

EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 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 31 March 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 three 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 April 2020
Dubai
United Arab Emirates

EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020 (UNAUDITED)

	Notes	Unaudited	Audited
		31 March 2020 AED 000	31 December 2019 AED 000
ASSETS			
Cash and deposits with Central Banks	4	111,916,680	109,356,947
Due from banks	5	41,252,943	40,167,541
Investment securities	6	48,911,011	55,047,466
Loans and receivables	7	388,877,790	384,888,981
Islamic financing receivables	8	54,132,409	52,541,046
Positive fair value of derivatives	21	13,119,880	7,143,499
Investments in associates		193,860	134,452
Customer acceptances		10,493,791	10,227,557
Investment properties		596,664	613,223
Property and equipment		4,149,349	4,317,323
Goodwill and intangibles	9	6,492,821	6,607,421
Other assets	10	11,586,762	12,275,108
TOTAL ASSETS		691,723,960	683,320,564
LIABILITIES			
Due to banks		51,273,739	41,715,299
Customer deposits		382,719,541	385,810,220
Islamic customer deposits		84,448,878	86,370,611
Debt issued and other borrowed funds	11	52,322,062	49,317,315
Sukuk payable	12	3,678,612	3,679,921
Negative fair value of derivatives	21	11,699,143	5,565,219
Customer acceptances		10,493,791	10,227,557
Other liabilities	13	15,796,145	19,027,561
TOTAL LIABILITIES		612,431,911	601,713,703
EQUITY			
Issued capital		6,316,598	6,316,598
Treasury shares		(46,175)	(46,175)
Tier I capital notes	15	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		(461,264)	131,484
Currency translation reserve		(2,834,595)	(1,706,736)
Retained earnings		42,779,524	43,375,416
TOTAL EQUITY ATTRIBUTABLE TO EQUITY AND NOTE HOLDERS OF THE GROUP		79,280,216	81,596,715
Non-controlling interest		11,833	10,146
TOTAL EQUITY		79,292,049	81,606,861
TOTAL LIABILITIES AND EQUITY		691,723,960	683,320,564


The attached notes 1 to 28 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 APR 2020

EMIRATES NBD BANK PJSC

**GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
 FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (UNAUDITED)**

		Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
Interest and similar income		7,284,198	4,777,817
Interest and similar expense		(2,729,454)	(1,742,903)
Net interest income		4,554,744	3,034,914
Income from Islamic financing and investment products		807,794	794,772
Distribution on Islamic deposits and profit paid to Sukuk holders		(426,212)	(429,642)
Net income from Islamic financing and investment products		381,582	365,130
Net interest income and income from Islamic financing and investment products net of distribution to depositors		4,936,326	3,400,044
Fee and commission income		1,784,542	1,054,023
Fee and commission expense		(603,523)	(313,854)
Net fee and commission income		1,181,019	740,169
Net gain / (loss) on trading securities		39,537	71,684
Other operating income	16	727,912	504,915
Total operating income		6,884,794	4,716,812
General and administrative expenses	17	(2,048,690)	(1,396,545)
Operating profit before impairment		4,836,104	3,320,267
Net impairment loss on financial assets	18	(2,558,488)	(570,125)
Operating profit after impairment		2,277,616	2,750,142
Share of profit / (loss) of associates and joint ventures		107	27,329
Group profit for the period before tax		2,277,723	2,777,471
Taxation charge		(196,932)	(34,029)
Group profit for the period after tax		2,080,791	2,743,442
Attributable to:			
Equity holders of the Group		2,079,104	2,742,990
Non-controlling interest		1,687	452
Group profit for the period after tax		2,080,791	2,743,442
Earnings per share	20	0.31	0.47

The attached notes 1 to 28 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.

	Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
Group profit for the period after tax	2,080,791	2,743,442
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	(255,199)	1,968
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	320,081	2,364
Cash flow hedges:		
- Effective portion of changes in fair value	(74,139)	(77,104)
Fair value reserve (debt instruments):		
- Net change in fair value	(652,537)	53,651
- Net amount transferred to income statement	(30,779)	945
- Related deferred tax	99,825	-
Currency translation reserve	(1,151,619)	48,986
Hedge of a net investment in foreign operations	23,760	(6,634)
Other comprehensive income for the period	(1,720,607)	24,176
Total comprehensive income for the period	360,184	2,767,618
Attributable to:		
Equity holders of the Group	358,497	2,767,166
Non-controlling interest	1,687	452
Total comprehensive income for the period	360,184	2,767,618

The attached notes 1 to 28 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 THREE MONTHS PERIOD ENDED 31 MARCH 2020 (UNAUDITED)**

	Notes	Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
<u>OPERATING ACTIVITIES</u>			
Group profit for the period before tax		2,277,723	2,777,471
Adjustment for non cash items	24	3,019,669	861,785
Operating profit before changes in operating assets and liabilities		5,297,392	3,639,256
(Increase)/decrease in interest free statutory deposits		(3,270,042)	(1,099,719)
(Increase)/decrease in certificate of deposits with Central Banks maturing after three months		(5,400,650)	205,413
(Increase)/decrease in amounts due from banks maturing after three months		(4,180,861)	(2,170,690)
Increase/(decrease) in amounts due to banks maturing after three months		(4,639,850)	(1,957,889)
(Increase)/decrease in other assets		611,530	(1,914,365)
Increase/(decrease) in other liabilities		(4,557,485)	449,284
(Increase)/decrease in positive fair value of derivatives		(5,976,381)	(781,227)
Increase/(decrease) in negative fair value of derivatives		6,133,924	374,858
Increase/(decrease) in customer deposits		(3,090,679)	10,101,396
Increase/(decrease) in islamic customer deposits		(1,921,733)	1,385,169
(Increase)/decrease in loans and receivables		(6,233,504)	(9,656,674)
(Increase)/decrease in Islamic financing receivables		(1,944,924)	(663,194)
		(29,173,263)	(2,088,382)
Taxes paid		(215,972)	(24,049)
Net cash flows from/(used in) operating activities		(29,389,235)	(2,112,431)

EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (UNAUDITED)

		Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
	Notes		
<u>INVESTING ACTIVITIES</u>			
(Increase)/decrease in investment securities		5,167,136	(9,524,864)
(Increase)/decrease of property and equipment		(75,287)	(116,999)
Dividend income received		16,107	13,429
Net cash flows from/(used in) investing activities		5,107,956	(9,628,434)
<u>FINANCING ACTIVITIES</u>			
Issuance of debt issued and other borrowed funds	11	9,756,892	4,726,624
Repayment of debt issued and other borrowed funds	11	(6,204,232)	(580,267)
Issuance of Tier I capital notes		-	3,663,696
Interest on Tier I capital notes		(150,718)	(160,788)
Dividends paid		(2,524,278)	(2,220,749)
Net cash flows from /(used in) financing activities		877,664	5,428,516
Increase/(decrease) in cash and cash equivalents (refer Note 24)		(23,403,615)	(6,312,349)

The attached notes 1 to 28 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 THREE MONTHS PERIOD ENDED 31 MARCH 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	-	-	-	-	-	-	-	-	2,079,104	2,079,104	1,687	2,080,791
Other comprehensive income for the period	-	-	-	-	-	-	(592,748)	(1,127,859)	-	(1,720,607)	-	(1,720,607)
Tier I capital notes issued during the period (note 15)	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(150,718)	(150,718)	-	(150,718)
Dividends paid*	-	-	-	-	-	-	-	-	(2,524,278)	(2,524,278)	-	(2,524,278)
Balance as at 31 March 2020	6,316,598	(46,175)	9,468,272	17,954,164	3,158,299	2,945,393	(461,264)	(2,834,595)	42,779,524	79,280,216	11,833	79,292,049
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	-	-	-	-	-	-	-	-	2,742,990	2,742,990	452	2,743,442
Other comprehensive income for the period	-	-	-	-	-	-	(18,176)	42,352	-	24,176	-	24,176
Tier I capital notes issued during the period (note 15)	-	-	3,663,696	-	-	-	-	-	-	3,663,696	-	3,663,696
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(160,788)	(160,788)	-	(160,788)
Dividends paid*	-	-	-	-	-	-	-	-	(2,220,749)	(2,220,749)	-	(2,220,749)
Balance as at 31 March 2019	5,557,775	(46,175)	13,140,772	12,270,124	2,778,888	2,869,533	(91,080)	(1,189,206)	32,773,991	68,064,622	9,518	68,074,140

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

The attached notes 1 to 28 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 31 March 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 3.

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 three months period ended 31 March 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 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The Group has consistently applied the accounting policies as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2019, except for the IBOR transition as mentioned in note 28.

4 CASH AND DEPOSITS WITH CENTRAL BANKS

	Unaudited 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Cash	6,301,523	4,461,421
Statutory and other deposits with Central Banks	53,246,966	49,976,924
Interest bearing placements with Central Banks	234,620	7,646
Murabahas and interest bearing certificates of deposits with Central Banks	52,137,090	54,913,791
Less: Expected credit losses	(3,519)	(2,835)
	<u>111,916,680</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.

5 DUE FROM BANKS

	Unaudited 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Due from banks in UAE	7,044,282	7,874,550
Due from foreign banks	34,293,196	32,377,197
Less: Expected credit losses	(84,535)	(84,206)
	<u>41,252,943</u>	<u>40,167,541</u>

EMIRATES NBD BANK PJSC

NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (UNAUDITED)**6 INVESTMENT SECURITIES**

	Domestic*	Regional**	International***	Total
	AED 000	AED 000	AED 000	AED 000
<u>Unaudited 31 March 2020</u>				
<u>TRADING SECURITIES MEASURED AT FVTPL</u>				
Government Bonds	37,296	694,633	967,905	1,699,834
Corporate Bonds	382,020	115,956	997,744	1,495,720
Equity	-	-	83,175	83,175
Others	-	-	2,578	2,578
	419,316	810,589	2,051,402	3,281,307
<u>DESIGNATED AS AT FVTPL</u>				
Corporate Bonds	-	-	20,359	20,359
Equity	116,644	166,259	71,474	354,377
Others	756	68,113	78,877	147,746
	117,400	234,372	170,710	522,482
<u>MEASURED AT AMORTISED COST</u>				
Government Bonds	4,444,107	13,116,930	10,352,257	27,913,294
Corporate Bonds	821,501	1,190,388	1,892,674	3,904,563
	5,265,608	14,307,318	12,244,931	31,817,857
Less: Expected credit losses				(31,081)
				31,786,776
<u>MEASURED AT FVOCI - DEBT INSTRUMENTS</u>				
Government Bonds	-	840,167	8,664,915	9,505,082
Corporate Bonds	2,074,329	391,564	752,834	3,218,727
	2,074,329	1,231,731	9,417,749	12,723,809
Less: Expected credit losses				(12,792)
				12,711,017
<u>MEASURED AT FVOCI - EQUITY INSTRUMENTS</u>				
Equity	1,689	56,320	551,420	609,429
	1,689	56,320	551,420	609,429
Gross Investment securities	7,878,342	16,640,330	24,436,212	48,954,884
Net Investment securities				48,911,011

*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 INVESTMENT SECURITIES (CONTINUED)

<u>Audited 31 December 2019</u>	Domestic*	Regional**	International***	Total
	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.

7 LOANS AND RECEIVABLES

	Unaudited 31 March 2020 AED 000	Audited 31 December 2019 AED 000
At Amortised Cost		
Overdrafts	151,375,283	150,166,905
Time loans	238,523,328	233,270,602
Loans against trust receipts	9,128,187	8,054,202
Bills discounted	3,800,225	4,475,928
Credit card receivables	11,807,589	12,711,497
Total loans and receivables	414,634,612	408,679,134
Less: Expected credit losses	(25,756,822)	(23,790,153)
	388,877,790	384,888,981
Total of impaired loans and receivables	21,218,775	21,155,908

7 LOANS AND RECEIVABLES (CONTINUED)

	Unaudited 31 March 2020 AED 000	Audited 31 December 2019 AED 000
<u>Analysis by economic activity</u>		
Manufacturing	18,133,139	17,761,078
Construction	15,763,420	15,795,599
Trade	23,482,027	23,860,803
Transport and communication	7,668,834	7,593,431
Services	16,237,213	15,865,073
Sovereign	163,228,035	162,760,253
Personal	56,224,651	56,933,847
Real estate	43,022,840	43,359,153
Hotels and restaurants	14,633,954	15,911,904
Management of companies and enterprises	14,753,212	13,930,191
Financial institutions and investment companies	20,844,548	15,534,634
Agriculture	8,213,337	8,127,732
Others	12,429,402	11,245,436
Total loans and receivables	414,634,612	408,679,134
Less: Expected credit losses	(25,756,822)	(23,790,153)
	388,877,790	384,888,981

8 ISLAMIC FINANCING RECEIVABLES

	Unaudited 31 March 2020 AED 000	Audited 31 December 2019 AED 000
At Amortised Cost		
Murabaha	38,635,305	36,883,978
Ijara	19,861,490	19,513,458
Wakala	734,151	882,328
Istissna'a	1,169,706	1,257,196
Credit cards receivable	1,427,664	1,491,354
Others	210,885	161,533
Total Islamic financing receivables	62,039,201	60,189,847
Less: Deferred income	(2,197,592)	(2,212,559)
Less: Expected credit losses	(5,709,200)	(5,436,242)
Net Islamic financing receivables	54,132,409	52,541,046
Total of impaired Islamic financing receivables	4,890,621	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 12).

8 ISLAMIC FINANCING RECEIVABLES (CONTINUED)

	Unaudited 31 March 2020 AED 000	Audited 31 December 2019 AED 000
<u>Analysis by economic activity</u>		
Manufacturing	2,354,197	2,342,297
Construction	1,500,235	1,394,896
Trade	7,799,708	8,304,869
Transport and communication	1,016,830	803,391
Services	2,119,174	1,882,844
Sovereign	414,579	434,377
Personal	29,645,496	28,399,349
Real estate	8,674,111	8,567,285
Hotels and restaurants	871,065	69,423
Management of companies and enterprises	2,179,198	1,673,373
Financial institutions and investment companies	2,452,335	2,603,443
Others	3,012,273	3,714,300
Total islamic financing and receivables	62,039,201	60,189,847
Less: Deferred income	(2,197,592)	(2,212,559)
Less: Expected credit losses	(5,709,200)	(5,436,242)
	54,132,409	52,541,046

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 FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (UNAUDITED)

9 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 31 March 2020</u>							
<u>Cost</u>							
<u>Balance as at 1 January</u>	5,560,356	159,482	9,281	509,704	923,667	348,820	7,511,310
Foreign exchange movement	1,021	2,700	-	(25,728)	(18,955)	(32,815)	(73,777)
	<u>5,561,377</u>	<u>162,182</u>	<u>9,281</u>	<u>483,976</u>	<u>904,712</u>	<u>316,005</u>	<u>7,437,533</u>
<u>Less: Amortisation and impairment</u>							
<u>Balance as at 1 January</u>	4,903	-	9,281	196,667	693,037	-	903,888
Amortisation and impairment for the period	-	-	-	23,506	17,318	-	40,824
Balance as at 31 March	<u>4,903</u>	<u>-</u>	<u>9,281</u>	<u>220,173</u>	<u>710,355</u>	<u>-</u>	<u>944,712</u>
Net Goodwill and Intangibles	<u>5,556,474</u>	<u>162,182</u>	<u>-</u>	<u>263,803</u>	<u>194,357</u>	<u>316,005</u>	<u>6,492,821</u>
<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	<u>5,555,452</u>	<u>159,482</u>	<u>-</u>	<u>313,037</u>	<u>230,630</u>	<u>348,820</u>	<u>6,607,421</u>

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 banking, Consumer banking, Treasury and Emirates NBD Egypt.

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10 OTHER ASSETS

	Unaudited 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Accrued interest receivable	4,572,239	4,649,040
Islamic Profit receivable	124,834	114,657
Prepayments and other advances	1,168,613	1,026,233
Sundry debtors and other receivables	2,382,937	2,504,710
Inventory	1,240,825	1,296,001
Deferred tax asset	768,268	626,610
Others	1,329,046	2,057,857
	11,586,762	12,275,108

11 DEBT ISSUED AND OTHER BORROWED FUNDS

	Unaudited 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Medium term note programme*	44,077,363	41,075,715
Term loans from banks	7,326,574	7,323,475
Borrowings raised from loan securitisations	918,125	918,125
	52,322,062	49,317,315

	Unaudited 31 March 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	9,756,892	15,624,311
Repayments	(6,204,232)	(11,230,938)
Other movements*	(547,913)	412,944
Balance at end of period / year	52,322,062	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 31 March 2020, the outstanding medium term borrowings totaling AED 52,322 million (31 December 2019: AED 49,317 million) is falling due as below:

	Unaudited 31 March 2020 AED millions	Audited 31 December 2019 AED millions
2020	8,352	14,121
2021	12,111	12,128
2022	9,758	9,706
2023	2,623	1,941
2024	2,289	2,289
Beyond 2024	17,189	9,132
	52,322	49,317

12 SUKUK PAYABLE

	Unaudited 31 March 2019 AED 000	Audited 31 December 2019 AED 000
Balance as at 1 January	3,679,921	3,685,160
Repayments	-	-
Other movements	(1,309)	(5,239)
Balance at end of period / year	<u>3,678,612</u>	<u>3,679,921</u>

As at 31 March 2020, the outstanding Sukuk payable totaling AED 3,679 million (31 December 2019: AED 3,680 million) is falling due in 2021.

13 OTHER LIABILITIES

	Unaudited 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Accrued interest payable	3,115,088	3,414,732
Profit payable to islamic depositors	240,531	157,021
Managers' cheques	1,154,617	1,228,374
Trade and other payables	3,611,768	4,037,808
Staff related liabilities	892,167	1,304,970
Provision for taxation	216,266	235,306
Others	6,565,708	8,649,350
	<u>15,796,145</u>	<u>19,027,561</u>

14 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 31 March 2020.

15 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.

16 OTHER OPERATING INCOME

	Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
Dividend income on equity investment measured at FVOCI	152	95
Dividend income on equity investments measured at FVTPL	15,955	13,334
Gain / (loss) from sale of debt investment securities measured at FVOCI	30,779	(945)
Gain / (loss) from investment securities designated at fair value through profit or loss	(44,088)	(17,573)
Rental income	8,162	10,164
Gain on sale of properties (investment properties / inventories)	621	-
Foreign exchange income*	63,396	398,114
Derivative income	591,527	73,159
Other income (net)	61,408	28,567
	727,912	504,915

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

17 GENERAL AND ADMINISTRATIVE EXPENSES

	Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
Staff cost	1,208,778	890,997
Occupancy cost	75,855	61,247
Equipment & supplies	57,902	28,449
Information technology cost	84,504	60,392
Communication cost	66,495	51,246
Service, legal and professional fees	46,302	29,170
Marketing related expenses	35,845	35,104
Depreciation	213,202	139,679
Amortisation of intangibles	40,824	-
Others	218,983	100,261
	<u>2,048,690</u>	<u>1,396,545</u>

18 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 three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
Net impairment of cash and deposits with central banks	650	(5,413)
Net impairment of due from banks / other assets	444	2,230
Net impairment of investment securities	14,701	5,850
Net impairment of loans and receivables	2,244,695	549,340
Net impairment of Islamic financing receivables	353,561	35,650
Net impairment of unfunded exposures	80,781	4,129
Bad debt written off / (recovery) - net	(136,344)	(21,661)
Net impairment loss for the period	<u>2,558,488</u>	<u>570,125</u>

19 COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are as follows:

	Unaudited 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Letters of credit	10,867,155	12,131,599
Guarantees	63,475,146	66,209,785
Liability on risk participations	59,031	175,090
Irrevocable loan commitments*	38,516,543	42,324,795
	<u>112,917,875</u>	<u>120,841,269</u>

*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.

20 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 three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
Profit for the period attributable to equity holders	2,079,104	2,742,990
Deduct : Interest on Tier 1 capital notes	(150,718)	(160,788)
Net profit attributable to equity holders	1,928,386	2,582,202
Weighted average number of equity shares in issue ('000)	6,310,696	5,551,872
Basic earnings per share* (AED)	<u>0.31</u>	<u>0.47</u>

*The diluted and basic earnings per share were the same for the three months period ended 31 March 2020.

21 DERIVATIVES

	Unaudited 31 March 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	12,154,797	(9,982,689)	730,087,051	6,825,551	(4,748,061)	659,526,296
Derivatives held as cash flow hedges	280,571	(278,433)	31,279,045	187,912	(169,280)	26,622,355
Derivatives held as fair value hedges	662,600	(1,438,021)	20,831,357	130,036	(646,030)	16,782,081
Derivatives held as hedge of a net investment in foreign operations	21,912	-	474,909	-	(1,848)	293,235
Total	13,119,880	(11,699,143)	782,672,362	7,143,499	(5,565,219)	703,223,967

22 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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22 OPERATING SEGMENTS (CONTINUED)

<u>Unaudited 31 March 2020</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	1,270,690	1,430,140	(73,540)	468,162	1,571,259	269,615	4,936,326
Net Fees, commission and other income	372,551	670,673	87,384	173,005	683,940	(39,085)	1,948,468
Total operating Income	1,643,241	2,100,813	13,844	641,167	2,255,199	230,530	6,884,794
General and administrative expenses	(157,231)	(522,599)	(43,950)	(279,762)	(627,399)	(417,749)	(2,048,690)
Net impairment loss on financial assets	(1,069,485)	(215,326)	(11,686)	(206,418)	(980,813)	(74,760)	(2,558,488)
Share of profit / (loss) of associates and joint ventures	-	-	-	-	-	107	107
Taxation charge	(15,570)	(18,522)	(9,327)	-	(142,666)	(10,847)	(196,932)
Group profit for the period after tax	400,955	1,344,366	(51,119)	154,987	504,321	(272,719)	2,080,791
Segment Assets	327,564,928	65,321,592	110,455,370	59,928,994	127,702,211	750,865	691,723,960
Segment Liabilities and Equity	189,979,556	156,127,765	48,497,966	52,259,610	116,272,212	128,586,851	691,723,960

22 OPERATING SEGMENTS (CONTINUED)

<u>Unaudited 31 March 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	1,184,220	1,320,102	202,504	443,865	-	249,353	3,400,044
Net Fees, commission and other income	421,767	663,014	98,289	219,607	-	(85,909)	1,316,768
Total operating Income	1,605,987	1,983,116	300,793	663,472	-	163,444	4,716,812
General and administrative expenses	(153,715)	(543,646)	(36,111)	(270,107)	-	(392,966)	(1,396,545)
Net impairment loss on financial assets	(528,789)	(83,602)	5,037	17,714	-	19,515	(570,125)
Share of profit / (loss) of associates and joint ventures	-	-	-	-	-	27,329	27,329
Taxation charge	(35,204)	(881)	(20,741)	-	-	22,797	(34,029)
Group profit for the period after tax	888,279	1,354,987	248,978	411,079	-	(159,881)	2,743,442
Segment Assets	308,957,767	65,526,717	85,845,737	58,416,654	-	7,058,214	525,805,089
Segment Liabilities and Equity	144,723,917	156,849,834	59,088,782	50,178,994	-	114,963,562	525,805,089

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'.

23 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 7% (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 31 March 2020 AED 000	Audited 31 December 2019 AED 000
<u>Loans and receivables:</u>		
To majority shareholder of the parent	161,359,533	160,753,924
To parent	1,380,348	1,456,858
To directors and related companies	862,419	897,830
To associates and joint ventures	-	64
	<u>163,602,300</u>	<u>163,108,676</u>
<u>Customer and Islamic deposits:</u>		
From majority shareholder of the parent	5,294,004	4,845,014
From parent	1,742,012	2,094,077
From associates and joint ventures	33,934	38,315
	<u>7,069,950</u>	<u>6,977,406</u>
Investment in Government of Dubai bonds	4,039	18,841
Commitments to associates and joint ventures	76,491	76,471

23 RELATED PARTY TRANSACTIONS (CONTINUED)

	Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
Payments made to associates and joint ventures	252	48,692
Payments received from associates and joint ventures	-	1,420
Payments made to other related parties	20,121	22,433
Fees received in respect of funds managed by the Group	5,314	5,332
Interest (paid by) / paid to joint ventures	-	1,090
Directors sitting fee	3,913	3,161

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

	Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
<u>Key management compensation:</u>		
Short term employment benefits	55,552	42,476
Post employment benefits	359	373

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

24 NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 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)	(23,403,615)	(6,312,349)
Balance at end of period	<u>8,887,872</u>	<u>19,928,821</u>
(b) Analysis of cash and cash equivalents		
Cash and deposits with Central Banks	111,916,680	80,940,352
Due from banks	41,252,943	45,457,824
Due to banks	(51,273,739)	(25,512,556)
	<u>101,895,884</u>	<u>100,885,620</u>
Less : deposits with Central Banks for regulatory purposes	(53,246,966)	(33,235,684)
Less : certificates of deposits with Central Banks maturing after three months	(39,000,000)	(27,100,000)
Less : amounts due from banks maturing after three months	(22,224,764)	(24,542,264)
Add : amounts due to banks maturing after three months	21,463,718	3,921,149
	<u>8,887,872</u>	<u>19,928,821</u>

**24 NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF
CASH FLOWS (CONTINUED)**

	Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
(c) Adjustment for non cash and other items		
Impairment loss on cash and deposits with central banks	650	(5,413)
Impairment loss on due from banks	444	2,230
Impairment loss on investment securities	14,701	5,850
Impairment loss on loans and receivables	2,244,695	549,340
Impairment loss on Islamic financing receivables	353,561	35,650
Impairment loss on unfunded exposures	80,781	4,129
Amortisation of fair value	29,354	42,003
(Discount) / premium on Investment securities	(17,121)	9,174
Unrealised foreign exchange loss / (gain)	236,426	(117,311)
Amortisation of intangibles	40,824	-
Depreciation / impairment on property and equipment / Investment property	217,353	143,811
Share of profit / loss of associates and joint ventures	(107)	(27,329)
Dividend income on equity investments	(16,107)	(13,429)
Unrealized (gain)/loss on investments	64,003	22,067
Unrealized (gain)/loss on FV Hedged item	(229,167)	211,013
Gain on sale of properties (inventories)	(621)	-
	3,019,669	861,785

25 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 31 March 2020</u>	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
<u>Investment Securities</u>				
Trading securities at FVTPL	3,281,307	-	-	3,281,307
FVOCI - debt instruments	12,616,020	107,789	-	12,723,809
FVOCI - equity instruments	604,209	-	5,220	609,429
Designated at FVTPL	29,378	317	492,787	522,482
	16,530,914	108,106	498,007	17,137,027
<u>Derivatives</u>				
<u>Positive fair value of derivatives</u>				
Derivatives held for trading	-	12,154,797	-	12,154,797
Derivatives held as cash flow hedges	-	280,571	-	280,571
Derivatives held as fair value hedges	-	662,600	-	662,600
Derivatives held as hedge of a net investment in foreign operations	-	21,912	-	21,912
	-	13,119,880	-	13,119,880
<u>Negative fair value of derivatives</u>				
Derivatives held for trading	-	(9,982,689)	-	(9,982,689)
Derivatives held as cash flow hedges	-	(278,433)	-	(278,433)
Derivatives held as fair value hedges	-	(1,438,021)	-	(1,438,021)
Derivatives held as hedge of a net investment in foreign operations	-	-	-	-
	-	(11,699,143)	-	(11,699,143)
	16,530,914	1,528,843	498,007	18,557,764
Audited 31 December 2019	17,615,887	1,639,016	531,012	19,785,915

25 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
Balance as at 1 January 2020	-	525,669	-	5,343	531,012
Additions through acquisition	-	-	-	-	-
Total gains or losses:					
- in profit or loss	-	(37,397)	-	-	(37,397)
- in other comprehensive income	-	-	-	(123)	(123)
Additions	-	4,515	-	-	4,515
Settlements and other adjustments	-	-	-	-	-
Balance as at 31 March 2020 (unaudited)	-	492,787	-	5,220	498,007
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 31 March 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.

26 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 three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
	ECL	ECL
Balance at 1 January	23,790,153	21,117,025
Expected credit losses recognised during the period	2,521,053	780,926
Write back / recoveries made during the period	(276,358)	(231,586)
Amounts written off during the period	(160,382)	(677,955)
Exchange and other adjustments	(117,644)	386,170
Closing balance	<u>25,756,822</u>	<u>21,374,580</u>

As at 31 March 2020 Stage 1 ECL on loans and receivables amounted to AED 4,145 million (31 December 2019: AED 3,702 million) on an exposure of AED 372,191 million (31 December 2019: AED 367,193 million), Stage 2 ECL on loans and receivables amounted to AED 4,236 million (31 December 2019: AED 3,222 million) on an exposure of AED 21,225 million (31 December 2019: AED 20,331 million), Stage 3 ECL on loans and receivables amounted to AED 16,994 million (31 December 2019: AED 16,717 million) on an exposure of AED 18,712 million (31 December 2019: AED 18,107 million) and the post-acquisition ECL on Purchased or Originated Credit Impaired loans and receivables amounted to AED 382 million (31 December 2019: AED 149 million) on an exposure of AED 2,507 million (31 December 2019: AED 3,048 million).

ii) Islamic financing receivables

	Unaudited three months period ended 31 March 2020 AED 000	Unaudited three months period ended 31 March 2019 AED 000
	ECL	ECL
Balance at 1 January	5,436,242	5,585,483
Expected credit losses recognised during the period	433,394	134,633
Write back / recoveries made during the period	(79,833)	(98,983)
Amounts written off during the period	(89,042)	(129,527)
Exchange and other adjustments	8,439	25,614
Closing balance	<u>5,709,200</u>	<u>5,517,220</u>

As at 31 March 2020 Stage 1 ECL on Islamic financing receivables amounted to AED 1,052 million (31 December 2019: AED 974 million) on an exposure of AED 51,229 million (31 December 2019: AED 49,159 million), Stage 2 ECL on Islamic financing receivables amounted to AED 570 million (31 December 2019: AED 410 million) on an exposure of AED 3,721 million (31 December 2019: AED 3,949 million) and Stage 3 ECL on Islamic financing receivables amounted to AED 4,087 million (31 December 2019: AED 4,052 million) on an exposure of AED 4,891 million (31 December 2019: AED 4,869 million).

26 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 reliefs) to minimize the impact on individuals and corporates.

In the determination of Q1 2020 ECL, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the Covid-19 pandemic and taken in to account the 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 guidance issued by the International Accounting Standards Board (IASB) on 27 March 2020.

Identifying whether a significant increase in credit risk (SICR) has occurred for IFRS 9

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 a SICR since origination. A SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument.

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 longer term.

During 2020, the Group has initiated a programme of payment relief for its impacted customers by deferring interest/principal due for a period of one month to three months. These payment reliefs are considered as short-term liquidity to address borrower cash flow issues. The relief offered to customers may indicate a SICR. However, the Group believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constraints and a change in its lifetime credit risk. This approach is consistent with the expectations of the Central Bank of UAE as referred to in the TESS notice.

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.

Reasonableness of Forward Looking Information and probability weights

Any changes made to ECL to estimate the overall impact of Covid-19 is subject to very high levels of uncertainty as limited forward-looking information is currently available on which to base those changes.

The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Forecast of these economic variables (the "base, upside and downside economic scenario") are obtained externally on a quarterly basis.

In light of the current uncertain economic environment, the Group has re-assessed the scenario weighting to reflect the impact of current uncertainty in measuring the estimated credit losses for the period ended 31 March 2020. In making estimates, the Group assessed a range of possible outcomes by stressing the previous basis (that includes upside, based case and downside scenarios) and changed the downside weightings through to 100%.

26 RISK MANAGEMENT (CONTINUED)

Covid-19 and Expected Credit Loss (ECL) (continued)

Reasonableness of Forward Looking Information and probability weights (continued)

The Group compared the downside macro economic variables to indicative data received from an independent source and for some portfolios or sectors have further stressed the ECL. In addition to the above the Group has applied industry specific account level adjustments for retail exposures with regards to specific industries whose employees are expected to be most impacted due to Covid-19 such as airlines, hospitality, retail and tourism. The Group continues to individually assess significant corporate exposures to adequately safeguard against any adverse movements due to Covid-19.

The increase in the downturn weighting of the macro economic scenario and the management overlays result in an additional ECL of AED 878 million for the Group. The impact of such uncertain economic environment is judgmental and the Group will continue to reassess its position and the related impact on a regular basis.

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

27 INVESTMENT IN SUBSIDIARY

ACQUISITION OF DENIZ BANK 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 three months ended March 2020 is AED 2,255 million (March 2019: Nil). Denizbank also contributed profit of AED 504 million (March 2019: Nil) over the same period.

28 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.