# SHARJAH ISLAMIC BANK PJSC

## CONDENSED CONSOLIDATED
## INTERIM FINANCIAL STATEMENTS
## 30 September 2021

# SHARJAH ISLAMIC BANK PJSC

## Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK PJSC ("the Bank") and its subsidiaries (together referred as the "Group") for the nine month period ended 30 September 2021.

**Financial highlights**

The Group has reported a profit of AED 458 million for the nine month period ended 30 September 2021 compared to AED 353.4 million for the corresponding prior period, an increase of 29.6%.

Compared to 31 December 2020, total assets increased by AED 909.5 million to reach AED 54.5 billion, an increase of 1.7%. Investments in Islamic financing modestly increased by 1%, amounting AED 282.5 million to reach the total outstanding of AED 29.6 billion; however, customer deposits experienced a significant growth of 9.3% (AED 3.1 billion) to reach AED 36.7 billion. Shareholders' equity increased slightly to reach AED 7.7 billion as at 30 September 2021.

Abdul Rahman Mohammed Nasser Al Owais
Chairman
14 October 2021

# Review report on condensed consolidated interim financial statements to the board of directors of Sharjah Islamic Bank PJSC

## Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries (the "Group") as at 30 September 2021 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three month and nine month periods then ended, and condensed consolidated interim statements of cash flows and changes in equity for the nine month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

## Scope of our review

We conducted our review in accordance with the International Standards 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 statements are not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
16 October 2021

Douglas O'Mahony
Registered Auditor Number 834
Place: Dubai, United Arab Emirates

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Mohamed ElBorno, Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

**SHARJAH ISLAMIC BANK PJSC**
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 September 2021
(Currency: Thousands of U.A.E Dirhams)

| | *Notes* | **30 September 2021 Un-audited** | **31 December 2020 Audited** |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with banks and financial institutions | *6* | **3,273,133** | 3,391,498 |
| Murabaha and wakalah with financial institutions | *7* | **9,594,206** | 7,831,780 |
| Investment securities | *8* | **6,598,578** | 7,747,406 |
| Investment in Islamic financing | *9* | **29,551,079** | 29,268,559 |
| Investment properties | | **2,946,482** | 2,886,044 |
| Properties held-for-sale | | **675,498** | 653,083 |
| Other assets | | **934,308** | 897,361 |
| Property and equipment | *10* | **936,938** | 925,022 |
| **Total assets** | | **54,510,222** | **53,600,753** |
| | | | |
| **Liabilities and shareholders' equity** | | | |
| **Liabilities** | | | |
| Customer deposits | *11* | **36,734,546** | 33,608,308 |
| Due to banks | | **5,150,038** | 5,973,063 |
| Sukuk payable | *12* | **3,666,772** | 5,500,746 |
| Other liabilities | *13* | **1,248,941** | 806,856 |
| Zakat payable | | **1,683** | 66,422 |
| **Total liabilities** | | **46,801,980** | **45,955,395** |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | *14* | **3,081,598** | 3,081,598 |
| Tier 1 sukuk | | **1,836,500** | 1,836,500 |
| Legal reserve | | **1,508,508** | 1,508,508 |
| Statutory reserve | | **89,008** | 89,008 |
| General impairment reserve | | **90,508** | 112,371 |
| Fair value reserve | | **(12,974)** | 44,380 |
| Retained earnings | | **1,115,094** | 972,993 |
| **Total shareholders' equity** | | **7,708,242** | **7,645,358** |
| **Total liabilities and shareholders' equity** | | **54,510,222** | **53,600,753** |

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 14 October 2021.

Abdul Rahman Mohammed Nasser Al Owais
Chairman

Mohammed Ahmed Abdullah
Chief Executive Officer

The accompanying notes from pages 9 to 32 form an integral part of these condensed consolidated interim financial statements.

**SHARJAH ISLAMIC BANK PJSC**
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021
(Currency: Thousands of U.A.E. Dirhams)

| | **Three month period ended 30 September** | | **Nine month period ended 30 September** | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **Un-audited** | **Un-audited** | **Un-audited** | **Un-audited** |
| Income from investment in Islamic financing and sukuks | **414,109** | 427,249 | **1,250,066** | 1,281,368 |
| Distribution to depositors and sukuk holders | **(139,858)** | (191,460) | **(437,797)** | (583,012) |
| **Net income from financing and investment products** | **274,251** | **235,789** | **812,269** | **698,356** |
| Investment, fees, commission and other income *(note 15)* | **97,474** | 70,858 | **246,513** | 209,581 |
| **Total operating income** | **371,725** | **306,647** | **1,058,782** | **907,937** |
| General and administration expenses | **(136,147)** | (134,185) | **(405,919)** | (403,175) |
| **Net operating income before impairment provision** | **235,578** | **172,462** | **652,863** | **504,762** |
| Impairment on financial assets – net of recoveries | **(67,045)** | (70,282) | **(194,840)** | (151,380) |
| **Profit for the period** (Attributable to the shareholders of the Bank) | **168,533** | **102,180** | **458,023** | **353,382** |
| **Basic and diluted earnings per share (U.A.E. Dirhams)** | **0.06** | **0.03** | **0.15** | **0.11** |

The accompanying notes from pages 9 to 32 form an integral part of these condensed consolidated interim financial statements.

**SHARJAH ISLAMIC BANK PJSC**
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 September 2021
(Currency: Thousands of U.A.E. Dirhams)

| | **Three month period ended 30 September** | | **Nine month period ended 30 September** | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **Un-audited** | **Un-audited** | **Un-audited** | **Un-audited** |
| **Profit for the period** | **168,533** | **102,180** | **458,023** | **353,382** |
| **Other comprehensive income** | | | | |
| ***Items that will be reclassified to profit or loss*** | | | | |
| Change in fair value reserve on sukuk investments classified at FVTOCI | **(22,372)** | 40,735 | **(26,268)** | 25,871 |
| ***Items that will not be reclassified to profit or loss*** | | | | |
| Change in fair value reserve on equity investments classified at FVTOCI | **(7,173)** | 11,405 | **(25,108)** | (20,606) |
| **Total comprehensive income for the period** (Attributable to the shareholders of the Bank) | **138,988** | **154,320** | **406,647** | **358,647** |

The accompanying notes from pages 9 to 32 form an integral part of these condensed consolidated interim financial statements.

**SHARJAH ISLAMIC BANK PJSC**
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021
(Currency: Thousands of U.A.E. Dirhams)

| | Nine month period ended 30 September 2021 Un-audited | Nine month period ended 30 September 2020 Un-audited* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the period | **458,023** | 353,382 |
| Adjustments for: | | |
| - Depreciation | **35,700** | 36,802 |
| - Gain on sale of property and equipment | **(624)** | (111) |
| - Amortisation of sukuk issuance costs | **(2,276)** | (2,680) |
| - Provision charge on investment in Islamic financing | **155,066** | 148,169 |
| - Provision charge on investment securities | **31,323** | 850 |
| - Provision charge on other assets | **8,474** | 2,012 |
| - Provision charge on subsidiaries | **(23)** | 349 |
| - Revaluation on investment securities | **18,392** | 4,429 |
| - Gain on sale of properties held for sale | **(1,913)** | (6,517) |
| - Gain on sale of investment properties | **(7,054)** | - |
| - Gain on disposal of investment securities | **(14,931)** | (2,270) |
| **Operating profit before changes in operating assets and liabilities** | **680,157** | **534 ,415** |
| Changes in: | | |
| - Reserve with UAE Central Bank | **347,182** | 650,095 |
| - Murabaha and wakalah with financial institutions (as restated) | **401,176** | 153,153 |
| - Investments in Islamic financing | **(437,563)** | (4,541,341) |
| - Other assets | **(45,421)** | (51,035) |
| - Customer deposits | **3,126,238** | 5,291,637 |
| - Due to banks | **(814,093)** | 1,918,743 |
| - Zakat payable | **(64,739)** | (62,220) |
| - Other liabilities | **436,675** | (82,680) |
| **Net cash generated from operating activities** | **3,629,612** | **3,810,767** |
| **Cash flows from investing activities** | | |
| Acquisition of properties and equipment | **(48,817)** | (49,665) |
| Disposal of properties and equipment | **1,824** | 1,968 |
| Acquisition of investment properties | **(89,536)** | (93,058) |
| Disposal of investment properties | **105,567** | - |
| Acquisition of properties held-for-sale | **(135,119)** | (47,084) |
| Disposal of properties held-for-sale | **45,203** | 28,121 |
| Acquisition of investment securities | **(813,747)** | (2,397,351) |
| Disposal / redemption of investment securities | **1,876,415** | 515,637 |
| **Net cash from /(used in) investing activities** | **941,790** | **(2,041,432)** |

The accompanying notes from pages 9 to 32 form an integral part of these condensed consolidated interim financial statements.

| | Nine month period ended 30 September 2021 Un-audited | Nine month period ended 30 September 2020 Un-audited* |
|---|---|---|
| **Cash flows from financing activities** | | |
| Repayment of sukuk | **(1,831,698)** | (1,836,500) |
| Issuance of sukuk | **-** | 1,836,500 |
| Profit paid on tier 1 sukuk | **(91,825)** | (91,826) |
| Cash dividend | **(246,528)** | (146,743) |
| **Net cash used in financing activities** | **(2,170,051)** | **(238,569)** |
| | | |
| **Net increase in cash and cash equivalents** | **2,401,351** | **1,530,766** |
| Cash and cash equivalents at the beginning of the period (as restated) | **6,426,493** | 6,088,363 |
| **Cash and cash equivalents at the end of the period** | **8,827,844** | **7,619,129** |

| **Cash and cash equivalents** | **30 September 2021 Un-audited** | **30 September 2020 Un-audited** |
|---|---|---|
| Cash and balances with banks and financial institutions | **1,687,379** | 1,368,152 |
| Murabaha and wakalah with financial institutions | **7,145,386** | 6,298,108 |
| Due to banks | **(4,921)** | (47,131) |
| | **8,827,844** | **7,619,129** |

*Refer note 23 for disclosure on restatement.

The accompanying notes from pages 9 to 32 form an integral part of these condensed consolidated interim financial statements.

**SHARJAH ISLAMIC BANK PJSC**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTH PERIOD ENDED 30 September 2021

(Currency: Thousands of U.A.E. Dirhams)

| | ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Tier 1 sukuk** | **Legal reserve** | **Statutory reserve** | **General impairment reserve** | **Fair value reserve** | **Retained earnings** | **Total shareholders' equity** |
| **As at 1 January 2020 (Audited)** | **2,934,855** | **1,836,500** | **1,467,428** | **89,008** | **132,745** | **23,390** | **1,045,261** | **7,529,187** |
| **Total comprehensive income for the period** | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 353,382 | **353,382** |
| **Other comprehensive income** | | | | | | | | |
| Net change in fair value reserve | - | - | - | - | - | 5,265 | - | **5,265** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **5,265** | **353,382** | **358,647** |
| **Transactions recorded directly in equity** | | | | | | | | |
| Realised loss on equity investments measured at FVTOCI transferred to retained earnings | - | - | - | - | - | 260 | (260) | - |
| Transfer to general impairment reserve | - | - | - | - | 6,569 | - | (6,569) | - |
| Bonus issue | 146,743 | - | - | - | - | - | (146,743) | - |
| Dividends declared | - | - | - | - | - | - | (146,743) | **(146,743)** |
| Profit paid on tier 1 sukuk | - | - | - | - | - | - | (91,826) | **(91,826)** |
| Board of directors' fees | - | - | - | - | - | - | (5,410) | **(5,410)** |
| Total | **146,743** | **-** | **-** | **-** | **6,569** | **260** | **(397,551)** | **(243,979)** |
| **As at 30 September 2020 (Un-audited)** | **3,081,598** | **1,836,500** | **1,467,428** | **89,008** | **139,314** | **28,915** | **1,001,092** | **7,643,855** |
| **As at 1 January 2021 (Audited)** | **3,081,598** | **1,836,500** | **1,508,508** | **89,008** | **112,371** | **44,380** | **972,993** | **7,645,358** |
| **Total comprehensive income for the period** | | | | | | | | |
| Profit for the period | **-** | **-** | **-** | **-** | **-** | **-** | **458,023** | **458,023** |
| **Other comprehensive income** | | | | | | | | |
| Net change in fair value reserve | **-** | **-** | **-** | **-** | **-** | **(51,376)** | **-** | **(51,376)** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **(51,376)** | **458,023** | **406,647** |
| **Transactions recorded directly in equity** | | | | | | | | |
| Realised loss on equity investments measured at FVTOCI transferred to retained earnings | **-** | **-** | **-** | **-** | **-** | **(5,978)** | **5,978** | **-** |
| Cash dividends | **-** | **-** | **-** | **-** | **-** | **-** | **(246,528)** | **(246,528)** |
| Transfer to general impairment reserve | **-** | **-** | **-** | **-** | **(21,863)** | **-** | **21,863** | **-** |
| Profit paid on tier 1 sukuk | **-** | **-** | **-** | **-** | **-** | **-** | **(91,825)** | **(91,825)** |
| Board of directors' fees | **-** | **-** | **-** | **-** | **-** | **-** | **(5,410)** | **(5,410)** |
| Total | **-** | **-** | **-** | **-** | **(21,863)** | **(5,978)** | **(315,922)** | **(343,763)** |
| **As at 30 September 2021 (Un-audited)** | **3,081,598** | **1,836,500** | **1,508,508** | **89,008** | **90,508** | **(12,974)** | **1,115,094** | **7,708,242** |

The accompanying notes from pages 9 to 32 form an integral part of these condensed consolidated interim financial statements.

## 1. Legal status and activities

SHARJAH ISLAMIC BANK PJSC (the "Bank") was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates and is listed on the Abu Dhabi Securities Exchange. The Bank is engaged in banking, financing and investing activities in accordance with its articles of incorporation, Islamic Shari'a principles and regulations of the UAE Central Bank, which are carried out through its 35 branches (2020: 34 branches) established in the United Arab Emirates. The ultimate shareholder of the Bank is the Government of Sharjah.

At an extraordinary shareholder's meeting held on 18 March 2001, a resolution was passed to transform the Bank's activities to be in full compliance with Islamic Shari'a rules and principles. The entire process was completed on 30 June 2002 ("the transformation date"). As a result the Bank transformed its conventional banking products into Islamic banking products during the Six month period ended 30 June 2002 after negotiation and agreement with its customers.

The condensed consolidated interim financial statements of the Group comprise the Bank and its fully owned subsidiaries incorporated in the United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS) and ASAS Real Estate as well as special purpose vehicles established in the Cayman Islands, SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited, (all together referred to as "the Group"). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari'a compliant shares. ASAS is involved in the business of real estate. SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited were established for the Bank's Sukuk program.

The registered office of the Bank is Post Box No.4, Sharjah, United Arab Emirates.

## 2. Basis of preparation

### a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. Selected explanatory notes, are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2020. These condensed consolidated interim financial statements do not include all of the information required for a full set of annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended 31 December 2020.

### b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for the following material items in the condensed consolidated interim statement of financial position:

- financial assets at fair value through profit or loss (FVTPL);
- financial assets at fair value through other comprehensive income (FVTOCI); and
- investment properties at fair value.

## 2. Basis of preparation (continued)

### c) Functional and reporting currency

These condensed consolidated interim financial statements have been prepared in UAE Dirhams (AED), which is the Group's functional and presentation currency. All information presented in AED has been rounded to the nearest thousands, except when otherwise stated.

## 3. Significant accounting policies

The accounting policies applied by the Group in preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2020.

### New and revised IFRS adopted in the condensed consolidated interim financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these condensed consolidated interim financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

| New standards and significant amendments to standards applicable to the Group | Effective date |
|---|---|
| **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions**<br><br>As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. | 1 January 2021 |
| **Amendments to the conceptual framework**<br><br>The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.<br><br>Key changes include:<br>• increasing the prominence of stewardship in the objective of financial reporting<br>• reinstating prudence as a component of neutrality - defining a reporting entity, which may be a legal entity, or a portion of an entity<br>• revising the definitions of an asset and a liability<br>• removing the probability threshold for recognition and adding guidance on derecognition<br>• adding guidance on different measurement basis, and<br>• stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.<br><br>There is no impact on the Group's condensed consolidated interim financial statements for the nine month period ended 30 September 2021 due to the adoption of the above amendment. | 1 January 2021 |

**3. Significant accounting policies (continued)**

**New and revised IFRS adopted in the condensed consolidated interim financial statements (continued)**

| New standards and significant amendments to standards applicable to the Group (continued) | Effective date |
|---|---|
| **Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – interest rate benchmark (IBOR) reform** | 1 January 2021 |

In August 2020, the IASB issued Profit Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 Insurance contracts and IFRS 16 (Phase 2 Amendments). The Phase 2 Amendments address issues that arise upon replacing the existing profit rate benchmark with the alternative profit rates and introduces additional disclosure requirements. The Phase 2 Amendments provide two key reliefs:

- Modifications made as a direct result of the Reform on an economically equivalent basis are reflected prospectively in the effective profit rate rather than as an immediate gain or loss.
- If qualifying criteria are met, hedging relationships that are directly impacted by the Reform would be able to continue hedge accounting upon transition to alternative profit rates.

We are currently assessing the impact of the adoption of the Phase 2 Amendments on our condensed consolidated interim financial statements.

To manage our transition to alternative profit rates, we have implemented a comprehensive enterprise-wide program and governance structure that addresses the key areas of impact including contract remediation, funding and liquidity planning, risk management, financial reporting and valuation, systems, processes, customer education and communication. Transition activities are focused on conversion of existing EIBOR based Islamic financing contracts to alternative benchmark rates. Our transition timelines are ultimately dependent on broader industry acceptance of Islamic products that reference the new alternative benchmark and our customers' readiness and ability to adopt the replacement products. Significant matters that we continue to evaluate include legal and sharia impact assessment of new benchmark on Islamic financing contracts and short and long term funding strategies.

There are no other IFRSs, IFRIC interpretations or amendments to standards that were effective for the first time for the financial year beginning 1 January 2021 that have had a material impact on the Group's condensed consolidated interim financial statements for the nine month period ended 30 September 2021.

**3. Significant accounting policies (continued)**

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

| | **Effective date** |
|---|---|
| **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities**<br><br>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current**,** depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. | 1 January 2023 |
| **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**<br><br>The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. | 1 January 2023 |
| **Narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 9 and IFRS 16**<br><br>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.<br><br>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.<br><br>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.<br><br>Annual improvements make minor amendments to IFRS 9, 'Financial instruments', and the Illustrative Example accompanying IFRS 16, 'Leases'. | 1 January 2022 |

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

## 4. Key accounting estimates and judgments

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

In preparing these condensed consolidated interim financial statements, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2020.

### Impact of COVID-19

On 11 March 2020, the World Health Organisation ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. This note describes the impact of the outbreak on the Bank's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 September 2021.

### i) Credit risk management

In response to the COVID-19 outbreak, the Bank's Risk management division identified the vulnerable sectors that are significantly impacted by this stressed situation, and reviews are being conducted on a more frequent basis. The existing corporate credit lines are being reviewed and the utilization is being closely monitored. The Bank enjoys a well-diversified financing portfolio where Government and Government related entities (GRE) represent more than 35% (31 December 2020: 34%).

The Bank has been extra vigilant in underwriting to companies in the vulnerable sectors, especially for any New-to-Bank customers. Extra measures, such as requiring additional approvals for disbursals of facilities have been implemented to ensure a high level of scrutiny over the credit management process. The Bank is conducting frequent reviews of the Loan to Value ("LTV") ratios on the securities held against facilities, specifically securities which are illiquid in nature. Moreover, the management has reviewed all of its credit lending policies to address the current increasing economic risk for different sectors.

In addition to the above and as explained in note 4 (ii) liquidity risk management, as required by the Joint Guidance issued in April 2020 for clients benefitting from payment deferrals, the Bank has considered the following principles for the classification of the customers into Group 1 and Group 2":

## 4. Key accounting estimates and judgments (continued)

### Impact of COVID-19 (continued)

### i) Credit risk management (continued)

**Group 1: clients that are temporality 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 clients are expected to face liquidity constraints without substantial changes in their creditworthiness.

For these clients, the Bank holds the view that, despite being subject to payment deferrals, there is insufficient deterioration in credit quality to trigger a stage migration. These clients will remain in their current stage, at least for the duration of the crisis, or their distress, whichever is the shorter. For instance, this would apply to industries that are expected to rapidly return to normal business conditions as confinement policy decisions are over.

**Group 2: clients that are expected to be significantly impacted by Covid-19 in the long term:**

These are the clients whose businesses are directly impacted by COVID-19. These clients are expected to face changes in their creditworthiness beyond liquidity issues leading to deterioration in credit risk. Consequently, exposure from these clients is reported as stage 2.

Due to the possibility of later economic rebound, these clients are not expected to migrate to IFRS 9 stage 3 based on their financial performance during the period of the crisis. In exceptional circumstances, such stage 3 migration can be triggered by liquidation/ bankruptcy caused by non-financial events (such as fraud) or significant disruptions threatening the long-term sustainability of the clients' business model. Consequently, the Bank continues to monitor the creditworthiness of these clients, particularly indications of potential inability to pay any of their obligations as and when they become due.

As at 30 September 2021, the Bank has classified its clients awarded deferment into Group 1 and Group 2 (refer note 9.3).

### ii) Use of estimates and judgements

The Group is constantly monitoring the current pandemic situation as it unfolds, noting that there is uncertain economic data available to accurately evaluate the impact of the outbreak on the UAE economy, and on the Bank's financial position as at 30 September 2021. The Bank exercises significant judgement in assessing and estimating areas such as Expected Credit Losses. Given the uncertainty due to Covid-19 outbreak, the Bank has still taken the approach of implementing a judgmental overlay to the ECL model by changing its macroeconomic weightages. Going forward, the Bank will continue to monitor and evaluate the impact of the outbreak and will consider adjusting its ECL model in subsequent reporting periods, if required.

### Governance around IFRS 9 ECL models and calculations

Given the significant impact that the macro-economic scenarios and weightages will have on the Bank's Expected Credit losses, the Bank has further strengthened its processes, controls and governance frameworks around macro-economic forecasting and the computation of Expected Credit losses. The Bank's IFRS 9 Committee, which reports to the Executive Management, has primary responsibility for overseeing the Bank's ECL models. To ensure the ongoing integrity of ECL calculations during times of extreme uncertainty and volatility, the Bank's IFRS 9 Committee will be exercising oversight by conducting regular reviews of the portfolio. The committee will closely monitor the macro-economic inputs applied to the IFRS 9 model at the bank and recommend changes required over the period in the light of relevant information received. The committee will continually assess the performance of the Bank's portfolio, ensuring that credit risk behaviors align with the significant increase in credit risk policy and that the staging criteria remain relevant.

## 4. Key accounting estimates and judgments (continued)

### Impact of COVID-19 (continued)

### ii) Use of estimates and judgements (continued)

### Governance around IFRS 9 ECL models and calculations (continued)

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Although the macro-economic environment is recovering from the impact of COVID-19 and since the situation is still evolving, the Bank, being prudent, has assessed the impact of the crisis and used 0% weightage to the upward scenario as of 30 September 2021. Had adverse scenario been increased from 20% by another 10%, impairment loss allowance would increase by AED 25.9 million.

The Bank considers a range of possible outcomes and their respective probabilities, and to apply judgement in determining what constitutes reasonable and forward looking information. The volatility caused by the current situation has been reflected through adjustment in the methods of forward looking scenario construction. These adjustments reflect the macroeconomic overlays as suggested in the Joint Guidance Note on IFRS 9 by CBUAE. The most significant period-end assumptions used for ECL estimate includes next 5-year average oil price ranging between US$ 34.8/barrel to US$ 71.9/barrel, equity price index growth volatility ranging between -31% to 14%, non-oil UAE GDP range falling 6% to rising 6% and UAE CPI index ranging 0% to 4%.

Judgement is also required in estimating EAD, particularly for Islamic financing commitments, including letters of credit and guarantee, and revolving credit facilities such as credit cards, where deterioration in the macro economic environment is generally accompanied by an increase in the volumes and duration of the drawdowns. Credit conversion factor used by the Bank for unutilized limits has been set at 20%, thus stressing EAD to current situation.

The COVID 19 related impact on LGD, the Bank has computed ECL using stressed BASEL LGD of 60% for real estate, construction and contracting and consumer home financing. Islamic financing to individuals' accounts for 10% of the total gross portfolio; ECL on which has been computed based on stressed LGD of as high as 91.9%.

Management will continually monitor how the economic conditions change over the next reporting period and will re- evaluate the adequacy of downside weight, and adverse effect, if any, will be accounted for.

### iii) Liquidity risk management

The CBUAE has kept on supporting the banking sector by expanding the Targeted Economic Support Scheme (TESS), allowing UAE Banks to access zero cost funding from the CBUAE and give the advantage to the effected clients. Further, the gradual recuperation in the oil prices, real estate sector alongside restored admittance to the global capital business by GCC sovereigns and financial institutions have likewise facilitated to ease the concerns regarding GCC Governments' finances and banking sector's liquidity.

As at 30 September 2021, out of CBUAE's funding program of AED 50 billion, an amount of AED 370.8 million is earmarked for the Bank, maturing on 30 June 2022. The benefit has been passed onto customers in the form of payment reliefs (installment deferrals) and new financing facilities to industries impacted by COVID. The Bank continues to accrue profit on payment deferrals provided to the Ijara financing receivable customers and there will be no significant change to the present value of future cash flows due to these deferrals.

The Bank is closely monitoring its liquidity position and risks arising due to the COVID-19 crisis and is well prepared to cope up any unexpected liquidity scenario.

## 4. Key accounting estimates and judgments (continued)

### Impact of COVID-19 (continued)

#### iv) Fair value measurement of financial instruments

The Bank's existing policy on fair value measurement of financial instruments is disclosed in note 3 (b) (v) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2020.

Given the significant impact of the COVID-19 pandemic on the global financial markets, the bank is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario**.**

#### v) Investment properties

Based on management's assessment, the Bank has not identified any significant impact to the fair values of investment properties during the nine month period ended 30 September 2021. As the situation continues to unfold, the Bank will consistently monitor the market and ensure that the prices used by the Bank are an accurate representation of fair value in accordance with the requirements of IFRS 13.

#### vi) Capital adequacy initiatives

The outreaching impact of COVID 19 is expected to impact the Bank's Risk Weightage Assets via higher charges arising from increased volatility and higher counter party risks. The implementation of the requirements of IFRS 9 Expected Credit Losses in a less favorable economic outlook is expected to increase the credit risk weights of financing and also increase provision allowances and hence impacts the Bank's strong capital adequacy, which currently stands at 21.21% (31 December 2020: 20.71%). The Bank expects CAR in an extreme stressed scenario to remain well above the UAE banking sector average and the baseline and relaxed CBUAE BASEL III requirement of 13% and 11.5% respectively, including capital conservation buffer of 2.5%.

In order to relieve the pressure on financial institutions, the CBUAE, vide its official paper issued on 22 April 2020, has allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter aims to minimize the effect of IFRS 9 provisions on regulatory capital, in view of the expected volatility due to the COVID 19 crisis. The filter will allow Banks to partially add incremental ECL provisions back to their Tier 1 capital for the purpose of calculating capital adequacy ratios. Banks are however required to reverse this capital benefit in a gradual and phased manner over a period of 5 years (ending on 31 December 2024). The CBUAE has also granted extension of the capital buffer relief to 31 December 2021 for banks enrolled in the TESS program.

The Bank's Risk Committee, in liaison with the Risk Management department is constantly monitoring the developments in relation to the outbreak and is continually monitoring the Bank's ability to maintain adequate capital levels at all times, in both existing and stressed scenarios.

#### vii) Business continuity plan

In light of current scenarios caused by COVID 19, the Bank has activated its business continuity policy (BCP). In light of the BCP, the Bank has established a system of a secured remote access management system with dual authentication access and functioning of its operations, IT systems and client’s digital channels. For this purpose, the Bank has designed standard operating procedures which are duly followed. The Bank also has appropriate cyber security architecture to support its commercial assets and customers without any interruption to business activities through its comprehensive digital channels. Moreover, the bank has engaged with a third party to review the security of the current working environment.

#### viii) Concentration analysis

Please refer to note 9 to the condensed consolidated interim financial statements, which discloses the product and sector wise categorization of Investment in Islamic financing as at 30 September 2021.

## 5. Financial risk management

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

### a) Maximum exposure to credit risk

The table below is the maximum exposure to credit risk for the Group and is shown gross, before any mitigation of collateral.

| | 30 September 2021 (Un-audited) | | | |
|---|---|---|---|---|
| | ECL Staging | | | |
| | Stage 1 12 month | Stage 2 Lifetime | Stage 3 Lifetime | Total |
| ***Cash and balances with banks and financial institutions*** | **1,057,054** | **-** | **-** | **1,057,054** |
| Loss allowance | **(1)** | **-** | **-** | **(1)** |
| Carrying amount | **1,057,053** | **-** | **-** | **1,057,053** |
| ***Murabaha and wakalah with financial institutions*** | **4,597,390** | **-** | **-** | **4,597,390** |
| Loss allowance | **(3,184)** | **-** | **-** | **(3,184)** |
| Carrying amount | **4,594,206** | **-** | **-** | **4,594,206** |
| ***Investment securities measured at amortised cost*** | **4,685,854** | **101,898** | **62,337** | **4,850,089** |
| Loss allowance | **(3,690)** | **(23,786)** | **(62,337)** | **(89,813)** |
| Carrying amount | **4,682,164** | **78,112** | **-** | **4,760,276** |
| ***Investment securities measured at FVTOCI (excluding equity investments)*** | **1,241,202** | **-** | **-** | **1,241,202** |
| Loss allowance | **(835)** | **-** | **-** | **(835)** |
| Carrying amount | **1,240,367** | **-** | **-** | **1,240,367** |
| ***Investments in Islamic financing*** | **27,222,470** | **2,239,695** | **1,481,891** | **30,944,056** |
| Loss allowance | **(224,200)** | **(184,134)** | **(984,643)** | **(1,392,977)** |
| Carrying amount | **26,998,270** | **2,055,561** | **497,248** | **29,551,079** |
| ***Other assets (excluding non-financial assets)*** | **800,394** | **-** | **70,097** | **870,491** |
| Loss allowance | **(6,999)** | **-** | **(41,031)** | **(48,030)** |
| Carrying amount | **793,395** | **-** | **29,066** | **822,461** |
| **Net credit risk exposures relating to on-balance sheet assets** | **39,365,455** | **2,133,673** | **526,314** | **42,025,442** |
| ***Letter of credit and guarantee*** | **375,247** | **24,294** | **31** | **399,572** |
| Loss allowance | **(2,229)** | **(263)** | **-** | **(2,492)** |
| **Net credit risk exposures relating to off-balance sheet assets** | **373,018** | **24,031** | **31** | **397,080** |
| | **39,738,473** | **2,157,704** | **526,345** | **42,422,522** |
| **Gross credit risk exposure** | **39,979,611** | **2,365,887** | **1,614,356** | **43,959,854** |
| **Total ECL** | **(241,138)** | **(208,183)** | **(1,088,011)** | **(1,537,332)** |
| | **39,738,473** | **2,157,704** | **526,345** | **42,422,522** |

## 5. Financial risk management (continued)

### a) Maximum exposure to credit risk (continued)

| | 31 December 2020 (Audited) | | | |
|---|---|---|---|---|
| | ECL Staging | | | |
| | **Stage 1 12 month** | **Stage 2 Lifetime** | **Stage 3 Lifetime** | **Total** |
| ***Cash and balances with banks and financial institutions*** | 789,083 | - | - | 789,083 |
| Loss allowance | - | - | - | - |
| Carrying amount | **789,083** | **-** | **-** | **789,083** |
| ***Murabaha and wakalah with financial institutions*** | 2,883,120 | - | - | 2,883,120 |
| Loss allowance | (1,340) | - | - | (1,340) |
| Carrying amount | **2,881,780** | **-** | **-** | **2,881,780** |
| ***Investment securities measured at amortised cost*** | 5,417,332 | - | 62,337 | 5,479,669 |
| Loss allowance | (5,526) | - | (53,065) | (58,591) |
| Carrying amount | **5,411,806** | **-** | **9,272** | **5,421,078** |
| ***Investment securities measured at FVTOCI (excluding equity investments)*** | 1,192,418 | - | - | 1,192,418 |
| Loss allowance | (734) | - | - | (734) |
| Carrying amount | **1,191,684** | **-** | **-** | **1,191,684** |
| ***Investments in Islamic financing*** | 26,825,490 | 2,237,139 | 1,493,752 | 30,556,381 |
| Loss allowance | (264,019) | (135,049) | (888,754) | (1,287,822) |
| Carrying amount | **26,561,471** | **2,102,090** | **604,998** | **29,268,559** |
| ***Other assets (excluding non-financial assets)*** | 800,118 | - | 30,974 | 831,092 |
| Loss allowance | (8,461) | - | (30,974) | (39,435) |
| Carrying amount | **791,657** | **-** | **-** | **791,657** |
| **Net credit risk exposures relating to on-balance sheet assets** | **37,627,481** | **2,102,090** | **614,270** | **40,343,841** |
| ***Letter of credit and guarantee*** | 701,237 | 24,210 | 31 | 725,478 |
| Loss allowance | (2,389) | (53) | - | (2,442) |
| **Net credit risk exposures relating to off-balance sheet assets** | **698,848** | **24,157** | **31** | **723,036** |
| | **38,326,329** | **2,126,247** | **614,301** | **41,066,877** |
| **Gross credit risk exposure** | **38,608,798** | **2,261,349** | **1,587,094** | **42,457,241** |
| **Total ECL** | **(282,469)** | **(135,102)** | **(972,793)** | **(1,390,364)** |
| | **38,326,329** | **2,126,247** | **614,301** | **41,066,877** |

## 5. Financial risk management (continued)

### b) Capital adequacy

The capital adequacy ratio is based on Basel III and the Central Bank of the UAE (CBUAE) rules and guidelines:

| | 30 September 2021 Un-audited | 31 December 2020 Audited |
|---|---|---|
| ***Capital base*** | | |
| Common Equity tier 1 | **5,869,113** | 5,528,835 |
| Additional tier 1 capital | **1,836,500** | 1,836,500 |
| **Total tier 1 capital base** | **7,705,613** | **7,365,335** |
| **Total tier 2 capital base** | **449,857** | 441,619 |
| **Total capital base** | **8,155,470** | **7,806,954** |
| ***Risk weighted assets*** | | |
| Credit risk | **35,988,574** | 35,329,510 |
| Market risk | **205,034** | 111,831 |
| Operational risk | **2,262,468** | 2,262,468 |
| **Total risk weighted assets** | **38,456,076** | **37,703,809** |
| ***Capital Ratios*** | | |
| Common equity tier 1 ratio | **15.26%** | **14.66%** |
| Tier 1 capital ratio | **20.04%** | **19.53%** |
| Capital adequacy ratio | **21.21%** | **20.71%** |

## 6. Cash and balances with banks and financial institutions

| | | |
|---|---|---|
| Cash | **630,326** | 669,478 |
| Statutory deposit with CBUAE | **1,585,754** | 1,932,937 |
| Due from banks | **1,057,053** | 789,083 |
| | **3,273,133** | **3,391,498** |

Statutory deposit with CBUAE is non-profit bearing and not available to fund day to day operations of the Bank.

## 7. Murabaha and wakalah with financial institutions

| | | |
|---|---|---|
| Murabaha | **2,149,341** | 422,208 |
| Wakala arrangements | **7,444,865** | 7,409,572 |
| | **9,594,206** | **7,831,780** |

Wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting AED 5.0 billion *(31 December 2020: AED 4.9 billion).*

## 8. Investment securities

| | 30 September 2021 Un-audited | 31 December 2020 Audited |
|---|---|---|
| *Financial assets at fair value through profit or loss* | | |
| - Equity and funds | **176,175** | 41,148 |
| - Sukuk | **12,656** | 63,844 |
| | **188,831** | **104,992** |
| *Financial assets at fair value through other comprehensive income* | | |
| - Equity and funds | **409,104** | 1,029,652 |
| - Sukuk | **1,241,202** | 1,192,418 |
| | **1,650,306** | **2,222,070** |
| Less: Loss allowance on financial assets measured at FVTOCI | **(835)** | (734) |
| | **1,649,471** | **2,221,336** |
| *Financial assets measured at amortised cost* | | |
| - Sukuk | **4,850,089** | 5,479,669 |
| Less: Loss allowance on financial assets measured at amortised cost | **(89,813)** | (58,591) |
| | **4,760,276** | **5,421,078** |
| | **6,598,578** | **7,747,406** |

Sukuk held at amortised cost include AED 2,119 million *(31 December 2020: AED 3,076 million)* pledged against a collateralized commodity murabaha arrangement.

## 9. Investment in Islamic financing

**9.1** Investments in Islamic financing are secured by acceptable forms of collateral to mitigate the related credit risk. Investments in Islamic financing comprise the following:

### a) By product

| | | |
|---|---|---|
| Vehicle murabaha | **201,987** | 218,076 |
| Goods murabaha | **9,254,096** | 8,626,467 |
| Real estate murabaha | **17,511** | 32,358 |
| Other murabaha receivable | **708,704** | 560,861 |
| Syndicate murabaha | **1,404,877** | 1,352,097 |
| Gross murabaha financing | **11,587,175** | **10,789,859** |
| Deferred profit | **(1,097,984)** | (1,007,659) |
| Net murabaha financing | **10,489,191** | **9,782,200** |
| Ijarah | **16,993,214** | 17,296,420 |
| Qard hasan | **786,742** | 548,921 |
| Credit card receivables | **82,511** | 79,513 |
| Istisna | **2,592,398** | 2,849,327 |
| **Total investment in Islamic financing** | **30,944,056** | **30,556,381** |
| Provision for impaired financing receivables | **(1,392,977)** | (1,287,822) |
| **Net investment in Islamic financing** | **29,551,079** | **29,268,559** |

**9. Investments in Islamic financing (continued)**

**b) By sector**

| | 30 September 2021 Un-audited | 31 December 2020 Audited |
|---|---|---|
| Government departments and authorities | **11,276,624** | 10,926,792 |
| Construction and contracting | **682,885** | 823,149 |
| Manufacturing | **668,486** | 745,265 |
| Transportation | **1,329,612** | 1,523,434 |
| Real estate | **7,026,690** | 6,614,683 |
| Retail businesses | **549,668** | 600,189 |
| Trade | **1,504,597** | 1,655,858 |
| Financial institutions | **337,557** | 248,515 |
| Services and others | **1,364,876** | 1,254,170 |
| Individual | **3,220,644** | 3,053,764 |
| Consumer home finance | **1,156,802** | 1,456,580 |
| High net worth individuals | **2,923,599** | 2,661,641 |
| Deferred profit | **(1,097,984)** | (1,007,659) |
| Provision for impaired financing receivables | **(1,392,977)** | (1,287,822) |
| **Net investment in Islamic financing** | **29,551,079** | **29,268,559** |

**9.2** Reconciliations from the opening to the closing balance of the gross exposure at default (EAD) and loss allowance (ECL) for retail and corporate banking segment can be seen below:

| | 30 September 2021 (Un-audited) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Exposure | ECL | Exposure | ECL | Exposure | ECL | Exposure | ECL |
| Balance at the beginning of year | **26,825,490** | **264,019** | **2,237,139** | **135,049** | **1,493,752** | **888,754** | **30,556,381** | **1,287,822** |
| ***Retail banking*** | | | | | | | | |
| Transfer to Stage 1 | **33,052** | **5,242** | **(25,517)** | **(1,721)** | **(7,535)** | **(3,521)** | **-** | **-** |
| Transfer to Stage 2 | **(32,822)** | **(1,047)** | **32,822** | **1,047** | **-** | **-** | **-** | **-** |
| Transfer to Stage 3 | **(43,359)** | **(1,479)** | **(35,165)** | **(1,830)** | **78,524** | **3,309** | **-** | **-** |
| Net additions/repayments | **608,196** | - | **(3,434)** | - | **(19,874)** | - | **584,888** | - |
| Net re-measurement of loss allowance | - | **(43,471)** | **-** | **(409)** | - | **56,541** | - | **12,661** |
| Recoveries | **-** | **-** | **-** | **-** | **(3,385)** | **(3,097)** | **(3,385)** | **(3,097)** |
| Write-offs | **-** | **-** | **-** | **-** | **(1,780)** | **(1,780)** | **(1,780)** | **(1,780)** |
| ***Corporate banking*** | | | | | | | | |
| Transfer to Stage 1 | **116,414** | **4,413** | **(116,414)** | **(4,413)** | **-** | **-** | **-** | **-** |
| Transfer to Stage 2 | **(294,277)** | **(4,976)** | **294,277** | **4,976** | **-** | **-** | **-** | **-** |
| Transfer to Stage 3 | **(965)** | **(6)** | **(71,939)** | **(7,243)** | **72,904** | **7,249** | **-** | **-** |
| Net additions/repayments | **10,741** | **-** | **(72,074)** | **-** | **(81,758)** | **-** | **(143,091)** | **-** |
| Net re-measurement of loss allowance | - | **1,505** | - | **58,678** | - | **86,342** | - | **146,525** |
| Recoveries | **-** | **-** | **-** | **-** | **(1,527)** | **(1,724)** | **(1,527)** | **(1,724)** |
| Write-offs | **-** | **-** | **-** | **-** | **(47,430)** | **(47,430)** | **(47,430)** | **(47,430)** |
| Balance at the end of period | **27,222,470** | **224,200** | **2,239,695** | **184,134** | **1,481,891** | **984,643** | **30,944,056** | **1,392,977** |

**9. Investments in Islamic financing (continued)**

**9.2** Reconciliations from the opening to the closing balance of the gross exposure at default (EAD) and loss allowance (ECL) for retail and corporate banking segment can be seen below (continued)

| | **31 December 2020 (Audited)** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | | **Stage 2** | | **Stage 3** | | **Total** | |
| | **Exposure** | **ECL** | **Exposure** | **ECL** | **Exposure** | **ECL** | **Exposure** | **ECL** |
| Balance at the beginning of year | **23,555,984** | **194,801** | **1,354,745** | **113,428** | **1,350,541** | **810,149** | **26,261,270** | **1,118,378** |
| ***Retail banking*** | | | | | | | | |
| Transfer to Stage 1 | 14,125 | 809 | (10,710) | (809) | (3,415) | - | **-** | **-** |
| Transfer to Stage 2 | (50,007) | (1,375) | 50,007 | 1,375 | - | - | **-** | **-** |
| Transfer to Stage 3 | (110,130) | (2,917) | (23,717) | (1,135) | 133,847 | 4,052 | **-** | **-** |
| Net additions/repayments | (120,327) | - | (28,777) | - | 745 | - | **(148,359)** | **-** |
| Net re-measurement of loss allowance | - | 55,934 | - | 754 | - | 66,418 | **-** | **123,106** |
| Recoveries | - | - | - | - | (27,456) | (13,283) | **(27,456)** | **(13,283)** |
| Write-offs | - | - | - | - | (59,873) | (59,873) | **(59,873)** | **(59,873)** |
| ***Corporate banking*** | | | | | | | | |
| Transfer to Stage 1 | 82,045 | 6,592 | (82,045) | (6,592) | - | - | **-** | **-** |
| Transfer to Stage 2 | (889,086) | (8,447) | 889,217 | 8,447 | (131) | - | **-** | **-** |
| Transfer to Stage 3 | (97,491) | (1,627) | (216,003) | (21,541) | 313,494 | 23,168 | **-** | **-** |
| Net additions/repayments | 4,440,377 | - | 304,422 | - | (187,589) | - | **4,557,210** | **-** |
| Net re-measurement of loss allowance | - | 20,249 | - | 41,122 | - | 80,124 | **-** | **141,495** |
| Recoveries | - | - | - | - | (8,814) | (5,649) | **(8,814)** | **(5,649)** |
| Write-offs | - | - | - | - | (17,597) | (16,352) | **(17,597)** | **(16,352)** |
| Balance at the end of year | **26,825,490** | **264,019** | **2,237,139** | **135,049** | **1,493,752** | **888,754** | **30,556,381** | **1,287,822** |

**9.3 Analysis of customers benefiting from payment deferrals**

| **TESS and Non-TESS program deferrals** | **Corporate banking** | **Retail banking** | **Total** |
|---|---|---|---|
| **Group 1:** | | | |
| Investments in Islamic financing | **2,651,345** | **428,327** | **3,079,672** |
| ECL | **(55,388)** | **(8,360)** | **(63,748)** |
| Deferral amount | **353,673** | **28,705** | **382,378** |
| Number of customers | **56** | **1,828** | **1,884** |
| **Group 2:** | | | |
| Investments in Islamic financing | **819,100** | **56,538** | **875,638** |
| ECL | **(72,597)** | **(19,356)** | **(91,953)** |
| Deferral amount | **102,209** | **7,039** | **109,248** |
| Number of customers | **40** | **205** | **245** |

## 9. Investments in Islamic financing (continued)

### 9.4 Portfolio wise analysis of ECL during the period

| | 30 September 2021 (Un-audited) | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| ECL allowance as of 1 January 2021 (Audited) | **264,019** | **135,049** | **888,754** | **1,287,822** |
| *Retail banking* | | | | |
| Credit cards | **(448)** | **4** | **869** | **425** |
| Housing loans | **(18,918)** | **(2,692)** | **3,440** | **(18,170)** |
| Personal loans | **(19,647)** | **(231)** | **47,626** | **27,748** |
| Auto loans | **(1,742)** | **6** | **(483)** | **(2,219)** |
| *Corporate banking* | | | | |
| Government and related exposures | **(671)** | **(2,959)** | **-** | **(3,630)** |
| Other corporates | **159** | **5,783** | **57,332** | **63,274** |
| High net worth individuals | **189** | **38,370** | **(42,042)** | **(3,483)** |
| SMEs | **1,259** | **10,804** | **29,147** | **41,210** |
| ECL allowance as of 30 September 2021 (Un-audited) | **224,200** | **184,134** | **984,643** | **1,392,977** |

| | 31 December 2020 (Audited) | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| ECL allowance as of 1 January 2020 (Audited) | 194,801 | 113,428 | 810,149 | **1,118,378** |
| *Retail banking* | | | | |
| Credit cards | (7) | (29) | (1,068) | **(1,104)** |
| Housing loans | 10,152 | 200 | 14,090 | **24,442** |
| Personal loans | 43,088 | 22 | (13,197) | **29,913** |
| Auto loans | 856 | 45 | (2,137) | **(1,236)** |
| *Corporate banking* | | | | |
| Government and related exposures | 8,122 | - | - | **8,122** |
| Other corporates | 7,260 | 17,571 | 40,674 | **65,505** |
| High net worth individuals | 3,958 | (12,864) | 22,222 | **13,316** |
| SMEs | (4,211) | 16,676 | 18,021 | **30,486** |
| ECL allowance as of 31 December 2020 (Audited) | **264,019** | **135,049** | **888,754** | **1,287,822** |

## 10. Property and equipment

| | 30 September 2021 Un-audited | 31 December 2020 Audited |
|---|---|---|
| Freehold land and buildings | **776,618** | 786,540 |
| Equipment, furniture and fittings | **14,324** | 15,232 |
| Computer equipment | **56,795** | 48,984 |
| Motor vehicles | **2,525** | 502 |
| Right of use assets | **31,953** | 42,146 |
| Capital - work in progress | **54,723** | 31,618 |
| | **936,938** | **925,022** |

## 11. Customers' deposits

| | | |
|---|---|---|
| Current accounts | **10,910,320** | 8,801,886 |
| Saving accounts | **2,881,833** | 2,660,073 |
| Watany / call accounts | **985,896** | 729,395 |
| Time deposits | **21,476,979** | 20,736,776 |
| Margins | **479,518** | 680,178 |
| | **36,734,546** | **33,608,308** |

## 12. Sukuk payable

| Name of instrument | Maturity date | 30 September 2021 Un-audited | | 31 December 2020 Audited | |
|---|---|---|---|---|---|
| | | Carrying value | Profit rate | Carrying value | Profit rate |
| SIB Sukuk 2021 | 8 September 2021 | **-** | | 1,835,499 | 3.084% |
| SIB Sukuk 2023 | 17 April 2023 | **1,834,459** | 4.231% | 1,833,722 | 4.231% |
| SIB Sukuk 2025 | 23 June 2025 | **1,832,313** | 2.850% | 1,831,525 | 2.850% |
| **Total** | | **3,666,772** | | **5,500,746** | |

## 13. Other liabilities

| | 30 September 2021 Un-audited | 31 December 2020 Audited |
|---|---|---|
| Profit payable | **169,224** | 200,077 |
| Accrual and provision | **66,895** | 39,202 |
| Accounts payable | **174,448** | 64,474 |
| Provision for staff end of service benefits | **83,221** | 75,739 |
| Managers' cheques | **79,299** | 62,041 |
| Obligations under acceptances | **208,207** | 155,130 |
| Sundry creditors | **457,023** | 192,401 |
| Lease obligation | **10,624** | 17,792 |
| | **1,248,941** | **806,856** |

## 14. Share capital

The Bank's issued and fully paid up share capital comprises 3,081,597,750 shares of AED 1 each.

| | 30 September 2021 Un-audited | | 31 December 2020 Audited | |
|---|---|---|---|---|
| | No. of shares | Value | No. of shares | Value |
| Share capital | **3,081,597,750** | **3,081,598** | 3,081,597,750 | 3,081,598 |

## 15. Investment, fees, commission and other income

| | | 30 September 2021 Un-audited | 30 September 2020 Un-audited |
|---|---|---|---|
| Other investment income | | **12,463** | 11,860 |
| Fees and commissions | 15.1 | **144,473** | 118,557 |
| Rental income | | **8,771** | 5,646 |
| Income from dealing in foreign currencies | | **16,714** | 18,905 |
| Income from sale of properties held-for-sale | | **8,967** | 6,517 |
| Income from subsidiaries | | **55,125** | 48,096 |
| | | **246,513** | **209,581** |

### 15.1 Investment, fees, commission and other income

| | | |
|---|---|---|
| Fee and commission income | **176,217** | 144,283 |
| Fees and commissions expense | **(31,744)** | (25,726) |
| | **144,473** | **118,557** |

## 16 Segment reporting

The Group's activities comprise the following main business segments:

### a) Government and corporate

Within this business segment the Bank provides companies, institutions and government and government departments with a range of Islamic financial products and services. This includes exposure to high net worth individuals.

### b) Retail

The retail segment provides a wide range of Islamic financial services to individuals.

### c) Investment and treasury

This segment mainly includes wakalah deals with other financial institutions, investments securities, investment properties and other money market activities.

### d) Hospitality, brokerage and real estate

The Bank on its own and through its subsidiary ASAS provides real estate services, whereas SNH and SIFS provides hospitality and brokerage services respectively.

| **For the period ended 30 September 2021 (Un-audited)** | **Corporate and government** | **Retail** | **Investment and treasury** | **Hospitality, brokerage and real estate** | **Total** |
|---|---|---|---|---|---|
| **Consolidated statement of profit or loss:** | | | | | |
| Income from investments in Islamic financing and sukuks | **712,505** | **241,789** | **295,772** | **-** | **1,250,066** |
| Distribution to depositors and sukuk holders | **(221,998)** | **(28,965)** | **(186,834)** | **-** | **(437,797)** |
| **Net income from financing and investment products** | **490,507** | **212,824** | **108,938** | **-** | **812,269** |
| Investments, fees, commission and other income | **89,823** | **52,140** | **45,395** | **59,155** | **246,513** |
| **Total operating income** | **580,330** | **264,964** | **154,333** | **59,155** | **1,058,782** |
| General and administrative expenses | - | - | - | **(31,837)** | **(31,837)** |
| General and administrative expenses – unallocated | - | - | - | - | **(374,082)** |
| **Net operating income before impairment provision** | **580,330** | **264,964** | **154,333** | **27,318** | **652,863** |
| Impairment on financial assets – net of recoveries | **(124,844)** | **9,345** | **(79,011)** | **(330)** | **(194,840)** |
| **Profit for the period** | **455,486** | **274,309** | **75,322** | **26,988** | **458,023** |
| **As at 30 September 2021 (Un-audited)** | | | | | |
| **Consolidated statement of financial position:** | | | | | |
| **Assets** | | | | | |
| Segment assets | **24,089,517** | **4,715,311** | **23,902,374** | **1,263,657** | **53,970,859** |
| Unallocated assets | **-** | **-** | **-** | **-** | **539,363** |
| **Total assets** | **24,089,517** | **4,715,311** | **23,902,374** | **1,263,657** | **54,510,222** |
| **Liabilities** | | | | | |
| Segment liabilities | **29,135,790** | **6,146,306** | **11,020,770** | **97,027** | **46,399,893** |
| Unallocated liabilities | **-** | **-** | **-** | **-** | **402,087** |
| **Total liabilities** | **29,135,790** | **6,146,306** | **11,020,770** | **97,027** | **46,801,980** |

## 16. Segment reporting (continued)

| For the period ended 30 September 2020 (Un-audited) | Corporate and government | Retail | Investment and treasury | Hospitality, brokerage and real estate | Total |
|---|---|---|---|---|---|
| **Consolidated statement of profit or loss:** | | | | | |
| Income from investments in Islamic financing and sukuks | 705,856 | 249,084 | 326,428 | - | **1,281,368** |
| Distribution to depositors and sukuk holders | (332,953) | (29,800) | (220,259) | - | **(583,012)** |
| **Net income from financing and investment products** | 372,903 | 219,284 | 106,169 | - | **698,356** |
| Investments, fees, commission and other income | 79,056 | 44,420 | 31,492 | 54,613 | **209,581** |
| **Total operating income** | 451,959 | 263,704 | 137,661 | 54,613 | **907,937** |
| General and administrative expenses | - | - | - | (36,839) | **(36,839)** |
| General and administrative expenses – unallocated | - | - | - | - | **(366,336)** |
| **Net operating income before impairment provision** | 451,959 | 263,704 | 137,661 | 17,774 | **504,762** |
| Impairment on financial assets – net of recoveries | (51,416) | (76,768) | (21,255) | (1,941) | **(151,380)** |
| **Profit for the period** | **400,543** | **186,936** | **116,406** | **15,833** | **353,382** |
| | | | | | |
| **As at 31 December 2020 (Audited)** | | | | | |
| **Consolidated statement of financial position:** | | | | | |
| **Assets** | | | | | |
| Segment assets | 23,530,963 | 4,756,938 | 23,400,229 | 1,452,369 | **53,140,499** |
| Unallocated assets | - | - | - | - | **460,254** |
| **Total assets** | **23,530,963** | **4,756,938** | **23,400,229** | **1,452,369** | **53,600,753** |
| **Liabilities** | | | | | |
| Segment liabilities | 26,383,978 | 5,589,668 | 13,582,122 | 53,191 | **45,608,959** |
| Unallocated liabilities | - | - | - | - | **346,436** |
| **Total liabilities** | **26,383,978** | **5,589,668** | **13,582,122** | **53,191** | **45,955,395** |

### 17. Related parties

In the normal course of business, the Group enters into various transactions with enterprises and key management personnel which falls within the definition of related parties as defined in IAS 24. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. Other related parties includes balances due to/from entities under common control of either major shareholders or key management personnel. The related party transactions are executed at the terms agreed between the parties, which in the opinion of management, are not significantly different from those that could have been obtained from third parties.

At the reporting date, such significant balances include:

| | 30 September 2021 (Un-audited) | | | |
|---|---|---|---|---|
| **Condensed consolidated interim statement of financial position** | **Key management personnel** | **Major shareholders** | **Other related parties** | **Total** |
| Investment in Islamic financing | **282,714** | **2,234,573** | **6,157,262** | **8,674,549** |
| Investment securities | **-** | **1,290,726** | **-** | **1,290,726** |
| Customer deposits | **(88,344)** | **(2,867,493)** | **(3,119,771)** | **(6,075,608)** |
| Contingent liabilities – off balance sheet | **-** | **84** | **145,105** | **145,189** |
| **Condensed consolidated interim statement of profit or loss for the nine month period ended 30 September 2021 (Un-audited)** | | | | |
| Income from Islamic financing and investment securities | **6,625** | **97,904** | **162,586** | **267,115** |
| Depositors' share of profit | **(15)** | **(30,945)** | **(33,772)** | **(64,731)** |

| | 31 December 2020 (Audited) | | | |
|---|---|---|---|---|
| **Condensed consolidated interim statement of financial position** | **Key management personnel** | **Major shareholders** | **Other related parties** | **Total** |
| Investment in Islamic financing | 261,548 | 2,284,929 | 6,378,609 | **8,925,086** |
| Investment securities | | 1,310,431 | | **1,310,431** |
| Customer deposits | (102,336) | (3,122,601) | (2,608,216) | **(5,833,153)** |
| Contingent liabilities – off balance sheet | - | 6,825 | 79,434 | **86,259** |
| **Condensed consolidated interim statement of profit or loss for the nine month period ended 30 September 2020 (Un-audited)** | | | | |
| Income from Islamic financing and investment securities | 4,593 | 116,470 | 111,185 | **232,248** |
| Depositors' share of profit | (176) | (38,864) | (37,623) | **(76,663)** |

Key management compensation includes salaries and other short term benefits of AED 17.7 million for the nine month period ended 30 September 2021 (nine month period ended 30 September 2020: AED 17.3 million) and post-employment benefits of AED 2.2 million for the nine month period ended 30 September 2021 *(nine month period ended 30 September 2020: AED 1 million).*

## 18. Fair value measurement

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation function, which is independent of front office management and reports to the Investment Committee, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving valuation function;
- calibration and back-testing of models against observed market transactions at regular intervals;
- analysis and investigation of significant valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by Investment Committee.

Significant valuation issues are reported to the Investment Committee.

## 18. Fair value measurement (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **At 30 September 2021 (Un-audited)** | | | | |
| **Financial assets** | | | | |
| FVTPL – investment securities | **14,057** | **-** | **174,774** | **188,831** |
| FVTOCI – investment securities | **1,392,887** | **-** | **257,419** | **1,650,306** |
| | **1,406,944** | **-** | **432,193** | **1,839,137** |
| **Non-financial assets** | | | | |
| Investment properties at fair value | **-** | **-** | **2,946,482** | **2,946,482** |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **At 31 December 2020 (Audited)** | | | | |
| **Financial assets** | | | | |
| FVTPL – investment securities | 73,428 | - | 31,564 | 104,992 |
| FVTOCI – investment securities | 1,934,860 | - | 287,210 | 2,222,070 |
| | **2,008,288** | **-** | **318,774** | **2,327,062** |
| **Non-financial assets** | | | | |
| Investment properties at fair value | **-** | **-** | **2,886,044** | **2,886,044** |

Management considers that the carrying amounts of financial assets and financial liabilities, measured at amortised cost, recognised in the condensed consolidated interim financial statements approximate their fair values, other than sukuks measured at amortised cost for which the fair value is calculated using Level 1inputs.

There were no transfers of any financial asset in between any of the levels in fair value hierarchy nine month period ended 30 September 2021 and the year ended 31 December 2020.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for investment securities and investment properties:

| | 30 September 2021 Un-audited | | 31 December 2020 Audited | |
|---|---|---|---|---|
| **Financial assets** | **FVTPL** | **FVTOCI** | **FVTPL** | **FVTOCI** |
| Balance as at the beginning of the period / year | **31,563** | **287,210** | 31,273 | 224,347 |
| Fair value movement during the period / year | **(36)** | **(29,791)** | 291 | (15,334) |
| Additions during the period / year | **143,247** | **-** | - | 78,197 |
| **Balance at the end of the period / year** | **174,774** | **257,419** | **31,564** | **287,210** |

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

| **Non-financial assets** | **30 September 2021 Un-audited** | **31 December 2020 Audited** |
|---|---|---|
| Balance at the beginning of the period / year | **2,886,045** | 2,699,959 |
| Additions during the period / year | **89,536** | 178,922 |
| Transfer from held-for-sale during the period / year | **69,414** | 42,192 |
| Disposals during the period / year | **(98,513)** | - |
| Revaluation loss during the period / year | - | (35,029) |
| **Balance at the end of the period / year** | **2,946,482** | **2,886,044** |

During the nine month period ended 30 September 2021, the Group transferred a property of AED 69.4 million (nine month period ended 30 September 2020: Nil) from properties held for sale to investment properties. This has no impact on condensed consolidated interim statement of cash flows.

**Unobservable inputs used in measuring fair value**

The investment department constantly monitors the progress of its investments by conducting its own valuation assessment along with information provided by the fund manager. Depending on the nature of the underlying asset, quantitative methods are used such as residual value, DCF / scenario analysis or comparable market valuation. Qualitative methods which involve taking into consideration the market & economic outlook are also employed.

**The effect of unobservable input on fair value measurement**

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

| | **Effect on profit or loss** | | **Effect on OCI** | |
|---|---|---|---|---|
| | **Favorable** | **Unfavorable** | **Favorable** | **Unfavorable** |
| For the nine month period ended 30 September 2021 (Un-audited) | **17,617** | **(17,617)** | **40,910** | **(40,910)** |
| For the year ended 31 December 2020 (Audited) | **289,761** | **(289,761)** | **28,721** | **(28,721)** |

**19. Interim measurement**

The nature of the Group's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed consolidated interim financial statements were prepared based upon the accrual concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the period.

**20. Dividends**

During the annual general meeting of the shareholders held on 20 February 2021, a cash dividend of 8% of the paid up capital, amounting to AED 246.5 million was approved for the year ended 31 December 2020 (2020: 5% cash dividend and 5% stock dividend, each amounting to AED 146.7 million for the year ended 31 December 2019).

## 21. Contingencies and commitments

| | 30 September 2021 Un-audited | 31 December 2020 Audited |
|---|---|---|
| Letters of credit | **156,865** | 186,004 |
| Letters of guarantee | **1,958,622** | 1,931,246 |
| Capital commitments | **90,888** | 115,502 |

## 22. Subsequent events

There have been no events subsequent to the condensed consolidated interim statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial statements as at and for the nine month period ended 30 September 2021.

## 23. Restatement of comparatives in the condensed consolidated interim statement of cash flows

The condensed consolidated interim statement of cash flows was restated to correct presentation of cash and cash equivalents for the following adjustments**:**

- Following from the discussions at the IFRS International Interpretation Committee, it was concluded that certain amounts under "Due to banks" should not be shown as part of cash and cash equivalents. As such, the cash and cash equivalents balance as of 1 January 2020 increased with an amount of AED 1.3 billion.
- In the prior year, certain murabaha and wakala with financial institutions to the amount of AED 2.4 billion which had original maturity of less than 3 months should have been considered as part of cash and cash equivalents in the statement of cash flows for the year ended 31 December 2020 as these instruments were considered by the Group to be part of cash management of the Bank. The Group is therefore restating these balances to reflect these as part of cash and cash equivalents. This resulted in an increase in cash and cash equivalents and a decrease in operating cash flows.

The effect of the above on the cash and cash equivalents as of 1 January 2020 and the cash flows from operating activities for the nine month period ended 30 September 2020 is described below:

| | As previously disclosed | Increase / (Decrease) | As reclassified |
|---|---|---|---|
| **Cash and cash equivalents as of 1 January 2020** | | | |
| Cash and balances with banks and financial institutions | 761,491 | - | 761,491 |
| Murabaha and wakalah with financial institutions | 5,615,335 | - | 5,615,335 |
| Due to banks | (1,595,099) | 1,306,636 | (288,463) |
| | **4,781,727** | **1,306,636** | **6,088,363** |
| **Cash and cash equivalents as of 1 January 2020** ***(as disclosed in the condensed consolidated interim financial statements for the nine month period ended 30 September 2020)*** | **3,669,631** | **2,418,732** | **6,088,363** |
| **Cash flow from operating activities for the nine month period ended 30 September 2020** | | | |
| Murabaha and wakalah with financial institutions | **2,571,885** | **(2,418,732)** | **153,153** |

There is no impact of the above changes on other line items within the consolidated statement of cash flow or on the other primary statements as reported in these condensed consolidated interim financial statements.