investments** | **4,728,763** | 4,661,811 |

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

## 10. Investments measured at fair value and amortised cost (continued)

(a) The analysis of the Group's investments is as follows: (continued)

The majority of the quoted investments are listed on the securities exchanges in the U.A.E. (Abu Dhabi Securities Exchange and Dubai Financial Market). Included in the debt securities at amortised cost are AED 4 billion sukuks with Government of Sharjah renewed during the period for next 12 months.

Included in the debt securities measured at amortised cost are sukuks with the fair value of AED 2,334 million (31 December 2020 - AED 2,997 million) and are given as collateral against borrowings under repo agreements (Note 14).

(b) The composition of the investment portfolio by geography is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| United Arab Emirates | **4,490,727** | 4,402,156 |
| Middle East (other than G.C.C. countries) | **404,414** | 425,720 |
| Europe | **17,603** | 17,611 |
| | **4,912,744** | 4,845,487 |
| Expected credit losses | **(183,981)** | (183,676) |
| | **4,728,763** | 4,661,811 |

## 11. Other assets

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Acceptances – contra (Note 15) | **1,108,820** | 674,155 |
| Interest receivable | **52,646** | 41,150 |
| Prepayments | **11,851** | 10,580 |
| Clearing receivables and accrued income | **19,794** | 9,623 |
| Others | **153,326** | 132,740 |
| | **1,346,437** | 868,248 |

### 12. Customers' deposits

The analysis of customers' deposits is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Current and other accounts | **5,195,105** | 4,619,779 |
| Saving accounts | **734,285** | 897,183 |
| Time deposits | **19,240,146** | 18,155,622 |
| | **25,169,536** | 23,672,584 |

### 13. Deposits and balances due to banks

a) The analysis of deposits and balances due to banks is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Demand | **39,538** | 65,915 |
| Time | **180,000** | 175,000 |
| | **219,538** | 240,915 |

b) The geographical analysis of deposits and balances due to banks is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Banks in the U.A.E. | **198,337** | 237,614 |
| Banks abroad | **21,201** | 3,301 |
| | **219,538** | 240,915 |

## 14. Repo borrowing

The analysis of the repo borrowing agreements is as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Banks in the U.A.E. | **1,867,000** | 2,438,842 |
| | **1,867,000** | 2,438,842 |

The Group entered into repo agreements under which sukuks with fair value of AED 2,334 million (31 December 2020: AED 2,997 million) were given as collateral against borrowings [Note 10(a)]. The risks and rewards relating to these bonds remain with the Group. Included in the repo borrowing is AED 167 million related to Zero Cost Facility borrowed from CB UAE under the TESS program (31 December 2020: AED 334 million).

## 15. Other liabilities

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Acceptances – contra (Note 11) | **1,108,820** | 674,155 |
| Accrued expenses and others | **359,287** | 293,894 |
| Interest payable | **168,943** | 233,450 |
| ECL on unfunded exposure | **126,283** | 131,529 |
| Deferred tax liability | **110,614** | 41,697 |
| Lease liabilities | **79,419** | 86,700 |
| Provision for employees' end of service benefits | **52,808** | 48,056 |
| Clearing balances | **34,934** | 72,623 |
| Managers' cheques | **30,475** | 19,231 |
| Unearned income | **27,998** | 54,505 |
| | **2,099,581** | 1,655,840 |

## 16. Issued Bonds

On 28 February 2017, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 500 million (equivalent to AED 1,836 million) for a five-year maturity at mid swaps plus 225 basis points, to yield 4.23%. The Notes were issued under the Bank's Euro Medium Term Note ("EMTN") Programme which is listed on the Irish Stock Exchange.

On 8 August 2019, the Bank issued Senior Unsecured Floating Rate Notes, totalling USD 120 million (equivalent to AED 440.76 million) for a three-year maturity at three-month Libor plus 190 basis points, classified at amortized cost. The Notes were issued under the EMTN Programme.

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

### 16. Issued Bonds (continued)

On 11 September 2019, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 600 million (equivalent to AED 2,204 million) for a five-year maturity at mid swaps plus 250 basis points, to yield 4.015%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme which is listed on the Irish Stock Exchange.

On 4 November 2019, the Bank issued Senior Unsecured Fixed Rate Notes, totalling CHF 100 million (equivalent to AED 394 million) for a four-year maturity at mid swaps plus 205 basis points, to yield 1.4575%, classified at amortized cost. The Notes are listed on the SIX Swiss Exchange and were issued under the Bank's EMTN Programme.

On 15 February 2021, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 125 million (equivalent to AED 459.125 million) for a one-year maturity at mid swaps plus 180 basis points, to yield 2.0%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme.

The General Assembly on 3 June 2021, approved to renew the Bank's EMTN programme of USD 2.5 billion.

### 17. Net impairment loss on financial assets and credit risk

Allocation of impairment loss as of 30 September 2021 and 31 December 2020 is as follows:

| | Stage 1 AED'000 | Stage 2 AED'000 | Stage 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| **As at 30 September 2021 (unaudited)** | | | | |
| Cash and balances with central banks | **-** | **-** | **731,993** | **731,993** |
| Deposits and balances due from banks | **2,261** | **6** | **-** | **2,267** |
| Loans and advances | **228,996** | **796,923** | **1,046,380** | **2,072,299** |
| Investments measured at FVOCI | **-** | **-** | **70,322** | **70,322** |
| Investments measured at amortised cost | **6,340** | **-** | **107,319** | **113,659** |
| Unfunded exposure | **17,432** | **17,346** | **91,505** | **126,283** |
| **Total** | **255,029** | **814,275** | **2,047,519** | **3,116,823** |

| | Stage 1 AED'000 | Stage 2 AED'000 | Stage 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| **As at 31 December 2020 (audited)** | | | | |
| Cash and balances with central banks | - | - | 710,108 | 710,108 |
| Deposits and balances due from banks | 1,481 | 136 | - | 1,617 |
| Reverse repurchase agreements | 1,152 | - | - | 1,152 |
| Loans and advances | 289,678 | 760,970 | 893,305 | 1,943,953 |
| Investments measured at FVOCI | - | - | 70,322 | 70,322 |
| Investments measured at amortised cost | 4,086 | - | 109,268 | 113,354 |
| Unfunded exposure | 4,762 | 12,522 | 114,245 | 131,529 |
| Total | **301,159** | **773,628** | **1,897,248** | **2,972,035** |

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

### 17 Net impairment loss on financial assets and credit risk (continued)

The movement in impairment loss by financial asset category during the period ended 30 September 2021 is as follows:

| | **Opening balance AED'000** | **Net charge / (reversal) during the period AED'000** | **Direct recoveries AED'000** | **Closing balance AED'000** | Net charge during the period ended 30 September 2020 AED'000 |
|---|---|---|---|---|---|
| Cash and balances with central banks | **710,108** | **21,885** | **-** | **731,993** | 175,879 |
| Deposits and balances due from banks | **1,617** | **650** | **-** | **2,267** | (9,145) |
| Reverse-repo placements | **1,152** | **(1,152)** | **-** | **-** | (422) |
| Loans and advances | **1,943,953** | **128,346** | **(11,540)** | **2,072,299** | 77,782 |
| Investments measured at FVOCI and amortised cost | **183,676** | **305** | **-** | **183,981** | 100,390 |
| Unfunded exposure | **131,529** | **(5,246)** | **-** | **126,283** | 8,895 |
| **Total** | **2,972,035** | **144,788** | **(11,540)** | **3,115,015** | 390,082 |

The hyperinflation effect related to expected credit losses charge is negative AED 45,980 thousand (2020: Nil).

**The macro economic environment of a subsidiary in Lebanon**

Starting from the last quarter of 2019, Lebanon has been facing a political and economic instability. In order to protect the system and to mitigate the risks of the crisis, Lebanese banks have reviewed the limits on withdrawing US Dollars and restricted all international outgoing transfers to basic necessities. In addition to that, on 4 December 2019, the Central Bank of Lebanon issued a new circular which requires Lebanese banks to impose new caps on interest rates on deposits and pay depositors half the interest due on foreign currency holdings in Lebanese Pound. With a significant debt to GDP ratio, Lebanon's external debt has risen significantly, and it is facing turmoil. The sovereign credit risk rating started to witness consecutive downgrading by all major rating agencies to reach the level of default on 7 March 2020, when the Lebanese Government announced that it will withhold payment on the bonds due on 9 March 2020, followed by another announcement on 23 March 2020 for the discontinuation of payments on all of its US Dollars denominated Eurobonds. This led to a further deterioration in the market value of Lebanese Government bonds to reach junk status. The market value of all the other financial assets has also been adversely impacted.

Furthermore, sharp fluctuation in the foreign currency exchange rate and the creation of parallel markets with a wide range of price variances were witnessed in comparison to the official peg of LBP1,507.50 to the US Dollar.

### 17 Net impairment loss on financial assets and credit risk (continued)

The International Monetary Fund (IMF) publishes inflation forecasts. Applying the October 2020 IMF information and the indicators laid out in IAS 29, the Lebanese economy was considered a hyperinflationary economy for the purposes of applying IAS 29 and for retranslation of foreign operations in accordance with IAS 21 The Effect of Changes in Foreign Exchange Rates in the consolidated financial statements of the Group for the year ended 31 December 2020 and in the condensed consolidated interim financial statements for the nine months period ending 30 September 2021.

Consequently, the Group has adopted to apply IAS 29 Financial reporting in Hyperinflationary Economies to its subsidiary, Emirates Lebanon Bank SAL for financial reporting purposes for the nine months period ended 30 September 2021.

Starting 2020, the limitation on the USD Dollars have evolved whereby:

- The pre-crisis dollar deposits in commercial banks are restricted to internal use and are subject to a de facto capital control for external transfers and cash withdrawals as a result of equivalent funds being blocked by BDL pending a solution to the liquidity situation of BDL and the Government of Lebanon. Withdrawals in Lebanese pound equivalent at certain rates are possible at the option of the depositor.
- The dollar banknote and new dollar deposits (fresh dollars) are non-restricted and transferable. Most businesses need to access this dollar in order to import consumption and capital goods.

As a result of the above, these condensed consolidated interim financial statements have reflected adjustments including an increase in expected credit losses (and respective staging).

The Group continues to monitor the situation closely and the subsidiary continues to operate and has support from the Group.

*Sensitivity of consolidated financial statements to LBP exchange rates*

As explained above, assets and liabilities of Emirates Lebanon Bank S.A.L. as of 30 September 2021 and 31 December 2020 are included in the condensed consolidated interim financial statements of the Group and converted into the AED, which is pegged to the USD, at the official exchange rate of USD1 = LBP1,507.5 which significantly varies from the Central Bank of Lebanon (“BDL”) platform rate of USD1 =LBP3,900 (not widely used) or exchange rates in the parallel markets (available via various mechanisms) which amounted to USD1 =LBP 17,350 as at 30 September 2021 and USD1= LBP 8,412.5 as at 31 December 2020.

Below is a sensitivity analysis showing the effect on the condensed consolidated interim financial statements of the Group of converting the assets, liabilities and items of profit or loss of Emirates Lebanon Bank S.A.L. as at and for the period/year ended 30 September 2021 and 31 December 2020, respectively, at the BDL Platform rate and parallel markets rate as of period/year-end.

**Including Hyperinflation**

| **Exchange rate applied AED’ 000** | **Change in total assets AED’ 000** | **Change in total liabilities AED’ 000** | **Change in net profit AED’ 000** | **Change in equity AED’ 000** |
|---|---|---|---|---|
| USD1 = LBP 3,900 | (895,085) | (301,919) | 944,679 | (593,165) |
| % effect on group | (2%) | (1%) | (73%) | (16%) |
| USD1 = LBP 17,350 | (1,332,297) | (449,395) | 1,406,116 | (882,902) |
| % effect on group | (3%) | (1%) | (108%) | (23%) |

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

### 17 Net impairment loss on financial assets and credit risk (continued)

**Excluding Hyperinflation**

| Exchange rate applied AED' 000 | Change in total assets AED' 000 | Change in total liabilities AED' 000 | Change in net profit AED' 000 | Change in equity AED' 000 |
|---|---|---|---|---|
| USD1 = LBP 3,900 | (616,852) | (234,062) | (4,575) | (382,789) |
| % effect on group | (2%) | (1%) | (3%) | (12%) |
| USD1 = LBP 17,350 | (918,158) | (348,392) | (6,810) | (569,766) |
| % effect on group | (2%) | (2%) | (4%) | (18%) |

### 18. Transactions with owners and directors of the Group

**Bank of Sharjah**

*Dividends*
At the Annual General Meeting of the shareholders to approve the consolidated financial statements of 31 December 2020, held on 3 June 2021, the shareholders approved no cash dividends distribution (2019: no cash dividend distribution).

*Directors' remuneration*
At the Annual General Meeting of the shareholders to approve the consolidated financial statements of 31 December 2020, held on 3 June 2021, the shareholders of the Bank approved no Directors' remuneration (2019: no Directors' remuneration).

*Charity donations*
At the Annual General Meeting of the shareholders to approve the consolidated financial statements of 31 December 2020, held on 3 June 2021, the shareholders approved charitable donations of AED 7.5 million (2019: AED 7.5 million).

*Transfer to reserves*
At the Annual General Meeting of the shareholders held on 3 June 2021, the shareholders approved a transfer of AED 100 million from the General Reserve to Paid Up Capital as Bonus issue for 2020 of 4.76% (2019: None).

**Emirates Lebanon Bank**

At the Annual General Meeting of Emirates Lebanon Bank S.A.L, a subsidiary of the Bank, the shareholders approved directors' remuneration of AED 4.48 million.

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

### 19. Loss per share

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

| | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|---|---|---|---|---|
| | **2021 (unaudited)** | 2020 (unaudited) | **2021 (unaudited)** | 2020 (unaudited) |
| **Basic earnings per share** | | | | |
| Profit attributable to owners of the Bank for the period (AED'000) | **(833,333)** | 110,445 | **(1,299,968)** | 129,103 |
| Profit available to the owners of the Bank (AED'000) | **(833,333)** | 110,445 | **(1,299,968)** | 129,103 |
| Weighted average number of shares outstanding during the period (in thousands share) | **2,200,000** | 2,200,000 | **2,200,000** | 2,200,000 |
| **Basic earnings per share (AED)** | **(0.38)** | 0.050 | **(0.59)** | 0.059 |

As at 30 September 2021 and 30 September 2020, there were no potential dilutive shares outstanding. The weighted average number of shares for 30 September 2020 are adjusted to be comparable with the issuance of bonus shares.

### 20. Commitments and contingent liabilities

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Financial guarantees for loans | **262,156** | 295,439 |
| Other guarantees | **1,655,202** | 2,277,640 |
| Letters of credit | **1,516,961** | 1,375,540 |
| | **3,434,319** | 3,948,619 |
| Irrevocable commitments to extend credit | **1,112,814** | 1,454,998 |
| | **4,547,133** | 5,403,617 |

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

### 21. Cash and cash equivalents

| | **30 September 2021 AED'000 (unaudited)** | 30 September 2020 AED'000 (unaudited) |
|---|---|---|
| Cash and balances with central banks (Note 6) | **6,750,562** | 5,974,515 |
| Deposits and balances due from banks (Note 7) | **274,994** | 192,139 |
| Deposits and balances due to banks (Note 13) | **(219,538)** | (208,187) |
| Repo borrowings (Note 14) | **(1,867,000)** | (1,689,931) |
| | **4,939,018** | 4,268,536 |
| Less: Deposits with central banks and balances due from banks - original maturity more than three months | **(1,480,145)** | (1,296,496) |
| Less: Statutory deposits with central banks [Note 6(a)] | **(980,378)** | (1,019,465) |
| | **2,478,495** | 1,952,575 |

### 22. Other Income

Prior year other income includes an amount of AED 254 million generated from limited number of transactions with customers of the Group through its subsidiary in Lebanon that are infrequent and nonrecurring in nature.

### 23. Related party transactions

The Group enters into transactions with major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

Transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

The related parties' balances included in the condensed consolidated interim statement of financial position and the significant transactions with related parties are as follows:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Loans and advances | **771,579** | 704,331 |
| Letters of credit, guarantee and acceptances | **2,023** | 4,023 |
| | **773,602** | 708,354 |
| Collateral deposits | **863** | 15,500 |
| Net exposure | **772,739** | 692,854 |
| Other deposits | **2,451,717** | 3,136,976 |

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

### 23. Related party transactions (continued)

| | Nine-months period ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **AED'000** | AED'000 |
| | **(unaudited)** | (unaudited) |
| Interest income | **33,218** | 39,556 |
| Interest expense | **38,271** | 11,819 |

Compensation of Directors and key management personnel:

| | **2021** | 2020 |
|---|---|---|
| | **AED'000** | AED'000 |
| Short term benefits | **12,420** | 12,420 |
| End of service benefits | **644** | 644 |
| Total compensation | **13,064** | 13,064 |

### 24. Segmental information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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

(i) Commercial Banking, which principally provides loans and other credit facilities, deposits and current accounts for corporate, government, institutional and individual customers; and

(ii) Investment Banking, which involves the management of the Group's investment portfolio.

These segments are the basis on which the Group 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 consolidated interim financial statements for the nine-month period ended 30 September 2021 (continued)

### 24. Segmental information (continued)

The following table presents information regarding the Group's operating segments:

| | Commercial Banking AED'000 | Investment Banking AED'000 | Unallocated AED'000 | Total AED'000 |
|---|---|---|---|---|
| **30 September 2021 (unaudited):** | | | | |
| **Segment assets** | **27,384,042** | **5,983,137** | **5,132,292** | **38,499,471** |
| **Segment liabilities** | **28,364,894** | **5,355,371** | **1,011,472** | **34,731,737** |
| 31 December 2020 (audited): | | | | |
| Segment assets | 25,426,008 | 5,950,908 | 4,766,574 | 36,143,490 |
| Segment liabilities | 27,026,496 | 4,953,950 | 997,627 | 32,978,073 |

The following table presents information regarding the Group's operating segments for the nine -month period ended 30 September 2021 (unaudited):

| | Commercial Banking AED'000 | Investment Banking AED'000 | Unallocated* AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Revenue from external customers** | | | | |
| -Net interest income | **355,972** | **57,259** | **-** | **413,231** |
| -Net fee and commission income | **140,822** | **-** | **-** | **140,822** |
| -Exchange gain | **8,180** | **-** | **-** | **8,180** |
| -Income on investments | **-** | **67,983** | **-** | **67,983** |
| -Other income | **33,415** | **1,205** | **-** | **34,620** |
| **Operating income** | **538,389** | **126,447** | **-** | **664,836** |
| **Other material non-cash items** | | | | |
| -Net impairment loss on financial assets | **(65,383)** | **(21,885)** | **-** | **(87,268)** |
| - Loss on monetary position | **-** | **-** | **(1,491,158)** | **(1,491,158)** |
| -Depreciation of property and equipment | **-** | **-** | **(69,849)** | **(69,849)** |
| -General and administrative expenses | **(215,866)** | **(38,094)** | **-** | **(253,960)** |
| -Amortization of intangible assets | **-** | **-** | **(7,135)** | **(7,135)** |
| -Income tax expense– overseas | **-** | **-** | **(55,846)** | **(55,846)** |
| **Profit/(loss) for the period** | **257,140** | **66,468** | **(1,623,988)** | **(1,300,380)** |

** Unallocated items comprise mainly monetary adjustment related to hyperinflation, head office expenses and tax assets and liabilities of the overseas subsidiary*

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

### 24. Segmental information (continued)

The following table presents information regarding the Group's operating segments for the nine-months period ended 30 September 2020 (unaudited):

| | Commercial Banking AED'000 | Investment Banking AED'000 | Unallocated* AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Revenue from external customers** | | | | |
| -Net interest income | **263,486** | **26,566** | **-** | **290,052** |
| -Net fee and commission income | **71,389** | **-** | **-** | **71,389** |
| -Exchange profit | **147,688** | **-** | **-** | **147,688** |
| -Loss on investments | **-** | **(24,763)** | **-** | **(24,763)** |
| -Other income | **-** | **12,860** | **259,720** | **272,580** |
| **Operating income** | **482,563** | **14,663** | **259,720** | **756,946** |
| **Other material non-cash items** | | | | |
| -Net impairment charge on financial assets | **(113,813)** | **(276,269)** | **-** | **(390,082)** |
| -Depreciation of property and equipment | **-** | **-** | **(23,071)** | **(23,071)** |
| -General and administrative expenses | **(165,727)** | **(29,246)** | **-** | **(194,973)** |
| -Amortization of intangible assets | **-** | **-** | **(937)** | **(937)** |
| -Income tax expense– overseas | **-** | **-** | **(19,498)** | **(19,498)** |
| **Profit/(loss) for the period** | **203,023** | **(290,852)** | **216,214** | **128,385** |

** Unallocated items comprise mainly head office expenses and tax assets and liabilities of the overseas subsidiary*

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (30 September 2020: Nil). Transactions between segments, inter-segment cost of funds and allocation of expenses are not determined by management for the purpose of resource allocation. The accounting policies of the reportable segments are the same as the Group's accounting policies as disclosed in the consolidated financial statements for the year ended 31 December 2020.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments except for property and equipment, goodwill and other intangibles and certain amounts included in other assets; and

- All liabilities are allocated to reportable segments except for certain amounts included in other liabilities.

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

## 24. Segmental information (continued)

### Geographical information

The Group operates in two principal geographical areas - United Arab Emirates (country of domicile) and Lebanon (referred to as 'foreign').

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

| **2021** | **Country of domicile AED'000** | **Foreign AED'000** | **Total AED'000** |
|---|---|---|---|
| Operating income (from external customers) for the nine month period ended 30 September 2021 (unaudited) | **439,368** | **225,468** | **664,836** |
| Non-current assets as at 30 September 2021 (unaudited) | **5,161,883** | **990,525** | **6,152,408** |
| 2020 | | | |
| Operating income (from external customers) for the nine month period ended 30 September 2020 (unaudited) | 616,066 | 140,880 | 756,946 |
| Non-current assets as at 30 September 2020 (unaudited) | 5,427,456 | 208,912 | 5,636,368 |

## 25. Fair value of financial instruments

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

Other financial assets held at fair value through profit and loss

Investments held at fair value through profit and loss represent investment in securities that present the Group with opportunity for returns through dividend income, trading gains and capital appreciation. Included in these investments listed, debt and equity securities for which the fair values are based on quoted prices at close of business as at 30 September 2021.

Other financial assets held at fair value through other comprehensive income (unquoted)

Fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis and capitalisation of sustainable earnings basis or comparable ratios depending on the investment and industry. The valuation model includes some assumptions that are not supported by observable market prices or rates.

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

### 25. Fair value of financial instruments (continued)

Fair value of financial assets carried at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated interim financial statements approximate their fair values.

| | | **30 September 2021** | | 31 December 2020 | |
|---|---|---|---|---|---|
| | **Level** | **Carrying amount AED'000** | **Fair value AED'000** | Carrying amount AED'000 | Fair value AED'000 |
| ***Financial assets*** | | | | | |
| - Investments measured at amortised cost | **3** | **4,222,791** | **4,226,346** | 4,240,833 | 4,242,127 |
| - Loans and advances | **3** | **20,328,911** | **20,328,911** | 19,455,607 | 19,455,607 |
| ***Financial liabilities*** | | | | | |
| - Customers' deposits | **2** | **25,169,536** | **25,169,536** | 23,672,584 | 23,672,584 |
| - Issued Bonds | **2** | **3,494,703** | **3,575,319** | 3,057,269 | 3,167,603 |

The fair value for other financial assets measured at amortized cost is based on market prices.

Fair value measurements recognised in the condensed consolidated interim statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. They are ranked 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, including over-the-counter quoted 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 condensed consolidated interim financial statements for the nine-month period ended 30 September 2021 (continued)**

## 25. Fair value of financial instruments (continued)

Fair value measurements recognised in the condensed consolidated interim statement of financial position (continued)

| | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| **At 30 September 2021 (unaudited)** | | | | |
| ***Investments measured at fair value*** | | | | |
| ***Investment measured at FVTPL*** | | | | |
| Quoted equity | 171,570 | - | - | 171,570 |
| ***Investments carried at FVTOCI*** | | | | |
| Quoted equity | 141,044 | - | - | 141,044 |
| Unquoted equity | - | - | 163,988 | 163,988 |
| Unquoted debt securities | - | 29,370 | - | 29,370 |
| **Total** | **312,614** | **29,370** | **163,988** | **505,972** |
| ***Other financial liabilities measured at fair value*** | | | | |
| Issued bonds measured at FVTPL | | | | |
| Quoted debt securities | **1,860,668** | **-** | **-** | **1,860,668** |
| ***Other assets /liabilities*** | | | | |
| Positive fair value of derivatives | **-** | **15,882** | **-** | **15,882** |
| Negative fair value of derivatives | **-** | **(20,711)** | **-** | **(20,711)** |
| At 31 December 2020 (audited) | | | | |
| ***Other financial assets measured at fair value*** | | | | |
| ***Investment measured at FVTPL*** | | | | |
| Quoted equity | 121,760 | - | - | 121,760 |
| ***Investments carried at FVTOCI*** | | | | |
| Quoted equity | 94,818 | - | - | 94,818 |
| Unquoted equity | - | - | 175,042 | 175,042 |
| Unquoted debt securities | - | 29,358 | - | 29,358 |
| **Total** | 216,578 | 29,358 | 175,042 | 420,978 |
| ***Other financial liabilities measured at fair value*** | | | | |
| Issued bonds measured at FVTPL | | | | |
| Quoted debt securities | 1,896,682 | - | - | 1,896,682 |
| ***Other assets /liabilities*** | | | | |
| Positive fair value of derivatives | - | 49,730 | - | 49,730 |
| Negative fair value of derivatives | - | (15,941) | - | (15,941) |

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

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

## 25. Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of other financial assets measured at fair value:

| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
|---|---|---|
| Opening balance | **175,042** | 209,252 |
| Losses recognised in other comprehensive income | **(11,054)** | (34,210) |
| Closing balance | **163,988** | 175,042 |

## 26. Capital adequacy

The capital adequacy ratio is computed based on circulars issued by the U.A.E. Central Bank:

| | **Basel III** | |
|---|---|---|
| | **30 September 2021 AED'000 (unaudited)** | 31 December 2020 AED'000 (audited) |
| **Capital base** | | |
| Tier 1 capital | **2,928,728** | 2,723,616 |
| Tier 2 capital | **361,572** | 339,773 |
| **Total capital base** | **3,290,300** | 3,063,389 |
| **Risk-weighted assets:** | | |
| Credit risk | **28,925,741** | 27,181,855 |
| Market risk | **354,336** | 266,517 |
| Operational risk | **1,149,361** | 1,149,361 |
| **Total risk-weighted assets** | **30,429,438** | 28,597,733 |
| **Capital ratios** | | |
| Common equity Tier 1 capital ratio | **9.62%** | 9.52% |
| Tier 1 capital ratio | **9.62%** | 9.52% |
| Total capital ratio | **10.81%** | 10.71% |

## 27. Covid-19 and Expected Credit Loss (ECL)

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In response, governments and central banks have launched economic support and relief measures (including payment reliefs) to minimize the impact on individuals and corporates.

In the determination of Q3 2021 ECL, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the Covid-19 pandemic and taken into account the economic support and relief measures of governments and central banks. The Group has also considered the notices issued by the Central Bank of UAE with regards to the Targeted Economic Support Scheme (TESS) and guidance issued by the International Accounting Standards Board (IASB) on 27 March 2020 which was extended till 30 September 2021.

### Significant increase in Credit Risk (SICR)

Under IFRS 9, loans are required to be moved from Stage 1 to Stage 2 if and only if they have been the subject of a SICR since origination. A SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument.

The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.

During 2020, the Group has initiated a programme of payment relief for its impacted customers by deferring interest/principal due for a period of one month to nine months. These payment reliefs are considered as short-term liquidity to address borrower cash flow issues. The relief offered to customers may indicate a SICR. However, the Group 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. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constraints and a change in its lifetime credit risk. This approach is consistent with the expectations of the Central Bank of UAE as referred to in the TESS notice.

The accounting impact of the onetime 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.

### Forward Looking Information

In light of the current uncertain economic environment, the Group has assessed a range of possible macroeconomic scenarios and associated weightings, and analysed their impact on ECL estimates accordingly. The Group has incorporated Covid-19 impacted variables into its IFRS 9 calculations, including updated macro – economic forecasts, to reflect the impact of Covid-19.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

### Analysis of clients benefitting from payment deferrals

Zero Cost Funding under the CBUAE TESS program availed by the Group amounts to AED 167 million to provide payment relief to the impacted customers.

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

### 27. Covid-19 and Expected Credit Loss (ECL) (continued)

**Analysis of clients benefitting from payment deferrals (continued)**

As per the requirements of the Central Bank of UAE, the Group has divided its customers benefitting from payment deferrals into two groups as follows:

*Group 1: includes those customers that are not expected to face substantial changes in their creditworthiness, beyond liquidity issues and are temporarily and mildly impacted by the Covid-19 crisis.*

For these clients, the payment deferrals are believed to be effective and thus the economic value of the facilities is not expected to be materially affected. These customers will remain in their current IFRS 9 stage, at least for the duration of the crisis, or their distress, whichever is shorter.

*Group 2: includes those customers that are expected to face substantial changes in their creditworthiness, in addition to liquidity issues that will be addressed by payment deferrals.*

For these customers, there is sufficient deterioration in credit risk to trigger IFRS 9 stage migration. The Group continue to monitor the creditworthiness of these customers, particularly indications of potential inability to pay any of their obligations as and when they become due.

**Table 1(a): Deferrals information at beginning of the period**

Scope: Clients benefiting from deferrals in 2021 (TESS clients and non-TESS clients)

**Portfolio date: 1 January 2021**

| Segment | Stage | Group | Number of clients deferred | Payment deferrals AED'000 | Exposure AED'000 | Impairment allowance AED'000 |
|---|---|---|---|---|---|---|
| ***Retail banking*** | Stage 1 | Group 1 | 36 | 4,031 | 32,422 | 330 |
| **Total retail banking** | | | **36** | **4,031** | **32,422** | **330** |
| ***Wholesale banking*** | Stage 1 | Group 1 | 18 | 532,359 | 3,748,916 | 35,761 |
| | | Group 2 | 8 | 12,056 | 36,955 | 116 |
| | | | **26** | **544,415** | **3,785,871** | **35,877** |
| | Stage 2 | Group 1 | 8 | 100,035 | 605,492 | 114,871 |
| | | Group 2 | 10 | 213,963 | 1,331,944 | 196,305 |
| | | | **18** | **313,998** | **1,937,436** | **311,176** |
| **Total wholesale banking** | | | **44** | **858,413** | **5,723,307** | **347,053** |

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

### 27. Covid-19 and Expected Credit Loss (ECL) (continued)

**Table 1(b): Deferrals information during the period**

Scope: Clients benefiting from deferrals in 2021 (TESS clients and non-TESS clients)

**Portfolio date: 30 September 2021**

| Segment | Stage | Group | Number of clients deferred | Payment deferrals AED'000 | Exposure AED'000 | Impairment allowance AED'000 |
|---|---|---|---|---|---|---|
| ***Retail banking*** | Stage 1 | Group 1 | 27 | 4,194 | 26,255 | 674 |
| **Total retail banking** | | | **27** | **4,194** | **26,255** | **674** |
| ***Wholesale banking*** | Stage 1 | Group 1 | 16 | 556,361 | 3,489,503 | 36,117 |
| | | Group 2 | 7 | 65,860 | 218,753 | 3,640 |
| | | | **23** | **622,221** | **3,708,256** | **39,757** |
| | Stage 2 | Group 1 | 8 | 140,502 | 932,885 | 69,312 |
| | | Group 2 | 5 | 250,234 | 1,071,479 | 154,891 |
| | | | **13** | **390,736** | **2,004,364** | **224,203** |
| | Stage 3 | Group 1 | | | | |
| | | Group 2 | 1 | 42 | 261 | 170 |
| | | | **1** | **42** | **261** | **170** |
| **Total wholesale banking** | | | **37** | **1,012,999** | **5,712,881** | **264,130** |

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

### 27. Covid-19 and Expected Credit Loss (ECL) (continued)

**Table 2a: Stage migration for the nine-month period ended 30 September 2021**

Scope: All clients
Migration during the period

| | Non-credit impaired | | | | Credit impaired | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Exposure AED'000 | Impairment allowance AED'000 | Exposure AED'000 | Impairment allowance AED'000 | Exposure AED'000 | Impairment allowance AED'000 | Exposure AED'000 | Impairment allowance AED'000 |
| ***Retail banking loans*** | | | | | | | | |
| As of 1 January 2021 | 286,228 | 3,816 | 10,385 | 79 | 8,890 | 3,460 | **305,503** | **7,355** |
| Transfers from stage 1 to stage 2 | (24,368) | - | 24,368 | - | - | - | - | - |
| Transfers from stage 2 to stage 1 | 10,000 | - | (10,000) | - | - | - | - | - |
| Transfers from 1&2 to stage 3 | (315) | - | - | - | 315 | - | - | - |
| Change in exposure | (164,982) | 3,268 | 1,647 | 467 | 2,552 | 50 | **(160,783)** | **3,785** |
| **As of 30 September 2021** | **106,563** | **7,084** | **26,400** | **546** | **11,757** | **3,510** | **144,720** | **11,140** |
| ***Wholesale banking loans*** | | | | | | | | |
| As of 1 January 2021 | 12,593,333 | 285,862 | 5,796,366 | 760,891 | 2,704,358 | 889,845 | **21,094,057** | **1,936,598** |
| Transfers from stage 1 to stage 2 | (884,524) | (3,723) | 884,524 | 3,723 | - | - | - | - |
| Transfers from stage 2 to stage 1 | 615,515 | 46,026 | (615,515) | (46,026) | - | - | - | - |
| Transfers from 1&2 to stage 3 | (8) | - | (38,580) | (6,731) | 38,588 | 6,731 | - | - |
| Transfers from stage 3 | - | - | 1,076 | 186 | (1,076) | (186) | - | - |
| Change in exposure | 25,848 | (106,253) | 677,437 | 84,334 | 459,148 | 146,480 | **1,162,433** | **124,561** |
| **As of 30 September 2021** | **12,350,164** | **221,912** | **6,705,308** | **796,377** | **3,201,018** | **1,042,870** | **22,256,490** | **2,061,159** |
| **Total** | **12,456,727** | **228,996** | **6,731,708** | **796,923** | **3,212,775** | **1,046,380** | **22,401,210** | **2,072,299** |

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

### 27. Covid-19 and Expected Credit Loss (ECL) (continued)

**Table 2b: Stage migration for the nine-month period ended 30 September 2020**

Scope: All clients
Migration during the period

| | Non-credit impaired Stage 1 | | Stage 2 | | Credit impaired Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **Exposure** | **Impairment allowance** | **Exposure** | **Impairment allowance** | **Exposure** | **Impairment allowance** | **Exposure** | **Impairment allowance** |
| | **AED'000** | **AED'000** | **AED'000** | **AED'000** | **AED'000** | **AED'000** | **AED'000** | **AED'000** |
| ***Retail banking loans*** | | | | | | | | |
| As of 1 January 2020 | 184,223 | 3,291 | 34,199 | 53 | 8,140 | 2,478 | 226,562 | 5,822 |
| Transfers from stage 1 to stage 2 | (163) | - | 163 | - | - | - | - | - |
| Transfers from stage 2 to stage 1 | 1,826 | - | (1,826) | - | - | - | - | - |
| Transfers from 1&2 to stage 3 | (2,095) | - | (66) | - | 2,161 | - | - | - |
| Transfers from stage 3 | 420 | - | - | - | (420) | - | - | - |
| Change in exposure | 77,860 | (974) | (17,809) | (41) | (412) | 966 | 59,639 | (49) |
| **As at 30 September 2020** | 262,071 | 2,317 | 14,661 | 12 | 9,469 | 3,444 | 286,201 | 5,773 |
| ***Wholesale banking loans*** | | | | | | | | |
| As of 1 January 2020 | 12,561,456 | 405,441 | 4,139,539 | 607,198 | 2,652,821 | 826,161 | 19,353,816 | 1,838,800 |
| Transfers from stage 1 to stage 2 | (1,399,952) | (73,308) | 1,399,952 | 73,308 | - | - | - | - |
| Transfers from stage 2 to stage 1 | 703,161 | 14,588 | (703,161) | (14,588) | - | - | - | - |
| Transfers from 1&2 to stage 3 | (20,194) | (230) | (27,693) | (2,964) | 47,887 | 2,924 | - | (270) |
| Transfers from stage 3 | - | - | 443 | 243 | (443) | (243) | - | - |
| Change in exposure | 611,198 | (61,801) | 1,069,905 | 85,014 | 18,411 | 54,888 | 1,699,514 | 78,101 |
| **As at 30 September 2020** | 12,455,669 | 284,690 | 5,878,985 | 748,211 | 2,718,676 | 883,730 | 21,053,330 | 1,916,631 |
| **Total** | **12,717,740** | **287,007** | **5,893,646** | **748,223** | **2,728,145** | **887,174** | **21,339,531** | **1,922,404** |

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

### 27. Covid-19 and Expected Credit Loss (ECL) (continued)

**Table 2c: Stage migration for the three-month period ended 30 September 2021**
Scope: All clients
Migration during the quarter

| | Non-credit impaired | | | | Credit impaired | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Exposure AED'000 | Impairment allowance AED'000 | Exposure AED'000 | Impairment allowance AED'000 | Exposure AED'000 | Impairment allowance AED'000 | Exposure AED'000 | Impairment allowance AED'000 |
| ***Retail banking loans*** | | | | | | | | |
| As of 1 July 2021 | **251,786** | **5,127** | **35,065** | **8** | **7,872** | **4,473** | **294,723** | **9,608** |
| Transfers from stage 1 to stage 2 | (547) | - | 547 | - | - | - | - | - |
| Transfers from stage 2 to stage 1 | 9,426 | - | (9,426) | - | - | - | - | - |
| Transfers from 1&2 to stage 3 | (14) | - | (127) | - | 141 | - | - | - |
| Transfers from stage 3 | 2,907 | - | - | - | (2,907) | - | - | - |
| Change in exposure | (156,995) | 1,957 | 341 | 538 | 6,651 | (963) | **(150,003)** | **1,532** |
| **As of 30 September 2021** | **106,563** | **7,084** | **26,400** | **546** | **11,757** | **3,510** | **144,720** | **11,140** |
| ***Wholesale banking loans*** | | | | | | | | |
| As of 1 July 2021 | **12,588,323** | **191,881** | **6,220,478** | **740,632** | **3,103,297** | **1,073,612** | **21,912,098** | **2,006,125** |
| Transfers from stage 1 to stage 2 | (456,633) | (866) | 456,633 | 866 | - | - | - | - |
| Transfers from stage 2 to stage 1 | 165,269 | 8,668 | (165,269) | (8,668) | - | - | - | - |
| Transfers from 1&2 to stage 3 | - | - | (10,393) | (2,575) | 10,393 | 2,575 | - | - |
| Transfers from stage 3 | - | - | (29,475) | (5,510) | 29,475 | 5,510 | - | - |
| Change in exposure | 53,205 | 22,229 | 233,334 | 71,632 | 57,853 | (38,827) | **344,392** | **55,034** |
| **As of 30 September 2021** | **12,350,164** | **221,912** | **6,705,308** | **796,377** | **3,201,018** | **1,042,870** | **22,256,490** | **2,061,159** |
| **Total** | **12,456,727** | **228,996** | **6,731,708** | **796,923** | **3,212,775** | **1,046,380** | **22,401,210** | **2,072,299** |

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

### 27. Covid-19 and Expected Credit Loss (ECL) (continued)

**Table 2d: Stage migration for the three-month period ended 30 September 2020**
Scope: All clients
Migration during the quarter

| | Non-credit impaired | | | | Credit impaired | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Exposure AED'000 | Impairment allowance AED'000 | Exposure AED'000 | Impairment allowance AED'000 | Exposure AED'000 | Impairment allowance AED'000 | Exposure AED'000 | Impairment allowance AED'000 |
| ***Retail banking loans*** | | | | | | | | |
| As of 1 July 2020 | 201,650 | 2,517 | 13,817 | 1,283 | 25,281 | 3,060 | 240,748 | 6,860 |
| Transfers from stage 1 to stage 2 | (404) | - | 404 | - | - | - | - | - |
| Transfers from stage 2 to stage 1 | 8,878 | - | (8,878) | - | - | - | - | - |
| Transfers from 1&2 to stage 3 | (75) | - | (595) | - | 670 | - | - | - |
| Transfers from stage 3 | 16,848 | - | - | - | (16,848) | - | - | - |
| Change in exposure | 35,174 | (200) | 9,913 | (1,271) | 366 | 384 | 45,453 | (1,087) |
| **As of 30 September 2020** | 262,071 | 2,317 | 14,661 | 12 | 9,469 | 3,444 | 286,201 | 5,773 |
| ***Wholesale banking loans*** | | | | | | | | |
| As of 1 July 2020 | 12,189,003 | 282,595 | 5,668,189 | 736,623 | 3,002,537 | 876,893 | 20,859,729 | 1,896,111 |
| Transfers from stage 1 to stage 2 | (680,683) | (19,981) | 680,683 | 19,981 | - | - | - | - |
| Transfers from stage 2 to stage 1 | 813,172 | 34,720 | (813,172) | (34,720) | - | - | - | - |
| Transfers from 1&2 to stage 3 | (59) | - | (11) | (73) | 70 | 73 | - | - |
| Transfers from stage 3 | - | - | 6,508 | 2,018 | (6,508) | (2,018) | - | - |
| Change in exposure | 134,236 | (12,644) | 336,788 | 24,382 | (277,423) | 8,782 | 193,601 | 20,520 |
| **As of 30 September 2020** | 12,455,669 | 284,690 | 5,878,985 | 748,211 | 2,718,676 | 883,730 | 21,053,330 | 1,916,631 |
| **Total** | **12,717,740** | **287,007** | **5,893,646** | **748,223** | **2,728,145** | **887,174** | **21,339,531** | **1,922,404** |

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

### 27. Covid-19 and expected credit loss (ECL) (continued)

**Table 3a: ECL charge/(flow) for the nine-month period ended 30 September 2021**

Scope: All clients

**During the period**

| | Non-credit impaired Stage 1 AED'000 | Non-credit impaired Stage 2 AED'000 | Credit impaired Stage 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| ***Retail banking loans:*** | | | | |
| ECL allowance as of 1 January 2021 | 3,816 | 79 | 3,460 | 7,355 |
| Others | 3,268 | 467 | 50 | 3,785 |
| **ECL allowance as of 30 September 2021** | **7,084** | **546** | **3,510** | **11,140** |
| ***Wholesale banking loans:*** | | | | |
| ECL allowance as of 1 January 2021 | 285,862 | 760,891 | 889,845 | 1,936,598 |
| Emirates governments | (155) | - | - | (155) |
| GREs (Gov ownership >50%) | (3,624) | - | - | (3,624) |
| Other corporates | (36,071) | 72,199 | 126,561 | 162,689 |
| High net worth individuals | (1,510) | (52,134) | (70,282) | (123,926) |
| SMEs | 5,311 | 71,028 | 83,637 | 159,976 |
| Others | (27,901) | (55,607) | 13,109 | (70,399) |
| **ECL allowance as of 30 September 2021** | **221,912** | **796,377** | **1,042,870** | **2,061,159** |
| | **228,996** | **796,923** | **1,046,380** | **2,072,299** |

**Table 3b: ECL charge/(flow) for the nine-month period ended 30 September 2020**

Scope: All clients

**During the period**

| | Non-credit impaired Stage 1 AED'000 | Non-credit impaired Stage 2 AED'000 | Credit impaired Stage 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| ***Retail banking loans:*** | | | | |
| ECL allowance as of 1 January 2020 | 3,291 | 53 | 2,478 | 5,822 |
| Others | (974) | (41) | 966 | (49) |
| **ECL allowance as of 30 September 2020** | **2,317** | **12** | **3,444** | **5,773** |
| ***Wholesale banking loans:*** | | | | |
| ECL allowance as of 1 January 2020 | 405,441 | 607,198 | 826,161 | 1,838,800 |
| Emirates governments | 1,585 | - | - | 1,585 |
| GREs (Gov ownership >50%) | 2,843 | - | - | 2,843 |
| Other corporates | (115,469) | 42,339 | 42,171 | (30,959) |
| High net worth individuals | (11,207) | 94,346 | (10,390) | 72,749 |
| SMEs | 2,650 | 7,806 | 19,201 | 29,657 |
| Others | (1,153) | (3,478) | 6,587 | 1,956 |
| **ECL allowance as of 30 September 2020** | **284,690** | **748,211** | **883,730** | **1,916,631** |
| | **287,007** | **748,223** | **887,174** | **1,922,404** |

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

### 27. Covid-19 and expected credit loss (ECL) (continued)

**Table 3c: ECL charge/(flow) for the three-month period ended 30 September 2021**

Scope: All clients

**During the quarter**

| | Non-credit impaired | | Credit impaired | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **AED'000** | **AED'000** | **AED'000** | **AED'000** |
| ***Retail banking loans:*** | | | | |
| ECL allowance as of 1 July 2021 | 5,127 | 8 | 4,473 | 9,608 |
| Others | 1,957 | 538 | (963) | 1,532 |
| **ECL allowance as of 30 September 2021** | **7,084** | **546** | **3,510** | **11,140** |
| ***Wholesale banking loans:*** | | | | |
| ECL allowance as of 1 July 2021 | **191,881** | **740,632** | **1,073,612** | **2,006,125** |
| Emirates governments | (767) | - | - | (767) |
| GREs (Gov ownership >50%) | (2,416) | - | - | (2,416) |
| Other corporates | 29,446 | 38,035 | 4,718 | 72,199 |
| High net worth individuals | (220) | 19,109 | (75,710) | (56,821) |
| SMEs | 4,181 | 61,029 | 30,590 | 95,800 |
| Others | (193) | (62,428) | 9,660 | (52,961) |
| **ECL allowance as of 30 September 2021** | **221,912** | **796,377** | **1,042,870** | **2,061,159** |
| | **228,996** | **796,923** | **1,046,380** | **2,072,299** |

**Table 3d: ECL charge/(flow) for the three-month period ended 30 September 2020**

Scope: All clients

**During the quarter**

| | Non-credit impaired | | Credit impaired | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **AED'000** | **AED'000** | **AED'000** | **AED'000** |
| ***Retail banking loans:*** | | | | |
| ECL allowance as of 1 July 2020 | 2,517 | 1,283 | 3,060 | 6,860 |
| Others | (200) | (1,271) | 384 | (1,087) |
| **ECL allowance as of 30 September 2020** | **2,317** | **12** | **3,444** | **5,773** |
| ***Wholesale banking loans:*** | | | | |
| ECL allowance as of 1 July 2020 | 282,595 | 736,623 | 876,893 | 1,896,111 |
| Emirates governments | 1,373 | - | - | 1,373 |
| GREs (Gov ownership >50%) | 3,682 | - | - | 3,682 |
| Other corporates | (55,239) | (23,089) | (3,088) | (81,416) |
| High net worth individuals | 38,190 | 15,864 | 1,340 | 55,394 |
| SMEs | 14,089 | 18,813 | 7,677 | 40,579 |
| Others | - | - | 908 | 908 |
| **ECL allowance as of 30 September 2020** | **284,690** | **748,211** | **883,730** | **1,916,631** |
| | **287,007** | **748,223** | **887,174** | **1,922,404** |

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

### 28. Seasonality of results

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

### 29. Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on 14 November 2021.