

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2020

Emirates Investment Bank P.J.S.C.

**Review report and condensed consolidated interim financial information
for the nine month period ended 30 September 2020**

Contents	Pages
Review report on condensed consolidated interim financial information	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of profit or loss	3
Condensed consolidated interim statement of other comprehensive income	4
Condensed consolidated interim statement of cash flows	5
Condensed consolidated interim statement of changes in equity	6-7
Notes to the condensed consolidated interim financial information	8 - 25



Review report on condensed consolidated interim financial information to the directors of Emirates Investment Bank P.J.S.C

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Emirates Investment Bank P.J.S.C. (the "Bank") and its subsidiary (together referred to as the "Group") as at 30 September 2020 and the related condensed consolidated interim statements of profit or loss and other comprehensive income for the three month and nine month periods then ended and the condensed consolidated interim statements of cash flows and changes in equity for the nine-month period then ended and other explanatory notes. The Directors are responsible for the preparation and presentation of this 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 this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard 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.

PricewaterhouseCoopers
8 November 2020

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

*PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me*

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Notes</i>	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
ASSETS			
Cash and balances with UAE Central Bank		178,067	359,270
Due from banks, net	4	195,995	364,444
Loans and advances, net	5	566,700	889,592
Investments, net	6	1,322,144	1,450,138
Other assets		66,736	50,896
Property, equipment and intangible assets		4,498	6,104
TOTAL ASSETS		2,334,140	3,120,444
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	8	180,939	926,650
Customer deposits		1,643,001	1,645,864
Other liabilities		62,588	54,724
TOTAL LIABILITIES		1,886,528	2,627,238
EQUITY			
Share capital		70,000	70,000
Legal reserve		35,000	35,000
Special reserve		44,251	44,251
Credit impairment reserve		23,742	23,742
Cumulative changes in fair value		6,217	23,642
Retained earnings		268,174	296,343
Equity attributable to equity holders of the parent		447,384	492,978
Non-controlling interests		228	228
TOTAL EQUITY		447,612	493,206
TOTAL LIABILITIES AND EQUITY		2,334,140	3,120,444

The condensed consolidated interim financial information were approved by the Board of Directors on 8 November 2020 and signed on its behalf by:



Omar Abdulla Al Futtaim
(Chairman)



Buti Al Mulla
(Director)

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the nine month period ended 30 September 2020 (Unaudited)

	Notes	<i>Three month period ended</i>		<i>Nine month period ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
		<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Interest income	9	10,260	15,510	31,118	53,062
Net income from investments	10	8,468	13,639	17,902	56,276
		18,728	29,149	49,020	109,338
Interest expense		(6,899)	(14,091)	(24,942)	(43,053)
INTEREST AND INVESTMENT INCOME, NET		11,829	15,058	24,078	66,285
Fee, commission and other income		3,700	7,204	15,204	30,347
Exchange gain, net		94	932	1,994	2,824
OPERATING INCOME		15,623	23,194	41,276	99,456
General and administrative expenses		(13,969)	(20,389)	(52,570)	(70,743)
Net impairment loss on financial assets	11	(8,958)	(2,526)	(16,875)	(7,211)
OPERATING EXPENSES		(22,927)	(22,915)	(69,445)	(77,954)
(LOSS)/PROFIT FOR THE PERIOD		(7,304)	279	(28,169)	21,502
Attributable to:					
Equity holders of the parent		(7,304)	279	(28,169)	21,502
Non-controlling interests		-	-	-	-
(LOSS)/PROFIT FOR THE PERIOD		(7,304)	279	(28,169)	21,502
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (in AED per share)	12	(10.43)	0.40	(40.24)	30.72

The accompanying notes from pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the nine month period ended 30 September 2020 (Unaudited)

	<i>Three month period ended</i>		<i>Nine month period ended</i>	
	<i>30 September</i>	<i>2019</i>	<i>30 September</i>	<i>2019</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
(LOSS)/PROFIT FOR THE PERIOD	(7,304)	279	(28,169)	21,502
<i>Other comprehensive (loss)/income</i>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in the fair value of equity instruments at fair value through other comprehensive income	322	1,210	(7,136)	(50)
Gain on sale of investments		-		113
<i>Items that may be reclassified subsequently to profit or loss</i>				
Changes in the fair value of debt instruments at fair value through other comprehensive income, net	1,748	424	(10,289)	8,805
Other comprehensive (loss)/ income for the period	2,070	1,634	(17,425)	8,868
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(5,234)	1,913	(45,594)	30,370
Attributable to:				
Equity holders of the parent	(5,234)	1,913	(45,594)	30,370
Non-controlling interests	-	-	-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(5,234)	1,913	(45,594)	30,370

The accompanying notes from pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2020 (Unaudited)

	Note	<i>Nine month period ended 30 September</i>	
		2020 AED'000	2019 AED'000
OPERATING ACTIVITIES			
(Loss)/Profit for the period		(28,169)	21,502
Adjustments for:			
Depreciation on property and equipment		1,445	1,335
Amortisation of intangible assets		377	444
Depreciation on right-of-use assets		3,027	3,027
Net impairment loss on financial assets		16,875	7,211
		<hr/>	<hr/>
Operating (loss)/profit before changes in operating assets and liabilities		(6,445)	33,519
Change in UAE Central Bank statutory deposits		98,903	49,908
Change in due to bank		(745,711)	296,594
Change in loans and advances (net)		311,003	333,325
Change in investments (net)		104,944	(32,868)
Change in other assets		(18,867)	(31,831)
Change in customers' deposits		(2,863)	(1,163,790)
Change in other liabilities		7,864	36,721
		<hr/>	<hr/>
Net cash used in operating activities		(251,172)	(478,422)
INVESTING ACTIVITY			
Purchase of property and equipment		(216)	(165)
		<hr/>	<hr/>
Net cash used in investing activity		(216)	(165)
		<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(251,388)	(478,587)
Cash and cash equivalents at 1 January		574,712	1,022,419
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	18	323,324	543,832
		<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise the following amounts in the statement of financial position with original maturities of three months or less:			
Cash and balances with the UAE Central Bank (excluding statutory deposits)		126,945	116,231
Due from banks		196,379	427,601
		<hr/>	<hr/>
		323,324	543,832
		<hr/> <hr/>	<hr/> <hr/>
Operational cash flows from interest and dividends			
Interest paid		19,307	38,346
Interest received (including interest from investments)		57,740	85,942
Dividends received		8,187	9,615

The accompanying notes from pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2020 (Unaudited)

	<i>Share Capital</i>	<i>Legal reserve</i>	<i>Special reserve</i>	<i>Credit impairment reserve*</i>	<i>Cumulative changes in fair values</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Non- controlling interests</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At 1 January 2020	70,000	35,000	44,251	23,742	23,642	296,343	492,978	228	493,206
Loss for the period	-	-	-	-	-	(28,169)	(28,169)	-	(28,169)
Other comprehensive loss for the period	-	-	-	-	(17,425)	-	(17,425)	-	(17,425)
Total comprehensive loss for the period	-	-	-	-	(17,425)	(28,169)	(45,594)	-	(45,594)
Balance at 30 September 2020	70,000	35,000	44,251	23,742	6,217	268,174	447,384	228	447,612

* The Bank has created a special reserve titled as 'credit impairment reserve' in lieu of the general provision required to be created in accordance with the "Circular No 28/2010" issued by the UAE Central Bank and any reversal from the reserve will be governed by IFRS 9 implementation guidance issued by the UAE Central Bank in 2018.

The accompanying notes from pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For the nine month period ended 30 September 2020 (Unaudited)

	<i>Share Capital AED'000 (Unaudited)</i>	<i>Legal reserve AED'000 (Unaudited)</i>	<i>Special reserve AED'000 (Unaudited)</i>	<i>Credit impairment reserve* AED'000 (Unaudited)</i>	<i>Cumulative changes in fair values AED'000 (Unaudited)</i>	<i>Retained earnings AED'000 (Unaudited)</i>	<i>Total AED'000 (Unaudited)</i>	<i>Non- controlling interests AED'000 (Unaudited)</i>	<i>Total AED'000 (Unaudited)</i>
At 1 January 2019	70,000	35,000	44,251	23,742	9,450	288,034	470,477	228	470,705
Changes on initial application of IFRS 16	-	-	-	-	-	(752)	(752)	-	(752)
Restated balance at 1 January 2019	70,000	35,000	44,251	23,742	9,450	287,282	469,725	228	469,953
Profit for the period	-	-	-	-	-	21,502	21,502	-	21,502
Other comprehensive income for the period	-	-	-	-	8,868	-	8,868	-	8,868
Total comprehensive income for the period	-	-	-	-	8,868	21,502	30,370	-	30,370
Balance at 30 September 2019	<u>70,000</u>	<u>35,000</u>	<u>44,251</u>	<u>23,742</u>	<u>18,318</u>	<u>308,784</u>	<u>500,095</u>	<u>228</u>	<u>500,323</u>

* The Bank has created a special reserve titled as 'credit impairment reserve' in lieu of the general provision required to be created in accordance with the "Circular No 28/2010" issued by the UAE Central Bank and any reversal from the reserve will be governed by IFRS 9 implementation guidance issued by the UAE Central Bank in 2018.

The accompanying notes from pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2020 (Unaudited)

1 GENERAL INFORMATION

Emirates Investment Bank P.J.S.C. (the “Bank”) was incorporated on 17 February 1976 in Dubai, United Arab Emirates by a decree of HH The Ruler of Dubai. In 1999, the Bank was registered under the UAE Commercial Companies Law No. (8) Of 1984 (as amended) as a Public Joint Stock Company. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No. 8 of 1984.

The Bank is engaged in the business of investment advisory and wealth management. The address of the Bank’s registered office is P. O. Box 5503, Dubai, United Arab Emirates.

The condensed consolidated interim financial information for the period ended 30 September 2020 comprise the financial information of the Bank and its subsidiary (together referred to as the “Group”).

The Bank is a subsidiary of Al Futtaim Private Company LLC which holds 52.85% (2019: 52.85%) of the shares in the Bank.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial information of the Group is prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting*, issued by the International Accounting Standard Board (‘IASB’) and also comply with the applicable requirement of the laws in the U.A.E.

The condensed consolidated interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group’s annual financial statements as at 31 December 2019.

In addition, results for the nine months ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

In preparing these condensed consolidated interim financial information, significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2019.

2.2 Basis of consolidation

This condensed consolidated interim financial information incorporates the financial information of the Bank and its subsidiary as at 30 September 2020. Control is achieved where the Bank has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor’s returns.

The condensed consolidated interim financial information comprises the financial information of the Bank and of its subsidiary. The financial information of the subsidiary are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

2.3 New and revised IFRS applied on the condensed consolidated interim financial information

The following new and revised IFRS, 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, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

- **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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and revised IFRS applied on the condensed consolidated interim financial information (continued)

- **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 profit or loss. 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.

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

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS

- **Amendments to IAS 1, 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..

**Effective for
annual periods
beginning on or after
1 January 2022**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

New and revised IFRS

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – interest rate benchmark (Phase 2 amendments) -** 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.

**Effective for
annual periods
beginning on or after
1 January 2022**

The impact of rate replacement on the Group’s financial instruments remain a key area of focus. Management is working on the Group’s transition activities and continues to engage with various stakeholders to support an orderly transition.

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

3. RISK MANAGEMENT

The economic fallout of COVID-19 crisis is expected to be significant and is rapidly evolving at the present time. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Central Bank of UAE (“CBUAE”) has 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 Group 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 Group 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. The Group is conducting frequent reviews of the Loan to Value (“LTV”) ratios on the collateral held against loans given to customers. Accordingly, all staging and grouping decisions are subject to regular review to ensure these reflect an accurate view of the Group’s assessment of the customers’ creditworthiness, staging and grouping as of the reporting date.

The Group has reassessed its portfolio of Stage 1, Stage 2 and Stage 3 customers as at 30 September 2020 (refer note 3.1 for movement in gross carrying amount and ECL). The Group has evaluated whether the investment portfolio has suffered a significant deterioration in credit quality. Based on ratings from external rating agencies and assessment of any increase in probability of default, the Group has concluded that there has been a significant increase in credit risk for certain investments and the ECL reflects the impact of significant increase in credit risk as at 30 September 2020 (refer note 3.1 for movement in gross carrying amount and ECL).

The Group continues to work with CBUAE to refine and operationalize relief schemes being deployed to assist clients impacted by COVID-19, as applicable. This includes the Targeted Economic Support Scheme (“TESS”) announced in UAE on 6 April 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

3. RISK MANAGEMENT (continued)

COVID-19 impact on measurement of ECL (continued)

Analysis of customers benefitting from payment deferrals

The table below contains analysis of the deferral amount and outstanding balance of UAE customers benefitting from deferrals.

	<i>30 September 2020 AED'000 (Unaudited)</i>
Deferral amount	
Loans and advances	3,795
Exposures	
Loans and advances	3,825
Less: Expected credit losses*	-
	<u>3,825</u>
Number of customers	<u>2</u>

* Due to the value of collateral against these exposures as at 30 September 2020 no additional ECL is required.

Zero Cost Funding under the CBUAE TESS program availed by the Group amounts to AED 3,000 thousand which has been utilized to provide payment relief to the impacted customers (note 8). The Zero Cost Funding is collateralized by certain investments as disclosed in note 8.1 and is due for repayment before 31 December 2020.

As per the requirements of the CBUAE, customers benefitting from payment deferrals can be divided into two groups as follows:

Group 1: includes those customers that are not expected to face substantial changes in their credit worthiness, beyond liquidity issues and are temporarily and mildly impacted by the Covid-19 crisis. For these clients, the payment deferrals are believed to be effective and thus the economic value of the facilities is not expected to be materially affected. These customers will remain in their current IFRS 9 stage, at least for the duration of the crisis, or their distress, whichever is shorter.

Group 2: includes those customers that are expected to face substantial changes in their creditworthiness, in addition to liquidity issues that will be addressed by payment deferrals. For these customers, there is sufficient deterioration in credit risk to trigger IFRS 9 stage migration.

The Group does not have any customer under Group 2 as of 30 September 2020.

Liquidity management

Global stress in the markets brought on by the COVID-19 crisis has affected liquidity in global and regional markets. In this environment, the Group continues to focus on high level of liquidity and is strengthening its liquidity buffer through selective disbursements, raising local deposits, as well as adding new counterparties for secured funding.

The CBUAE has adopted a proactive approach in order to ensure flow of credit to the economy, especially sectors severely impacted by the COVID-19 crisis. The CBUAE announced a comprehensive TESS on 6 April 2020, allowing UAE Banks to access zero cost funding and pass on the benefit through Principal and Interest deferrals to their clients.

The CBUAE has introduced several measures to improve liquidity in order to help banks support the economy. This includes a reduction in the CB reserve requirement for demand liabilities from 14% to 7% and a reduction in the minimum level required for LCR/ELAR by 30%. The combination of above measures by the CBUAE along with prudent management of liquidity by the Group will help ensure that the Group is able to meet its clients' banking services requirements effectively and without disruption, even during a prolonged period of reduced access to the foreign funding markets.

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

3. RISK MANAGEMENT (continued)

3.1 CREDIT RISK (continued)

	30 September 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
AED'000	AED'000	AED'000	AED'000	
<i>Investments – measured at amortised cost</i>				
Gross carrying amount as at 1 January 2020	461,853	124,750	71,460	658,063
Transfers				
Transfer from Stage 1 to Stage 2	(102,956)	102,956	-	-
Transfer from Stage 3 to Stage 2*	-	43,264	(43,264)	-
Transfer from Stage 2 to Stage 3	-	(1,848)	1,848	-
New financial assets originated	175,035	-	-	175,035
Repayment and other movements	(122,632)	(34,089)	(16,359)	(173,080)
Gross carrying amount as at 30 September 2020	411,300	235,033	13,685	660,018

*The Group has reassessed the staging of these securities as of 30 September 2020.

	31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
AED'000	AED'000	AED'000	AED'000	
<i>Investments – measured at amortised cost</i>				
Gross carrying amount as at 1 January 2019	617,033	121,512	47,122	785,667
Transfers				
Transfer from Stage 1 to Stage 2	(69,782)	69,782	-	-
Transfer from Stage 2 to Stage 3	-	(36,873)	36,873	-
New financial assets originated	68,889	-	-	68,889
Repayment and other movements	(154,287)	(29,671)	(12,535)	(196,493)
Gross carrying amount as at 31 December 2019	461,853	124,750	71,460	658,063

Loss allowance

The following table explain the changes in the loss allowance from 1 January 2020 to 30 September 2020 and 1 January 2019 to 31 December 2019:

	30 September 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
AED'000	AED'000	AED'000	AED'000	
<i>Loans and advances</i>				
Loss allowance as at 1 January 2020	172	368	9,647	10,187
Transfers				
Transfer from Stage 1 to Stage 3	(2)	-	2	-
Transfer from Stage 2 to Stage 3	-	(3)	3	-
Changes in PDs/LGDs/EADs	(122)	(365)	12,376	11,889
Loss allowance as at 30 September 2020	48	-	22,028	22,076

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

3. RISK MANAGEMENT (continued)

3.1 CREDIT RISK (continued)

Loss allowance (continued)

	31 December 2019 (Audited)			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
<i>Loans and advances</i>				
Loss allowance as at 1 January 2019	840	-	62	902
Transfers				
Transfer from Stage 1 to Stage 2	(115)	115	-	-
Transfer from Stage 1 to Stage 3	(4)	-	4	-
New financial assets originated	2	-	-	2
Changes in PDs/LGDs/EADs	(551)	253	9,581	9,283
Loss allowance as at 31 December 2019	172	368	9,647	10,187

	30 September 2020 (Unaudited)			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
<i>Investments – measured at amortised cost</i>				
Loss allowance as at 1 January 2020	1,109	957	3,893	5,959
Transfers				
Transfer from Stage 1 to Stage 2	(770)	770	-	-
Transfer from Stage 3 to Stage 2	-	1,827	(1,827)	-
Transfer from Stage 2 to Stage 3	-	(96)	96	-
New financial assets originated	2,098	-	-	2,098
Changes in PDs/LGDs/EADs	(76)	3,688	1,157	4,769
Loss allowance as at 30 September 2020	2,361	7,146	3,319	12,826

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

3 RISK MANAGEMENT (continued)

3.1 CREDIT RISK (continued)

Loss allowance (continued)

	31 December 2019 (Audited)			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
<i>Investments – measured at amortised cost</i>				
Loss allowance as at 1 January 2019	1,379	1,859	2,938	6,176
Transfers				
Transfer from Stage 1 to Stage 2	(217)	217	-	-
Transfer from Stage 2 to Stage 3	-	(665)	665	-
New financial assets originated	256	-	-	256
Changes in PDs/LGDs/EADs	(309)	(454)	290	(473)
Loss allowance as at 31 December 2019	<u>1,109</u>	<u>957</u>	<u>3,893</u>	<u>5,959</u>

4 DUE FROM BANKS, NET

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Domestic	2,401	15,524
Regional	7,573	19,983
International	186,405	329,960
	<u>196,379</u>	<u>365,467</u>
Less: allowance for impairment (note 7)	<u>(384)</u>	<u>(1,023)</u>
	<u><u>195,995</u></u>	<u><u>364,444</u></u>

No balances with banks were pledged as collateral with banks against credit facilities (31 December 2019: AED 191,027 thousand).

5 LOANS AND ADVANCES, NET

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Gross loans and advances	592,374	902,504
Less: allowance for impairment (note 7)	(22,076)	(10,187)
Less: interest in suspense	(3,598)	(2,725)
Loans and advances, net	<u><u>566,700</u></u>	<u><u>889,592</u></u>

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

6 INVESTMENTS, NET

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
<i>Investment at fair value through profit or loss</i>		
<i>Debt instruments</i>		
Quoted	-	5
<i>Equity instruments</i>		
Quoted	22,503	21,202
Unquoted	96,383	112,367
	<u>118,886</u>	<u>133,569</u>
Total investments measured at fair value through profit or loss	<u>118,886</u>	<u>133,574</u>
<i>Investments at fair value through other comprehensive income</i>		
<i>Debt instruments</i>		
Quoted	510,395	611,652
<i>Equity instruments</i>		
Quoted	45,671	52,808
Total investments measured at fair value through other comprehensive income	<u>556,066</u>	<u>664,460</u>
<i>Investments at amortised cost</i>		
<i>Debt instruments</i>		
Quoted	660,018	658,063
Total investments measured at amortised cost	<u>660,018</u>	<u>658,063</u>
Gross investments	<u>1,334,970</u>	<u>1,456,097</u>
Less: allowance for impairment (note 7)	<u>(12,826)</u>	<u>(5,959)</u>
Investments, net	<u><u>1,322,144</u></u>	<u><u>1,450,138</u></u>

Part of the proprietary investment portfolio of the Group having a carrying value of AED 227,076 thousand (31 December 2019: AED 865,348 thousand) is pledged as collateral with banks against credit facilities. Refer note 8.1 for the details of collateral pledged against credit facilities as at reporting date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

6 INVESTMENTS, NET (continued)

As at 30 September 2020, the Group held the following investments measured as follows:

	30 September 2020 AED'000 (Unaudited)	Investments carried at fair value			Investments carried at amortised cost AED'000 (Unaudited)
		Level 1 AED'000 (Unaudited)	Level 2 AED'000 (Unaudited)	Level 3 AED'000 (Unaudited)	
Debt instruments:					
Domestic	97,916	56,134	-	-	41,782
Regional	262,770	151,313	-	-	111,457
International	809,727	302,948	-	-	506,779
Equity instruments:					
Domestic	52,683	31,685	3	*20,995	-
Regional	823	823	-	-	-
International	111,051	21,747	89,304	-	-
Gross investments	1,334,970	564,650	89,307	20,995	660,018
Less: allowance for impairment (note 7)	(12,826)				
Investments, net	1,322,144				

The fair value of debt investments carried at amortised cost as at 30 September 2020 amounts to AED 663,799 thousand (31 December 2019: AED 662,703 thousand).

* Key inputs used in the valuation techniques for these investments are comparable sales transaction with appropriate haircut, Discounted cash flows (DCF) which included significant unobservable inputs of hair cut for comparable transactions and interest rate and in term of relationship of unobservable inputs to fair value, any changes in comparable sale transaction and interest rate change in DCF will directly impact the fair value.

As at 31 December 2019, the Group held the following investments measured as follows:

	Total 2019 AED'000 (Audited)	Investments carried at fair value			Investments carried at amortised cost AED'000 (Audited)
		Level 1 AED'000 (Audited)	Level 2 AED'000 (Audited)	Level 3 AED'000 (Audited)	
Debt instruments:					
Domestic	71,819	32,739	-	-	39,080
Regional	258,997	244,227	-	-	14,770
International	938,904	334,686	-	5	604,213
Equity instruments:					
Domestic	59,298	34,200	5	*25,093	-
Regional	904	904	-	-	-
International	126,175	20,374	105,801	-	-
Gross investments	1,456,097	667,130	105,806	25,098	658,063
Less: allowance for impairment (note 7)	(5,959)				
Investments, net	1,450,138				

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

6 INVESTMENTS, NET (continued)

During 2019 investments amounting to AED 12,105 thousand were transferred from Level 1 to Level 3. The transfers from Level 1 to Level 3 were made as the market in respect of these securities have not been active and the price of these securities have not been updated on the exchange.

The following table shows a reconciliation of the opening and closing amounts of level 3 investments recorded at fair value:

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
At the beginning of the period/year	25,098	40,656
Transfer from Level 1	-	12,105
Addition	-	162
Disposal	-	(18,760)
Net unrealised loss recognised in other comprehensive income	(4,610)	-
Net unrealised gain / (loss) recognised in profit or loss	507	(766)
Impairment/write off	-	(8,299)
At the end of the period/year	<u>20,995</u>	<u>25,098</u>

The Group has assessed the sensitivity of the fair value measurement of investments under level 3 due to changes in inputs used. Based on the assessment, no major changes in the fair value of investments under level 3 are noted as at 30 September 2020. Such an assessment is performed on a quarterly basis by reviewing the changes in unobservable inputs which might result in higher or lower fair value measurement.

7 ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Investments		
<i>Movement in allowances for impairment losses</i>		
Balance at 1 January	5,959	6,176
Net impairment allowance/(reversal) for the period/year	6,867	(217)
	<u>12,826</u>	<u>5,959</u>
Loans and advances		
<i>Movement in allowances for impairment losses</i>		
Balance at 1 January	10,187	902
Net impairment allowance for the period/year	11,889	9,285
	<u>22,076</u>	<u>10,187</u>
Due from banks		
<i>Movement in allowances for impairment losses</i>		
Balance at 1 January	1,023	757
Net impairment (reversal)/allowance for the period/year	(639)	266
	<u>384</u>	<u>1,023</u>

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

7 ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS (continued)

Expected credit losses

The analysis of expected credit losses by stage for loans and advances, investment in debt instruments measured at amortised cost and due from banks is as follows:

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Expected credit losses- Lifetime ECL (Stage 3)	25,347	13,540
Expected credit losses- 12-months ECL (Stage 1)	2,793	2,304
Expected credit losses- Lifetime ECL (Stage 2)	7,146	1,325
Expected credit losses (Stage 1 and 2)	<u>9,939</u>	<u>3,629</u>
Total expected credit losses	<u><u>35,286</u></u>	<u><u>17,169</u></u>

8 DUE TO BANKS

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Term deposits	177,939	403,118
Repurchase agreements	3,000	523,532
	<u>180,939</u>	<u>926,650</u>

The repurchase agreement of AED 3,000 thousand is borrowed at zero cost from the Central Bank of UAE under the Targeted Economic Support Scheme (“TESS”).

8.1 Information on collateral

	<i>Balance 30 September 2020 AED'000 (Unaudited)</i>	<i>Collateral value 30 September 2020 AED'000 (Unaudited)</i>	<i>Balance 31 December 2019 AED'000 (Audited)</i>	<i>Collateral value 31 December 2019 AED'000 (Audited)</i>
Term deposits:				
Collateralized by investments	157,939	223,981	186,194	307,567
Collateralized by due from banks	-	-	171,924	191,027
	<u>157,939</u>	<u>223,981</u>	<u>358,118</u>	<u>498,594</u>
Repurchase agreements:				
Collateralized by debt instruments	3,000	3,095	523,532	557,781

The Group has unsecured term deposits amounting to AED 20,000 thousand (31 December 2019: AED 45,000 thousand) as at reporting date.

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

9 INTEREST INCOME

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2020	2019	2020	2019
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loans and advances	10,224	14,679	30,335	49,940
Bank placements	36	831	783	3,122
	10,260	15,510	31,118	53,062

10 NET INCOME FROM INVESTMENTS

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2020	2019	2020	2019
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest income on investments in debt instruments	9,329	11,527	30,193	33,709
Net loss from interest rate swaps	(2,564)	(223)	(4,072)	(236)
Net realised gain/(loss) on investments measured at amortised cost and FVOCI	211	76	497	(440)
Net (loss)/gain from investment securities measured as fair value through profit or loss	(147)	565	(16,332)	14,289
Dividend income	1,810	1,909	8,187	9,615
Portfolio management fees paid to other financial institutions	(171)	(215)	(571)	(661)
	8,468	13,639	17,902	56,276

11 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2020	2019	2020	2019
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Impairment loss on investments measured at amortized cost	(2,751)	2,952	(6,867)	(1,080)
Impairment reversal/(loss) on investments measured at FVOCI	3,376	(3,461)	1,466	(3,704)
Impairment loss on loans and advances	(9,923)	(1,915)	(11,889)	(2,544)
Impairment loss on other assets	(40)	(150)	(224)	(150)
Impairment reversal on due from banks	380	48	639	267
	(8,958)	(2,526)	(16,875)	(7,211)

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

12 BASIC AND DILUTED EARNINGS PER SHARE

Basic loss per share of AED 40.24 (30 September 2019: Basic earnings per share of AED 30.72) is calculated by dividing the loss attributable to the equity holders of the parent of AED 28,169 thousand for the nine month period ended 30 September 2020 (30 September 2019: profit of AED 21,502 thousand) by the weighted average number of shares outstanding during the period of 700,000 of AED 100 each (30 September 2019: 700,000 shares of AED 100 each).

The figure for basic and diluted earnings per share is the same as the Group has not issued any instruments which would have an impact on earnings per share.

13 SEGMENTAL ANALYSIS

For operating purposes, the Group is organised into two major business segments: (a) Investments, which is principally involved in managing the Group's own investment portfolio and provides treasury services; and (b) Banking Services, which principally manages clients' investment portfolios, provides credit facilities, accepts deposits from corporate and individual customers and provides advisory services on corporate finance and capital market transactions. These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds and an equitable allocation of expenses and the Group operations are primarily within the UAE.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>Nine months ended</i>		<i>Nine months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Revenue *	14,322	57,053	35,021	78,245	49,343	135,298
Inter-segment adjustment	(7,807)	4,640	7,807	(4,640)	-	-
	6,515	61,693	42,828	73,605	49,343	135,298
(Loss)/Profit for the period	(18,835)	11,370	(9,336)	10,132	(28,169)	21,502

* Revenue comprises of interest income, net income from investments, fee commission and other income and exchange gain/(loss) less net impairment loss on financial assets.

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Segment assets	1,752,799	2,211,346	581,341	909,098	2,334,140	3,120,444
Segment liabilities and equity	199,916	973,230	2,134,224	2,147,214	2,334,140	3,120,444

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

14 COMMITMENTS AND CONTINGENT LIABILITIES

Credit-related commitments and contingent liabilities

Credit-related commitments include commitments to extend credit, letters of credit, guarantees and acceptances which are designed to meet the requirements of the Group's customers.

Letters of credit, guarantees and acceptances commit the Group to make payments on behalf of customers, contingent upon the failure of the customers to perform under the terms of the contract.

The Group has the following credit related contingent liabilities and commitments:

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Guarantees	24,868	76,829
Unutilised committed credit facilities*	6,317	23,024
	<u>31,185</u>	<u>99,853</u>

The Group has commitments of AED 30,089 thousand on account of investment in equity instruments (31 December 2019: AED 31,342 thousand).

* Unutilised committed credit facilities represent a contractual commitment to permit draw downs on a facility within a defined period subject to conditions precedent and termination clauses. As commitments may expire without being drawn down and since conditions precedent to draw down have to be fulfilled, the total contract amounts do not necessarily represent exact future cash requirements.

15 RELATED PARTY TRANSACTIONS

The Group enters into transactions in the ordinary course of business with related parties, defined as major shareholders, directors, key management personnel and their related companies. All loans and advances to related parties are performing advances and no provision has been maintained against these balances. Pricing policies and terms of related parties' transactions are approved by the Group's management.

The significant balances outstanding in respect of related parties included in the condensed consolidated interim financial information are as follows:

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
<i>Directors, their related parties and key management personnel:</i>		
Loans and advances	-	97
Investments	2,540	9,895
Customers' deposits	847,185	556,427
Commitments and contingencies	17,514	65,729
Other liabilities	12,921	3,773

Outstanding balances at the period end arise in the normal course of business. For the nine month period ended 30 September 2020, the Group has not recorded any impairment on amounts owed by related parties (2019: Nil).

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

15 RELATED PARTY TRANSACTIONS (continued)

The income and expenses in respect of related parties included in the condensed consolidated interim financial information are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
<i>Directors, their related parties and key management personnel:</i>				
Interest income	1	5	5	97
Interest expense	(4,740)	(4,180)	(13,309)	(12,710)
Other income	194	698	1,278	2,141
Director fees	(45)	-	(500)	-
General and administration expenses	(1,740)	(1,778)	(5,229)	(5,498)

The Group has purchased certain investments from EIB Enhanced Liquidity Fund, a related party at the values mentioned in their published NAV amounting to AED 9,067 thousand. The Group has maintained a provision against these investments which are classified as FVTPL as at 30 September 2020 as they are illiquid in nature.

	Three months ended 30 September		Nine months ended 30 September	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Salaries and other benefits to key management personnel	3,718	2,055	10,027	7,564

16 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business the Group enters into transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. The purpose of derivative financial instruments in the Group's business is to mitigate the risks arising from default, currency and interest fluctuations and other market variables. The Group uses forward foreign exchange contracts and options to mitigate the currency risk on certain investments.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with the notional amounts. The notional amount, recorded gross is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period end and are neither indicative of the market risk nor credit risk.

30 September 2020

	Positive fair value AED'000 (Unaudited)	Negative fair value AED'000 (Unaudited)	Notional amount AED'000 (Unaudited)	Notional amount by term to maturity		
				Less than 1 year AED'000 (Unaudited)	1 to 5 years AED'000 (Unaudited)	Over 5 years AED'000 (Unaudited)
Derivatives:						
Foreign exchange option contracts	8	8	8,368	8,368	-	-
Interest rate swaps	-	31,334	183,650	-	-	183,650
	<u>8</u>	<u>31,342</u>	<u>192,018</u>	<u>8,368</u>	<u>-</u>	<u>183,650</u>

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

16 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

31 December 2019

	Positive fair value AED '000 (Audited)	Negative fair value AED '000 (Audited)	Notional amount AED '000 (Audited)	Notional amount by term to maturity		
				Less than 1 year AED '000 (Audited)	1 to 5 years AED '000 (Audited)	Over 5 years AED '000 (Audited)
Derivatives:						
Forward foreign exchange contracts	350	14	48,974	48,974	-	-
Foreign exchange option contracts	128	128	42,710	42,710	-	-
Interest rate swaps	-	18,515	255,724	-	-	255,724
	<u>478</u>	<u>18,657</u>	<u>347,408</u>	<u>91,684</u>	<u>-</u>	<u>255,724</u>

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have an impact on the profit or loss of the Group. The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

Derivative product type

Forwards

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in over-the-counter markets.

Options

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity or financial instrument at a fixed price, either at a fixed future date or at any time within a specified year.

Swaps

Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal.

Fair value

The derivatives are recorded at fair value by using the published price quotations in an active market or counterparty prices or valuation techniques using a valuation model that has been tested against the prices of actual market transactions and the Group's best estimate of the most appropriate model inputs.

Foreign exchange forward contracts, foreign exchange option contracts and interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the nine month period ended 30 September 2020 (Unaudited)

16 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favorable to the Group. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honors its obligation, but the counterparty fails to deliver the counter value.

Changes in counterparty credit risk have no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

All the foreign exchange contracts are recorded at fair value under level 2 of the fair value hierarchy

17 FIDUCIARY ASSETS

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Balance of fiduciary assets	<u>2,543,176</u>	<u>3,897,754</u>

The Group provides custody and asset management services for its customers' assets. These assets are held by the Group in a fiduciary capacity and are, accordingly, not included in these condensed consolidated interim financial information as assets of the Group.

18 COMPARATIVE FIGURES

Cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition including cash and balances with UAE Central Bank and due from banks.

Due to banks maturing within 3 months, which were previously included as a component of cash and cash equivalents for the comparative periods have been reclassified from cash and cash equivalents and now shown as part of operating activities in the statement of cash flows.

19 SUBSEQUENT EVENTS

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial information as at and for the nine month period ended 30 September 2020.