



REVIEW REPORT AND INTERIM FINANCIAL INFORMATION

January 1, 2020 to September 30, 2020



The National Bank of Ras Al-Khaimah (P.S.C.)



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Review report on condensed consolidated interim financial information to the Board of Directors of The National Bank of Ras Al-Khaimah (P.S.C.)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2020 and the related condensed consolidated interim statements of profit or loss, comprehensive income for the three-month and nine-month periods then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month periods then ended, and other explanatory information. Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on the condensed consolidated interim financial information based on our review.

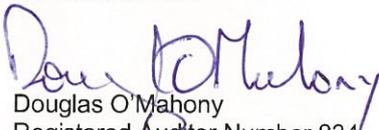
Scope of our review

We conducted our review in accordance with International Standards on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity". A review of condensed consolidated 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, "Interim Financial Reporting".

PricewaterhouseCoopers
22 October 2020


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Condensed consolidated interim statement of financial position as at 30 September 2020

	Notes	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
ASSETS			
Cash and balances with UAE Central Bank	4	3,612,021	4,785,504
Due from other banks, net	5	7,840,667	6,593,233
Investment securities, net	6	7,589,394	8,141,433
Loans and advances, net	7	30,420,950	34,550,563
Insurance contract assets and receivables, net		416,574	440,481
Customer acceptances		116,208	424,265
Other assets	8	1,236,483	1,009,125
Property and equipments		809,403	831,630
Right-of-use assets	31	119,562	176,939
Goodwill and other intangible assets		166,386	166,386
Total assets		52,327,648	57,119,559
LIABILITIES AND EQUITY			
Liabilities			
Due to other banks	9	4,405,269	4,977,055
Deposits from customers	10	34,204,591	36,826,360
Customer acceptances		116,208	424,265
Debt securities issued and other long term borrowing	11	3,610,690	4,888,881
Insurance contract liabilities and payables		557,154	556,374
Other liabilities	12	1,628,341	1,453,357
Lease liabilities	32	100,082	151,710
Total liabilities		44,622,335	49,278,002
Equity			
Share capital	13	1,676,245	1,676,245
Legal reserve		950,431	950,431
Retained earnings		1,948,524	2,015,353
Other reserves		3,090,034	3,161,700
Equity attributable to owners of the Bank		7,665,234	7,803,729
Non-controlling interests		40,079	37,828
Total equity		7,705,313	7,841,557
Total Liabilities and Equity		52,327,648	57,119,559



Peter William England
 Chief Executive Officer

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

Condensed consolidated interim statement of profit or loss (un-audited) for the period from 1 January 2020 to 30 September 2020

	Notes	Three months period ended 30 September		Nine months period ended 30 September	
		2020 (un-audited) AED'000	2019 (un-audited) AED'000	2020 (un-audited) AED'000	2019 (un-audited) AED'000
Interest income	16	576,290	800,159	1,980,687	2,378,285
Interest expense	16	(83,875)	(164,161)	(345,306)	(526,330)
Net interest income		492,415	635,998	1,635,381	1,851,955
Income from Islamic financing	17	131,192	133,363	431,857	371,085
Distribution to depositors	17	(22,524)	(57,225)	(103,488)	(131,383)
Net income from Islamic financing		108,668	76,138	328,369	239,702
Net interest income and net income from Islamic financing		601,083	712,136	1,963,750	2,091,657
Net fees and commission income	18	157,723	195,744	489,981	593,226
Foreign exchange & derivative income		50,426	59,974	149,611	182,039
Gross insurance underwriting profit		9,639	8,587	36,230	29,443
Investment income	19	20,984	9,135	59,477	42,806
Other operating income		12,666	19,025	57,397	59,156
Non-interest income		251,438	292,465	792,696	906,670
Operating income		852,521	1,004,601	2,756,446	2,998,327
General and administrative expenses	20	(325,692)	(394,662)	(1,031,633)	(1,175,024)
Operating profit before provision for credit loss		526,829	609,939	1,724,813	1,823,303
Provision for credit loss, net	21	(394,805)	(325,453)	(1,286,171)	(983,891)
Profit for the period		132,024	284,486	438,642	839,412
Attributed to:					
Owners of the Bank		130,890	284,615	436,044	839,126
Non-controlling interests		1,134	(129)	2,598	286
Profit for the period		132,024	284,486	438,642	839,412
Earnings per share:					
Basic and diluted in AED	22	0.08	0.17	0.26	0.50

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

Condensed consolidated interim statement of comprehensive income (un-audited) for the period from 1 January 2020 to 30 September 2020

	Three months period ended 30 September		Nine months period ended 30 September	
	2020 (un-audited) AED'000	2019 (un-audited) AED'000	2020 (un-audited) AED'000	2019 (un-audited) AED'000
Profit for the period	132,024	284,486	438,642	839,412
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Profit / (Loss) on sale of equity investments held at fair value through other comprehensive income	-	6,406	-	(11,162)
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (equity instruments)	19,728	(3,853)	(29,760)	19,004
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (debt instruments)	49,848	25,360	(25,692)	89,688
Loss / (profit) on sale of debt instruments transferred to profit and loss	(13,005)	(7,646)	(31,159)	(14,259)
Net changes in fair value arising from cash flow hedges	4,311	670	14,598	8,653
Other comprehensive income /(loss) for the period	60,882	20,937	(72,013)	91,924
Total comprehensive income for the period	192,906	305,423	366,629	931,336
Attributed to:				
Owners of the Bank	192,180	305,381	364,378	930,173
Non-controlling interests	726	42	2,251	1,163
Total comprehensive income for the period	192,906	305,423	366,629	931,336

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

Condensed consolidated interim statement of changes in equity for the period from 1 January 2020 to 30 September 2020

	Share capital AED'000	Legal reserve AED'000	Retained earnings AED'000	Other reserves AED'000	Equity attributable to owners of the Bank AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 31 December 2018 (audited)	1,676,245	950,431	1,479,856	3,007,575	7,114,107	45,868	7,159,975
Prior year adjustment related to insurance business	-	-	(25,427)	-	(25,427)	(6,665)	(32,092)
Restated opening balance as at 1 January 2019	1,676,245	950,431	1,454,429	3,007,575	7,088,680	39,203	7,127,883
Profit for the period	-	-	839,126	-	839,126	286	839,412
Other comprehensive income	-	-	(11,162)	102,209	91,047	877	91,924
Total comprehensive income for the period	-	-	827,964	102,209	930,173	1,163	931,336
Dividend paid	-	-	(502,873)	-	(502,873)	(2,285)	(505,158)
Directors' remuneration	-	-	(4,673)	-	(4,673)	-	(4,673)
At 30 September 2019 (un-audited)	1,676,245	950,431	1,774,847	3,109,784	7,511,307	38,081	7,549,388
Balance at 31 December 2019 (audited)	1,676,245	950,431	2,015,353	3,161,700	7,803,729	37,828	7,841,557
Profit for the period			436,044	-	436,044	2,598	438,642
Other comprehensive income				(71,666)	(71,666)	(347)	(72,013)
Total comprehensive income for the period			436,044	(71,666)	364,378	2,251	366,629
Dividend paid	-	-	(502,873)	-	(502,873)	-	(502,873)
At 30 September 2020 (un-audited)	1,676,245	950,431	1,948,524	3,090,034	7,665,234	40,079	7,705,313

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

Condensed consolidated interim statement of cash flows (un-audited) for the period from 1 January 2020 to 30 September 2020

	Nine months period ended 30	
	2020	2019
	(un-audited)	(un-audited)
	AED'000	AED'000
<i>Cash flows from operating activities</i>		
Profit for the period	438,642	839,412
Adjustments:		
Provision for credit losses, net	1,286,171	983,891
Depreciation of property and equipment	89,744	83,761
Depreciation of Right-of-use assets	27,368	29,135
Interest cost on lease liability	4,176	5,828
Gain on rent concessions due to COVID-19	(3,416)	-
Amortization of intangible assets	-	1,337
Loss /(gain) on disposal of property and equipment	299	(67)
Amortization of discount relating to investments securities	(104,661)	(86,959)
Gain on sale of investment securities	(63,525)	(24,065)
Fair value (gain)/loss on investments and hedges	(36,936)	1,460
Amortization premium of debt securities	7,360	13,172
	1,645,222	1,846,905
Changes in operating assets and liabilities		
Decrease in deposits with the UAE Central Bank	1,540,419	82,614
Decrease /(Increase) in due from other banks with original maturities of three month or over	460,776	(1,588,716)
Decrease /(Increase) in loans and advances, net	2,852,921	(2,659,105)
Decrease / (Increase) in insurance contract assets & receivables	18,916	(57,902)
Decrease/ (Increase) in other assets	80,629	(263,605)
Decrease in due to other banks	(571,786)	(55,503)
(Decrease) / increase in deposits from customers	(2,621,769)	2,316,207
Increase in insurance contract liabilities and payables	780	52,714
(Decrease) / Increase in other liabilities	(116,062)	632,013
Net cash generated from operating activities	3,290,046	305,622
<i>Cash flows from investing activities</i>		
Purchase of investment securities	(5,055,980)	(5,570,194)
Proceeds from maturity/disposal of investment securities	5,720,951	4,893,754
Purchase of property and equipment	(68,180)	(53,718)
Proceeds from disposal of property and equipment	366	67
Net cash generated from / (used in) investing activities	597,157	(730,091)
<i>Cash flows from financing activities</i>		
Dividends paid	(502,873)	(505,158)
Directors' remuneration	-	(4,673)
Payment for rentals on lease contracts	(22,310)	(30,576)
Payment of debt security and other borrowings	(1,285,550)	(2,562,803)
Issue of debt security and other borrowings	-	2,609,943
Net cash used in financing activities	(1,810,733)	(493,267)
Net increase / (decrease) in cash and cash equivalents	2,076,470	(917,736)
Cash and cash equivalents, beginning of the period	1,903,424	2,422,692
Cash and cash equivalents, end of the period (Note 24)	3,979,894	1,504,956

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

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020

1. Incorporation and Principal Activities

The National Bank of Ras Al-Khaimah (P.S.C.) [the “Bank”] is a public shareholding company incorporated in the Emirate of Ras Al-Khaimah in the United Arab Emirates (“UAE”). The head office of the Bank is located at the National Bank of Ras Al-Khaimah building, Al Rifa area, Exit No. 129, Sheikh Mohammed Bin Zayed Road, Ras Al-Khaimah, UAE.

The Bank is engaged in providing retail and commercial banking services through a network of twenty seven branches in the UAE.

At 30 September 2020, The National Bank of Ras Al-Khaimah (P.S.C) comprises the Bank and five subsidiaries (together referred to as the “Group”). The condensed consolidated interim financial information for the nine month period ended 30 September 2020 comprises the Bank and following direct subsidiaries:

<i>Subsidiary</i>	<i>Authorized & Ownership issued capital interest</i>		<i>Incorporated</i>	<i>Principal Activities</i>
Ras Al Khaimah National Insurance Company PSC	AED 121.275 million	79.23%	UAE	All type of insurance business.
BOSS FZCO	AED 500,000	80%*	UAE	Back office support services to the Bank.
RAK Technologies FZCO	AED 500,000	80%*	UAE	Technological support services to the Bank.
Rakfunding Cayman Limited	Authorized USD 50,000 Issued USD 100	100%	Cayman Islands	To facilitate the issue Euro medium term notes (EMTN) under the Bank’s EMTN program.
Rak Global Markets Cayman Limited	Authorized USD 50,000 Issued USD 1	100%	Cayman Islands	To facilitate Treasury transactions.

*These represent legal ownership of the Bank. However, beneficial ownership is 100% as the remaining interest is held by a related party on trust and for the benefit of the Bank.

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

2.1 New and revised IFRSs applied with no material effect on the consolidated financial information

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in this condensed consolidated interim financial information. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 3 - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- Amendments to IAS 1 and IAS 8 - These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform - These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.
- Amendments to Conceptual framework – The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
 - increasing the prominence of stewardship in the objective of financial reporting
 - reinstating prudence as a component of neutrality
 - defining a reporting entity, which may be a legal entity, or a portion of an entity
 - revising the definitions of an asset and a liability
 - removing the probability threshold for recognition and adding guidance on derecognition
 - adding guidance on different measurement basis, and
 - 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.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

- Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions - As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. 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.

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<i>New and revised IFRSs</i>	<i>Effective for annual periods beginning on or after</i>
IFRS 17 Insurance Contracts	January 1, 2023
IFRS 17 requires insurance liabilities to be measured at a current fulfilment 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.	
Amendments to IAS 1	January 1, 2022
Presentation of financial statements on classification of liabilities - 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.	

**Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – 1 January 2021
interest rate benchmark (IBOR) reform**

The Phase 2 amendments that were issued on 27 August 2020 address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform (for example, where lease payments are indexed to an IBOR rate). The management is running a project on the transition activities and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated interim financial information as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, may have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

3. Significant accounting policies

The significant accounting policies applied in the preparation of this condensed consolidated interim financial information are set out below. These policies have been consistently applied for the period/years presented, unless otherwise stated.

(a) Basis of preparation

The condensed consolidated interim financial information of the Group is prepared under the historical cost basis except for certain financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The condensed consolidated interim financial information is prepared in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"), issued by the International Accounting Standard Board (IASB) and also complies with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2019.

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to financial assets, cash and cash equivalents, Islamic financing and investing assets and investment properties have been disclosed in the condensed consolidated interim financial information.

The condensed consolidated interim financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2019. In addition, results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

(b) Consolidation

The condensed consolidated financial information incorporates the condensed consolidated financial information of National Bank of Ras Al-Khaimah (P.S.C.) and its subsidiaries (collectively referred to as "Group").

i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

3. Significant accounting policies (continued)

(b) Consolidation (continued)

ii) Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

iii) Acquisition accounting

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest, and the Group allocates the purchase price to these net assets acquired. The measurement period for purchase price allocations ends as soon as information on the facts and circumstances becomes available but does not exceed 12 months. The Group policy is aligned with that laid out in IFRS 3.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services which are charged to the income statement.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date.

(c) Islamic financing

The Group engages in Shari'ah compliant Islamic banking activities through various Islamic instruments such as Murabaha, Salam, Mudaraba, and Wakala. The accounting policy for initial recognition, subsequent measurement and derecognition of Islamic financial assets and liabilities are below:

i) Murabaha financing

A sale contract whereby the Group sells to a customer commodities and other assets at an agreed upon profit mark up on cost. The Group purchases the assets based on a promise received from customer to buy the item purchased according to specific terms and conditions. Profit from Murabaha is quantifiable at the commencement of the transaction. Such income is recognized as it accrues over the period of the contract on effective profit rate method on the balance outstanding.

3. Significant accounting policies (continued)

(c) Islamic financing (continued)

ii) Salam

Bai Al Salam is a Sale contract where the Customer (Seller) undertakes to deliver/supply a specified tangible asset to the Group (Buyer) at mutually agreed future date(s) in exchange for an advance price fully paid on the spot by the buyer.

Revenue on Salam financing is recognized on the effective profit rate basis over the period of the contract, based on the Salam capital outstanding.

iii) Mudaraba

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal- customer) and the other party (the Mudarib- the Group) invests the funds in a project or a particular activity and any profits generated are distributed between the parties according to the profit shares that were pre-agreed in the contract. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba, otherwise, losses are borne by the Rab Al Mal.

iv) Wakala

An agreement between the Group and customer whereby one party (Rab Al Mal - principal) provides a certain sum of money to an agent (Wakil), who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala. The Group may be Wakil or Rab Al Mal depending on the nature of the transaction.

Estimated income from Wakala is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

v) Ijara

Ijara financing is a finance lease agreement whereby the Group (lessor) leases an asset based on the customer's (lessee) request and promise to lease the assets for a specific period in lieu of rental instalments. Ijara ends in transferring the ownership of the asset to the lessee at the end of the lease inclusive of the risks and rewards incident to an ownership of the leased assets. Ijara assets are stated at amounts equal to the net investment outstanding in the lease including the income earned thereon less impairment provisions.

(d) Cash and cash equivalents

In the condensed consolidated statement of cash flows, cash and cash equivalents include cash on hand, money in current and call accounts and placements with original maturity of less than three months excluding the statutory deposit required to be maintained with the UAE Central Bank.

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

4. Cash and balances with UAE Central Bank

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Cash in hand	672,667	867,233
Overnight placement with UAE Central bank	650,000	-
Balances with the UAE Central Bank	190,866	279,364
Statutory deposit with the UAE Central Bank (a)	1,773,488	3,238,907
Certificates of deposit with the UAE Central Bank (b)	325,000	400,000
	3,612,021	4,785,504

- (a) The statutory deposit with the UAE Central Bank is not available to finance the day to day operations of the Group.
- (b) Central bank certificates of deposit with value of AED 291.76 million have been given as collateral for zero cost repurchase agreement of AED 291.76 million under UAE Central bank Targeted Economic Support Scheme (“TESS”) programme (note 9)

5. Due from other banks, net

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Placements with other banks	1,823,213	447,445
Demand deposits	884,694	455,628
Banker’s acceptances	2,488,228	2,812,694
Syndicated loans	2,620,873	2,845,259
Others	54,063	61,287
Total due from other banks	7,871,071	6,622,313
Provision for credit loss	(30,404)	(29,080)
Net due from other banks	7,840,667	6,593,233

The below represents deposits and balances due from:

Banks in UAE	1,661,065	478,977
Banks outside UAE	6,210,006	6,143,336
Total due from other banks	7,871,071	6,622,313

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

6 Investment securities, net

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Securities at fair value through other comprehensive income		
Quoted equity securities	233,839	161,776
Unquoted equity securities	2,612	2,612
Quoted debt securities*	2,543,855	2,453,870
	2,780,306	2,618,258
Securities at fair value through profit or loss		
Quoted funds	125,821	37,641
Unquoted funds	41,581	42,083
Quoted debt securities	35,635	257,418
	203,037	337,142
Securities held at amortised cost		
Quoted debt securities*	4,268,347	4,749,913
Unquoted debt securities	361,225	464,386
	4,629,572	5,214,299
Total investment securities	7,612,915	8,169,699
Provision for credit loss	(23,521)	(28,266)
Net investment securities	7,589,394	8,141,433

*As at 30 September 2020, quoted debt securities with fair value of AED 480 million (31 December 2019: AED 1,637 million) have been given as collateral against repo borrowings of AED 435 million (31 December 2019: AED 1,594 million). Also quoted debt securities with fair value AED 1,375.92 million as at 30 September 2020 (31 December 2019: Nil) have been given as collateral for UAE Central Bank zero cost term deposit under "TESS" programme [Note 9].

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

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Federal and local Government – UAE	628,200	441,515
Government related entity - UAE	1,135,627	1,088,673
Government - GCC	409,641	1,165,760
Government - other	992,004	1,528,764
Banks and financial institutions - UAE	599,156	713,749
Banks and financial institutions - GCC	366,249	244,607
Banks and financial institutions - other	1,321,160	1,265,947
Public limited companies - UAE	448,145	458,536
Public limited companies - GCC	497,171	294,522
Public limited companies - other	811,709	723,514
Total debt securities	7,209,062	7,925,587
Quoted equity securities	233,839	161,776
Quoted funds	125,821	37,641
Unquoted funds	41,581	42,083
Unquoted equity securities	2,612	2,612
Total investment securities	7,612,915	8,169,699

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

7 Loans and advances, net

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
(a) Loans and advances:		
Retail banking loans	16,981,679	18,715,661
Wholesale banking loans	8,355,249	9,418,422
Business banking loans	7,254,511	8,128,045
Total loans and advances [Note 7(b)]	32,591,439	36,262,128
Provision for impairment [Note 7(c)]	(2,170,489)	(1,711,565)
Net loans and advances	30,420,950	34,550,563

(b) Analysis of loans and advances:

Personal loans	6,511,197	7,222,957
Mortgage loans	5,386,156	5,380,041
Credit cards	2,326,881	3,121,075
Auto loans	612,676	868,125
RAK business loans	3,767,583	4,099,197
Other business banking loans	3,486,928	4,028,848
Wholesale banking loans	8,355,249	9,418,422
Other retail loans	2,144,769	2,123,463
Total loans and advances	32,591,439	36,262,128

(c) Provision for credit loss:

Balance at the beginning of the period/year	1,711,565	1,966,612
Impairment allowance for the period/year	1,335,622	1,399,022
Written-off during the period/year	(876,698)	(1,654,069)
Balance at the end of the period/year	2,170,489	1,711,565

(d) Provision for credit loss /release on loans and advances, net of recovery - for the Nine months period ended:

	30 September 2020 (un-audited) AED'000	30 September 2019 (un-audited) AED'000
Impairment allowance for the period	1,335,622	1,027,963
Net recovery during the period	(58,930)	(66,294)
Net impairment charge for the period (Note 21)	1,276,692	961,669

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

7 Loans and advances, net (continued)

(e) Provision for credit loss/release on loans and advances, net of recovery - for the three months period ended:

	30 September 2020 (un-audited) AED'000	30 September 2019 (un-audited) AED'000
Impairment allowance for the period	415,289	332,656
Net recovery during the period	(23,890)	(23,882)
Net impairment charge for the period (Note 21)	391,399	308,774

(f) Islamic financing assets

The below table summarizes the Islamic financing assets that are part of loans and advances above:

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
i) Islamic financing assets		
Islamic retail financing assets	3,317,582	3,508,781
Islamic business banking assets	2,053,774	2,043,967
Islamic wholesale banking assets	980,058	1,083,011
Total Islamic financing assets	6,351,414	6,635,759
Provision for credit loss	(395,061)	(288,385)
	5,956,353	6,347,374

ii) Analysis of Islamic financing assets

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Islamic Salam personal finance	2,247,205	2,390,269
Islamic auto Murabaha	99,976	160,162
Islamic Business banking finance	2,053,774	2,043,967
Islamic Ijara property finance	900,754	869,109
Islamic credit cards	68,878	86,731
Islamic wholesale banking	980,058	1,083,011
Islamic finance - other	769	2,510
	6,351,414	6,635,759

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

8 Other assets

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Interest receivable	268,066	322,003
Profit receivable on Islamic financing assets	43,796	63,618
Prepayments and deposits	60,676	48,231
Interest rate swaps and other derivatives	620,907	338,403
Insurance related receivables and assets	28,738	42,312
Gold on hand	87,383	33,069
Islamic profit paid in advance	14,462	18,977
Others	112,455	142,512
	1,236,483	1,009,125

9 Due to other banks

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Term borrowings	2,547,562	3,306,567
Repurchase agreements (Note 6)	434,600	1,593,659
UAE Central Bank zero cost repurchase agreement under "TESS" programme*	1,421,771	-
Demand deposits	1,336	76,829
	4,405,269	4,977,055

***Breakdown of UAE Central bank zero cost repurchase agreements (Repo)**

	AED'000
UAE Central Bank zero cost repo against quoted debt securities	1,130,011
UAE Central Bank zero cost repo against central bank certificate of deposit	291,760
	1,421,771

Under UAE Central Bank Targeted Economic Support Scheme ("TESS") programme the Bank has received zero cost deposits totalling AED 1,421.77 million. Central bank certificates of deposit of AED 291.76 million and quoted debt securities with fair value of AED 1,375.92 million as at 30 September 2020 have been given as collateral.

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

10 Deposits from customers

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Time deposits	9,222,303	13,891,359
Current accounts	20,168,187	18,434,769
Saving deposits	3,648,081	3,275,754
Call deposits	1,166,020	1,224,478
	<u>34,204,591</u>	<u>36,826,360</u>

Deposits include AED 1,328 million (31 December 2019: AED 1,420 million) held by the Group as cash collateral for loans and advances granted to customers.

The below table summarizes the Islamic deposits of customers that are part of deposits from customers above:

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Wakala deposits	1,173,490	2,881,992
Mudaraba term investment deposits	27,098	15,690
Murabaha Term Deposit	924,861	1,184,065
Qard-E-Hassan - current accounts	860,895	831,169
Mudaraba - current accounts	505,389	451,227
Mudaraba - saving accounts	217,289	228,079
Mudaraba - call deposits	15,919	21,283
	<u>3,724,941</u>	<u>5,613,505</u>

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

11 Debt securities in issue and other long term borrowings

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
USD 500 million medium term note issued at discount in April 2019 (a)	1,832,397	1,831,598
USD 50 million private placement at discount in July 2017 (a)	183,425	183,220
USD 145 million private placement net of discount (a)	526,586	524,996
USD 350 million syndicated borrowing (b)	-	1,285,550
USD 80 million bilateral borrowing (c)	293,840	293,840
SAR 800 million Islamic bilateral borrowing (d)	783,406	783,302
Less: Debt securities and other borrowing issue costs	(8,964)	(13,625)
	3,610,690	4,888,881

- (a) In April 2019, the Group issued five-year USD 500 million Euro Medium Term Notes (EMTN) under its USD 2 billion EMTN programme through its subsidiary RAK Funding Cayman limited. This was issued at a discounted rate of 99.692% and carries a fixed interest rate of 4.125% per annum which is payable half yearly in arrears. These notes mature in April 2024.

Under the EMTN Programme, the Group issued USD 50 million floating rate notes in July 2017 through a private placement which matures in 2021. These carry a floating rate of USD 3 months LIBOR +1.5% per annum.

The Group issued USD 145 million of floating rate notes in March 2018 through a private placement with an interest rate of USD 3 months LIBOR +1.4% which mature in in March 2023.

- (b) During the third quarter of 2017, the Group arranged a three-year syndicated borrowing of USD 350 million maturing in 2020. This syndicated borrowing carries an interest rate of USD 3 months LIBOR + 1.55% per annum. On 15 July 2020, the Group has settled in advance syndicated borrowing of USD 350 million which was supposed to mature in September 2020.
- (c) In March 2018 the Group borrowed USD 80 million at an interest rate of USD 3 months LIBOR + 1.25% per annum which matures in March 2021.
- (d) In March 2019 the Group borrowed SAR 800 million at a profit rate of 3.85% per annum which matures in March 2022.

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

12. Other liabilities

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Interest payable	108,199	180,647
Profit distributable on Islamic deposits	24,653	66,274
Accrued expenses	195,874	242,261
Provision for employees' end-of-service benefits	108,221	115,269
Foreign exchange and other derivatives derivative contracts	738,609	377,378
Credit card payables and liabilities	57,565	48,142
Managers cheques issued	233,656	157,663
Mortgage payables and liabilities	18,668	7,151
Insurance related payables and liabilities	46,929	48,213
Provision for credit loss on contingent assets and customer acceptances	8,726	11,138
Other	87,241	199,221
	1,628,341	1,453,357

13. Share capital and dividend

At 30 September 2020, the authorised, issued and fully paid share capital of the Bank comprised 1,676 million shares million shares of AED 1 each (31 December 2019: 1,676 million shares of AED 1 each).

At the meeting held on 30 March 2020, the shareholders of the Bank approved a cash dividend of 30% amounting to AED 503 million of the issued and paid up capital in respect of the year ended 31 December 2019 (2018: 30% cash dividend amounting to AED 503 million).

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

14. Contingencies and commitments

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Irrevocable commitments to extend credit	2,553,894	2,597,848
Letters of guarantee - Financial	498,114	363,087
Letters of guarantee - Non-Financial	605,161	467,512
Letters of credit	416,115	328,514
Capital commitments and others	50,606	33,379
	4,123,890	3,790,340

The Group is holding AED 8.55 million (31 December 2019: AED 10.72 million) provision for expected credit loss on contingencies and commitments as per IFRS 9.

Commitments to extend credit shown above represent unfunded amounts out of approved limits offered to customers, which are irrevocable by the Group. Commitments to extend credit amounting to AED 6,417 million (31 December 2019: AED 7,661 million) are revocable at the option of the Group and not included in the above table.

15. Forward foreign exchange and other derivative contracts

Foreign exchange contracts comprise commitments to purchase foreign and domestic currencies on behalf of customers and in respect of the Bank's undelivered spot transactions.

Outstanding forward foreign exchange contracts, interest rate swaps and other derivative contracts at 30 September 2020 and 31 December 2019 are as follows:

	Fair Values		
	Assets AED'000	Liability AED'000	Notional AED'000
30 September 2020			
Foreign exchange contracts	78,073	82,948	12,742,005
Interest rate swaps	501,411	644,399	11,925,739
Other derivative contracts	41,423	11,262	3,559,920
	620,907	738,609	28,227,664
31 December 2019			
Foreign exchange contracts	127,052	109,746	12,472,086
Interest rate swaps	181,539	253,140	9,842,282
Other derivative contracts	29,812	14,492	5,585,298
	338,403	377,378	27,899,666

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

16. Interest income and expense

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000
Interest income				
Personal loans	76,501	94,307	249,795	279,256
Mortgage loans	39,510	49,125	132,041	145,195
Credit cards	117,190	156,893	389,356	482,203
Auto loans	7,634	13,303	26,688	45,935
RAK business loans	103,838	140,801	344,639	430,735
Wholesale banking	62,095	99,034	229,421	288,645
Other business banking loans	52,849	73,974	181,926	215,778
Other retail banking loans	12,288	18,219	45,221	54,845
Investment securities	67,366	88,011	235,294	252,676
Deposits with the U.A.E. Central Bank	324	4,813	6,442	14,307
Other banks	36,695	61,679	139,864	168,710
	576,290	800,159	1,980,687	2,378,285
Interest expense				
Due to customers	43,255	99,840	183,421	291,754
Debt securities issued and other borrowings	28,936	40,298	106,356	165,073
Borrowings from other banks	11,684	24,023	55,529	69,503
	83,875	164,161	345,306	526,330

17. Income from Islamic Financing and distribution to depositors

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000
Income from Islamic financing				
Islamic Salam personal finance	51,962	55,905	166,162	160,507
Islamic Auto Murabaha	1,152	3,274	5,331	11,966
Islamic business banking finance	54,555	51,278	180,482	137,353
Islamic wholesale banking finance	8,608	13,182	32,319	33,412
Islamic investment income	5,935	-	18,610	-
Islamic Ijara property finance	8,980	9,724	28,953	27,847
	131,192	133,363	431,857	371,085
Distribution to depositors				
Distribution of profit on Islamic term investment deposits	15,121	49,644	80,976	121,301
Bilateral long-term borrowings	7,181	6,978	21,353	8,151
Distribution of profit on Islamic demand deposits	222	603	1,159	1,931
	22,524	57,225	103,488	131,383

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

18. Net fees and commission income

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000
Personal loans	6,596	13,484	22,536	44,805
Mortgage loans	5,682	5,378	16,304	18,491
Credit cards	61,849	65,151	199,633	200,443
Auto loans	1,614	2,631	5,455	8,883
RAK business loans	662	12,137	11,946	34,828
Wholesale banking	9,296	14,831	26,909	48,141
Other business banking	36,031	42,643	107,006	122,532
Fiduciary income	17,147	14,011	44,175	37,480
Bancassurance	11,456	15,245	30,701	44,163
Other	7,390	10,233	25,316	33,460
	157,723	195,744	489,981	593,226

19. Investment income

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000
Fair value profit /(loss)	1,994	(1,054)	(18,099)	4,471
Dividend income	928	1,813	14,050	14,271
Net gain on disposal of Investments	18,062	8,376	63,526	24,064
	20,984	9,135	59,477	42,806

20. General and administrative expenses

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000
Staff costs	182,341	226,518	584,113	676,858
Outsourced staff costs	6,473	10,374	31,120	24,648
Occupancy costs	19,508	24,390	61,003	74,798
Marketing expenses	2,876	9,582	18,928	28,674
Depreciation and amortisation	31,885	28,615	89,744	85,098
Communication costs and Nostro charges	11,435	16,152	35,917	42,541
Legal and collection charges	8,605	12,149	26,496	35,729
Information and technology expenses	32,593	31,371	88,346	87,536
Other	29,976	35,511	95,966	119,142
	325,692	394,662	1,031,633	1,175,024

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

21. Provision for credit loss, net

(a) Provision for credit loss for the Nine months period ended

	Nine months period ended 30 September	
	2020	2019
	(un-audited) AED'000	(un-audited) AED'000
Net credit loss charge on loans and advances	1,276,692	961,669
Net credit loss charge on due from other banks	1,324	6,465
Net credit loss charge on investment securities	5,576	10,919
Net credit loss charge on insurance contracts	4,991	2,506
Net impairment charge /(release) on customer acceptances	(246)	231
Net impairment (release) on off balance sheet items	(2,166)	2,101
Net credit loss charge for the period	1,286,171	983,891

(b) Provision for credit loss for the three months period ended

	Three months period ended 30 September	
	2020	2019
	AED'000	AED'000
Net credit loss charge on loans and advances	391,399	308,774
Net credit loss charge on due from other banks	1,138	4,665
Net credit loss on investment securities	1,056	6,906
Net credit loss charge on insurance contracts	123	287
Net impairment charge on customer acceptances	19	104
Net impairment charge on off balance sheet items	1,070	4,717
Net credit loss charge for the period	394,805	325,453

Expected credit loss allowance

A summary of the provision for credit loss and the net movement on financial instruments by category are as follows:

	At 31 December 2019 AED'000	Net provided / (released) during the year AED'000	Other movement during the year AED'000	At 30 September 2020 AED'000
Due from other banks	29,080	1,324		30,404
Loans and advances	1,711,565	1,335,622	(876,698)	2,170,489
Investment securities	32,432	5,576	-	38,008
Insurance contract assets and receivables	38,637	4,560	-	43,197
Customer acceptances	421	(246)	-	175
Off balance sheet items	10,717	(2,166)	-	8,551
Total	1,822,852	1,344,670	(876,698)	2,290,824

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

22. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period:

	Three months period ended 30 September		Nine months period ended 30 September	
	2020 (un-audited) AED'000	2019 (un-audited) AED'000	2020 (un-audited) AED'000	2019 (un-audited) AED'000
Profit for the period (AED'000) (attributed to owners of the Bank)	130,890	284,615	436,044	839,126
Weighted average number of shares in issue (in thousands)	1,676,245	1,676,245	1,676,245	1,676,245
Basic earnings per share (AED)	0.08	0.17	0.26	0.50

23. Fiduciary activities

The Group holds assets in a fiduciary capacity for its customers without recourse. At 30 September 2020, market value of such assets amounted to AED 2,603 million (31 December 2019: AED 2,178 million) and are excluded from the condensed consolidated financial information of the Group.

24. Cash and cash equivalents

	30 September 2020 (un-audited) AED'000	30 September 2019 (un-audited) AED'000
Cash in hand and current account with UAE Central Bank	1,513,533	817,593
Due from other banks	7,871,071	5,946,566
	9,384,604	6,764,159
Less: Due from other banks with original maturity of three months or more	(5,404,710)	(5,259,203)
	3,979,894	1,504,956

25. Operating segments

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting to the management, which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has five main business segments:

- Retail banking - incorporating individual customer and certain business current accounts, savings accounts, deposits, credit and debit cards, individual customer loans and mortgages;
- Wholesale banking - incorporating transactions with corporate bodies including government and public bodies and comprising of loans, advances, deposits and trade finance transactions of corporate customers and financial institutions;
- Business banking - incorporating transactions comprising of loans, advances, deposits and trade finance transactions of SME;
- Treasury - incorporating activities of the dealing room, related money market, and foreign exchange transactions and hedging activities with other banks and financial institutions including the UAE Central Bank, none of which constitute a separately reportable segment; and
- Insurance business - incorporating all insurance related transactions of its subsidiary Ras Al Khaimah National Insurance Company P.S.C.

The above segments include conventional and Islamic products and services of the Group.

As the Group's segment operations are all financial with a majority of revenues deriving from interest and fees and commission income, the management relies primarily on revenue and segmental results to assess the performance of the segment.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment revenue. Interest charged for these funds is based on the Group's funds transfer pricing policy. There are no other material items of income or expense between the business segments.

The Group's management reporting is based on a measure of net profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses.

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

25. Operating segments (continued)

The segment information provided to the management for the reportable segments for the periods ended 30 September 2020 and 2019 is as follows:

	Retail Banking AED'000	Wholesale Banking AED'000	Business Banking AED'000	Treasury & other AED'000	Head office & unallocated costs AED'000	Insurance business AED'000	Consolidation elimination AED'000	Total AED'000
30 September 2020								
<i>(unaudited)</i>								
Net interest income	777,775	251,250	499,874	97,545		6,421	2,516	1,635,381
Net income from Islamic financing net of distribution to depositors	183,999	(28,612)	176,368	(3,386)				328,369
Transfer pricing (expense)/income	(212,448)	(45,198)	(36,282)	223,204	70,724	-	-	-
Net interest income and income from Islamic financing	749,326	177,440	639,960	317,363	70,724	6,421	2,516	1,963,750
Non-interest income	400,363	29,458	157,641	163,110	1,449	50,480	(9,805)	792,696
Operating income	1,149,689	206,898	797,601	480,473	72,173	56,901	(7,289)	2,756,446
Operating expense excluding depreciation and amortisation	(464,065)	(38,146)	(186,879)	(16,473)	(206,868)	(36,747)	7,289	(941,889)
Depreciation and amortisation	(30,486)	(1,416)	(2,210)	(619)	(52,352)	(2,661)		(89,744)
Total operating expense	(494,551)	(39,562)	(189,089)	(17,092)	(259,220)	(39,408)	7,289	(1,031,633)
Provision for credit loss, net	(725,061)	(70,441)	(479,338)	(6,347)	-	(4,984)		(1,286,171)
Net profit / (loss)	(69,923)	96,895	129,174	457,034	(187,047)	12,509		438,642
Segment assets	16,459,685	13,302,997	6,940,547	13,799,292	1,264,031	836,323	(275,227)	52,327,648
Total assets	16,459,685	13,302,997	6,940,547	13,799,292	1,264,031	836,323	(275,227)	52,327,648
Segment liabilities	12,134,337	7,611,409	15,070,509	8,560,216	726,175	636,469	(116,780)	44,622,335
Total liabilities	12,134,337	7,611,409	15,070,509	8,560,216	726,175	636,469	(116,780)	44,622,335

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

25. Operating segments (continued)

	Retail Banking AED'000	Wholesale Banking AED'000	Business Banking AED'000	Treasury & other AED'000	Head office & unallocated costs AED'000	Insurance business AED'000	Consolidation elimination AED'000	Total AED'000
30 September 2019								
(unaudited)								
Net interest income	911,826	240,297	603,584	86,892	-	7,549	1,807	1,851,955
Net income from Islamic financing net of distribution to depositors	180,308	(39,618)	122,959	(24,447)	-	-	500	239,702
Transfer pricing (expense)/income	(236,291)	(25,024)	37,596	50,831	172,888	-	-	-
Net interest income and income from Islamic financing	855,843	175,655	764,139	113,276	172,888	7,549	2,307	2,091,657
Non-interest income	447,202	51,140	208,706	170,633	(514)	37,902	(8,399)	906,670
Operating income	1,303,045	226,795	972,845	283,909	172,374	45,451	(6,092)	2,998,327
Operating expense excluding depreciation and amortisation	(582,167)	(33,360)	(150,476)	(14,503)	(276,696)	(37,327)	4,603	(1,089,926)
Depreciation and amortisation	(28,209)	(1,112)	(948)	(578)	(50,194)	(2,720)	(1,337)	(85,098)
Total operating expense	(610,376)	(34,472)	(151,424)	(15,081)	(326,890)	(40,047)	3,266	(1,175,024)
Provision for credit loss, net	(532,036)	(114,074)	(324,552)	(10,690)	-	(2,539)	-	(983,891)
Net profit	160,633	78,249	496,869	258,138	(154,516)	2,865	(2,826)	839,412
31 December 2019								
Segment assets	18,658,865	15,222,530	7,850,779	13,169,569	1,610,472	823,743	(216,399)	57,119,559
Total assets	18,658,865	15,222,530	7,850,779	13,169,569	1,610,472	823,743	(216,399)	57,119,559
Segment liabilities	11,794,122	12,179,386	14,456,801	9,455,469	815,448	634,727	(57,951)	49,278,002
Total liabilities	11,794,122	12,179,386	14,456,801	9,455,469	815,448	634,727	(57,951)	49,278,002

The comparative figures of 30 September 2019 and 31 December 2019 have been reclassified between operating segments due to movement of accounts among segments.

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

26. Related parties

Related parties comprise key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. During the period, the Group entered into transactions with related parties in the ordinary course of business. The transactions with related parties and balances arising from these transactions are as follows:

	Nine months period ended 30	
	September	
	2020	2019
	(un-audited)	(un-audited)
	AED'000	AED'000
Transactions during the period		
Interest income	7,980	12,729
Interest expense	26,355	26,538
Commission income	558	979
Directors' and key management personnel's remuneration, sitting and other expenses	27,102	28,436
	30 September	31 December
	2020	2019
	(un-audited)	(audited)
	AED'000	AED'000
Balances		
Loans and advances:		
- Shareholders and their related companies	316,832	376,207
- Directors and their related companies	27,838	6,312
- Key management personnel	6,180	6,549
	350,850	389,068
Deposits		
- Shareholders and their related companies	3,114,516	2,218,798
- Directors and their related companies	10,217	10,712
- Key management personnel	20,869	16,882
	3,145,602	2,246,392
Irrevocable commitments and contingent liabilities and forward contracts		
- Shareholders and their related companies	852,639	182,520
- Directors and their related companies	40	40
	852,679	182,560

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

26. Related parties (continued)

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
<i>Insurance related receivables</i>		
Due from policy holders	5,418	10,351
<i>Insurance related payables</i>		
Due to policy holders	496	134

27. Capital adequacy

Capital structure and capital adequacy as per Basel III requirement as at 30 September 2020

The Bank is required to report capital resources and risk-weighted assets under the Basel III from January 2018. Capital structure and capital adequacy as per Basel III requirement as at 30 September 2020 and 31 December 2019 is given below:

	30 September 2020 (un-audited) (after applying prudential filter) AED'000	31 December 2019 (audited) AED'000
<i>Tier 1 capital</i>		
Ordinary share capital	1,676,245	1,676,245
Legal and other reserves	4,332,162	4,077,839
Retained earnings	1,520,646	919,100
Current year profit	426,133	1,104,419
Dividend	-	(502,874)
Tier 1 capital base	7,955,186	7,274,729
Tier 2 capital base	496,904	526,496
Total capital base	8,452,090	7,801,225
<i>Risk weighted assets</i>		
Credit risk	39,752,292	42,119,704
Market risk	879,641	1,178,301
Operational risk	3,044,186	3,044,186
Total risk weighted assets	43,676,119	46,342,191
Capital adequacy ratio on Tier 1 capital	18.21%	15.70%
Capital adequacy ratio on Tier 2 capital	1.14%	1.13%
Total Capital adequacy ratio	19.35%	16.83%

As per UAE Central Bank Regulation for Basel III, Minimum Capital requirement including Capital Conservation Buffer is 13.0% for year 2020. New UAE CB regulation dated 22 April 2020 provides for a "Prudential Filter" that permits Banks and Finance Companies to add back increases in IFRS 9 provisions to the regulatory capital over a transition period of 5 years.

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

28. Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between the carrying values and fair value estimates of financial assets and liabilities. 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 operations or to undertake a transaction on adverse terms. At 30 September 2020, the carrying value of the Group's financial assets and liabilities approximate their fair values, except for the below mentioned financial assets and liabilities:

	Fair value		Carrying value	
	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Assets				
Loan and advances	30,602,989	34,906,646	30,420,950	34,550,563
Investment securities	7,682,293	8,284,077	7,589,394	8,141,433
Cash and balances with the UAE Central Bank	3,612,170	4,789,244	3,612,021	4,785,504
Due from other banks	7,784,986	6,530,790	7,840,667	6,593,233
Total financial assets	49,682,438	54,510,757	49,463,032	54,070,733
Liabilities				
Due to other banks	4,418,367	4,973,965	4,405,269	4,977,055
Deposits from customer	34,230,774	36,843,560	34,204,591	36,826,360
Debt securities issued and other borrowing	3,646,362	4,895,514	3,610,690	4,888,881
Total financial liabilities	42,295,503	46,713,039	42,220,550	46,692,296

29. Fair value hierarchy

The fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Quoted market prices - Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

Valuation techniques using observable inputs - Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs includes financial instruments such as forward foreign exchange contracts which are valued using market standard pricing techniques.

Valuation techniques using significant unobservable inputs - Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from a transaction in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The table below analyses recurring fair value measurements for assets and liabilities.

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

29. Fair value hierarchy (continued)

	Quoted market prices Level 1 AED'000	Observable inputs Level 2 AED'000	Significant unobservable inputs Level 3 AED'000	Total AED'000
30 September 2020 (un-audited)				
Asset at fair value				
<i>(Through other comprehensive income)</i>				
Investment securities - debt	2,543,855			2,543,855
Investment securities - equity	233,839		2,612	236,451
Foreign exchange contracts		78,073		78,073
Derivative financial instruments		542,834		542,834
<i>(Through profit and loss)</i>				
Investment market fund	125,821		41,581	167,402
Investment - debt securities <i>(Held at amortised cost)</i>	35,635			35,635
Investment securities - debt	4,362,121		336,829	4,698,950
	7,301,271	620,907	381,022	8,303,200
Liabilities at fair value				
Foreign exchange contracts	-	82,948	-	82,948
Derivative financial instruments	-	655,661	-	655,661
	-	738,609	-	738,609
	Quoted market prices Level 1 AED'000	Observable inputs Level 2 AED'000	Significant unobservable inputs Level 3 AED'000	Total AED'000
31 December 2019				
Asset at fair value				
<i>(Through other comprehensive income)</i>				
Investment securities - debt	2,453,870	-	-	2,453,870
Investment securities - equity	161,776	-	2,612	164,388
Foreign exchange contracts	-	127,052	-	127,052
Derivative financial instruments	-	211,351	-	211,351
<i>(through profit and loss)</i>				
Investment mutual fund <i>(Held at amortised cost)</i>	295,059	-	42,083	337,142
Investment securities - debt	4,865,024	-	463,653	5,328,677
	7,775,729	338,403	508,348	8,622,480
Liabilities at fair value				
Foreign exchange contracts	-	109,746	-	109,746
Derivative financial instruments	-	267,632	-	267,632
	-	377,378	-	377,378

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

30. Critical accounting judgements and key sources of estimation of uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

31. Right-of-use assets

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Balance at the beginning of the period / year	176,939	-
Impact of adoption of IFRS 16 1 January 2019	-	225,191
Additions during the period / year	909	-
Decrease due to termination of contract	(28,341)	-
Decrease due to changes in lease liability	(2,577)	(10,333)
Depreciation for the period / year	(27,368)	(37,919)
Balance at the closing of the period / year	119,562	176,939

32. Lease liabilities

	30 September 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Balance at the beginning of the period / year	151,710	-
Impact of adoption of IFRS 16 - 1 January 2019	-	195,885
Additions during the period / year	909	-
Decrease due to termination of contract	(28,410)	-
Decrease due to change in lease contract amount	(2,577)	(10,511)
Interest cost on lease liability for the period / year	4,176	7,520
Gain on rent concessions due to COVID-19	(3,416)	-
Payments made during the period / year	(22,310)	(41,184)
Balance at the closing of the period / year	100,082	151,710

33. Seasonality of results

Dividend income of AED 14.1 million (30 September 2019 AED 14.3 million) of seasonal nature was recorded in the condensed consolidated financial information for the period.

34. Risk management in the current economic scenario

The economic fallout of COVID-19 crisis is expected to be significant and continues to evolve rapidly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Central Bank of UAE (“CBUAE”) also announced multiple measures and incentives totalling to AED 256 billion to help banks support the economic sectors and individuals in the UAE impacted by this crisis.

COVID-19 impact on measurement of ECL

IFRS 9 framework requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Bank utilizes a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes. The Bank has robust governance in place to ensure the appropriateness of the IFRS 9 framework and resultant ECL estimates at all times. Specifically, all aspects of the IFRS 9 framework are overseen by a IFRS 9 Steering Committee with participation from the Chief Risk Officer, Chief Financial Officer and other members from Risk and Finance functions. The Bank, through this committee, reviews the appropriateness of inputs and methodology for IFRS 9 ECL, effectiveness and reliability of the reporting under IFRS 9 & other relevant matters pertaining to IFRS 9 on an ongoing basis.

The Bank has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in our ECL estimates. Notwithstanding this, recognizing that the outbreak is expected to have an impact on the macro-economic environment beyond reasonable doubt, the Bank has assessed the impact of an increase in probability for the pessimistic scenario in ECL measurement. The probability of pessimistic scenario was increased from 15% to 40% and the probability of the optimistic scenario was reduced to 0% in the first quarter. With the continuation of pessimism around the control of the pandemic and the current business environment, the Bank increased the probability of the pessimistic scenario, from 40% to 70% in the second quarter and further increased the probability of pessimistic scenario from 70% to 80% in the third quarter. If the pessimistic scenario was further changed by +10%/-10%, ECL provision would change by +/-AED 34 million as at 30 September 2020. As a result of change in the scenario weights, the total management overlay of AED 269 million (including AED 3.5 million for its insurance subsidiary) has been taken by the group in the period ended 30 September 2020 giving due consideration to the uncertain external environment.

In recognition of significant economic uncertainty due to the COVID-19 crisis coupled with challenge while applying IFRS 9 principles and requirements under these circumstances, CBUAE, Dubai Financial Services Authority (“DFSA”) and the Financial Services Regulatory Authority (the “FSRA”) jointly issued a guidance note to Banks and Finance companies (“Joint Guidance”) in UAE on 15 April 2020 relating to estimation of IFRS 9 ECL provisions in context of the COVID-19 crisis. The Group has taken into consideration provisions of the Joint Guidance in estimating ECL.

In addition, the Group continues to review the appropriateness of ECL provisions in light of changes in risk profile as well as any actual and expected increase in credit risk. This assessment includes detailed review of potential impacts of COVID-19 on individual clients as well as on industry.

34. Risk management in the current economic scenario (continued)

COVID-19 impact on measurement of ECL (continued)

As per the requirement of the Joint Guidance, the Bank has started grouping of the customers receiving the payment deferrals, into two groups (Group 1 and Group 2) based on the estimated extent of impact of this pandemic on the particular customer; Group 1 classification for the mildly impacted customers and Group 2 classification for the borrowers whose credit profile has deteriorated materially.

The grouping decisions are being taken based on relevant product or portfolio, for example; for Wholesale banking clients, the grouping exercise is being done on a case-by-case assessment of the borrower & the underlying business including the impact of the externalities on the underlying business (cash-flows, turnover, repayment capacity, etc.) of the borrower and based on a combination of certain criteria (like job loss, reduction in salary, level of business operations whether normalcy has reached or not) for other retail and small and medium enterprise portfolios. These grouping decisions are iterative and may change based on the evolving external situations. The Bank has put an internal governance framework around grouping evaluation.

The Bank is continuously monitoring the current situation, which is unprecedented and is working very closely with its customers and extending required support in these uncertain and evolving times and has also reassessed its staging of the portfolio as at 30 September 2020. This included evaluating whether the investment and Financial Institutions' portfolio has suffered a significant deterioration in credit quality.

The Bank continues to work with CBUAE and other regulatory authorities in the jurisdictions it operates to refine and operationalize relief schemes being deployed to assist clients impacted by COVID-19. This includes the Targeted Economic Support Scheme ("TESS") announced in UAE in March 2020 and subsequently updated on 6 April 2020 and 6 August 2020. More than twenty two thousand of the Bank's retail, SME and corporate clients had subscribed to these schemes as at 30 September 2020. The bank staff is in regular contact with customers to explain them about how can the customers claim relief under TESS.

Liquidity management

The extreme liquidity stress brought about by the pandemic during the earlier part of the year is now largely behind us. Gradual oil price recovery, injection of liquidity by Central Banks across the globe, especially the timely actions by the CBUAE helped the banking sector tide the initial concerns. With the sudden liquidity crunch during mid-March, the ALCO chair along with the relevant members had taken multiple steps to execute the requisite actions to address the situation at hand with regular updates to the Board of Directors. In addition to increasing the frequency and the depth of monitoring of new deals and the associated cash flows, the bank amended its internal funds transfer pricing to tighten assets disbursements and to encourage more deposit seeking to boost the liquidity buffers. The Bank effectively stopped all non-committed business which was not relationship driven or did not impact the Bank's franchise, for a short period of time. CBUAE also reduced Reserve Requirement against CASA balances in April 2020, providing an immediate boost to UAE Banks' liquidity. In order to allow Banks to utilize the liquidity thus released, the CBUAE reduced the minimum threshold of liquidity ratios (LCR and ELAR) by 30%. The combination of the above measures by CBUAE along with prudent management of liquidity by the Bank helped ensure that the Bank was able to meet its clients' banking services requirements effectively without disruption, even during a prolonged period of reduced access to the foreign funding markets.

35. Risk management in the current economic scenario (continued)

COVID-19 impact on measurement of ECL (continued)

CBUAE announced a comprehensive Targeted Economic Support Scheme (TESS) program, allowing UAE Banks to access zero cost funding and pass on the benefit through principal and/or interest deferrals to their clients. The Bank has fully drawn the funds allocated to amounting to AED 1.4 billion and has passed on the benefit to the customers by means of payment deferrals. Payment deferrals were given in line with the Central Bank regulations ensuring that the customers impacted by the pandemic are appropriately supported.

The market liquidity has since improved dramatically both locally and globally leading to a substantial increase of liquidity in the banking system. The bank accordingly repaid high cost sources of funds while maintaining surplus liquidity at the same time. The Bank continues to remain vigilant and is well prepared for any unexpected liquidity scenarios.

Business continuity planning

The Bank's Management Committee (GMC) consisting of heads of all departments continues to closely monitor the situation and take appropriate actions in line with the guidance by NCEMA (National Emergency Crisis and Disasters Management Authority) to ensure safety and security of Bank staff and an uninterrupted service to our customers. Majority of the staff are currently working from home. Teams have been split at various locations. Business Continuity Plans (BCP) for respective areas are in place and tested.

Remote access to workstations is protected using Virtual desktops (VDI) and Virtual private network (VPN) connectivity. The connectivity mandates two factor authentication using tokens. Specific cyber security awareness initiatives were rolled out for both staff and customers. All remote work capabilities enabled for staff are being monitored and all threat intelligence is intercepted and responded to by a 24x7 security operations centre.

The Bank is monitoring local developments that can have an impact on our operations. The Bank continues to promote usage of digital channels resulting in reduced footfall in Branches. All Branches are fully operational and customers are being serviced. Social distancing and queues are being managed as per local authority guidelines. The Bank has taken measures to monitor service levels and the Bank continues to meet the expectations of our clients and support them effectively during these times.

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

34. Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE

Gross loans and advances to customers by product and/or industry

	Gross loans and advances (un-audited)			ECL on loans and advances (un-audited)	
	Gross loans	Deferrals under TESS	%	Total ECL	Of which Macro overlay
As at 30 September 2020	AED'000	AED'000		AED'000	AED'000
Retails banking loans:					
Personal loans	6,511,197	781,750	12.0%	564,474	86,890
Mortgage loans	5,386,156	740,416	13.7%	110,552	14,276
Credit cards	2,326,881	-	-	360,966	49,686
Auto loans	612,676	99,591	16.3%	37,382	5,943
Other retail loans	2,144,769	-	-	12,590	720
Total retail banking loans	16,981,679	1,621,757	9.6%	1,085,964	157,515
Business banking loans:					
RAK business loans	3,767,583	836,833	22.2%	564,866	75,696
Other business banking loans	3,486,928	923,170	26.5%	246,447	12,612
Total business banking loans	7,254,511	1,760,003	24.3%	811,313	88,308
Wholesale banking loans:					
Government Related Entities (GRE's)	2,657,904	380,610	14.3%	12,397	2,157
Real Estate and construction	1,940,456	204,784	10.6%	59,900	10,311
Other Services	777,759	242,216	31.1%	118,804	4,185
Financial Institutions	693,472	-	0.0%	4,161	-
High net worth borrowers	1,006,151	381,171	37.9%	8,001	1,392
Trade	491,592	76,731	15.6%	49,341	443
Manufacturing	391,597	58,685	15.0%	14,967	886
Govt. Exposures	358,118	-	0.0%	2,248	-
Other Miscellaneous	38,200	47	0.1%	3,393	10
Total wholesale banking loans	8,355,249	1,344,244	16.1%	273,212	19,383
Total loans and advances	32,591,439	4,726,004	14.5%	2,170,489	265,206

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Gross loans and advances to customers by product and/or industry /Group

	Gross loans AED'000	Deferrals under TESS		Group 2 ECL AED'000
		Group 1 ECL AED'000	Gross loans AED'000	
As at 30 September 2020				
<i>Retails banking loans:</i>				
Personal loans	618,526	24,319	163,224	102,198
Mortgage loans	649,418	3,553	90,998	10,842
Credit cards	-	-	-	-
Auto loans	81,671	1,972	17,920	7,115
Other retail loans	-	-	-	-
Total retail banking loans	1,349,615	29,844	272,142	120,155
<i>Business banking loans:</i>				
RAK business loans	669,640	48,062	167,193	101,694
Other business banking loans	728,693	3,319	194,477	20,780
Total business banking loans	1,398,333	51,381	361,670	122,474
<i>Wholesale banking loans:</i>				
Government Related Entities (GRE's)	380,609	749	-	-
Real Estate and construction	125,572	962	79,213	4,180
Other Services	242,216	15,736	-	-
Financial Institutions	-	-	-	-
High net worth borrowers	337,719	1,654	43,451	3,002
Trade	49,062	124	27,669	962
Manufacturing	58,685	1,362	-	-
Govt. Exposures				
Other Miscellaneous	48	-	-	-
Total wholesale banking loans	1,193,911	20,587	150,333	8,144
Total loans and advances	3,941,859	101,812	784,145	250,773

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Change in gross carrying amount and expected credit losses

	Gross carrying amount			ECL on loans and advances (un-audited)		
	30-Sep-20	31-Dec-19	%	30-Sep-20	31-Dec-19	%
	Un -audited AED'000	Audited AED'000	Change	Un -audited AED'000	Audited AED'000	Change AED'000
<i>Retails banking loans:</i>						
Personal loans	6,511,197	7,222,957	(9.9)%	564,474	419,479	34.6%
Mortgage loans	5,386,156	5,380,041	0.1%	110,552	82,036	34.8%
Credit cards	2,326,881	3,121,075	(25.4)%	360,966	279,702	29.1%
Auto loans	612,676	868,125	(29.4)%	37,382	34,003	9.9%
Other retail loans	2,144,769	2,123,463	1.0%	12,590	15,863	(20.6)%
Total retail banking loans	16,981,679	18,715,661	(9.3)%	1,085,964	831,083	30.7%
<i>Business banking loans:</i>						
RAK business loans	3,767,583	4,099,197	(8.1)%	564,866	507,394	11.3%
Other business banking loans	3,486,928	4,028,848	(13.5)%	246,447	154,994	59.0%
Total business banking loans	7,254,511	8,128,045	(10.7)%	811,313	662,388	22.5%
<i>Wholesale banking loans:</i>						
Government Related Entities (GRE's)	2,657,905	2,401,033	10.7%	12,397	3,747	230.9%
Real Estate & Construction	1,940,455	2,003,607	(3.2)%	59,900	66,304	(9.7)%
Other Services	777,759	877,281	(11.3)%	118,803	62,508	90.1%
Financial Institutions	693,472	2,110,837	(67.1)%	4,161	10,721	(61.2)%
High net worth borrowers	1,006,151	838,509	20.0%	8,001	5,618	42.4%
Trade	491,592	529,410	(7.1)%	49,341	47,828	3.2%
Manufacturing	391,597	402,149	(2.6)%	14,967	15,847	(5.6)%
Govt. Exposures	358,118	214,264	67.1%	2,248	1,338	68.0%
Other Miscellaneous	38,200	41,332	(7.6)%	3,394	4,183	(18.9)%
Total wholesale banking loans	8,355,249	9,418,422	(11.3)%	273,212	218,094	25.3%
Total loans and advances	32,591,439	36,262,128	(10.1)%	2,170,489	1,711,565	26.8%

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Changes in the gross carrying for loans and advances at amortized cost

	30 September 2020 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January	32,600,836	2,268,213	1,393,079	36,262,128
Transfer from Stage 1 to Stage 2	(1,667,650)	1,667,650	-	-
Transfer from Stage 1 to Stage 3	(720,539)	-	720,539	-
Transfer from Stage 2 to Stage 3	-	(270,816)	270,816	-
Transfer from Stage 2 to Stage 1	294,916	(294,916)	-	-
Transfer from Stage 3 to Stage 2	-	61,186	(61,186)	-
Change in Exposures during the year	(6,536,473)	(1,067,979)	210,972	(7,393,480)
New financial assets originated	4,599,489	-	-	4,599,489
Write-offs	-	-	(876,698)	(876,698)
Gross carrying amount as at 30 September	28,570,579	2,363,338	1,657,522	32,591,439
	2019 (audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January	30,196,339	3,055,710	1,575,225	34,827,274
Transfer from Stage 1 to Stage 2	(1,695,493)	1,695,493	-	-
Transfer from Stage 1 to Stage 3	(1,101,932)	-	1,101,932	-
Transfer from Stage 2 to Stage 3	-	(659,851)	659,851	-
Transfer from Stage 2 to Stage 1	1,152,765	(1,152,765)	-	-
Transfer from Stage 3 to Stage 2	-	35,915	(35,915)	-
Change in Exposures during the year	(6,811,420)	(706,289)	(253,945)	(7,771,654)
New financial assets originated	10,860,577	-	-	10,860,577
Write-offs	-	-	(1,654,069)	(1,654,069)
Gross carrying amount as at 31 December	32,600,836	2,268,213	1,393,079	36,262,128

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

The credit risk exposures relating to off-balance sheet items and irrevocable commitments

	2020 (un-audited)			Total
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	
	AED'000	AED'000	AED'000	AED'000
Closing balance as at 30 September	3,411,924	115,728	131	3,527,783

	2019 (audited)			Total
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	
	AED'000	AED'000	AED'000	AED'000
Closing balance as at 31 December	3,091,360	254,733	50	3,346,143

Loss allowance for loans and advances measured at amortized cost

	30 September 2020 (un-audited)			Total
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January	658,857	425,666	627,042	1,711,565
Transfer from Stage 1 to Stage 2	(178,923)	178,923	-	-
Transfer from Stage 1 to Stage 3	(89,961)	-	89,961	-
Transfer from Stage 2 to Stage 3	-	(56,280)	56,280	-
Transfer from Stage 2 to Stage 1	47,993	(47,993)	-	-
Transfer from Stage 3 to Stage 2	-	14,698	(14,698)	-
Due to changes in PD's/ LGD's/ EAD	16,157	147,135	864,064	1,027,356
New financial assets originated	308,266	-	-	308,266
Write-offs	-	-	(876,698)	(876,698)
Gross carrying amount as at 30 September	762,389	662,149	745,951	2,170,489

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Loss allowance for loans and advances measured at amortized cost (continued)

	2019 (audited)			Total
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January	588,936	513,322	864,354	1,966,612
Transfer from Stage 1 to Stage 2	(175,794)	175,794	-	-
Transfer from Stage 1 to Stage 3	(173,240)	-	173,240	-
Transfer from Stage 2 to Stage 3	-	(219,278)	219,278	-
Transfer from Stage 2 to Stage 1	87,290	(87,290)	-	-
Transfer from Stage 3 to Stage 2	-	15,278	(15,278)	-
Due to changes in PD's/ LGD's/ EAD	(236,704)	27,840	1,039,517	830,653
New financial assets originated	568,369	-	-	568,369
Write-offs	-	-	(1,654,069)	(1,654,069)
Gross carrying amount as at 31 December	658,857	425,666	627,042	1,711,565

As at 30 September 2020, the Group has recorded ECL of AED 30.40 million (31 December 2019: AED 29.08 million) in respect of deposits and balances due from banks. During the nine month period ended 30 September 2020, deposits and balances due from banks amounting to AED 410.5 million were transferred from stage 1 to stage 2, whereas AED 316.6 million were transferred from stage 2 to stage 1.

35. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was approved on **22 October 2020**