

EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 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 nine 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 October 2020
Dubai
United Arab Emirates

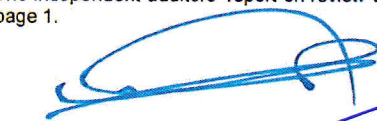


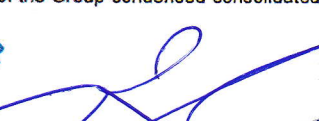
EMIRATES NBD BANK PJSC


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

		Unaudited 30 September 2020	Audited 31 December 2019
	Notes	AED 000	AED 000
ASSETS			
Cash and deposits with Central Banks	3	95,842,326	109,356,947
Due from banks	4	45,526,830	40,167,541
Investment securities	5	59,701,366	55,047,466
Loans and receivables	6	386,253,109	384,888,981
Islamic financing receivables	7	56,051,431	52,541,046
Positive fair value of derivatives	20	14,226,656	7,143,499
Investments in associates		186,399	134,452
Customer acceptances		9,752,411	10,227,557
Investment properties		522,850	613,223
Property and equipment		3,905,996	4,317,323
Goodwill and intangibles	8	6,314,716	6,607,421
Other assets	9	13,854,179	12,275,108
TOTAL ASSETS		692,138,269	683,320,564
LIABILITIES			
Due to banks		53,440,932	41,715,299
Customer deposits		377,124,801	385,810,220
Islamic customer deposits		80,882,637	86,370,611
Debt issued and other borrowed funds	10	54,198,919	49,317,315
Sukuk payable	11	5,512,242	3,679,921
Negative fair value of derivatives	20	11,220,480	5,565,219
Customer acceptances		9,752,411	10,227,557
Other liabilities	12	17,279,790	19,027,561
TOTAL LIABILITIES		609,412,212	601,713,703
EQUITY			
Issued capital		6,316,598	6,316,598
Treasury shares		(46,175)	(46,175)
Tier I capital notes	14	10,379,786	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		(5,178)	131,484
Currency translation reserve		(4,008,918)	(1,706,736)
Retained earnings		46,008,333	43,375,416
TOTAL EQUITY ATTRIBUTABLE TO EQUITY AND NOTE HOLDERS OF THE GROUP		82,702,302	81,596,715
Non-controlling interest		23,755	10,146
TOTAL EQUITY		82,726,057	81,606,861
TOTAL LIABILITIES AND EQUITY		692,138,269	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 OCT 2020

EMIRATES NBD BANK PJSC

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

		Unaudited three months period ended 30 September 2020 AED 000	Unaudited three months period ended 30 September 2019 AED 000	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
Interest and similar income		5,852,296	7,073,318	19,436,519	16,790,556
Interest and similar expense		(2,071,796)	(3,183,298)	(7,079,108)	(6,795,693)
Net interest income		3,780,500	3,890,020	12,357,411	9,994,863
Income from Islamic financing and investment products		652,920	833,840	2,158,752	2,454,180
Distribution on Islamic deposits and profit paid to Sukuk holders		(295,518)	(453,087)	(1,073,129)	(1,326,707)
Net income from Islamic financing and investment products		357,402	380,753	1,085,623	1,127,473
Net interest income and income from Islamic financing and investment products net of distribution to depositors		4,137,902	4,270,773	13,443,034	11,122,336
Fee and commission income		1,405,490	1,693,236	4,300,800	3,824,421
Fee and commission expense		(450,450)	(559,395)	(1,423,419)	(1,215,038)
Net fee and commission income		955,040	1,133,841	2,877,381	2,609,383
Net gain / (loss) on trading securities		25,468	53,205	150,625	172,648
Other operating income	15	530,016	556,279	1,805,788	1,636,805
Total operating income		5,648,426	6,014,098	18,276,828	15,541,172
General and administrative expenses	16	(1,810,138)	(1,880,014)	(5,809,450)	(4,706,498)
Operating profit before impairment		3,838,288	4,134,084	12,467,378	10,834,674
Net impairment loss on financial assets	17	(2,150,055)	(1,528,051)	(6,361,100)	(2,754,512)
Operating profit after impairment		1,688,233	2,606,033	6,106,278	8,080,162
Gain on disposal of stake in jointly controlled entity and fair value gain on retained interest		-	2,323,478	-	4,389,309
Share of profit / (loss) from associates and joint ventures		7,608	5,788	8,802	17,735
Gain on bargain purchase	26	-	141,563	-	141,563
Group profit for the period before tax		1,695,841	5,076,862	6,115,080	12,628,769
Taxation charge		(140,109)	(75,491)	(467,998)	(145,427)
Group profit for the period after tax		1,555,732	5,001,371	5,647,082	12,483,342
Attributable to:					
Equity holders of the Group		1,556,074	5,000,842	5,643,939	12,482,073
Non-controlling interest		(342)	529	3,143	1,269
Group profit for the period after tax		1,555,732	5,001,371	5,647,082	12,483,342
Adjusted earnings per share	19	0.22	0.45	0.82	1.37

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)**

	Unaudited three months period ended 30 September 2020 AED 000	Unaudited three months period ended 30 September 2019 AED 000	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
Group profit for the period after tax	1,555,732	5,001,371	5,647,082	12,483,342
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	(209,355)	(142,789)	(531,425)	(135,787)
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	31,552	(4,407)	249,676	19,012
Cash flow hedges:				
- Effective portion of changes in fair value	148,080	(133,663)	160,744	(328,630)
Fair value reserve (debt instruments):				
- Net change in fair value	(34,175)	210,957	12,863	304,830
- Net amount transferred to income statement	(14,620)	(1,707)	(69,151)	216
- Related deferred tax	26,811	(42,193)	40,631	(42,193)
Currency translation reserve	(895,460)	(168,513)	(2,269,786)	(51,719)
Hedge of a net investment in foreign operations	(19,543)	(9,263)	(32,396)	(23,003)
Other comprehensive income for the period	(966,710)	(291,578)	(2,438,844)	(257,274)
Total comprehensive income for the period	589,022	4,709,793	3,208,238	12,226,068
Attributable to:				
Equity holders of the Group	589,364	4,709,264	3,205,095	12,224,799
Non-controlling interest	(342)	529	3,143	1,269
Total comprehensive income for the period	589,022	4,709,793	3,208,238	12,226,068

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 CASH FLOWS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)**

	Note	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
<u>OPERATING ACTIVITIES</u>			
Group profit for the period before tax		6,115,080	12,628,769
Adjustment for non cash items	23	8,383,078	(577,957)
Operating profit before changes in operating assets and liabilities		14,498,158	12,050,812
(Increase)/decrease in interest free statutory deposits		14,798,103	4,860,651
(Increase)/decrease in certificate of deposits with Central Banks maturing after three months		(3,399,300)	(7,293,404)
(Increase)/decrease in amounts due from banks maturing after three months		(4,551,388)	3,583,504
Increase/(decrease) in amounts due to banks maturing after three months		4,369,052	7,597,597
(Increase)/decrease in other assets		(2,258,929)	(3,158,228)
Increase/(decrease) in other liabilities		(3,826,552)	2,880,097
(Increase)/decrease in positive fair value of derivatives		(6,705,134)	(3,205,249)
Increase/(decrease) in negative fair value of derivatives		5,655,261	2,024,656
Increase/(decrease) in customer deposits		(8,685,419)	(5,782,566)
Increase/(decrease) in islamic customer deposits		(5,487,975)	27,212,927
(Increase)/decrease in loans and receivables		(6,612,665)	(14,815,829)
(Increase)/decrease in Islamic financing receivables		(4,566,105)	(467,879)
		(6,772,893)	25,487,089
Taxes paid		(454,098)	(79,940)
Net cash flows from/(used in) operating activities		(7,226,991)	25,407,149

EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Notes	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
<u>INVESTING ACTIVITIES</u>			
(Increase)/decrease in investment securities		(5,455,242)	(15,653,154)
(Increase)/decrease in investments in associates and joint ventures		-	(7,008)
(Increase)/decrease of property and equipment		(377,829)	118,758
Dividend income received		21,661	21,123
Disposal of stake in jointly controlled entity		-	4,222,307
Acquisition of subsidiary	26	-	(3,689,567)
Net cash flows from/(used in) investing activities		(5,811,410)	(14,987,541)
<u>FINANCING ACTIVITIES</u>			
Issuance of debt issued and other borrowed funds	10	17,261,757	15,533,282
Repayment of debt issued and other borrowed funds	10	(12,480,984)	(7,135,805)
Repayment of debt on acquisition		-	(4,408,892)
Issuance of Sukuk	11	1,836,250	-
Issuance of Tier I capital notes		2,747,764	3,663,696
Repayment of Tier I capital notes		(1,836,250)	(3,672,500)
Interest on Tier I capital notes		(486,744)	(509,196)
Dividends paid		(2,524,278)	(2,220,749)
Net cash flows from /(used in) financing activities		4,517,515	1,249,836
(Decrease)/increase in cash and cash equivalents (refer Note 23)		(8,520,886)	11,669,444

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 CHANGES IN EQUITY
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	-	-	-	-	5,643,939	5,643,939	3,143	5,647,082
Other comprehensive income for the period	-	-	-	-	-	-	(136,662)	(2,302,182)	-	(2,438,844)	-	(2,438,844)
Tier I capital notes issued during the period (note 14)	-	-	2,747,764	-	-	-	-	-	-	2,747,764	-	2,747,764
Tier I capital notes redeemed during the period (note 14)	-	-	(1,836,250)	-	-	-	-	-	-	(1,836,250)	-	(1,836,250)
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(486,744)	(486,744)	-	(486,744)
Non-controlling interest at acquisition	-	-	-	-	-	-	-	-	-	-	-	-
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	10,466	10,466
Dividends paid*	-	-	-	-	-	-	-	-	(2,524,278)	(2,524,278)	-	(2,524,278)
Balance as at 30 September 2020	6,316,598	(46,175)	10,379,786	17,954,164	3,158,299	2,945,393	(5,178)	(4,008,918)	46,008,333	82,702,302	23,755	82,726,057
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	-	-	-	-	-	-	-	-	12,482,073	12,482,073	1,269	12,483,342
Other comprehensive income for the period	-	-	-	-	-	-	(182,552)	(74,722)	-	(257,274)	-	(257,274)
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	-	-	-	-	-	-	-	-	(509,196)	(509,196)	-	(509,196)
Non-controlling interest at acquisition	-	-	-	-	-	-	-	-	-	-	15,192	15,192
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid*	-	-	-	-	-	-	-	-	(2,220,749)	(2,220,749)	-	(2,220,749)
Balance as at 30 September 2019	5,557,775	(46,175)	9,468,272	12,270,124	2,778,888	2,869,533	(255,456)	(1,306,280)	42,164,666	73,501,347	25,527	73,526,874

*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.

The independent auditors' report on review of the Group condensed consolidated interim financial statements is set out on page 1.

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 September 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 nine months period ended 30 September 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 September 2020 AED 000	Audited 31 December 2019 AED 000
Cash	4,417,406	4,461,421
Statutory and other deposits with Central Banks	35,178,822	49,976,924
Interest bearing placements with Central Banks	271,721	7,646
Murabahas and interest bearing certificates of deposits with Central Banks*	55,976,531	54,913,791
Less: Expected credit losses	(2,154)	(2,835)
	<u>95,842,326</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 respective Central Banks.

*Murabahas and certificates of deposits with Central Banks amounting to AED 3,447 million (June 2020: AED 4,334 million) were collateralized for the purpose of obtaining Zero Cost Funding from the Central Bank of UAE amounting to AED 3,415 million (June 2020: AED 4,322 million) presented under 'Due to banks'.

4 DUE FROM BANKS

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Due from banks in UAE	7,865,649	7,874,550
Due from foreign banks	37,764,026	32,377,197
Less: Expected credit losses	(102,845)	(84,206)
	<u>45,526,830</u>	<u>40,167,541</u>

5 INVESTMENT SECURITIES

	Domestic*	Regional**	International***	Total
	AED 000	AED 000	AED 000	AED 000
<u>Unaudited 30 September 2020</u>				
<u>TRADING SECURITIES MEASURED AT FVTPL</u>				
Government Bonds	313,932	1,316,221	650,812	2,280,965
Corporate Bonds	729,216	522,052	228,017	1,479,285
Equity	-	-	100,707	100,707
Others	-	-	5,037	5,037
	1,043,148	1,838,273	984,573	3,865,994
<u>DESIGNATED AS AT FVTPL</u>				
Corporate Bonds	-	-	-	-
Equity	71,572	113,333	75,621	260,526
Others	548	3,024	92,404	95,976
	72,120	116,357	168,025	356,502
<u>MEASURED AT AMORTISED COST</u>				
Government Bonds	6,869,930	15,973,020	12,265,663	35,108,613
Corporate Bonds	2,325,406	1,290,266	920,838	4,536,510
	9,195,336	17,263,286	13,186,501	39,645,123
Less: Expected credit losses				(24,679)
				39,620,444
<u>MEASURED AT FVOCI - DEBT INSTRUMENTS</u>				
Government Bonds	-	1,280,050	9,950,874	11,230,924
Corporate Bonds	2,873,589	707,936	653,553	4,235,078
	2,873,589	1,987,986	10,604,427	15,466,002
Less: Expected credit losses				(34,561)
				15,431,441
<u>MEASURED AT FVOCI - EQUITY INSTRUMENTS</u>				
Equity	1,689	53,832	371,464	426,985
	1,689	53,832	371,464	426,985
Gross Investment securities	13,185,882	21,259,734	25,314,990	59,760,606
Net Investment securities				59,701,366

*Domestic: These are securities issued within the UAE.

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

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

Investment securities with a carrying value of AED 2,584 million (June 2020: 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 (June 2020: 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 the UAE.

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

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

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NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)**6 LOANS AND RECEIVABLES**

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
At Amortised Cost		
Overdrafts	148,227,937	150,166,905
Time loans	242,883,550	233,270,602
Loans against trust receipts	8,768,418	8,054,202
Bills discounted	2,905,882	4,475,928
Credit card receivables	11,682,453	12,711,497
Total loans and receivables	414,468,240	408,679,134
Less: Expected credit losses	(28,215,131)	(23,790,153)
	386,253,109	384,888,981
Total of impaired loans and receivables	22,951,374	21,155,908

6 LOANS AND RECEIVABLES (CONTINUED)

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
<u>Analysis by economic activity</u>		
Manufacturing	18,927,795	17,761,078
Construction	16,301,527	15,795,599
Trade	24,346,947	23,860,803
Transport and communication	11,885,241	7,593,431
Services	15,159,073	15,865,073
Sovereign	160,472,925	162,760,253
Personal	56,619,060	56,933,847
Real estate	44,390,984	43,359,153
Hotels and restaurants	15,906,689	15,911,904
Management of companies and enterprises	9,557,419	13,930,191
Financial institutions and investment companies	20,420,290	15,534,634
Agriculture	8,145,416	8,127,732
Others	12,334,874	11,245,436
Total loans and receivables	414,468,240	408,679,134
Less: Expected credit losses	(28,215,131)	(23,790,153)
	386,253,109	384,888,981

7 ISLAMIC FINANCING RECEIVABLES

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
At Amortised Cost		
Murabaha	40,464,414	36,883,978
Ijara	20,066,108	19,513,458
Wakala	458,740	882,328
Istissna'a	1,153,755	1,257,196
Credit cards receivable	1,485,378	1,491,354
Others	348,972	161,533
Total Islamic financing receivables	63,977,367	60,189,847
Less: Deferred income	(2,167,343)	(2,212,559)
Less: Expected credit losses	(5,758,593)	(5,436,242)
Net Islamic financing receivables	56,051,431	52,541,046
Total of impaired Islamic financing receivables	5,446,218	4,868,545

Corporate Ijara assets amounting to AED 4.4 billion (2019: AED 2.3 billion) and Murabaha assets amounting to AED 0.4 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 September 2020 AED 000	Audited 31 December 2019 AED 000
<u>Analysis by economic activity</u>		
Manufacturing	2,435,693	2,342,297
Construction	1,379,064	1,394,896
Trade	8,316,317	8,304,869
Transport and communication	1,354,524	803,391
Services	1,668,436	1,567,880
Sovereign	785,901	434,377
Personal	31,150,546	28,399,349
Real estate	8,271,940	8,204,863
Hotels and restaurants	874,726	746,809
Management of companies and enterprises	2,935,681	1,673,373
Financial institutions and investment companies	1,721,920	2,603,443
Others	3,082,619	3,714,300
Total islamic financing and receivables	63,977,367	60,189,847
Less: Deferred income	(2,167,343)	(2,212,559)
Less: Expected credit losses	(5,758,593)	(5,436,242)
	56,051,431	52,541,046

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

	Goodwill	Intangibles on Acquisition					Total
		Banking license	Software	Customer relationships	Core deposit intangibles	Brands	
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
<u>Unaudited 30 September 2020</u>							
<u>Cost</u>							
Balance as at 1 January	5,560,355	159,482	9,281	509,704	923,667	348,820	7,511,309
Foreign exchange movement	1,131	2,993	-	(53,183)	(39,182)	(81,992)	(170,233)
	5,561,486	162,475	9,281	456,521	884,485	266,828	7,341,076
<u>Less: Amortisation and impairment</u>							
Balance as at 1 January	4,903	-	9,281	196,667	693,037	-	903,888
Amortisation and impairment for the period	-	-	-	70,518	51,954	-	122,472
Balance as at 30 September	4,903	-	9,281	267,185	744,991	-	1,026,360
Net Goodwill and Intangibles	5,556,583	162,475	-	189,336	139,494	266,828	6,314,716
<u>Audited 31 December 2019</u>							
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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 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)
9 OTHER ASSETS

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Accrued interest receivable	4,988,188	4,649,040
Islamic Profit receivable	128,396	114,657
Prepayments and other advances	1,064,682	1,026,233
Sundry debtors and other receivables	4,179,434	2,504,710
Inventory	1,271,834	1,296,001
Deferred tax asset	746,355	626,610
Others	1,475,290	2,057,857
	<u>13,854,179</u>	<u>12,275,108</u>

10 DEBT ISSUED AND OTHER BORROWED FUNDS

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Medium term note programme	45,947,988	41,075,715
Term loans from banks	7,332,806	7,323,475
Borrowings raised from loan securitisations	918,125	918,125
	54,198,919	49,317,315

	Unaudited 30 September 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	17,261,757	15,624,311
Repayments	(12,480,984)	(11,230,938)
Other movements*	100,831	412,944
Balance at end of period / year	54,198,919	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 September 2020, the outstanding medium term borrowings totaling AED 54,199 million (31 December 2019: AED 49,317 million) is falling due as below:

	Unaudited 30 September 2020 AED millions	Audited 31 December 2019 AED millions
2020	2,061	14,121
2021	12,838	12,128
2022	10,201	9,706
2023	2,996	1,941
2024	2,293	2,289
Beyond 2024	23,810	9,132
	54,199	49,317

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NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)**11 SUKUK PAYABLE**

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Balance as at 1 January	3,679,921	3,685,160
New issues*	1,836,250	-
Other movements	(3,929)	(5,239)
Balance at end of period / year	5,512,242	3,679,921

*These are the US Dollar denominated Sukuk issued during September 2020 under a Sharia'a compliant Sukuk financing arrangement and will mature in September 2025.

As at 30 September 2020, the outstanding Sukuk payable totaling AED 5,512 million (31 December 2019: AED 3,680 million) is falling due as follows:

	Unaudited 30 September 2020 AED millions	Audited 31 December 2019 AED millions
2021	3,676	3,680
2025	1,836	-
	5,512	3,680

12 OTHER LIABILITIES

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Accrued interest payable	2,805,567	3,414,732
Profit payable to islamic depositors	152,644	157,021
Managers' cheques	1,352,582	1,228,374
Trade and other payables	4,880,808	4,037,808
Staff related liabilities	1,143,673	1,304,970
Provision for taxation	249,206	235,306
Others	6,695,310	8,649,350
	17,279,790	19,027,561

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 September 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
July 2020	USD 750 million (AED 2.75 billion)	Fixed interest rate with a reset after six years
March 2019	USD 1 billion (AED 3.67 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.

The Group has exercised its option to call back the following notes in September 2020 and as a result these have been repaid in full.

Issuance Month/year	Issued Amount	Coupon rate
September 2014	USD 500 million (AED 1.83 billion)	Fixed interest rate with a reset after six years

15 OTHER OPERATING INCOME

	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
Dividend income on equity investment measured at FVOCI	4,830	6,707
Dividend income on equity investments measured at FVTPL	16,831	14,416
Gain / (loss) from sale of debt investment securities measured at FVOCI	69,151	(216)
Gain / (loss) from investment securities designated at fair value through profit or loss	(294,869)	(64,120)
Rental income	25,661	19,509
Gain on sale of properties (investment properties / inventories)	621	2,005
Foreign exchange income*	878,563	1,093,931
Derivative income	891,464	154,153
Other income (net)	213,536	410,420
	1,805,788	1,636,805

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

16 GENERAL AND ADMINISTRATIVE EXPENSES

	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
Staff cost	3,482,345	2,910,280
Occupancy cost	239,299	198,441
Equipment & supplies	160,693	121,828
Information technology cost	227,885	191,764
Communication cost	194,492	162,678
Service, legal and professional fees	127,704	101,345
Marketing related expenses	78,234	95,360
Depreciation	636,460	470,068
Amortisation of intangibles	122,472	27,216
Others	539,866	427,518
	<u>5,809,450</u>	<u>4,706,498</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 nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
Net impairment of cash and deposits with central banks	(700)	(6,596)
Net impairment of due from banks / other assets	81,542	(44,786)
Net impairment of investment securities	29,665	(5,313)
Net impairment of loans and receivables	5,248,538	2,711,049
Net impairment of Islamic financing receivables	1,055,720	467,879
Net impairment of unfunded exposures	54,798	(95,382)
Bad debt written off / (recovery) and modification adjustment - net	(108,463)	(272,339)
Net impairment loss for the period	<u>6,361,100</u>	<u>2,754,512</u>

18 COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are as follows:

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Letters of credit	9,651,620	12,131,599
Guarantees	60,017,771	66,209,785
Liability on risk participations	113,037	175,090
Irrevocable loan commitments*	32,718,856	42,324,795
	102,501,284	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 nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
Profit for the period attributable to equity holders	5,643,939	12,482,073
Deduct : Interest on Tier 1 capital notes	(486,744)	(509,196)
Net profit attributable to equity holders	5,157,195	11,972,877
Deduct : Gain on disposal of stake in jointly controlled entity and fair value gain on retained interest	-	(4,389,309)
	5,157,195	7,583,568
Weighted average number of equity shares in issue ('000)	6,310,696	5,551,872
Adjusted earnings per share* (AED)	0.82	1.37

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

20 DERIVATIVES

	Unaudited 30 September 2020			Audited 31 December 2019		
	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000
Derivatives held for trading	12,587,952	(10,142,229)	709,189,994	6,825,551	(4,748,061)	659,526,296
Derivatives held as cash flow hedges	440,948	(223,470)	33,788,610	187,912	(169,280)	26,622,355
Derivatives held as fair value hedges	1,197,756	(820,537)	25,904,178	130,036	(646,030)	16,782,081
Derivatives held as hedge of a net investment in foreign operations	-	(34,244)	520,792	-	(1,848)	293,235
Total	14,226,656	(11,220,480)	769,403,574	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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 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)

21 OPERATING SEGMENTS (CONTINUED)Unaudited 30 September 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	3,547,927	4,147,305	(445,149)	1,296,700	4,344,694	551,557	13,443,034
Net Fees, commission and other income	1,016,023	1,727,716	299,170	276,871	1,566,348	(52,334)	4,833,794
Total operating Income	4,563,950	5,875,021	(145,979)	1,573,571	5,911,042	499,223	18,276,828
General and administrative expenses	(445,799)	(1,499,071)	(128,931)	(798,087)	(1,714,535)	(1,223,027)	(5,809,450)
Net impairment loss on financial assets	(1,466,294)	(853,725)	(11,887)	(1,086,722)	(2,627,200)	(315,272)	(6,361,100)
Gain on disposal of stake in jointly controlled entity and fair value gain on retained interest	-	-	-	-	-	-	-
Share of profit / (loss) from associates and joint ventures	-	-	-	-	-	8,802	8,802
Gain on bargain purchase	-	-	-	-	-	-	-
Taxation charge	(13,619)	(62,809)	(38,496)	-	(330,492)	(22,582)	(467,998)
Group profit for the period after tax	2,638,238	3,459,416	(325,293)	(311,238)	1,238,815	(1,052,856)	5,647,082
Segment Assets	320,343,806	56,973,919	120,963,174	66,597,445	127,018,494	241,431	692,138,269
Segment Liabilities and Equity	185,410,697	164,528,128	38,668,898	56,607,589	115,810,995	131,111,962	692,138,269

21 OPERATING SEGMENTS (CONTINUED)

<u>Unaudited 30 September 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	3,555,794	4,084,886	393,723	1,385,937	869,063	832,933	11,122,336
Net Fees, commission and other income	1,108,817	2,006,370	288,406	664,570	387,366	(36,693)	4,418,836
Total operating Income	4,664,611	6,091,256	682,129	2,050,507	1,256,429	796,240	15,541,172
General and administrative expenses	(467,651)	(1,672,236)	(107,251)	(816,821)	(414,187)	(1,228,352)	(4,706,498)
Net impairment loss on financial assets	(1,511,389)	(375,708)	30,293	(296,506)	(608,467)	7,265	(2,754,512)
Gain on disposal of stake in jointly controlled entity and fair value gain on retained interest	-	-	-	-	-	4,389,309	4,389,309
Share of profit / (loss) from associates and joint ventures	-	-	-	-	-	17,735	17,735
Gain on bargain purchase	-	-	-	-	-	141,563	141,563
Taxation charge	(7,931)	(11,931)	(56,836)	-	(35,975)	(32,754)	(145,427)
Group profit for the period after tax	2,677,640	4,031,381	548,335	937,180	197,800	4,091,006	12,483,342
Segment Assets	308,257,569	61,614,590	109,902,050	59,718,967	133,463,640	2,626,681	675,583,497
Segment Liabilities and Equity	166,443,348	152,796,445	60,420,833	16,554,023	122,673,009	156,695,839	675,583,497

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 5% (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 September 2020 AED 000	Audited 31 December 2019 AED 000
<u>Loans and receivables:</u>		
To majority shareholder of the parent	158,842,268	160,753,924
To parent	1,487,463	1,456,858
To directors and related companies	849,748	897,830
To associates	-	64
	161,179,479	163,108,676
<u>Customer and Islamic deposits:</u>		
From majority shareholder of the parent	4,876,808	4,845,014
From parent	1,758,708	2,094,077
From associates	47,392	38,315
	6,682,908	6,977,406
Investment in Government of Dubai bonds	608,515	18,841
Commitments to associates	78,247	76,471

22 RELATED PARTY TRANSACTIONS (CONTINUED)

	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
Payments made to associates and joint ventures	2,709	114,548
Payments received from associates and joint ventures	-	5,960
Payments made to other related parties	20,798	23,349
Fees received in respect of funds managed by the Group	9,432	16,677
Interest (paid by) / paid to joint ventures	-	3,979
Directors sitting fee	12,329	10,920

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

	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
<u>Key management compensation:</u>		
Short term employment benefits	79,234	62,919
Post employment benefits	1,074	1,130

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

23 NOTES TO THE GROUP CONSOLIDATED CASH FLOW STATEMENT

	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 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)	(8,520,886)	11,669,444
Balance at end of period	<u>23,770,601</u>	<u>37,910,614</u>
(b) Analysis of cash and cash equivalents		
Cash and deposits with Central Banks	95,842,326	107,325,196
Due from banks	45,526,830	45,495,576
Due to banks	(53,440,932)	(40,980,216)
	<u>87,928,224</u>	<u>111,840,556</u>
Less : deposits with Central Banks for regulatory purposes	(35,178,822)	(40,398,940)
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	(22,451,423)	(19,544,524)
Add : amounts due to banks maturing after three months	30,472,622	20,613,522
	<u>23,770,601</u>	<u>37,910,614</u>

23 NOTES TO THE GROUP CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
(c) Adjustment for non cash and other items		
Impairment loss on cash and deposits with central banks	(700)	(6,596)
Impairment loss on due from banks	81,542	(44,786)
Impairment loss on investment securities	29,665	(5,313)
Impairment loss on loans and receivables	5,248,538	2,711,049
Impairment loss on Islamic financing receivables	1,055,720	467,879
Impairment loss on unfunded exposures	54,798	(95,382)
Amortisation of fair value	91,547	126,477
(Discount) / premium on Investment securities	(11,255)	(3,732)
Unrealised foreign exchange loss / (gain)	(43,018)	(237,419)
Amortisation of intangibles	122,472	27,216
Depreciation / impairment on property and equipment / Investment property	648,913	482,465
Share of (profit) / loss from associates and joint ventures	(8,802)	(17,735)
Gain on disposal of stake in jointly controlled entity and fair value gain on retained interest	-	(4,389,309)
Gain on bargain purchase	-	(141,563)
Dividend income on equity investments	(21,661)	(21,123)
Unrealized (gain)/loss on investments	305,001	59,831
Unrealized (gain)/loss on FV Hedged item	830,939	512,089
Gain on sale of properties (inventories)	(621)	(2,005)
	8,383,078	(577,957)

EMIRATES NBD BANK PJSC

NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)**24 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE**Fair 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 September 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	3,865,994	-	-	3,865,994
FVOCI - debt instruments	15,377,582	88,420	-	15,466,002
FVOCI - equity instruments	421,431	-	5,554	426,985
Designated at FVTPL	130,260	2	226,240	356,502
	19,795,267	88,422	231,794	20,115,483
<u>Derivatives</u>				
<u>Positive fair value of derivatives</u>				
Derivatives held for trading	-	12,587,952	-	12,587,952
Derivatives held as cash flow hedges	-	440,948	-	440,948
Derivatives held as fair value hedges	-	1,197,756	-	1,197,756
Derivatives held as hedge of a net investment in foreign operations	-	-	-	-
	-	14,226,656	-	14,226,656
<u>Negative fair value of derivatives</u>				
Derivatives held for trading	-	(10,142,229)	-	(10,142,229)
Derivatives held as cash flow hedges	-	(223,470)	-	(223,470)
Derivatives held as fair value hedges	-	(820,537)	-	(820,537)
Derivatives held as hedge of a net investment in foreign operations	-	(34,244)	-	(34,244)
	-	(11,220,480)	-	(11,220,480)
	19,795,267	3,094,598	231,794	23,121,659
<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	-	(303,387)	-	-	(303,387)
- in other comprehensive income	-	-	-	211	211
Additions	-	4,515	-	-	4,515
Settlements and other adjustments	-	(557)	-	-	(557)
Balance as at 30 September 2020 (unaudited)	-	226,240	-	5,554	231,794
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 September 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 nine months period ended 30 September 2020 AED 000 ECL	Unaudited nine months period ended 30 September 2019 AED 000 ECL
Balance at 1 January	23,790,153	21,117,025
Expected credit losses recognised during the period	5,715,357	3,250,073
Write back / recoveries made during the period	(466,819)	(539,024)
Amounts written off during the period	(547,340)	(988,692)
Exchange and other adjustments	(276,220)	(484,107)
Closing balance	<u>28,215,131</u>	<u>22,355,275</u>

ii) Islamic financing receivables

	Unaudited nine months period ended 30 September 2020 AED 000 ECL	Unaudited nine months period ended 30 September 2019 AED 000 ECL
Balance at 1 January	5,436,242	5,585,033
Expected credit losses recognised during the period	1,242,069	724,946
Write back / recoveries made during the period	(186,349)	(257,067)
Amounts written off during the period	(741,930)	(297,252)
Exchange and other adjustments	8,561	(66,495)
Closing balance	<u>5,758,593</u>	<u>5,689,165</u>

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

AED 000	30 September 2020		31 December 2019	
	Exposure	ECL	Exposure	ECL
<u>Loans and receivables</u>				
12-month ECL	369,059,305	4,125,047	367,192,708	3,701,749
Lifetime ECL not credit-impaired	22,457,561	4,962,257	20,330,518	3,221,584
Lifetime ECL credit-impaired	20,360,938	17,954,878	18,108,095	16,717,467
Purchased or Originated Credit Impaired	2,590,436	1,172,949	3,047,813	149,353
	<u>414,468,240</u>	<u>28,215,131</u>	<u>408,679,134</u>	<u>23,790,153</u>
<u>Islamic financing receivables</u>				
12-month ECL	52,339,860	985,681	49,158,854	973,980
Lifetime ECL not credit-impaired	4,023,946	545,737	3,949,889	409,830
Lifetime ECL credit-impaired	5,446,218	4,227,175	4,868,545	4,052,432
	<u>61,810,024</u>	<u>5,758,593</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 Q3 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 either by deferring interest/principal for a period or through adjustment of monthly installments. 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 ECL overlay.

The accounting impact of the extension / restructuring 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 Q3 2020 ECL estimates. Accordingly, the Group used macro-economic forecasts in Q3 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 geographies and sectors, as well as to retail customers availing deferrals or adjustments to monthly installments 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 September 2020</u>			
<u>Deferral amount</u>			
Loans and receivables	5,356,688	793,465	6,150,153
Islamic financing receivables	1,717,641	663,304	2,380,945
Less: Repayments made during the period	(1,874,112)	(74,017)	(1,948,129)
	<u>5,200,217</u>	<u>1,382,752</u>	<u>6,582,969</u>
<u>Exposures (Gross)</u>			
Loans and receivables	25,446,378	7,201,294	32,647,672
Islamic financing receivables	8,337,774	8,134,079	16,471,853
	<u>33,784,152</u>	<u>15,335,373</u>	<u>49,119,525</u>
Number of customers / accounts	379	98,125	98,504

Zero Cost Funding under the CBUAE TESS program availed by the Group amounts to AED 5,999 million (June 2020: AED 6,906 million) which has been fully utilized to provide payment relief to the impacted customers. Repayment of Zero Cost Funding during the quarter ended 30 September 2020 amounted to AED 907 million.

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

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

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

For these customers, 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 are subject to ongoing monitoring for any changes in their creditworthiness for the appropriateness of their grouping and IFRS 9 staging.

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.

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 benefitting from payment deferrals:

<u>AED 000</u>	Loans and receivables	Islamic financing receivables	Total
<u>30 September 2020</u>			
<u>Corporate and Institutional banking</u>			
<u>Group 1</u>			
Exposures	24,737,922	7,676,827	32,414,749
Less: Expected credit losses	(1,928,191)	(903,158)	(2,831,349)
	<u>22,809,731</u>	<u>6,773,669</u>	<u>29,583,400</u>
<u>Group 2</u>			
Exposures	708,456	660,947	1,369,403
Less: Expected credit losses	(248,647)	(507,626)	(756,273)
	<u>459,809</u>	<u>153,321</u>	<u>613,130</u>
<u>Retail banking and Wealth Management</u>			
<u>Group 1</u>			
Exposures	6,629,031	7,846,149	14,475,180
Less: Expected credit losses	(313,888)	(287,159)	(601,047)
	<u>6,315,143</u>	<u>7,558,990</u>	<u>13,874,133</u>
<u>Group 2</u>			
Exposures	572,263	287,930	860,193
Less: Expected credit losses	(154,596)	(106,501)	(261,097)
	<u>417,667</u>	<u>181,429</u>	<u>599,096</u>

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	51,985,488
EAD increase due to new drawdowns	2,888,499
EAD increase of the existing customers	2,948,581
EAD decrease of the existing customers	(4,176,402)
EAD decrease due to closure	(1,166,019)
EAD as at 30 September 2020	52,480,147

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	23,003,194	4,035,907	-	27,039,101	7,145,978	1,422,349	404,287	8,972,614
Transferred from 12-month ECL	(632,237)	533,436	98,801	-	(569,334)	396,324	173,010	-
Transferred from Lifetime ECL not credit-impaired	360,082	(360,082)	-	-	60,650	(78,113)	17,463	-
Transferred from Lifetime ECL credit-impaired	-	-	-	-	-	-	-	-
Other movements - net	899,520	84,377	25,810	1,009,707	(348,243)	(13,295)	(10,615)	(372,153)
EAD as at 30 September 2020	23,630,559	4,293,638	124,611	28,048,808	6,289,051	1,727,265	584,145	8,600,461
<u>Retail banking and Wealth Management</u>								
EAD as at 1 January 2020	7,288,717	180,247	-	7,468,964	8,269,622	235,023	164	8,504,809
Transferred from 12-month ECL	(544,234)	530,328	13,906	-	(296,111)	296,111	-	-
Transferred from Lifetime ECL not credit-impaired	39,657	(66,059)	26,402	-	63,385	(71,432)	8,047	-
Transferred from Lifetime ECL credit-impaired	-	-	-	-	-	-	-	-
Other movements - net	(31,887)	3,416	(3,975)	(32,446)	(98,044)	(11,235)	(1,170)	(110,449)
EAD as at 30 September 2020	6,752,253	647,932	36,333	7,436,518	7,938,852	448,467	7,041	8,394,360

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	1,392,812	867,350
Manufacturing	(1,188)	15,677
Construction	(4,856)	2,186
Trade	121,987	187,435
Services	140,663	9,376
Personal	210,449	7,583
Real Estate	253,395	312,824
Others	63,576	8,353
ECL allowance as at 30 September 2020	2,176,838	1,410,784

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	127,182	141,097
Personal Finance	250,765	157,057
Home Finance	43,097	(5,890)
Auto loans	13,715	67,256
Credit Cards	12,460	902
Others	21,265	33,238
ECL allowance as at 30 September 2020	468,484	393,660

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 nine months period ended 30 September 2020 is AED 5,911 million (September 2019: AED 1,256 million). Denizbank also contributed profit of AED 1,239 million (September 2019: AED 198 million) 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.

On 27 August 2020, Interest Rate Benchmark Reform — Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 phase 2 amendments (referred as Phase 2 of IBOR transactions project) was released by the IASB. Objective was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. Some of the key areas impacted by the amendments include application of practical expedient for modifications of financial assets and financial liabilities, changes to hedge designations and hedge documentation and providing disclosures that enable users to understand nature and extent of risks arising from interest rate benchmark reform to which the Group is exposed and how it manages those risks. The amendments are effective from 1 January 2021 and are applied retrospectively with no restatement required for prior periods.

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.