

**EMIRATES NBD BANK PJSC**

**GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**



# EMIRATES NBD BANK PJSC

## GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **Emirates NBD Bank PJSC, Dubai, United Arab Emirates** (the “Bank”) **and its Subsidiaries** (together referred to as the “Group”) as at 30 June 2019 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of review*

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

### *Conclusion*

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

### *Other matter*

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 15 January 2019. Furthermore, the condensed consolidated interim financial information of the Group for the six months period ended 30 June 2018 were reviewed by another auditor who expressed an unmodified conclusion on 17 July 2018.

**Deloitte & Touche (M.E.)**



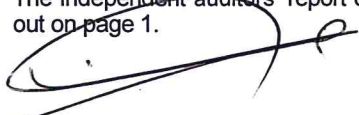
Akbar Ahmad  
Registration No.: 1141  
16 July 2019  
Dubai  
United Arab Emirates


EMIRATES NBD BANK PJSC

 GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2019 (UNAUDITED)

	Notes	Unaudited	Audited
		30 June 2019	31 December 2018
		AED 000	AED 000
<b>ASSETS</b>			
Cash and deposits with Central Banks	4	84,670,949	84,604,316
Due from banks	5	51,776,092	39,907,253
Investment securities	6	29,552,246	20,066,403
Loans and receivables	7	286,839,813	278,064,013
Islamic financing receivables	8	50,827,452	49,866,487
Positive fair value of derivatives	21	5,732,802	3,670,892
Investments in associates and joint ventures	28	774,846	1,581,180
Customer acceptances		10,740,467	7,736,164
Investment properties		540,613	549,705
Property and equipment		3,067,252	2,515,884
Goodwill and intangibles	9	5,706,797	5,686,258
Other assets	10	7,576,490	6,094,191
<b>TOTAL ASSETS</b>		<b>537,805,819</b>	<b>500,342,746</b>
<b>LIABILITIES</b>			
Due to banks		23,645,349	22,339,668
Customer deposits		304,708,940	290,920,920
Islamic customer deposits		61,988,189	56,945,102
Debt issued and other borrowed funds	11	47,606,895	40,715,230
Sukuk payable	12	3,682,541	3,685,160
Negative fair value of derivatives	21	4,672,617	3,767,748
Customer acceptances		10,740,467	7,736,164
Other liabilities	13	11,803,250	10,208,391
<b>TOTAL LIABILITIES</b>		<b>468,848,248</b>	<b>436,318,383</b>
<b>EQUITY</b>			
Issued capital		5,557,775	5,557,775
Treasury shares		(46,175)	(46,175)
Tier I capital notes	15	9,468,272	9,477,076
Share premium reserve		12,270,124	12,270,124
Legal and statutory reserve		2,778,888	2,778,888
Other reserves		2,869,533	2,869,533
Fair value reserve		(141,654)	(72,904)
Currency translation reserve		(1,128,504)	(1,231,558)
Retained earnings		37,319,506	32,412,538
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY AND NOTE HOLDERS OF THE GROUP</b>		<b>68,947,765</b>	<b>64,015,297</b>
Non-controlling interest		9,806	9,066
<b>TOTAL EQUITY</b>		<b>68,957,571</b>	<b>64,024,363</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>537,805,819</b>	<b>500,342,746</b>

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

16 JUL 2019



**GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT  
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

		Unaudited three months period ended 30 June 2019	Unaudited three months period ended 30 June 2018	Unaudited six months period ended 30 June 2019	Unaudited six months period ended 30 June 2018
	Notes	AED 000	AED 000	AED 000	AED 000
Interest and similar income		4,939,421	4,134,764	9,717,238	7,914,584
Interest and similar expense		(2,011,448)	(1,383,398)	(3,896,307)	(2,638,664)
<b>Net interest income</b>		<b>2,927,973</b>	<b>2,751,366</b>	<b>5,820,931</b>	<b>5,275,920</b>
Income from Islamic financing and investment products		825,568	704,050	1,620,340	1,366,615
Distribution on Islamic deposits and profit paid to Sukuk holders		(302,022)	(210,823)	(589,708)	(413,891)
<b>Net income from Islamic financing and investment products</b>		<b>523,546</b>	<b>493,227</b>	<b>1,030,632</b>	<b>952,724</b>
<b>Net interest income and income from Islamic financing and investment products net of distribution to depositors</b>		<b>3,451,519</b>	<b>3,244,593</b>	<b>6,851,563</b>	<b>6,228,644</b>
Fee and commission income		1,077,162	988,955	2,131,185	1,996,709
Fee and commission expense		(341,789)	(283,893)	(655,643)	(556,247)
<b>Net fee and commission income</b>		<b>735,373</b>	<b>705,062</b>	<b>1,475,542</b>	<b>1,440,462</b>
Net gain / (loss) on trading securities		47,759	(5,603)	119,443	25,949
Other operating income	16	575,611	403,666	1,080,526	756,075
<b>Total operating income</b>		<b>4,810,262</b>	<b>4,347,718</b>	<b>9,527,074</b>	<b>8,451,130</b>
General and administrative expenses	17	(1,429,939)	(1,370,393)	(2,826,484)	(2,646,166)
<b>Operating profit before impairment</b>		<b>3,380,323</b>	<b>2,977,325</b>	<b>6,700,590</b>	<b>5,804,964</b>
Net impairment loss on financial assets	18	(656,336)	(314,593)	(1,226,461)	(754,650)
<b>Operating profit after impairment</b>		<b>2,723,987</b>	<b>2,662,732</b>	<b>5,474,129</b>	<b>5,050,314</b>
Gain on disposal of stake in jointly controlled entity	28	2,065,831	-	2,065,831	-
Share of profit / (loss) of associates and joint ventures		(15,382)	18,179	11,947	49,169
<b>Group profit for the period before tax</b>		<b>4,774,436</b>	<b>2,680,911</b>	<b>7,551,907</b>	<b>5,099,483</b>
Taxation charge		(35,907)	(49,765)	(69,936)	(81,881)
<b>Group profit for the period after tax</b>		<b>4,738,529</b>	<b>2,631,146</b>	<b>7,481,971</b>	<b>5,017,602</b>
<b>Attributable to:</b>					
Equity holders of the Group		4,738,241	2,630,841	7,481,231	5,017,068
Non-controlling interest		288	305	740	534
<b>Group profit for the period after tax</b>		<b>4,738,529</b>	<b>2,631,146</b>	<b>7,481,971</b>	<b>5,017,602</b>
<b>Earnings per share</b>	20	<b>0.82</b>	<b>0.45</b>	<b>1.28</b>	<b>0.85</b>

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.

**GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

	Unaudited three months period ended 30 June 2019 AED 000	Unaudited three months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
Group profit for the period after tax	4,738,529	2,631,146	7,481,971	5,017,602
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified subsequently to Income statement:</b>				
Movement in fair value reserve (equity instruments):				
Net change in fair value	5,034	(94,998)	7,002	(98,965)
Net amount transferred to retained earnings	-	57,776	-	57,776
<b>Items that may be reclassified subsequently to Income statement:</b>				
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	21,055	(38,300)	23,419	20,385
Cash flow hedges:				
- Effective portion of changes in fair value	(117,863)	(90,723)	(194,967)	68,152
Fair value reserve (debt instruments):				
- Net change in fair value	40,222	(22,463)	93,873	(59,885)
- Net amount transferred to income statement	978	(3,637)	1,923	(7,947)
Currency translation reserve	67,808	(38,384)	116,794	(30,856)
Hedge of a net investment in foreign operations	(7,106)	17,778	(13,740)	9,894
Other comprehensive income for the period	10,128	(212,951)	34,304	(41,446)
<b>Total comprehensive income for the period</b>	<b>4,748,657</b>	<b>2,418,195</b>	<b>7,516,275</b>	<b>4,976,156</b>
<b>Attributable to:</b>				
Equity holders of the Bank	4,748,369	2,417,890	7,515,535	4,975,622
Non-controlling interest	288	305	740	534
<b>Total comprehensive income for the period</b>	<b>4,748,657</b>	<b>2,418,195</b>	<b>7,516,275</b>	<b>4,976,156</b>

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.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

	Notes	Unaudited six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
<b><u>OPERATING ACTIVITIES</u></b>			
Group profit for the period before tax		7,551,907	5,099,483
Adjustment for non cash items	24	107,862	861,804
<b>Operating profit before changes in operating assets and liabilities</b>		<b>7,659,769</b>	<b>5,961,287</b>
(Increase)/decrease in interest free statutory deposits		760,219	425,939
(Increase)/decrease in certificate of deposits with Central Banks maturing after three months		(7,293,480)	(7,812,447)
(Increase)/decrease in amounts due from banks maturing after three months		(4,524,263)	(10,762,644)
Increase/(decrease) in amounts due to banks maturing after three months		(426,685)	(52,381)
(Increase)/decrease in other assets		(1,945,890)	483,879
Increase/(decrease) in other liabilities		1,603,953	(703,140)
(Increase)/decrease in positive fair value of derivatives		(2,061,910)	(1,306,990)
Increase/(decrease) in negative fair value of derivatives		904,869	1,478,503
Increase/(decrease) in customer deposits		13,788,020	9,971,052
Increase/(decrease) in islamic customer deposits		5,043,087	(1,486,298)
(Increase)/decrease in loans and receivables		(9,855,503)	(12,311,692)
(Increase)/decrease in Islamic financing receivables		(1,335,607)	(3,035,238)
		<b>2,316,579</b>	<b>(19,150,170)</b>
Taxes paid		(44,865)	(67,640)
<b>Net cash flows from/(used in) operating activities</b>		<b>2,271,714</b>	<b>(19,217,810)</b>

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

	Notes	Unaudited six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
<b><u>INVESTING ACTIVITIES</u></b>			
(Increase)/decrease in investment securities		(9,401,104)	(5,577,967)
(Increase)/decrease in investments in associates and joint ventures		-	43,029
(Increase)/decrease of property and equipment		(214,549)	(238,396)
Dividend income received		20,548	16,166
Disposal of stake in jointly controlled entity		2,858,684	-
<b>Net cash flows from/(used in) investing activities</b>		<b>(6,736,421)</b>	<b>(5,757,168)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Issuance of debt issued and other borrowed funds	11	9,692,829	6,907,514
Repayment of debt issued and other borrowed funds	11	(3,537,453)	(6,765,993)
Repayment of sukuk borrowing	12	-	(1,836,250)
Issuance of Tier I capital notes		3,663,696	-
Repayment of Tier I capital notes		(3,672,500)	-
Interest on Tier I capital notes		(353,514)	(293,860)
Dividends paid		(2,220,749)	(2,220,749)
<b>Net cash flows from /(used in) financing activities</b>		<b>3,572,309</b>	<b>(4,209,338)</b>
<b>(Decrease)/increase in cash and cash equivalents (refer Note 24)</b>		<b>(892,398)</b>	<b>(29,184,316)</b>

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

NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (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 2019	5,557,775	(46,175)	9,477,076	12,270,124	2,778,888	2,869,533	(72,904)	(1,231,558)	32,412,538	64,015,297	9,066	64,024,363
Profit for the period	-	-	-	-	-	-	-	-	7,481,231	7,481,231	740	7,481,971
Other comprehensive income for the period	-	-	-	-	-	-	(68,750)	103,054	-	34,304	-	34,304
Gain/loss on sale of FVOCI equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Tier I capital notes issued during the period (note 15)	-	-	3,663,696	-	-	-	-	-	-	3,663,696	-	3,663,696
Tier I capital notes redeemed during the period (note 15)	-	-	(3,672,500)	-	-	-	-	-	-	(3,672,500)	-	(3,672,500)
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(353,514)	(353,514)	-	(353,514)
Dividends paid*	-	-	-	-	-	-	-	-	(2,220,749)	(2,220,749)	-	(2,220,749)
Balance as at 30 June 2019	5,557,775	(46,175)	9,468,272	12,270,124	2,778,888	2,869,533	(141,654)	(1,128,504)	37,319,506	68,947,765	9,806	68,957,571
Balance as at 1 January 2018	5,557,775	(46,175)	9,477,076	12,270,124	2,778,888	2,869,533	261,568	(1,219,088)	27,403,808	59,353,509	8,028	59,361,537
Impact of adopting IFRS 9 at 1 January 2018**	-	-	-	-	-	-	(118,575)	-	(2,186,971)	(2,305,546)	-	(2,305,546)
Restated balance at 1 January 2018	5,557,775	(46,175)	9,477,076	12,270,124	2,778,888	2,869,533	142,993	(1,219,088)	25,216,837	57,047,963	8,028	57,055,991
Profit for the period	-	-	-	-	-	-	-	-	5,017,068	5,017,068	534	5,017,602
Other comprehensive income for the period	-	-	-	-	-	-	(20,484)	(20,962)	-	(41,446)	-	(41,446)
Gain/loss on sale of FVOCI equity instruments	-	-	-	-	-	-	(57,776)	-	57,776	-	-	-
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(293,860)	(293,860)	-	(293,860)
Dividends paid	-	-	-	-	-	-	-	-	(2,220,749)	(2,220,749)	-	(2,220,749)
Balance as at 30 June 2018	5,557,775	(46,175)	9,477,076	12,270,124	2,778,888	2,869,533	64,733	(1,240,050)	27,777,072	59,508,976	8,562	59,517,538

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

\*\*Please refer to Group's consolidated financial statements for the year ended 31 December 2018 for details on IFRS 9 transition impact.

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.

## 1 CORPORATE INFORMATION

Emirates NBD Bank PJSC (the “Bank”) was incorporated in the United Arab Emirates on 16 July 2007 consequent to the merger between Emirates Bank International PJSC (“EBI”) and National Bank of Dubai PJSC (“NBD”), under the Commercial Companies Law (Federal Law Number 8 of 1984 as amended) as a Public Joint Stock Company. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the Federal Law No. 8 of 1984.

The condensed consolidated interim financial statements for the period ended 30 June 2019 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](http://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 2018, 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 2018. In addition, results for the six months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2019.

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 2018.

### 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 2018, except the following accounting policies which are applicable from 1 January 2019:

#### **IFRS 16 Leases**

The Group has adopted IFRS 16 'Leases', issued in January 2016, with the date of initial application of 1 January 2019. IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

#### Lessee accounting

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The Group has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The Group has assessed that the impact of IFRS 16 is not material on retained earnings as at the reporting date and has presented right of use assets within 'Property and equipment' and lease liabilities within 'Other liabilities' in the consolidated statement of financial position.

**4 CASH AND DEPOSITS WITH CENTRAL BANKS**

	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Cash	3,153,920	3,307,930
Statutory and other deposits with Central Banks	31,375,746	32,135,965
Interest bearing placements with Central Banks	277,438	267,718
Murabahas and Interest bearing certificates of deposits with Central Banks	49,866,765	48,901,963
Less: Expected credit losses	(2,920)	(9,260)
	84,670,949	84,604,316

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 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Due from banks in UAE	8,679,891	9,872,367
Due from foreign banks	43,204,797	30,137,933
Less: Expected credit losses	(108,596)	(103,047)
	51,776,092	39,907,253

**6 INVESTMENT SECURITIES**

	Domestic*	Regional**	International***	Total
	AED 000	AED 000	AED 000	AED 000
<u>Unaudited 30 June 2019</u>				
<u>TRADING SECURITIES MEASURED AT FVTPL</u>				
Government Bonds	101,952	1,013,029	1,366,143	2,481,124
Corporate Bonds	569,084	68,264	733,730	1,371,078
	671,036	1,081,293	2,099,873	3,852,202
<u>DESIGNATED AS AT FVTPL</u>				
Corporate Bonds	-	-	21,925	21,925
Equity	163,792	178,939	44,530	387,261
Others	25,149	92,582	147,504	265,235
	188,941	271,521	213,959	674,421
<u>MEASURED AT AMORTISED COST</u>				
Government Bonds	1,860,109	8,567,964	6,981,881	17,409,954
Corporate Bonds	735,440	1,277,558	1,953,870	3,966,868
	2,595,549	9,845,522	8,935,751	21,376,822
Less: Expected credit losses				(21,374)
				21,355,448
<u>MEASURED AT FVOCI - DEBT INSTRUMENTS</u>				
Government Bonds	-	432,005	354,512	786,517
Corporate Bonds	2,188,083	174,433	449,365	2,811,881
	2,188,083	606,438	803,877	3,598,398
Less: Expected credit losses				(2,181)
				3,596,217
<u>MEASURED AT FVOCI - EQUITY INSTRUMENTS</u>				
Equity	1,689	69,166	3,103	73,958
	1,689	69,166	3,103	73,958
Gross Investment securities	5,645,298	11,873,940	12,056,563	29,575,801
Net Investment securities				29,552,246

\*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)**

	Domestic*	Regional**	International***	Total
<u>Audited 31 December 2018</u>	AED 000	AED 000	AED 000	AED 000
<u>TRADING SECURITIES MEASURED AT FVTPL</u>				
Government Bonds	85,810	1,008,040	346,019	1,439,869
Corporate Bonds	303,713	157,090	1,123,893	1,584,696
	389,523	1,165,130	1,469,912	3,024,565
<u>DESIGNATED AS AT FVTPL</u>				
Equity	181,667	200,461	50,123	432,251
Others	51,996	111,555	153,368	316,919
	233,663	312,016	203,491	749,170
<u>MEASURED AT AMORTISED COST</u>				
Government Bonds	1,619,602	6,946,644	2,900,218	11,466,464
Corporate Bonds	429,065	447,738	1,606,661	2,483,464
	2,048,667	7,394,382	4,506,879	13,949,928
Less: Expected credit losses				(29,902)
				13,920,026
<u>MEASURED AT FVOCI - DEBT INSTRUMENTS</u>				
Government Bonds	-	271,213	300,687	571,900
Corporate Bonds	1,317,534	-	423,051	1,740,585
	1,317,534	271,213	723,738	2,312,485
Less: Expected credit losses				(5,949)
				2,306,536
<u>MEASURED AT FVOCI - EQUITY INSTRUMENTS</u>				
Equity	1,663	61,319	3,124	66,106
	1,663	61,319	3,124	66,106
Gross Investment securities	3,991,050	9,204,060	6,907,144	20,102,254
Net Investment securities				20,066,403

\*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 30 June 2019 AED 000	Audited 31 December 2018 AED 000
<b>At Amortised Cost</b>		
Overdrafts	141,576,195	137,047,799
Time loans	149,192,807	144,147,283
Loans against trust receipts	8,312,324	9,262,543
Bills discounted	2,584,664	2,326,177
Credit card receivables	6,551,575	6,397,236
Total loans and receivables	308,217,565	299,181,038
Less: Expected credit losses *	(21,377,752)	(21,117,025)
	286,839,813	278,064,013
Total of impaired loans and receivables	16,136,047	15,922,201

\*This includes ECL on unfunded exposure amounting to AED 416 million (December 2018: AED 474 million). Unfunded exposure includes guarantees, standby letter of credits and irrevocable loan commitments.

**7 LOANS AND RECEIVABLES (CONTINUED)**

	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
<u>Analysis by economic activity</u>		
Manufacturing	6,655,919	6,234,352
Construction	6,780,520	6,835,133
Trade	17,085,723	18,143,007
Transport and communication	2,979,401	2,399,687
Services	2,541,980	2,135,122
Sovereign	154,668,996	150,269,100
Personal	39,689,091	39,543,759
Real estate	39,910,639	37,103,674
Hotels and restaurants	4,013,289	3,762,311
Management of companies and enterprises	13,098,364	12,805,993
Financial institutions and investment companies	13,243,972	13,924,557
Others	7,549,671	6,024,343
Total loans and receivables	308,217,565	299,181,038
Less: Expected credit losses *	(21,377,752)	(21,117,025)
	286,839,813	278,064,013

\*This includes ECL on unfunded exposure amounting to AED 416 million (December 2018: AED 474 million). Unfunded exposure includes guarantees, standby letter of credits and irrevocable loan commitments.

**8 ISLAMIC FINANCING RECEIVABLES**

	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
<b>At Amortised Cost</b>		
Murabaha	35,762,907	34,259,339
Credit cards receivable	1,408,106	1,331,436
Wakala	388,714	408,788
Istissna'a	1,418,023	1,726,396
Ijara	18,988,309	18,888,088
Others	801,877	912,548
Total Islamic financing receivables	58,767,936	57,526,595
Less: Deferred income	(2,210,059)	(2,074,625)
Less: Expected credit losses *	(5,730,425)	(5,585,483)
Net Islamic financing receivables	50,827,452	49,866,487
Total of impaired Islamic financing receivables	5,406,338	5,057,128

Corporate Ijara assets amounting to AED 2.2 billion [2018: AED 2.2 billion] and Murabaha assets amounting to AED 1.4 billion [2018: AED 1.4 billion] were securitised for the purpose of issuance of Sukuk liability (refer Note 12).

\*This includes ECL on unfunded exposure amounting to AED 60 million (December 2018: AED 52 million). Unfunded exposure includes guarantees, standby letter of credits and irrevocable loan commitments.

**8 ISLAMIC FINANCING RECEIVABLES (CONTINUED)**

	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
<u>Analysis by economic activity</u>		
Manufacturing	3,103,596	2,371,589
Construction	1,452,013	1,618,561
Trade	7,884,622	7,971,047
Transport and communication	333,636	422,221
Services	1,844,215	1,733,913
Sovereign	713,794	1,112,846
Personal	27,086,522	26,216,463
Real estate	8,885,916	8,762,171
Hotels and restaurants	42,846	89,238
Management of companies and enterprises	1,010,713	1,176,078
Financial institutions and investment companies	2,879,378	3,406,788
Others	3,530,685	2,645,680
Total islamic financing and receivables	58,767,936	57,526,595
Less: Deferred Income	(2,210,059)	(2,074,625)
Less: Expected credit losses *	(5,730,425)	(5,585,483)
	50,827,452	49,866,487

\*This includes ECL on unfunded exposure amounting to AED 60 million (December 2018: AED 52 million). Unfunded exposure includes guarantees, standby letter of credits and irrevocable loan commitments.



**9 GOODWILL AND INTANGIBLES**

	Goodwill		Intangibles on Acquisition			Total
		Banking license	Software	Customer relationships	Core deposit intangibles	
<u>Unaudited 30 June 2019</u>	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
<b>Net Goodwill and Intangibles</b>	<b>5,553,220</b>	<b>153,577</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,706,797</b>
<u>Audited 31 December 2018</u>						
<b>Net Goodwill and Intangibles</b>	<b>5,547,585</b>	<b>138,673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,686,258</b>

The goodwill and intangibles were 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.

The movement in Goodwill and Banking license pertains to foreign exchange movement pertaining to Emirates NBD Egypt.

**10 OTHER ASSETS**

	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Accrued interest receivable	2,241,391	2,224,081
Islamic Profit receivable	117,551	186,237
Prepayments and other advances	275,408	304,583
Sundry debtors and other receivables	2,531,721	1,118,133
Inventory	1,017,638	1,115,159
Fair value of deposit (a)	-	66,667
Others	1,392,781	1,079,331
	<b>7,576,490</b>	<b>6,094,191</b>

- (a) On acquisition of Dubai Bank in 2011, the Group received a deposit from the Ministry of Finance of the UAE that amounted to AED 2.8 billion at a discount compared to the market available interest rate. As per the Group policy, the financial liability was recognised initially at its fair value plus the transaction costs that were directly attributable to the acquisition or issue of the financial liability. Since the deposit was received at an interest rate which was below the market available interest rate, a fair value gain of AED 543 million was recognised in the financial statements in 2011 and amortised over the term of the deposit at the effective interest rate. During the period, the Group has fully repaid the deposit upon its maturity.

**11 DEBT ISSUED AND OTHER BORROWED FUNDS**

	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Medium term note programme*	39,374,661	32,359,770
Term loans from banks	7,314,109	7,311,043
Borrowings raised from loan securitisations	918,125	1,044,417
	<u>47,606,895</u>	<u>40,715,230</u>

\*Includes Tier 2 notes amounting to AED Nil (2018: AED 146 million) raised through public and private placements.

	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Balance as at 1 January	40,715,230	39,788,848
New issues	9,692,829	15,710,677
Repayments	(3,537,453)	(14,056,360)
Other movements*	736,289	(727,935)
Balance at end of period / year	<u>47,606,895</u>	<u>40,715,230</u>

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

As at 30 June 2019, the outstanding medium term borrowings totaling AED 47,607 million (31 December 2018: AED 40,715 million) is falling due as below:

	Unaudited 30 June 2019 AED millions	Audited 31 December 2018 AED millions
2019	4,042	6,976
2020	11,706	8,719
2021	11,626	10,094
2022	8,582	7,816
2023	1,952	1,555
2024	1,867	348
Beyond 2024	7,832	5,207
	<u>47,607</u>	<u>40,715</u>

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	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Balance as at 1 January	3,685,160	5,526,649
Repayments	-	(1,836,250)
Other movements	(2,619)	(5,239)
Balance at end of period / year	<u>3,682,541</u>	<u>3,685,160</u>

As at 30 June 2019, the outstanding Sukuk payable totaling AED 3,683 million (31 December 2018: AED 3,685 million) is falling due as below:

	Unaudited 30 June 2019 AED millions	Audited 31 December 2018 AED millions
2021	3,683	3,685

**13 OTHER LIABILITIES**

	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Accrued interest payable	3,260,503	2,381,338
Profit payable to Islamic depositors	204,978	149,249
Managers' cheques	1,255,272	1,238,897
Trade and other payables	2,548,005	2,113,941
Staff related liabilities	834,248	1,079,772
Provision for taxation	93,905	68,834
Others	3,606,339	3,176,360
	<u>11,803,250</u>	<u>10,208,391</u>

**14 EQUITY HOLDER FUNDS**

At the Annual General Meeting held on 20 February 2019, shareholders approved payment of a cash dividend of 40% of the issued and paid up capital amounting to AED 2,223 million which has been recognised in the interim financial statements as of 30 June 2019.

**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.

The Group has exercised its option to call back the following notes in May 2019 and as a result have been repaid in full.

Issuance Month/year	Issued Amount	Coupon rate
May 2013	USD 1 billion (AED 3.67 billion)	Fixed interest rate with a reset after six years

**16 OTHER OPERATING INCOME**

	Unaudited six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
Dividend income on equity investment measured at FVOCI	6,682	2,871
Dividend income on equity investments measured at FVTPL	13,866	13,295
Gain / (loss) from sale of debt investment securities measured at FVOCI	(1,923)	7,947
Gain / (loss) from investment securities designated at fair value through profit or loss	(36,472)	(91,465)
Rental income	21,448	19,750
Gain on sale of properties (investment properties / inventories)	1,370	890
Foreign exchange income*	881,900	640,271
Derivative income	5,391	58,815
Other income (net)	188,264	103,701
	<u>1,080,526</u>	<u>756,075</u>

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

**17 GENERAL AND ADMINISTRATIVE EXPENSES**

	Unaudited six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
Staff cost	1,793,735	1,654,478
Occupancy cost	120,715	190,594
Equipment & supplies	64,547	61,892
Information technology cost	119,053	116,242
Communication cost	102,683	87,589
Service, legal and professional fees	53,303	65,710
Marketing related expenses	60,935	65,888
Depreciation	284,860	190,535
Others	226,653	213,238
	<u>2,826,484</u>	<u>2,646,166</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 six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
Net impairment of cash and deposits with central banks	(6,520)	(6,706)
Net impairment of due from banks / other assets	(31,460)	14,621
Net impairment of investment securities	(12,492)	24,376
Net impairment of loans and receivables	1,079,703	592,252
Net impairment of Islamic financing receivables	374,642	330,009
Bad debt written off / (recovery) - net	(177,412)	(199,902)
Net impairment loss for the period	<u>1,226,461</u>	<u>754,650</u>



**19 COMMITMENTS AND CONTINGENCIES**

The Group's commitments and contingencies are as follows:

	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Letters of credit	10,589,611	11,368,782
Guarantees	51,295,921	49,590,310
Liability on risk participations	148,580	593,804
Irrevocable loan commitments*	28,511,522	20,795,849
	90,545,634	82,348,745

\*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 six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
Profit for the period attributable to equity holders	7,481,231	5,017,068
Deduct : Interest on Tier 1 capital notes	(353,514)	(293,860)
Net profit attributable to equity holders	7,127,717	4,723,208
Weighted average number of equity shares in issue ('000)	5,551,872	5,551,872
Basic Earnings per share* (AED)	1.28	0.85

\*The diluted and basic Earnings per share were the same for the six months period ended 30 June 2019.

**21 DERIVATIVES**

	Unaudited 30 June 2019			Audited 31 December 2018		
	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	5,342,085	(3,976,149)	540,006,197	3,256,507	(2,853,626)	497,178,635
Derivatives held as cash flow hedges	243,335	(161,256)	19,102,289	296,268	(56,492)	12,292,210
Derivatives held as fair value hedges	147,382	(534,321)	15,322,896	105,268	(857,630)	5,613,986
Derivatives held as hedge of a net investment in foreign operations	-	(891)	113,864	12,849	-	271,033
<b>Total</b>	<b>5,732,802</b>	<b>(4,672,617)</b>	<b>574,545,246</b>	<b>3,670,892</b>	<b>(3,767,748)</b>	<b>515,355,864</b>

**22 OPERATING SEGMENTS**

The Group is organised into the following main businesses:

- Corporate banking represents structured financing, current and savings accounts, customer deposits, overdrafts, trade finance and term loans for government, corporate, commercial customers, investment banking and Islamic products under Al Watani Al Islami;
- Consumer banking represents retail loans and deposits, private banking and wealth management, equity broking services, asset management and consumer financing;
- Treasury activities comprises of managing the Group's portfolio of investments, funds management, and interbank treasury operations;
- Islamic banking activities represent the income and fees earned and expenses paid by the Islamic banking subsidiaries; and
- Other operations of the Group include Emirates NBD Egypt, Tanfeeth, property management, operations and support functions.

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**22 OPERATING SEGMENTS (CONTINUED)**Unaudited 30 June 2019

	Corporate banking AED 000	Consumer banking AED 000	Treasury AED 000	Islamic Banking AED 000	Others AED 000	Total AED 000
Net interest income and income from Islamic products net of distribution to depositors	2,298,490	2,607,480	276,239	911,469	757,885	6,851,563
Net Fees, commission and other income	700,483	1,325,107	179,947	423,830	46,144	2,675,511
Total operating Income	2,998,973	3,932,587	456,186	1,335,299	804,029	9,527,074
General and administrative expenses	(255,519)	(1,053,274)	(68,733)	(544,090)	(904,868)	(2,826,484)
Net impairment loss on financial assets	(824,232)	(294,091)	7,536	(118,208)	2,534	(1,226,461)
Gain on sale of business interests in joint venture	-	-	-	-	2,065,831	2,065,831
Share of profit of associates and joint ventures	-	-	-	-	11,947	11,947
Taxation charge	(10,607)	(820)	(6,971)	-	(51,538)	(69,936)
Group profit for the period after tax	1,908,615	2,584,402	388,018	673,001	1,927,935	7,481,971
Segment Assets	303,064,783	61,567,684	94,990,817	59,430,936	18,751,599	537,805,819
Segment Liabilities and Equity	155,312,533	148,713,212	53,592,089	59,028,181	121,159,804	537,805,819

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**22 OPERATING SEGMENTS (CONTINUED)**

<u>Unaudited 30 June 2018</u>	Corporate banking AED 000	Consumer banking AED 000	Treasury AED 000	Islamic Banking AED 000	Others AED 000	Total AED 000
Net interest income and income from Islamic products net of distribution to depositors	2,223,626	2,337,697	347,063	808,625	511,633	6,228,644
Net Fees, commission and other income	607,254	1,287,718	(81,975)	408,710	779	2,222,486
Total operating Income	2,830,880	3,625,415	265,088	1,217,335	512,412	8,451,130
General and administrative expenses	(234,146)	(998,613)	(67,606)	(568,900)	(776,901)	(2,646,166)
Net impairment loss on financial assets	(411,243)	(154,576)	326	(163,141)	(26,016)	(754,650)
Gain on sale of business interests in joint venture	-	-	-	-	-	-
Share of profit of associates and joint ventures	-	-	-	-	49,169	49,169
Taxation charge	(16,303)	(18,672)	(9,795)	-	(37,111)	(81,881)
Group profit for the period after tax	2,169,188	2,453,554	188,013	485,294	(278,447)	5,017,602
Segment Assets	283,533,482	59,482,973	60,143,789	57,083,420	17,261,599	477,505,263
Segment Liabilities and Equity	126,403,798	142,815,871	48,993,729	50,100,439	109,191,426	477,505,263

**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 2018: 6%) and 5% (December 2018: 5%) respectively, of the total deposits and loans of the Group.

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

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

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

	Unaudited 30 June 2019 AED 000	Audited 31 December 2018 AED 000
<b><u>Loans and receivables:</u></b>		
To majority shareholder of the parent	154,668,996	150,218,137
To parent	1,303,838	1,303,838
To directors and related companies	717,687	2,122,591
To associates and joint ventures	576,635	327,119
	157,267,156	153,971,685
<b><u>Customer and Islamic deposits:</u></b>		
From majority shareholder of the parent	8,313,891	3,024,926
From parent	3,398,007	2,393,514
From associates and joint ventures	662,772	366,044
	12,374,670	5,784,484
Investment in Government of Dubai bonds	5,908	11,106
Commitments to associates and joint ventures	91,591	92,873

**23 RELATED PARTY TRANSACTIONS (CONTINUED)**

	Unaudited six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
Payments made to associates and joint ventures	106,273	83,954
Payments received from associates and joint ventures	2,870	2,515
Payments made to other related parties	22,671	17,509
Fees received in respect of funds managed by the Group	8,892	12,867
Interest (paid by) / paid to joint ventures	2,530	1,090
Directors sitting fee	6,543	6,023

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

	Unaudited six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
<u>Key management compensation:</u>		
Short term employment benefits	51,769	46,738
Post employment benefits	753	1,097

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 six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
(a) Analysis of changes in cash and cash equivalents during the period		
Balance at beginning of period	26,241,170	43,527,409
Net cash inflow/(outflow)	(892,398)	(29,184,316)
Balance at end of period	<u>25,348,772</u>	<u>14,343,093</u>
(b) Analysis of cash and cash equivalents		
Cash and deposits with Central Banks	84,670,949	67,504,271
Due from banks	51,776,092	41,590,124
Due to banks	(23,645,349)	(19,972,116)
	<u>112,801,692</u>	<u>89,122,279</u>
Less : deposits with Central Banks for regulatory purposes	(31,375,746)	(31,556,740)
Less : certificates of deposits with Central Banks maturing after three months	(34,600,000)	(20,925,838)
Less : amounts due from banks maturing after three months	(26,929,527)	(27,760,971)
Add : amounts due to banks maturing after three months	5,452,353	5,464,363
	<u>25,348,772</u>	<u>14,343,093</u>



EMIRATES NBD BANK PJSC

NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**24 NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
CASH FLOWS (CONTINUED)**

	Unaudited six months period ended 30 June 2019 AED 000	Unaudited six months period ended 30 June 2018 AED 000
(c) Adjustment for non cash and other items		
Impairment loss on cash and deposits with central banks	(6,520)	(6,706)
Impairment loss on due from banks	(31,460)	14,621
Impairment loss on investment securities	(12,492)	24,376
Impairment loss on loans and receivables	1,079,703	592,252
Impairment loss on Islamic financing receivables	374,642	330,009
Amortisation of fair value	83,358	70,690
Discount on Investment securities	4,199	18,427
Unrealised foreign exchange gain	(311,203)	(74,508)
Depreciation / impairment on property and equipment / Investment property	293,125	198,778
Share of profit / loss of associates and joint ventures	(11,947)	(49,169)
Gain on sale of business interests in joint venture	(2,065,831)	-
Dividend income on equity investments	(20,548)	(16,166)
Unrealized (gain)/loss on investments	41,401	127,425
Unrealized (gain)/loss on FV Hedged item	692,805	(367,335)
Gain on sale of properties (inventories)	(1,370)	(890)
	<u>107,862</u>	<u>861,804</u>

EMIRATES NBD BANK PJSC

NOTES TO THE GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**25 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 June 2019</u>	Level 1	Level 2	Level 3	Total
	AED 000	AED 000	AED 000	AED 000
<b><u>Investment Securities</u></b>				
Trading securities at FVTPL	3,852,202	-	-	3,852,202
FVOCI - debt instruments	3,483,528	114,870	-	3,598,398
FVOCI - equity instruments	68,361	874	4,723	73,958
Designated at FVTPL	67,232	44,021	563,168	674,421
	<u>7,471,323</u>	<u>159,765</u>	<u>567,891</u>	<u>8,198,979</u>
<b><u>Derivatives</u></b>				
<u>Positive fair value of derivatives</u>				
Derivatives held for trading	-	5,342,085	-	5,342,085
Derivatives held as cash flow hedges	-	243,335	-	243,335
Derivatives held as fair value hedges	-	147,382	-	147,382
Derivatives held as hedge of a net investment in foreign operations	-	-	-	-
	<u>-</u>	<u>5,732,802</u>	<u>-</u>	<u>5,732,802</u>
<u>Negative fair value of derivatives</u>				
Derivatives held for trading	-	(3,976,149)	-	(3,976,149)
Derivatives held as cash flow hedges	-	(161,256)	-	(161,256)
Derivatives held as fair value hedges	-	(534,321)	-	(534,321)
Derivatives held as hedge of a net investment in foreign operations	-	(891)	-	(891)
	<u>-</u>	<u>(4,672,617)</u>	<u>-</u>	<u>(4,672,617)</u>
	<u>7,471,323</u>	<u>1,219,950</u>	<u>567,891</u>	<u>9,259,164</u>
 Audited 31 December 2018	 <u>5,430,904</u>	 <u>49,225</u>	 <u>575,341</u>	 <u>6,055,470</u>

**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 instrument AED 000	FVOCI - equity instrument AED 000	Total AED 000
Balance as at 1 January 2019	-	570,623	-	4,718	575,341
Total gains or losses:					
- in profit or loss	-	(5,246)	-	-	(5,246)
- in other comprehensive income	-	-	-	5	5
Settlements and other adjustments	-	(2,209)	-	-	(2,209)
Balance as at 30 June 2019 (unaudited)	-	563,168	-	4,723	567,891
Balance as at 31 December 2018 (audited)	-	570,623	-	4,718	575,341

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

During the period ended 30 June 2019 no financial assets measured at FVOCI were transferred from Level 1 to Level 2 or from Level 2 to Level 1 (2018: AED Nil).

For comparative information please refer to the Group's consolidated financial statements for the year ended 31 December 2018.

**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 2018.

**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 as a result of the adoption of IFRS 9: Financial instruments.

**i) Loans and receivables, undrawn irrevocable commitments and financial guarantee contracts issued**

	Unaudited six months period ended 30 June 2019 AED 000 ECL	Unaudited six months period ended 30 June 2018 AED 000 ECL
Balance at 1 January	21,117,025	21,396,388
Expected credit losses recognised during the period	1,395,309	1,175,715
Write back / recoveries made during the period	(315,606)	(583,463)
Amounts written off during the period	(823,722)	(1,612,568)
Exchange and other adjustments	4,746	3,338
Closing balance	<u>21,377,752</u>	<u>20,379,410</u>

**ii) Islamic financing receivables, undrawn irrevocable commitments and financial guarantee contracts issued**

	Unaudited six months period ended 30 June 2019 AED 000 ECL	Unaudited six months period ended 30 June 2018 AED 000 ECL
Balance at 1 January	5,585,483	6,311,009
Expected credit losses recognised during the period	586,164	586,604
Write back / recoveries made during the period	(211,522)	(256,595)
Amounts written off during the period	(209,344)	(671,029)
Exchange and other adjustments	(20,356)	(1,973)
Closing balance	<u>5,730,425</u>	<u>5,968,016</u>

**27 ACQUISITION OF DENIZBANK A.S**

On 2 April 2019, the Group has entered into a revised sale purchase agreement (Restated SPA) with Sberbank of Russia to acquire its 99.85% stake in Denizbank A.S. In accordance with the Restated SPA, the consideration for 99.85% of shares in Denizbank has been agreed at Turkish Lira (TRY) 15.48 billion. The transaction consideration would be settled in US\$ at an exchange rate to be determined with reference to short-term range average nearer completion of the transaction.

All the necessary regulatory approvals have been obtained and the transaction is expected to complete within Q3 2019.

**28 DISPOSAL OF STAKE IN JOINTLY CONTROLLED ENTITY**

On 15th April 2019, Network International Holdings Plc (a listing vehicle created as a holding entity of Network International LLC), was admitted to the premium-listing segment of the Official List maintained by Financial Conduct Authority and to the London Stock Exchange plc.

The Group disposed off 28.6% shareholding in Network International Holdings Plc, for a net consideration of AED 2,859 million compared to a book value of AED 793 million and as a result has recorded a gain on disposal of AED 2,066 million.

The Group still holds 22.4% of the shares in Network International Holdings Plc. As a result, the entity became an associate and the Group will continue to follow equity accounting for the retained interest.