

EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020



EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors
Emirates NBD Bank PJSC
Dubai
United Arab Emirates**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Emirates NBD Bank PJSC, Dubai, United Arab Emirates** (the “Bank”) **and its Subsidiaries** (together referred to as the “Group”) as at 30 June 2020 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)



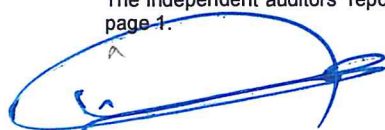
Akbar Ahmad
Registration No.: 1141
19 July 2020
Dubai
United Arab Emirates

EMIRATES NBD BANK PJSC

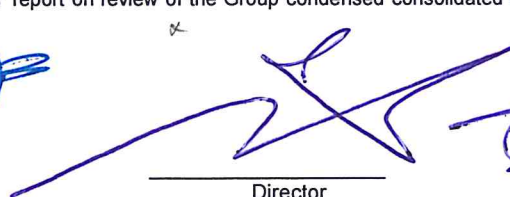
GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020 (UNAUDITED)

	Notes	Unaudited	Audited
		30 June 2020	31 December 2019
		AED 000	AED 000
ASSETS			
Cash and deposits with Central Banks	3	101,696,995	109,356,947
Due from banks	4	46,017,914	40,167,541
Investment securities	5	55,926,247	55,047,466
Loans and receivables	6	388,111,864	384,888,981
Islamic financing receivables	7	54,798,475	52,541,046
Positive fair value of derivatives	20	13,293,644	7,143,499
Investments in associates		177,517	134,452
Customer acceptances		8,914,993	10,227,557
Investment properties		587,136	613,223
Property and equipment		4,089,635	4,317,323
Goodwill and intangibles	8	6,422,058	6,607,421
Other assets	9	14,246,308	12,275,108
TOTAL ASSETS		694,282,786	683,320,564
LIABILITIES			
Due to banks		57,557,378	41,715,299
Customer deposits		375,997,511	385,810,220
Islamic customer deposits		84,894,382	86,370,611
Debt issued and other borrowed funds	10	52,296,428	49,317,315
Sukuk payable	11	3,677,302	3,679,921
Negative fair value of derivatives	20	11,294,034	5,565,219
Customer acceptances		8,914,993	10,227,557
Other liabilities	12	18,250,393	19,027,561
TOTAL LIABILITIES		612,882,421	601,713,703
EQUITY			
Issued capital		6,316,598	6,316,598
Treasury shares		(46,175)	(46,175)
Tier I capital notes	14	9,468,272	9,468,272
Share premium reserve		17,954,164	17,954,164
Legal and statutory reserve		3,158,299	3,158,299
Other reserves		2,945,393	2,945,393
Fair value reserve		46,529	131,484
Currency translation reserve		(3,093,915)	(1,706,736)
Retained earnings		44,637,569	43,375,416
TOTAL EQUITY ATTRIBUTABLE TO EQUITY AND NOTE HOLDERS OF THE GROUP		81,386,734	81,596,715
Non-controlling interest		13,631	10,146
TOTAL EQUITY		81,400,365	81,606,861
TOTAL LIABILITIES AND EQUITY		694,282,786	683,320,564

The attached notes 1 to 27 form an integral part of these Group condensed consolidated interim financial statements.
The independent auditors' report on review of the Group condensed consolidated interim financial statements is set out on page 1.



Director



Director



Chief Executive Officer

19 JUL 2020

EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

		Unaudited three months period ended 30 June 2020	Unaudited three months period ended 30 June 2019	Unaudited six months period ended 30 June 2020	Unaudited six months period ended 30 June 2019
	Notes	AED 000	AED 000	AED 000	AED 000
Interest and similar income		6,300,025	4,939,421	13,584,223	9,717,238
Interest and similar expense		(2,277,858)	(1,869,493)	(5,007,312)	(3,612,396)
Net interest income		4,022,167	3,069,928	8,576,911	6,104,842
Income from Islamic financing and investment products		698,038	825,568	1,505,832	1,620,340
Distribution on Islamic deposits and profit paid to Sukuk holders		(351,399)	(443,977)	(777,611)	(873,619)
Net income from Islamic financing and investment products		346,639	381,591	728,221	746,721
Net interest income and income from Islamic financing and investment products net of distribution to depositors		4,368,806	3,451,519	9,305,132	6,851,563
Fee and commission income		1,110,768	1,077,162	2,895,310	2,131,185
Fee and commission expense		(369,446)	(341,789)	(972,969)	(655,643)
Net fee and commission income		741,322	735,373	1,922,341	1,475,542
Net gain / (loss) on trading securities		85,620	47,759	125,157	119,443
Other operating income	15	547,860	575,611	1,275,772	1,080,526
Total operating income		5,743,608	4,810,262	12,628,402	9,527,074
General and administrative expenses	16	(1,950,622)	(1,429,939)	(3,999,312)	(2,826,484)
Operating profit before impairment		3,792,986	3,380,323	8,629,090	6,700,590
Net impairment loss on financial assets	17	(1,652,557)	(656,336)	(4,211,045)	(1,226,461)
Operating profit after impairment		2,140,429	2,723,987	4,418,045	5,474,129
Gain on disposal of stake in jointly controlled entity		-	2,065,831	-	2,065,831
Share of profit / (loss) of associates and joint ventures		1,087	(15,382)	1,194	11,947
Group profit for the period before tax		2,141,516	4,774,436	4,419,239	7,551,907
Taxation charge		(130,957)	(35,907)	(327,889)	(69,936)
Group profit for the period after tax		2,010,559	4,738,529	4,091,350	7,481,971
Attributable to:					
Equity holders of the Group		2,008,761	4,738,241	4,087,865	7,481,231
Non-controlling interest		1,798	288	3,485	740
Group profit for the period after tax		2,010,559	4,738,529	4,091,350	7,481,971
Adjusted earnings per share	19	0.29	0.45	0.60	0.91

The attached notes 1 to 27 form an integral part of these Group condensed consolidated interim financial statements. The independent auditors' report on review of the Group condensed consolidated interim financial statements is set out on page 1.

EMIRATES NBD BANK PJSC

**GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (UNAUDITED)**

	Unaudited three months period ended 30 June 2020 AED 000	Unaudited three months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
Group profit for the period after tax	2,010,559	4,738,529	4,091,350	7,481,971
Other comprehensive income				
Items that will not be reclassified subsequently to Income statement:				
Movement in fair value reserve (equity instruments):				
Net change in fair value	27,197	5,034	(322,070)	7,002
Net amount transferred to retained earnings	-	-	-	-
Items that may be reclassified subsequently to Income statement:				
Cost of hedging for forward element of a forward and currency basis spread excluded from hedge effectiveness testing:				
Net change in the cost of hedging	(101,957)	21,055	218,124	23,419
Cash flow hedges:				
- Effective portion of changes in fair value	86,803	(117,863)	12,664	(194,967)
Fair value reserve (debt instruments):				
- Net change in fair value	605,507	40,222	47,038	93,873
- Net amount transferred to income statement	(23,752)	978	(54,531)	1,923
- Related deferred tax	(86,005)	-	13,820	-
Currency translation reserve	(222,707)	67,808	(1,374,326)	116,794
Hedge of a net investment in foreign operations	(36,613)	(7,106)	(12,853)	(13,740)
Other comprehensive income for the period	248,473	10,128	(1,472,134)	34,304
Total comprehensive income for the period	2,259,032	4,748,657	2,619,216	7,516,275
Attributable to:				
Equity holders of the Group	2,257,234	4,748,369	2,615,731	7,515,535
Non-controlling interest	1,798	288	3,485	740
Total comprehensive income for the period	2,259,032	4,748,657	2,619,216	7,516,275

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**GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (UNAUDITED)**

	Notes	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
<u>OPERATING ACTIVITIES</u>			
Group profit for the period before tax		4,419,239	7,551,907
Adjustment for non cash items	23	5,583,537	107,862
Operating profit before changes in operating assets and liabilities		10,002,776	7,659,769
(Increase)/decrease in interest free statutory deposits		8,655,730	760,219
(Increase)/decrease in certificate of deposits with Central Banks maturing after three months		(3,401,456)	(7,293,480)
(Increase)/decrease in amounts due from banks maturing after three months		(7,852,252)	(4,524,263)
Increase/(decrease) in amounts due to banks maturing after three months		3,426,586	(426,685)
(Increase)/decrease in other assets		(2,663,332)	(1,945,890)
Increase/(decrease) in other liabilities		(2,064,802)	1,603,953
(Increase)/decrease in positive fair value of derivatives		(5,932,210)	(2,061,910)
Increase/(decrease) in negative fair value of derivatives		5,728,815	904,869
Increase/(decrease) in customer deposits		(9,812,709)	13,788,020
Increase/(decrease) in islamic customer deposits		(1,476,229)	5,043,087
(Increase)/decrease in loans and receivables		(6,592,709)	(9,855,503)
(Increase)/decrease in Islamic financing receivables		(2,987,993)	(1,335,607)
		(14,969,785)	2,316,579
Taxes paid		(134,587)	(44,865)
Net cash flows from/(used in) operating activities		(15,104,372)	2,271,714

EMIRATES NBD BANK PJSC

**GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (UNAUDITED)**

	Notes	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
<u>INVESTING ACTIVITIES</u>			
(Increase)/decrease in investment securities		(1,296,942)	(9,401,104)
(Increase)/decrease of property and equipment		(266,269)	(214,549)
Dividend income received		20,816	20,548
Disposal of stake in jointly controlled entity		-	2,858,684
Net cash flows from/(used in) investing activities		(1,542,395)	(6,736,421)
<u>FINANCING ACTIVITIES</u>			
Issuance of debt issued and other borrowed funds	10	12,249,065	9,692,829
Repayment of debt issued and other borrowed funds	10	(9,519,109)	(3,537,453)
Issuance of Tier I capital notes		-	3,663,696
Repayment of Tier I capital notes		-	(3,672,500)
Interest on Tier I capital notes		(301,434)	(353,514)
Dividends paid		(2,524,278)	(2,220,749)
Net cash flows from /(used in) financing activities		(95,756)	3,572,309
(Decrease)/increase in cash and cash equivalents (refer Note 23)		(16,742,523)	(892,398)

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EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

	ATTRIBUTABLE TO EQUITY AND NOTE HOLDERS OF THE GROUP											
	Issued Capital	Treasury shares	Tier I Capital Notes	Share premium reserve	Legal and Statutory reserve	Other reserves	Fair value reserve	Currency Translation Reserve	Retained earnings	Total	Non-controlling interest	Group Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2020	6,316,598	(46,175)	9,468,272	17,954,164	3,158,299	2,945,393	131,484	(1,706,736)	43,375,416	81,596,715	10,146	81,606,861
Profit for the period	-	-	-	-	-	-	-	-	4,087,865	4,087,865	3,485	4,091,350
Other comprehensive income for the period	-	-	-	-	-	-	(84,955)	(1,387,179)	-	(1,472,134)	-	(1,472,134)
Tier I capital notes issued during the period (note 14)	-	-	-	-	-	-	-	-	-	-	-	-
Tier I capital notes redeemed during the period (note 14)	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(301,434)	(301,434)	-	(301,434)
Dividends paid*	-	-	-	-	-	-	-	-	(2,524,278)	(2,524,278)	-	(2,524,278)
Balance as at 30 June 2020	6,316,598	(46,175)	9,468,272	17,954,164	3,158,299	2,945,393	46,529	(3,093,915)	44,637,569	81,386,734	13,631	81,400,365
Balance as at 1 January 2019	5,557,775	(46,175)	9,477,076	12,270,124	2,778,888	2,869,533	(72,904)	(1,231,558)	32,412,538	64,015,297	9,066	64,024,363
Profit for the period	-	-	-	-	-	-	-	-	7,481,231	7,481,231	740	7,481,971
Other comprehensive income for the period	-	-	-	-	-	-	(68,750)	103,054	-	34,304	-	34,304
Tier I capital notes issued during the period (note 14)	-	-	3,663,696	-	-	-	-	-	-	3,663,696	-	3,663,696
Tier I capital notes redeemed during the period (note 14)	-	-	(3,672,500)	-	-	-	-	-	-	(3,672,500)	-	(3,672,500)
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(353,514)	(353,514)	-	(353,514)
Dividends paid*	-	-	-	-	-	-	-	-	(2,220,749)	(2,220,749)	-	(2,220,749)
Balance as at 30 June 2019	5,557,775	(46,175)	9,468,272	12,270,124	2,778,888	2,869,533	(141,654)	(1,128,504)	37,319,507	68,947,765	9,806	68,957,571

*Dividend paid is net of the amount attributable to treasury shares.

The attached notes 1 to 27 form an integral part of these Group condensed consolidated interim financial statements.

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1 CORPORATE INFORMATION

Emirates NBD Bank PJSC (the “Bank”) was incorporated in the United Arab Emirates on 16 July 2007 consequent to the merger between Emirates Bank International PJSC (“EBI”) and National Bank of Dubai PJSC (“NBD”), under the Commercial Companies Law (Federal Law Number 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 1 July 2015, replacing the Federal Law No. 8 of 1984.

The condensed consolidated interim financial statements for the period ended 30 June 2020 comprise the financial statements of the Bank and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The Bank is listed on the Dubai Financial Market (TICKER: “EMIRATESNBD”). The Group’s principal business activities are corporate banking, consumer banking, treasury and Islamic banking. The Bank’s website is www.emiratesnbd.com.

The registered address of the Bank is Post Box 777, Dubai, United Arab Emirates (“UAE”).

The parent company of the Group is Investment Corporation of Dubai, a company in which the Government of Dubai is the majority shareholder.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The accounting policies, including those pertaining to financial assets, cash and cash equivalents, Islamic financing and investing assets and investment properties, applied by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those applied by the Group in the annual consolidated financial statements for the year ended 31 December 2019, except for changes in accounting policies explained in note 27.

These condensed consolidated interim financial statements do not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group’s financial statements as at and for the year ended 31 December 2019. In addition, results for the six months period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2020.

In preparing these condensed consolidated interim financial statements, significant judgments made by the 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.

3 CASH AND DEPOSITS WITH CENTRAL BANKS

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Cash	4,310,464	4,461,421
Statutory and other deposits with Central Banks	41,321,194	49,976,924
Interest bearing placements with Central Banks	271,051	7,646
Murabahas and interest bearing certificates of deposits with Central Banks*	55,798,580	54,913,791
Less: Expected credit losses	(4,294)	(2,835)
	<u>101,696,995</u>	<u>109,356,947</u>

Certain interest bearing placements have been reclassified in 2019 to 'Statutory and other deposits with the Central Bank' as the Group is unlikely to meet the eligible thresholds to receive interest on such placements.

The reserve requirements which are kept with the Central Banks of the countries in which the Group operates are not available for use in the Group's day to day operations and cannot be withdrawn without the approval of the Central Banks. The level of reserves required changes periodically in accordance with the directives of the Central Banks.

*Murabahas and certificates of deposits with Central Banks amounting to AED 4,334 million were collateralized for the purpose of obtaining Zero Cost Funding from the Central Bank of UAE amounting to AED 4,322 million presented under 'Due to banks'.

4 DUE FROM BANKS

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Due from banks in UAE	8,847,985	7,874,550
Due from foreign banks	37,300,886	32,377,197
Less: Expected credit losses	(130,957)	(84,206)
	<u>46,017,914</u>	<u>40,167,541</u>

5 INVESTMENT SECURITIES

<u>Unaudited 30 June 2020</u>	Domestic*	Regional**	International***	Total
	AED 000	AED 000	AED 000	AED 000
<u>TRADING SECURITIES MEASURED AT FVTPL</u>				
Government Bonds	98,215	438,853	687,485	1,224,553
Corporate Bonds	361,598	97,260	1,054,328	1,513,186
Equity	-	-	122,023	122,023
Others	-	-	18,618	18,618
	459,813	536,113	1,882,454	2,878,380
<u>DESIGNATED AS AT FVTPL</u>				
Corporate Bonds	-	-	20,359	20,359
Equity	94,902	139,154	69,278	303,334
Others	441	61,791	44,682	106,914
	95,343	200,945	134,319	430,607
<u>MEASURED AT AMORTISED COST</u>				
Government Bonds	6,059,834	13,430,566	12,557,133	32,047,533
Corporate Bonds	953,811	1,191,252	2,385,913	4,530,976
	7,013,645	14,621,818	14,943,046	36,578,509
Less: Expected credit losses				(38,186)
				36,540,323
<u>MEASURED AT FVOCI - DEBT INSTRUMENTS</u>				
Government Bonds	-	875,011	10,586,927	11,461,938
Corporate Bonds	2,398,127	420,098	1,192,131	4,010,356
	2,398,127	1,295,109	11,779,058	15,472,294
Less: Expected credit losses				(31,894)
				15,440,400
<u>MEASURED AT FVOCI - EQUITY INSTRUMENTS</u>				
Equity	1,689	54,438	580,410	636,537
	1,689	54,438	580,410	636,537
Gross Investment securities	9,968,617	16,708,423	29,319,287	55,996,327
Net Investment securities				55,926,247

*Domestic: These are securities issued within UAE.

**Regional: These are securities issued within Middle East.

***International: These are securities issued outside the Middle East region

Investment securities with a carrying value of AED 2,584 million were collateralized for the purpose of obtaining Zero Cost Funding from the Central Bank of UAE amounting to AED 2,584 million presented under 'Due to banks'.

5 INVESTMENT SECURITIES (CONTINUED)

	Domestic*	Regional**	International***	Total
<u>Audited 31 December 2019</u>	AED 000	AED 000	AED 000	AED 000
<u>TRADING SECURITIES MEASURED AT FVTPL</u>				
Government Bonds	149,724	1,251,160	459,499	1,860,383
Corporate Bonds	563,802	280,033	1,192,055	2,035,890
Equity	-	-	94,751	94,751
Others	-	-	1,247	1,247
	<u>713,526</u>	<u>1,531,193</u>	<u>1,747,552</u>	<u>3,992,271</u>
<u>DESIGNATED AS AT FVTPL</u>				
Corporate Bonds	-	-	21,925	21,925
Equity	131,236	166,032	89,289	386,557
Others	762	79,736	84,431	164,929
	<u>131,998</u>	<u>245,768</u>	<u>195,645</u>	<u>573,411</u>
<u>MEASURED AT AMORTISED COST</u>				
Government Bonds	4,121,228	12,385,407	16,464,473	32,971,108
Corporate Bonds	804,904	1,194,750	1,898,882	3,898,536
	<u>4,926,132</u>	<u>13,580,157</u>	<u>18,363,355</u>	<u>36,869,644</u>
Less: Expected credit losses				(18,641)
				<u>36,851,003</u>
<u>MEASURED AT FVOCI - DEBT INSTRUMENTS</u>				
Government Bonds	-	876,623	8,652,752	9,529,375
Corporate Bonds	1,971,055	355,724	825,978	3,152,757
	<u>1,971,055</u>	<u>1,232,347</u>	<u>9,478,730</u>	<u>12,682,132</u>
Less: Expected credit losses				(11,172)
				<u>12,670,960</u>
<u>MEASURED AT FVOCI - EQUITY INSTRUMENTS</u>				
Equity	1,689	66,087	892,045	959,821
	<u>1,689</u>	<u>66,087</u>	<u>892,045</u>	<u>959,821</u>
Gross Investment securities	<u>7,744,400</u>	<u>16,655,552</u>	<u>30,677,327</u>	<u>55,077,279</u>
Net Investment securities				<u>55,047,466</u>

*Domestic: These are securities issued within UAE.

**Regional: These are securities issued within Middle East.

***International: These are securities issued outside the Middle East region.

6 LOANS AND RECEIVABLES

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
At Amortised Cost		
Overdrafts	149,615,339	150,166,905
Time loans	241,684,653	233,270,602
Loans against trust receipts	9,589,942	8,054,202
Bills discounted	2,813,535	4,475,928
Credit card receivables	11,152,880	12,711,497
Total loans and receivables	414,856,349	408,679,134
Less: Expected credit losses	(26,744,485)	(23,790,153)
	388,111,864	384,888,981
Total of impaired loans and receivables	22,221,619	21,155,908

6 LOANS AND RECEIVABLES (CONTINUED)

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
<u>Analysis by economic activity</u>		
Manufacturing	20,245,726	17,761,078
Construction	16,639,485	15,795,599
Trade	24,669,296	23,860,803
Transport and communication	13,121,561	7,593,431
Services	14,749,913	15,865,073
Sovereign	161,711,511	162,760,253
Personal	55,521,624	56,933,847
Real estate	43,794,794	43,359,153
Hotels and restaurants	15,595,283	15,911,904
Management of companies and enterprises	9,747,178	13,930,191
Financial institutions and investment companies	19,297,860	15,534,634
Agriculture	8,323,878	8,127,732
Others	11,438,240	11,245,436
Total loans and receivables	414,856,349	408,679,134
Less: Expected credit losses	(26,744,485)	(23,790,153)
	<u>388,111,864</u>	<u>384,888,981</u>

7 ISLAMIC FINANCING RECEIVABLES

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
At Amortised Cost		
Murabaha	39,564,994	36,883,978
Ijara	19,708,979	19,513,458
Wakala	338,440	882,328
Istissna'a	1,185,871	1,257,196
Credit cards receivable	1,342,802	1,491,354
Others	307,574	161,533
Total Islamic financing receivables	62,448,660	60,189,847
Less: Deferred income	(2,107,736)	(2,212,559)
Less: Expected credit losses	(5,542,449)	(5,436,242)
Net Islamic financing receivables	54,798,475	52,541,046
Total of impaired Islamic financing receivables	5,393,629	4,868,545

Corporate Ijara assets amounting to AED 2.3 billion (2019: AED 2.3 billion) and Murabaha assets amounting to AED 1.4 billion (2019: AED 1.4 billion) were securitised for the purpose of issuance of Sukuk liability (refer Note 11).

7 ISLAMIC FINANCING RECEIVABLES (CONTINUED)

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
<u>Analysis by economic activity</u>		
Manufacturing	2,500,753	2,342,297
Construction	1,311,898	1,394,896
Trade	8,125,831	8,304,869
Transport and communication	1,408,844	803,391
Services	1,674,214	1,567,880
Sovereign	251,529	434,377
Personal	30,103,150	28,399,349
Real estate	8,633,754	8,204,863
Hotels and restaurants	866,939	746,809
Management of companies and enterprises	2,678,956	1,673,373
Financial institutions and investment companies	1,878,854	2,603,443
Others	3,013,938	3,714,300
Total islamic financing and receivables	62,448,660	60,189,847
Less: Deferred income	(2,107,736)	(2,212,559)
Less: Expected credit losses	(5,542,449)	(5,436,242)
	54,798,475	52,541,046

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NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (UNAUDITED)**8 GOODWILL AND INTANGIBLES**

	Goodwill	Intangibles on Acquisition				Brands	Total
		Banking license	Software	Customer relationships	Core deposit intangibles		
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Unaudited 30 June 2020							
Cost							
Balance as at 1 January	5,560,355	159,482	9,281	509,704	923,667	348,820	7,511,309
Foreign exchange movement	(416)	(1,099)	-	(32,287)	(23,787)	(46,126)	(103,715)
	5,559,939	158,383	9,281	477,417	899,880	302,694	7,407,594
Less: Amortisation and impairment							
Balance as at 1 January	4,903	-	9,281	196,667	693,037	-	903,888
Amortisation and impairment for the period	-	-	-	47,012	34,636	-	81,648
Balance as at 30 June	4,903	-	9,281	243,679	727,673	-	985,536
Net Goodwill and Intangibles	5,555,036	158,383	-	233,738	172,207	302,694	6,422,058
Audited 31 December 2019							
Cost	5,560,355	159,482	9,281	509,704	923,667	348,820	7,511,309
Less: Amortisation and impairment	4,903	-	9,281	196,667	693,037	-	903,888
Net Goodwill and Intangibles	5,555,452	159,482	-	313,037	230,630	348,820	6,607,421

The goodwill and intangibles are acquired through business combinations. Goodwill has an indefinite life and is reviewed annually for impairment.

The Goodwill has been allocated to four cash-generating units, namely Corporate and Institutional banking, Retail banking and Wealth Management, Global Markets and Treasury and Emirates NBD Egypt.

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9 OTHER ASSETS

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
	-----	-----
Accrued interest receivable	4,832,175	4,649,040
Islamic Profit receivable	121,452	114,657
Prepayments and other advances	1,023,295	1,026,233
Sundry debtors and other receivables	4,440,873	2,504,710
Inventory	1,245,792	1,296,001
Deferred tax asset	841,955	626,610
Others	1,740,766	2,057,857
	-----	-----
	<u>14,246,308</u>	<u>12,275,108</u>

10 DEBT ISSUED AND OTHER BORROWED FUNDS

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Medium term note programme	44,048,630	41,075,715
Term loans from banks	7,329,673	7,323,475
Borrowings raised from loan securitisations	918,125	918,125
	52,296,428	49,317,315

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Balance as at 1 January	49,317,315	40,715,230
Additions through acquisition	-	3,795,768
New issues	12,249,065	15,624,311
Repayments	(9,519,109)	(11,230,938)
Other movements*	249,157	412,944
Balance at end of period / year	52,296,428	49,317,315

*Represents exchange rate movement on debts issued in foreign currency. The Group hedges the foreign currency risk on public issuances through derivative financial instruments.

As at 30 June 2020, the outstanding medium term borrowings totaling AED 52,296 million (31 December 2019: AED 49,317 million) is falling due as below:

	Unaudited 30 June 2020 AED millions	Audited 31 December 2019 AED millions
2020	5,297	14,121
2021	12,469	12,128
2022	9,954	9,706
2023	2,702	1,941
2024	2,289	2,289
Beyond 2024	19,585	9,132
	52,296	49,317

11 SUKUK PAYABLE

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Balance as at 1 January	3,679,921	3,685,160
Other movements	(2,619)	(5,239)
Balance at end of period / year	<u>3,677,302</u>	<u>3,679,921</u>

As at 30 June 2020, the outstanding Sukuk payable totaling AED 3,677 million (31 December 2019: AED 3,680 million) is falling due in 2021.

12 OTHER LIABILITIES

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Accrued interest payable	3,027,318	3,414,732
Profit payable to islamic depositors	189,402	157,021
Managers' cheques	1,136,857	1,228,374
Trade and other payables	5,701,710	4,037,808
Staff related liabilities	1,011,597	1,304,970
Provision for taxation	428,608	235,306
Others	6,754,901	8,649,350
	<u>18,250,393</u>	<u>19,027,561</u>

13 EQUITY HOLDER FUNDS

At the Annual General Meeting held on 10 March 2020, shareholders approved payment of a cash dividend of 40% of the issued and paid up capital (40 fils per share) amounting to AED 2,527 million which has been recognised in the interim financial statements as of 30 June 2020.

14 TIER I CAPITAL NOTES

The Group has issued a number of regulatory Tier 1 capital notes with details mentioned in the table below. The notes are perpetual, subordinated and unsecured. The Group can elect not to pay a coupon at its own discretion. Note holders will not have a right to claim the coupon and such event will not be considered an event of default. The notes carry no maturity date and have been classified as equity.

Issuance Month/year	Issued Amount	Coupon rate
March 2019	USD 1 billion (AED 3.67 billion)	Fixed interest rate with a reset after six years
September 2014	USD 500 million (AED 1.83 billion)	Fixed interest rate with a reset after six years
June 2009	AED 4 billion	Fixed interest rate for the first five years and on a floating rate basis thereafter.

Issuance of Additional Tier 1 capital notes:

Subsequent to 30 June 2020, the Group has issued USD 750 million of Additional Tier 1 capital notes.

15 OTHER OPERATING INCOME

	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
Dividend income on equity investment measured at FVOCI	4,652	6,682
Dividend income on equity investments measured at FVTPL	16,164	13,866
Gain / (loss) from sale of debt investment securities measured at FVOCI	54,531	(1,923)
Gain / (loss) from investment securities designated at fair value through profit or loss	(133,349)	(36,472)
Rental income	16,432	21,448
Gain on sale of properties (investment properties / inventories)	621	1,370
Foreign exchange income*	611,429	881,900
Derivative income	545,301	5,391
Other income (net)	159,991	188,264
	<u>1,275,772</u>	<u>1,080,526</u>

*Foreign exchange income comprises trading and translation gain and gain on dealings with customers.

16 GENERAL AND ADMINISTRATIVE EXPENSES

	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
Staff cost	2,402,911	1,793,735
Occupancy cost	157,612	120,715
Equipment & supplies	109,701	64,547
Information technology cost	164,641	119,053
Communication cost	131,507	102,683
Service, legal and professional fees	80,726	53,303
Marketing related expenses	60,344	60,935
Depreciation	428,604	284,860
Amortisation of intangibles	81,648	-
Others	381,618	226,653
	<u>3,999,312</u>	<u>2,826,484</u>

17 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

The charge to the income statement for the net impairment loss on financial assets is made up as follows:

	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
Net impairment of cash and deposits with central banks	1,456	(6,520)
Net impairment of due from banks / other assets	63,204	(31,460)
Net impairment of investment securities	40,799	(12,492)
Net impairment of loans and receivables	3,369,826	1,128,363
Net impairment of Islamic financing receivables	730,564	385,919
Net impairment of unfunded exposures	80,007	(59,937)
Bad debt written off / (recovery) and modification adjustment - net	(74,811)	(177,412)
Net impairment loss for the period	<u>4,211,045</u>	<u>1,226,461</u>

18 COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are as follows:

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Letters of credit	10,093,959	12,131,599
Guarantees	62,799,365	66,209,785
Liability on risk participations	122,937	175,090
Irrevocable loan commitments*	32,673,819	42,324,795
	105,690,080	120,841,269

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

19 EARNINGS PER SHARE

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders (further adjusted for interest expense on Tier I capital notes) of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all diluted potential ordinary shares, if any.

	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
Profit for the period attributable to equity holders	4,087,865	7,481,231
Deduct : Interest on Tier 1 capital notes	(301,434)	(353,514)
Net profit attributable to equity holders	3,786,431	7,127,717
Deduct : Gain on disposal of stake in jointly controlled entity	-	(2,065,831)
	3,786,431	5,061,886
Weighted average number of equity shares in issue ('000)	6,310,696	5,551,872
Adjusted earnings per share* (AED)	0.60	0.91

*The diluted and basic earnings per share were the same for the six months period ended 30 June 2020.

20 DERIVATIVES

	Unaudited 30 June 2020			Audited 31 December 2019		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Derivatives held for trading	11,974,185	(10,161,110)	722,865,844	6,825,551	(4,748,061)	659,526,296
Derivatives held as cash flow hedges	362,701	(280,331)	34,215,881	187,912	(169,280)	26,622,355
Derivatives held as fair value hedges	956,758	(837,892)	22,802,616	130,036	(646,030)	16,782,081
Derivatives held as hedge of a net investment in foreign operations	-	(14,701)	520,792	-	(1,848)	293,235
Total	13,293,644	(11,294,034)	780,405,133	7,143,499	(5,565,219)	703,223,967

21 OPERATING SEGMENTS

The Group is organised into the following main businesses:

- Corporate and Institutional banking represents current and savings accounts, customer deposits, overdrafts, trade finance and term loans for government, corporate, commercial customers, investment banking, Islamic products under Al Watani Al Islami and structured financing primarily in the UAE and Egypt;
- Retail banking and Wealth Management represents retail loans and deposits, private banking and wealth management, equity broking services, asset management and consumer financing primarily in the UAE and Egypt;
- Global Markets and Treasury activities comprise of managing the Group's portfolio of investments, funds management and interbank treasury operations primarily in the UAE and Egypt;
- Islamic banking activities represent the income and fees earned and expenses paid by the Islamic banking subsidiaries;
- Denizbank, which the Group acquired Denizbank in 2019, is considered as a separate operating segment; and
- Other operations of the Group include Tanfeeth, property management, operations and support functions.

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21 OPERATING SEGMENTS (CONTINUED)Unaudited 30 June 2020

	Corporate and Institutional banking AED 000	Retail banking and Wealth Management AED 000	Global Markets and Treasury AED 000	Islamic Banking AED 000	Denizbank AED 000	Others AED 000	Total AED 000
Net interest income and income from Islamic products net of distribution to depositors	2,486,213	2,806,325	(253,515)	886,667	2,957,528	421,914	9,305,132
Net Fees, commission and other income	639,596	1,154,654	262,194	253,382	1,037,599	(24,155)	3,323,270
Total operating Income	3,125,809	3,960,979	8,679	1,140,049	3,995,127	397,759	12,628,402
General and administrative expenses	(307,043)	(1,017,582)	(88,494)	(537,544)	(1,191,280)	(857,369)	(3,999,312)
Net impairment loss on financial assets	(687,404)	(879,103)	(35,661)	(590,659)	(1,636,189)	(382,029)	(4,211,045)
Gain on disposal of stake in jointly controlled entity	-	-	-	-	-	-	-
Share of profit / (loss) of associates and joint ventures	-	-	-	-	-	1,194	1,194
Taxation charge	(14,688)	(32,977)	(27,511)	-	(238,974)	(13,739)	(327,889)
Group profit for the period after tax	2,116,674	2,031,317	(142,987)	11,846	928,684	(854,184)	4,091,350
Segment Assets	327,411,233	56,607,739	113,440,098	62,361,073	133,540,478	922,165	694,282,786
Segment Liabilities and Equity	186,769,284	161,256,048	45,240,366	53,788,658	121,600,927	125,627,503	694,282,786

21 OPERATING SEGMENTS (CONTINUED)

<u>Unaudited 30 June 2019</u>	Corporate and Institutional banking AED 000	Retail banking and Wealth Management AED 000	Global Markets and Treasury AED 000	Islamic Banking AED 000	Denizbank AED 000	Others AED 000	Total AED 000
Net interest income and income from Islamic products net of distribution to depositors	2,385,432	2,683,414	335,250	911,469	-	535,998	6,851,563
Net Fees, commission and other income	753,560	1,341,474	197,728	423,830	-	(41,081)	2,675,511
Total operating Income	3,138,992	4,024,888	532,978	1,335,299	-	494,917	9,527,074
General and administrative expenses	(308,202)	(1,100,577)	(71,428)	(544,090)	-	(802,187)	(2,826,484)
Net impairment loss on financial assets	(849,824)	(296,753)	28,103	(118,208)	-	10,221	(1,226,461)
Gain on disposal of stake in jointly controlled entity	-	-	-	-	-	2,065,831	2,065,831
Share of profit / (loss) of associates and joint ventures	-	-	-	-	-	11,947	11,947
Taxation charge	(18,984)	(4,125)	(31,602)	-	-	(15,225)	(69,936)
Group profit for the period after tax	1,961,982	2,623,433	458,051	673,001	-	1,765,504	7,481,971
Segment Assets	309,695,676	62,845,588	100,464,823	59,430,936	-	5,368,796	537,805,819
Segment Liabilities and Equity	161,055,061	152,709,006	55,256,711	51,066,624	-	117,718,417	537,805,819

Comparatives have been represented to reflect the presentation of Emirates NBD Egypt operations in the respective business segments which were previously being presented in 'Others'.

22 RELATED PARTY TRANSACTIONS

Emirates NBD Group is partly owned by Investment Corporation of Dubai (55.75%), a company in which the Government of Dubai is the majority shareholder.

Deposits from and loans to government related entities, other than those that have been individually disclosed, amount to 6% (December 2019: 6%) and 6% (December 2019: 5%) respectively, of the total deposits and loans of the Group.

These entities are independently run business entities, and all financial dealings with the Group are on normal commercial terms.

The Group has also entered into transactions with certain other related parties who are non-government related entities. Such transactions were also made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Related party balances and transactions are carried out on normal commercial terms and are as follows:

	Unaudited 30 June 2020 AED 000	Audited 31 December 2019 AED 000
<u>Loans and receivables:</u>		
To majority shareholder of the parent	160,016,512	160,753,924
To parent	1,487,463	1,456,858
To directors and related companies	856,973	897,830
To associates and joint ventures	-	64
	162,360,948	163,108,676
<u>Customer and Islamic deposits:</u>		
From majority shareholder of the parent	5,083,851	4,845,014
From parent	1,945,761	2,094,077
From associates and joint ventures	40,917	38,315
	7,070,529	6,977,406
Investment in Government of Dubai bonds	17,064	18,841
Commitments to associates and joint ventures	76,471	76,471

22 RELATED PARTY TRANSACTIONS (CONTINUED)

	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
Payments made to associates and joint ventures	430	106,273
Payments received from associates and joint ventures	-	2,870
Payments made to other related parties	20,327	22,671
Fees received in respect of funds managed by the Group	7,122	8,892
Interest (paid by) / paid to joint ventures	-	2,530
Directors sitting fee	8,117	6,543

The total amount of compensation paid to key management personnel of the Group during the period was as follows:

	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
<u>Key management compensation:</u>		
Short term employment benefits	67,413	51,769
Post employment benefits	715	753

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

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NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (UNAUDITED)**23 NOTES TO THE GROUP CONSOLIDATED CASH FLOW STATEMENT**

	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
(a) Analysis of changes in cash and cash equivalents during the period		
Balance at beginning of period	32,291,487	26,241,170
Net cash inflow/(outflow)	(16,742,523)	(892,398)
Balance at end of period	<u>15,548,964</u>	<u>25,348,772</u>
(b) Analysis of cash and cash equivalents		
Cash and deposits with Central Banks	101,696,995	84,670,949
Due from banks	46,017,914	51,776,092
Due to banks	(57,557,378)	(23,645,349)
	<u>90,157,531</u>	<u>112,801,692</u>
Less : deposits with Central Banks for regulatory purposes	(41,321,194)	(31,375,746)
Less : certificates of deposits with Central Banks maturing after three months	(37,000,000)	(34,600,000)
Less : amounts due from banks maturing after three months	(25,817,528)	(26,929,527)
Add : amounts due to banks maturing after three months	29,530,155	5,452,353
	<u>15,548,964</u>	<u>25,348,772</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (UNAUDITED)**23 NOTES TO THE GROUP CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**

	Unaudited six months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2019 AED 000
(c) Adjustment for non cash and other items		
Impairment loss on cash and deposits with central banks	1,456	(6,520)
Impairment loss on due from banks	63,204	(31,460)
Impairment loss on investment securities	40,799	(12,492)
Impairment loss on loans and receivables	3,369,826	1,128,363
Impairment loss on Islamic financing receivables	730,564	385,919
Impairment loss on unfunded exposures	80,007	(59,937)
Amortisation of fair value	60,321	83,358
(Discount) / premium on Investment securities	(16,115)	4,199
Unrealised foreign exchange loss / (gain)	(43,609)	(311,203)
Amortisation of intangibles	81,648	-
Depreciation / impairment on property and equipment / Investment property	436,906	293,125
Share of profit / loss of associates and joint ventures	(1,194)	(11,947)
Gain on sale of business interests in joint venture	-	(2,065,831)
Dividend income on equity investments	(20,816)	(20,548)
Unrealized (gain)/loss on investments	132,265	41,401
Unrealized (gain)/loss on FV Hedged item	668,896	692,805
Gain on sale of properties (inventories)	(621)	(1,370)
	5,583,537	107,862

24 ASSETS AND LIABILITIES MEASURED AT FAIR VALUEFair Value of assets and liabilities

The table below analyses assets and liabilities measured at fair value on a recurring basis. The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in principal markets for identified assets or liabilities.
- Level 2: valuation using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

<u>Unaudited 30 June 2020</u>	Level 1	Level 2	Level 3	Total
	AED 000	AED 000	AED 000	AED 000
<u>Investment Securities</u>				
Trading securities at FVTPL	2,878,380	-	-	2,878,380
FVOCI - debt instruments	15,363,548	108,746	-	15,472,294
FVOCI - equity instruments	631,265	-	5,272	636,537
Designated at FVTPL	28,935	2	401,670	430,607
	18,902,128	108,748	406,942	19,417,818
<u>Derivatives</u>				
<u>Positive fair value of derivatives</u>				
Derivatives held for trading	-	11,974,185	-	11,974,185
Derivatives held as cash flow hedges	-	362,701	-	362,701
Derivatives held as fair value hedges	-	956,758	-	956,758
Derivatives held as hedge of a net investment in foreign operations	-	-	-	-
	-	13,293,644	-	13,293,644
<u>Negative fair value of derivatives</u>				
Derivatives held for trading	-	(10,161,110)	-	(10,161,110)
Derivatives held as cash flow hedges	-	(280,331)	-	(280,331)
Derivatives held as fair value hedges	-	(837,892)	-	(837,892)
Derivatives held as hedge of a net investment in foreign operations	-	(14,701)	-	(14,701)
	-	(11,294,034)	-	(11,294,034)
	18,902,128	2,108,358	406,942	21,417,428
<u>Audited 31 December 2019</u>	17,615,887	1,639,016	531,012	19,785,915

24 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	Trading securities at FVTPL AED 000	Designated at FVTPL AED 000	FVOCI - debt instruments AED 000	FVOCI - equity instrument AED 000	Total AED 000
Balance as at 1 January 2020	-	525,669	-	5,343	531,012
Total gains or losses:					
- in profit or loss	-	(127,957)	-	-	(127,957)
- in other comprehensive income	-	-	-	(75)	(75)
Additions	-	4,515	-	4	4,519
Settlements and other adjustments	-	(557)	-	-	(557)
Balance as at 30 June 2020 (unaudited)	-	401,670	-	5,272	406,942
Balance as at 31 December 2019 (Audited)	-	525,669	-	5,343	531,012

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental.

During the period ended 30 June 2020 no financial assets measured at FVOCI were transferred from Level 1 to Level 2 or from Level 2 to Level 1 (2019: AED Nil).

For comparative information please refer to the Group's consolidated financial statements for the year ended 31 December 2019.

25 RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019.

Amounts arising from ECL

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

i) Loans and receivables

	Unaudited six months period ended 30 June 2020 AED 000 ECL	Unaudited six months period ended 30 June 2019 AED 000 ECL
Balance at 1 January	23,790,153	21,117,025
Expected credit losses recognised during the period	3,835,972	1,443,969
Write back / recoveries made during the period	(466,146)	(315,606)
Amounts written off during the period	(342,371)	(823,722)
Exchange and other adjustments*	(73,123)	(381,973)
Closing balance	<u>26,744,485</u>	<u>21,039,693</u>

ii) Islamic financing receivables

	Unaudited six months period ended 30 June 2020 AED 000 ECL	Unaudited six months period ended 30 June 2019 AED 000 ECL
Balance at 1 January	5,436,242	5,585,033
Expected credit losses recognised during the period	846,641	597,441
Write back / recoveries made during the period	(116,077)	(211,522)
Amounts written off during the period	(634,173)	(209,344)
Exchange and other adjustments*	9,816	(66,764)
Closing balance	<u>5,542,449</u>	<u>5,694,844</u>

Stage-wise financing exposures and the related ECL as at 30 June 2020 are given below:

AED 000	30 June 2020		31 December 2019	
	Exposure	ECL	Exposure	ECL
<u>Loans and receivables</u>				
12-month ECL	370,499,484	4,039,721	367,192,708	3,701,749
Lifetime ECL not credit-impaired	22,135,246	4,463,801	20,330,518	3,221,584
Lifetime ECL credit-impaired	19,650,510	17,418,447	18,108,095	16,717,467
Purchased or Originated Credit Impaired	2,571,109	822,516	3,047,813	149,353
	<u>414,856,349</u>	<u>26,744,485</u>	<u>408,679,134</u>	<u>23,790,153</u>
<u>Islamic financing receivables</u>				
12-month ECL	50,729,812	1,096,559	49,158,854	973,980
Lifetime ECL not credit-impaired	4,217,483	504,443	3,949,889	409,830
Lifetime ECL credit-impaired	5,393,629	3,941,447	4,868,545	4,052,432
	<u>60,340,924</u>	<u>5,542,449</u>	<u>57,977,288</u>	<u>5,436,242</u>

25 RISK MANAGEMENT (CONTINUED)

Covid-19 and Expected Credit Loss (ECL)

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

In determination of Q2 2020 ECL, the Group has considered potential impact caused by Covid-19 pandemic (based upon available information) and taken into account economic support and relief measures of governments and central banks. The Group has also considered the notices issued by the Central Bank of UAE with regards to the 'Targeted Economic Support Scheme (TESS)' and 'Treatment of IFRS9 Expected Credit Loss in the context of Covid-19 crisis' as well as the guidance issued by the International Accounting Standards Board (IASB).

The Group has a dedicated IFRS 9 governance process established to review and approve IFRS 9 Stage migrations, management overlays to ECL estimates, and macro-economic scenarios and weightings.

Significant Increase in Credit Risk (SICR)

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

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

During 2020, the Group has initiated a program of payment relief to support its impacted customers by deferring interest/principal due for a period of one month to three / six months. These payment reliefs are considered as short-term liquidity to address borrower cash flow issues. The Group believes that the extension of payment reliefs does not automatically trigger SICR where the impact on customer's business is expected to be short term. For all other customers, the Group continues to consider severity and extent of potential Covid-19 impact on economic sector and future outlook, cash flow and financial strength, agility and change in risk profile along with the past track record in determining SICR.

As per the disclosure requirements of the Central Bank of UAE in the context of Covid-19, for the UAE operations, the Group has divided its customers benefitting from payment deferrals into two groups (Group 1 and Group 2). Customers not expected to face substantial changes in their creditworthiness, beyond liquidity issues caused by the Covid-19 crisis, have been retained in the same Stage as Q1 2020 and categorized in Group 1.

Customers expected to be significantly impacted by Covid-19 in the long term and that are expected to face substantial deterioration in their creditworthiness have been migrated to Stage 2 and categorized in Group 2. In exceptional circumstances, Stage 3 migration may have also been triggered where a customer's business, income streams and interest servicing capacity were expected to be permanently impaired. Such customers have also been categorized in Group 2 with the respective ECL overlay.

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

Forward Looking Information

In light of the current uncertain economic environment, the Group has assessed a range of possible macro-economic scenarios and associated weights, and analyzed their impact on Q2 2020 ECL estimates. Accordingly, the Group has updated its macro-economic forecasts in Q2 2020 to reflect the impact of Covid-19, using baseline, upside and downside scenarios with 40%, 30% and 30% weightings respectively. The Group has also applied portfolio-level ECL adjustments to wholesale exposures based upon affected sectors, as well as to retail customers availing deferrals based upon employment status and level of salary inflows. The Group continues to assess individually significant exposures for any adverse movements due to Covid-19.

25 RISK MANAGEMENT (CONTINUED)**Covid-19 and Expected Credit Loss (ECL) (continued)****Forward Looking Information (continued)**

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

Analysis of customers benefiting from payment deferrals**Deferral amount and outstanding balances of UAE customers**

The table below contains analysis of the deferral amount and outstanding balances of UAE customers benefiting from deferrals:

<u>AED 000</u>	Corporate and Institutional banking	Retail banking and Wealth Management	Total
<u>30 June 2020</u>			
<u>Deferral amount</u>			
Loans and receivables	5,350,465	715,832	6,066,297
Islamic financing receivables	1,659,589	580,343	2,239,932
	<u>7,010,054</u>	<u>1,296,175</u>	<u>8,306,229</u>
<u>Exposures (Gross)</u>			
Loans and receivables	25,990,602	7,279,712	33,270,314
Islamic financing receivables	8,479,979	8,125,251	16,605,230
	<u>34,470,581</u>	<u>15,404,963</u>	<u>49,875,544</u>
Number of customers / accounts	372	90,024	90,396

Zero Cost Funding under the CBUAE TESS program availed by the Group amounts to AED 6,905 million which has been fully utilized to provide payment relief to the impacted customers.

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

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

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

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

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

25 RISK MANAGEMENT (CONTINUED)**Analysis of customers benefiting from payment deferrals (continued)**

The impact of Covid-19 crisis continues to filter through into the real economy. In view of this, the Group has taken a proactive approach and on an ongoing basis for all customers, the Group continues to consider the severity and extent of potential Covid-19 impact on economic sectors and outlook, cash flow, financial strength, agility and change in risk profile along with the past track record and ongoing adaptation. 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.

Outstanding balances and related ECL of UAE customers

The table below is an analysis of outstanding balances and related ECL of UAE customers that are benefiting from payment deferrals:

<u>AED 000</u>	Loans and receivables	Islamic financing receivables	Total
<u>30 June 2020</u>			
<u>Corporate and Institutional banking</u>			
<u>Group 1</u>			
Exposures	25,865,809	7,869,171	33,734,980
Less: Expected credit losses	(1,949,867)	(908,763)	(2,858,630)
	<u>23,915,942</u>	<u>6,960,408</u>	<u>30,876,350</u>
<u>Group 2</u>			
Exposures	124,793	610,808	735,601
Less: Expected credit losses	(60,719)	(350,667)	(411,386)
	<u>64,074</u>	<u>260,141</u>	<u>324,215</u>
<u>Retail banking and Wealth Management</u>			
<u>Group 1</u>			
Exposures	7,014,454	8,096,272	15,110,726
Less: Expected credit losses	(323,106)	(203,985)	(527,091)
	<u>6,691,348</u>	<u>7,892,287</u>	<u>14,583,635</u>
<u>Group 2</u>			
Exposures	265,258	28,979	294,237
Less: Expected credit losses	(54,682)	(10,130)	(64,812)
	<u>210,576</u>	<u>18,849</u>	<u>229,425</u>

EMIRATES NBD BANK PJSC

 NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

25 RISK MANAGEMENT (CONTINUED)

Analysis of customers benefiting from payment deferrals (continued)

Movement in Exposure At Default (EAD) of UAE customers

Below is an analysis of total changes in EAD since 31 December 2019 on UAE customers benefiting from payment deferrals:

	AED 000
EAD as at 1 January 2020	50,460,597
Increase due to new originations	2,596,909
EAD increase of the same customers	3,094,998
EAD decrease of the same customers	(3,106,153)
Decrease due to closure	(87,332)
EAD as at 30 June 2020	52,959,019

EAD represents outstanding balances after taking into account the limits, credit conversion factors and expected drawdowns.

25 RISK MANAGEMENT (CONTINUED)
Analysis of customers benefiting from payment deferrals (continued)
Stage migrations of UAE customers

Below is an analysis of Stage migrations since 31 December 2019 of UAE customers benefiting from payment deferrals:

AED 000	Loans and receivables				Islamic financing receivables			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
<u>Corporate and Institutional banking</u>								
EAD as at 1 January 2020	22,894,921	4,035,907	-	26,930,828	7,104,809	1,323,106	402,817	8,830,732
Transferred from 12-month ECL	(103,522)	52,031	51,491	-	(475,348)	475,348	-	-
Transferred from Lifetime ECL not credit-impaired	125,137	(125,137)	-	-	1,756	(1,756)	-	-
Transferred from Lifetime ECL credit-impaired	-	-	-	-	-	-	-	-
Other movements - net	1,269,209	269,413	33,395	1,572,017	43,626	1,137	(8,649)	36,114
EAD as at 30 June 2020	24,185,745	4,232,214	84,886	28,502,845	6,674,843	1,797,835	394,168	8,866,846
<u>Retail banking and Wealth Management</u>								
EAD as at 1 January 2020	6,758,343	170,216	-	6,928,559	7,537,007	233,307	164	7,770,478
Transferred from 12-month ECL	(282,494)	282,494	-	-	(45,504)	45,504	-	-
Transferred from Lifetime ECL not credit-impaired	59,520	(85,922)	26,402	-	63,927	(64,128)	201	-
Transferred from Lifetime ECL credit-impaired	-	-	-	-	-	-	-	-
Other movements - net	463,864	(22,952)	(1,096)	439,816	455,294	(4,720)	(99)	450,475
EAD as at 30 June 2020	6,999,233	343,836	25,306	7,368,375	8,010,724	209,963	266	8,220,953

25 RISK MANAGEMENT (CONTINUED)**Analysis of customers benefiting from payment deferrals (continued)****Change in ECL allowance by industry sector for UAE Corporate and Institutional banking customers**

Below is an analysis of change in ECL allowance by industry sector since 31 December 2019 on UAE Corporate and Institutional banking customers benefiting from payment deferrals:

	Loans and receivables AED 000	Islamic financing receivables AED 000
ECL allowance as at 1 January 2020	1,432,699	1,118,070
Manufacturing	20,753	5,475
Construction	61,917	(1,214)
Trade	72,213	59,056
Services	206,317	5,302
Personal	27,562	1,061
Real Estate	176,255	69,587
Others	12,870	2,093
ECL allowance as at 30 June 2020	2,010,586	1,259,430

Change in ECL allowance by products for Retail banking and Wealth Management customers

Below is an analysis of change in ECL allowance by products since 31 December 2019 on UAE Retail banking and Wealth Management customers benefiting from payment deferrals:

	Loans and receivables AED 000	Islamic financing receivables AED 000
ECL allowance as at 1 January 2020	119,946	128,407
Personal Finance	167,430	45,464
Home Finance	30,490	(9,590)
Auto loans	27,091	24,627
Credit Cards	17,232	(1,639)
Others	15,599	26,846
ECL allowance as at 30 June 2020	377,788	214,115

26 INVESTMENT IN SUBSIDIARY

ACQUISITION OF DENIZBANK A.S

During 2019, the Group acquired the entire equity in Denizbank A.S for a consideration of TRY 15,078 million (AED 10,015 million).

Denizbank's revenue included in the consolidated income statement for six months period ended 30 June 2020 is AED 3,995 million (June 2019: Nil). Denizbank also contributed profit of AED 929 million (June 2019: Nil) over the same period.

27 IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

Effective from 1 January 2020, the Group has implemented amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to interest rate benchmark reforms. The amendments (referred as Phase I of IBOR transactions project) addresses the hedge accounting requirements arising before Inter Bank Offer Rate ("IBOR") and proposed a hedging relief for such pre replacement hedges.

The Group has applied the hedging relief available under the amendments such as relief on forward looking analysis during the period of uncertainty beyond the year 2021. The Group's exposure to cash flow hedges and fair value hedges linked to IBOR maturing beyond the year 2021 is not considered material.

Phase 2 of the project relates to the replacement of benchmark rates with alternative risk-free rates. The impact of rate replacement on the Group's products and services remain a key area of focus. Management is running a project on the Group's 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.