EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021



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 2021 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

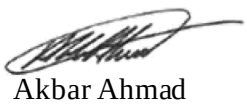
Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)



Akbar Ahmad
Registration No.: 1141
27 July 2021
Dubai
United Arab Emirates

Akbar Ahmad (1141), Cynthia Corby (995), Georges Najem (809), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (UNAUDITED)

	Notes	Unaudited 30 June 2021 AED 000	Audited 31 December 2020 AED 000
ASSETS			
Cash and deposits with Central Bank	3	82,562,885	100,841,896
Due from banks	4	38,706,883	34,997,680
Investment securities	5	88,050,373	72,695,287
Loans and receivables	6	381,641,772	387,923,424
Islamic financing receivables	7	56,584,782	55,618,045
Positive fair value of derivatives	20	10,686,683	13,697,399
Investments in associates	28	-	201,628
Customer acceptances		9,514,989	8,837,724
Investment properties		542,786	584,724
Property and equipment		3,979,560	4,080,042
Goodwill and intangibles	8	6,176,555	6,313,171
Other assets	9	15,335,427	12,296,453
TOTAL ASSETS		**693,782,695**	**698,087,473**
LIABILITIES			
Due to banks		51,403,348	51,672,068
Customer deposits		380,186,209	377,518,700
Islamic customer deposits		77,700,075	86,678,334
Debt issued and other borrowed funds	10	61,437,612	54,662,670
Sukuk payable	11	1,836,250	5,510,933
Negative fair value of derivatives	20	8,296,538	10,775,231
Customer acceptances		9,514,989	8,837,724
Other liabilities	12	19,778,536	17,813,715
TOTAL LIABILITIES		**610,153,557**	**613,469,375**
EQUITY			
Issued capital		6,316,598	6,316,598
Treasury shares		(46,175)	(46,175)
Tier I capital notes	14	9,128,652	10,379,786
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		218,439	476,692
Currency translation reserve		(5,035,696)	(3,607,673)
Retained earnings		48,933,770	47,014,778
TOTAL EQUITY ATTRIBUTABLE TO EQUITY AND NOTE HOLDERS OF THE GROUP		**83,573,444**	**84,591,862**
Non-controlling interest		55,694	26,236
TOTAL EQUITY		**83,629,138**	**84,618,098**
TOTAL LIABILITIES AND EQUITY		**693,782,695**	**698,087,473**

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

27 JUL 2021

EMIRATES NBD BANK PJSC

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

	Notes	Unaudited three months period ended 30 June 2021 AED 000	Unaudited three months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2021 AED 000	Unaudited six months period ended 30 June 2020 AED 000
Interest and similar income		5,731,310	6,300,025	11,676,020	13,584,223
Interest and similar expense		(2,184,800)	(2,277,858)	(4,444,401)	(5,007,312)
Net interest income		**3,546,510**	**4,022,167**	**7,231,619**	**8,576,911**
Income from Islamic financing and investment products		672,672	698,038	1,297,930	1,505,832
Distribution on Islamic deposits and profit paid to Sukuk holders		(159,250)	(351,399)	(381,241)	(777,611)
Net income from Islamic financing and investment products		**513,422**	**346,639**	**916,689**	**728,221**
Net interest income and income from Islamic financing and investment products net of distribution to depositors		**4,059,932**	**4,368,806**	**8,148,308**	**9,305,132**
Fee and commission income		1,604,999	1,110,768	3,372,283	2,895,310
Fee and commission expense		(582,765)	(369,446)	(1,248,529)	(972,969)
Net fee and commission income		**1,022,234**	**741,322**	**2,123,754**	**1,922,341**
Net gain / (loss) on trading securities		55,070	85,620	114,930	125,157
Other operating income	15	239,189	547,860	1,152,781	1,275,772
Total operating income		**5,376,425**	**5,743,608**	**11,539,773**	**12,628,402**
General and administrative expenses	16	(1,895,911)	(1,950,622)	(3,763,691)	(3,999,312)
Operating profit before impairment		**3,480,514**	**3,792,986**	**7,776,082**	**8,629,090**
Net impairment loss on financial assets	17	(851,402)	(1,652,557)	(2,614,400)	(4,211,045)
Operating profit after impairment		**2,629,112**	**2,140,429**	**5,161,682**	**4,418,045**
Share of profit of associate and loss on its disposal	28	(30,317)	1,087	(21,137)	1,194
Group profit for the period before tax		**2,598,795**	**2,141,516**	**5,140,545**	**4,419,239**
Taxation charge		(136,716)	(130,957)	(356,245)	(327,889)
Group profit for the period after tax		**2,462,079**	**2,010,559**	**4,784,300**	**4,091,350**
Attributable to:					
Equity holders of the Group		2,458,590	2,008,761	4,780,149	4,087,865
Non-controlling interest		3,489	1,798	4,151	3,485
Group profit for the period after tax		**2,462,079**	**2,010,559**	**4,784,300**	**4,091,350**
Earnings per share	19	**0.36**	**0.29**	**0.70**	**0.60**

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 2021 (UNAUDITED)

	Unaudited three months period ended 30 June 2021 AED 000	Unaudited three months period ended 30 June 2020 AED 000	Unaudited six months period ended 30 June 2021 AED 000	Unaudited six months period ended 30 June 2020 AED 000
Group profit for the period after tax	2,462,079	2,010,559	4,784,300	4,091,350
Other comprehensive income				
Items that will not be reclassified subsequently to the income statement:				
Movement in fair value reserve (equity instruments):				
- Net change in fair value	(71,809)	27,197	97,858	(322,070)
Items that may be reclassified subsequently to the income statement:				
Cost of hedging for forward element of a forward and currency basis spread excluded from hedge effectiveness testing:				
Net changes in the cost of hedging	52,322	(101,957)	29,618	218,124
Cash flow hedges:				
- Effective portion of changes in fair value	126,314	86,803	(82,404)	12,664
Fair value reserve (debt instruments):				
- Net change in fair value	335,378	605,507	(218,324)	47,038
- Net amount transferred to income statement	(6,257)	(23,752)	(155,356)	(54,531)
- Related deferred tax	(61,786)	(86,005)	70,355	13,820
Currency translation reserve	(544,569)	(222,707)	(1,457,271)	(1,374,326)
Hedge of a net investment in foreign operations	42,724	(36,613)	29,248	(12,853)
Other comprehensive income for the period	(127,683)	248,473	(1,686,276)	(1,472,134)
Total comprehensive income for the period	**2,334,396**	**2,259,032**	**3,098,024**	**2,619,216**
Attributable to:				
Equity holders of the Group	2,330,907	2,257,234	3,093,873	2,615,731
Non-controlling interest	3,489	1,798	4,151	3,485
Total comprehensive income for the period	**2,334,396**	**2,259,032**	**3,098,024**	**2,619,216**

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 2021 (UNAUDITED)

	Notes	Unaudited six months period ended 30 June 2021 AED 000	Unaudited six months period ended 30 June 2020 AED 000
OPERATING ACTIVITIES			
Group profit for the period before tax		5,140,545	4,419,239
Adjustment for non-cash items	23	3,686,159	5,583,537
Operating profit before changes in operating assets and liabilities		**8,826,704**	**10,002,776**
(Increase)/decrease in interest free statutory deposits		(5,494,371)	8,655,730
(Increase)/decrease in certificate of deposits with Central Banks maturing after three months		21,500,000	(3,401,456)
(Increase)/decrease in amounts due from banks maturing after three months		(115,493)	(7,852,252)
Increase/(decrease) in amounts due to banks maturing after three months		4,828	3,426,586
(Increase)/decrease in other assets		(4,776,592)	(2,663,332)
Increase/(decrease) in other liabilities		518,412	(2,064,802)
(Increase)/decrease in positive fair value of derivatives		2,987,178	(5,932,210)
Increase/(decrease) in negative fair value of derivatives		(2,478,693)	5,728,815
Increase/(decrease) in customer deposits		2,667,509	(9,812,709)
Increase/(decrease) in Islamic customer deposits		(8,978,259)	(1,476,229)
(Increase)/decrease in loans and receivables		4,081,388	(6,592,709)
(Increase)/decrease in Islamic financing receivables		(1,577,021)	(2,987,993)
		17,165,590	**(14,969,785)**
Taxes paid		(317,243)	(134,587)
Net cash flows generated from/(used in) operating activities		**16,848,347**	**(15,104,372)**

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

	Notes	Unaudited six months period ended 30 June 2021 AED 000	Unaudited six months period ended 30 June 2020 AED 000
INVESTING ACTIVITIES			
(Increase)/decrease in investment securities		(15,551,609)	(1,296,942)
(Increase)/decrease of property and equipment		(300,103)	(266,269)
Dividend income received		10,810	20,816
Disposal of associate	28	105,393	-
Net cash flows generated from/(used in) investing activities		**(15,735,509)**	**(1,542,395)**
FINANCING ACTIVITIES			
Issuance of debt issued and other borrowed funds	10	20,251,772	12,249,065
Repayment of debt issued and other borrowed funds	10	(12,011,165)	(9,519,109)
Repayment of sukuk borrowing		(3,672,500)	-
Issuance of Tier I capital notes		2,748,866	-
Repayment of Tier I capital notes		(4,000,000)	-
Interest on Tier I capital notes		(336,879)	(301,434)
Dividends paid		(2,524,278)	(2,524,278)
Net cash flows generated from/(used in) financing activities		**455,816**	**(95,756)**
Increase/(decrease) in cash and cash equivalents (refer Note 23)		**1,568,654**	**(16,742,523)**

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 SIX MONTHS PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

	ATTRIBUTABLE TO EQUITY AND NOTE HOLDERS OF THE GROUP											
	Issued capital AED 000	**Treasury shares** AED 000	**Tier I capital notes** AED 000	**Share premium reserve** AED 000	**Legal and statutory reserve** AED 000	**Other reserve** AED 000	**Fair value reserve** AED 000	**Currency translation reserve** AED 000	**Retained earnings** AED 000	**Total** AED 000	**Non-controlling interest** AED 000	**Group Total** AED 000
Balance as at 1 January 2021	6,316,598	(46,175)	10,379,786	17,954,164	3,158,299	2,945,393	476,692	(3,607,673)	47,014,778	84,591,862	26,236	84,618,098
Profit for the period	-	-	-	-	-	-	-	-	4,780,149	4,780,149	4,151	4,784,300
Other comprehensive income for the period	-	-	-	-	-	-	(258,253)	(1,428,023)	-	(1,686,276)	-	(1,686,276)
Tier I capital notes issued during the period (note 14)	-	-	2,748,866	-	-	-	-	-	-	2,748,866	-	2,748,866
Tier I capital notes redeemed during the period (note 14)	-	-	(4,000,000)	-	-	-	-	-	-	(4,000,000)	-	(4,000,000)
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(336,879)	(336,879)	-	(336,879)
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	25,307	25,307
Dividends paid*	-	-	-	-	-	-	-	-	(2,524,278)	(2,524,278)	-	(2,524,278)
Balance as at 30 June 2021	6,316,598	(46,175)	9,128,652	17,954,164	3,158,299	2,945,393	218,439	(5,035,696)	48,933,770	83,573,444	55,694	83,629,138
Balance as at 1 January 2020	6,316,598	(46,175)	9,468,272	17,954,164	3,158,299	2,945,393	131,484	(1,706,736)	43,375,416	81,596,715	10,146	81,606,861
Profit for the period	-	-	-	-	-	-	-	-	4,087,865	4,087,865	3,485	4,091,350
Other comprehensive income for the period	-	-	-	-	-	-	(84,955)	(1,387,179)	-	(1,472,134)	-	(1,472,134)
Tier I capital notes issued during the period (note 14)	-	-	-	-	-	-	-	-	-	-	-	-
Tier I capital notes redeemed during the period (note 14)	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Tier 1 capital notes	-	-	-	-	-	-	-	-	(301,434)	(301,434)	-	(301,434)
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid*	-	-	-	-	-	-	-	-	(2,524,278)	(2,524,278)	-	(2,524,278)
Balance as at 30 June 2020	6,316,598	(46,175)	9,468,272	17,954,164	3,158,299	2,945,393	46,529	(3,093,915)	44,637,569	81,386,734	13,631	81,400,365

*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.

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, as amended, 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 2021 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 2020, except for the accounting policy explained in note 26.

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 2020. In addition, results for the six months period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2021.

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 2020.

3 CASH AND DEPOSITS WITH CENTRAL BANKS

	Unaudited 30 June 2021	Audited 31 December 2020
	AED 000	AED 000
Cash	5,451,019	4,488,333
Statutory and other deposits with Central Banks	48,435,735	42,942,928
Interest bearing placements with Central Banks	231,835	218,096
Murabahas and interest bearing certificates of deposits with Central Banks*	28,448,861	53,195,536
Less: Expected credit losses	(4,565)	(2,997)
	82,562,885	100,841,896

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

*Murabahas and certificates of deposits with Central Banks amounting to AED 2,750 million (December 2020: AED 5,150 million) were collateralized for the purpose of obtaining Zero Cost Funding from the Central Bank of UAE amounting to AED 2,646 million (December 2020: AED 5,058 million) presented under 'Due to banks'.

4 DUE FROM BANKS

	Unaudited 30 June 2021	Audited 31 December 2020
	AED 000	AED 000
Due from banks in UAE	4,737,188	3,306,150
Due from foreign banks	34,047,804	31,812,092
Less: Expected credit losses	(78,109)	(120,562)
	38,706,883	34,997,680

5 INVESTMENT SECURITIES

Unaudited 30 June 2021	Domestic* AED 000	Regional** AED 000	International*** AED 000	Total AED 000
TRADING SECURITIES MEASURED AT FVTPL				
Government Bonds	1,053,370	1,891,234	621,248	3,565,852
Corporate Bonds	1,008,789	655,701	496,960	2,161,450
Equity	74,484	-	117,243	191,727
Others	-	-	12,457	12,457
	2,136,643	2,546,935	1,247,908	5,931,486
DESIGNATED AS AT FVTPL				
Equity	41,135	108,722	39,041	188,898
Others	418	4,444	79,253	84,115
	41,553	113,166	118,294	273,013
MEASURED AT AMORTISED COST				
Government Bonds	36,059,708	15,403,614	7,761,829	59,225,151
Corporate Bonds	2,609,038	785,837	1,558,321	4,953,196
	38,668,746	16,189,451	9,320,150	64,178,347
Less: Expected credit losses				(20,274)
				64,158,073
MEASURED AT FVOCI - DEBT INSTRUMENTS				
Government Bonds	-	2,223,520	9,043,611	11,267,131
Corporate Bonds	3,817,264	881,399	1,157,509	5,856,172
	3,817,264	3,104,919	10,201,120	17,123,303
Less: Expected credit losses				(23,651)
				17,099,652
MEASURED AT FVOCI - EQUITY INSTRUMENTS				
Equity	1,715	46,215	540,219	588,149
	1,715	46,215	540,219	588,149
Gross Investment securities	44,665,921	22,000,686	21,427,691	88,094,298
Net Investment securities				88,050,373

*Domestic: These are securities issued within the UAE.
**Regional: These are securities issued within the Middle East excluding the UAE.
***International: These are securities issued outside the Middle East region.

Investment securities with a carrying value of AED Nil (December 2020: AED 184 million) were collateralized for the purpose of obtaining Zero Cost Funding from the Central Bank of UAE amounting to AED Nil (December 2020: AED 184 million) presented under 'Due to banks'.

5 INVESTMENT SECURITIES (CONTINUED)

	Domestic*	Regional**	International***	Total
Audited 31 December 2020	AED 000	AED 000	AED 000	AED 000
TRADING SECURITIES MEASURED AT FVTPL				
Government Bonds	370,832	2,195,355	457,835	3,024,022
Corporate Bonds	1,133,655	978,181	648,545	2,760,381
Equity	-	-	108,608	108,608
Others	-	-	2,891	2,891
	1,504,487	3,173,536	1,217,879	5,895,902
DESIGNATED AS AT FVTPL				
Equity	44,635	112,397	43,222	200,254
Others	543	3,041	75,529	79,113
	45,178	115,438	118,751	279,367
MEASURED AT AMORTISED COST				
Government Bonds	12,791,415	20,801,015	12,026,255	45,618,685
Corporate Bonds	2,130,368	1,288,540	562,324	3,981,232
	14,921,783	22,089,555	12,588,579	49,599,917
Less: Expected credit losses				(22,394)
				49,577,523
MEASURED AT FVOCI - DEBT INSTRUMENTS				
Government Bonds	-	1,685,804	10,162,174	11,847,978
Corporate Bonds	3,247,792	641,219	745,619	4,634,630
	3,247,792	2,327,023	10,907,793	16,482,608
Less: Expected credit losses				(30,690)
				16,451,918
MEASURED AT FVOCI - EQUITY INSTRUMENTS				
Equity	1,715	54,708	434,154	490,577
	1,715	54,708	434,154	490,577
Gross Investment securities	19,720,955	27,760,260	25,267,156	72,748,371
Net Investment securities				72,695,287

*Domestic: These are securities issued within the UAE.
**Regional: These are securities issued within the Middle East excluding the UAE.
***International: These are securities issued outside the Middle East region.

6 LOANS AND RECEIVABLES

	Unaudited 30 June 2021	Audited 31 December 2020
	AED 000	AED 000
At Amortised Cost		
Overdrafts	147,441,849	147,606,488
Time loans	237,957,804	244,809,965
Loans against trust receipts	9,188,254	7,915,401
Bills discounted	3,834,357	3,594,752
Credit card receivables	13,208,498	12,842,426
Total loans and receivables	411,630,762	416,769,032
Less: Expected credit losses	(29,988,990)	(28,845,608)
	381,641,772	387,923,424
Total of credit impaired loans and receivables	23,393,002	23,997,211

6 LOANS AND RECEIVABLES (CONTINUED)

	Unaudited 30 June 2021	Audited 31 December 2020
Analysis by economic activity	AED 000	AED 000
Manufacturing	18,578,988	19,483,494
Construction	15,805,382	16,424,771
Trade	22,700,330	23,229,355
Transport and communication	11,463,687	12,048,179
Services	15,256,325	15,366,827
Sovereign	159,495,603	160,224,042
Personal	63,471,284	60,076,977
Real estate	43,912,018	47,712,754
Hotels and restaurants	11,975,678	14,133,848
Management of companies and enterprises	8,283,795	8,788,924
Financial institutions and investment companies	17,857,375	17,400,058
Agriculture	8,274,256	8,579,836
Others	14,556,041	13,299,967
Total loans and receivables	411,630,762	416,769,032
Less: Expected credit loss	(29,988,990)	(28,845,608)
	381,641,772	387,923,424

7 ISLAMIC FINANCING RECEIVABLES

	Unaudited 30 June 2021	Audited 31 December 2020
	AED 000	AED 000
At Amortised Cost		
Murabaha	40,853,672	39,841,875
Ijara	20,247,752	20,263,477
Wakala	445,274	454,006
Istisna'a	1,024,042	1,141,483
Credit cards receivable	1,515,431	1,483,910
Others	444,409	293,847
Total Islamic financing receivables	64,530,580	63,478,598
Less: Deferred income	(1,541,941)	(1,721,350)
Less: Expected credit losses	(6,403,857)	(6,139,203)
Net Islamic financing receivables	56,584,782	55,618,045
Total of credit impaired Islamic financing receivables	6,321,288	5,820,703

Corporate Ijara assets amounting to AED 1.1 billion (2020: AED 4.6 billion) and Murabaha assets amounting to AED Nil (2020: AED 0.2 billion) were securitised for the purpose of issuance of Sukuk liability (refer Note 11).

7 ISLAMIC FINANCING RECEIVABLES (CONTINUED)

	Unaudited 30 June 2021	Audited 31 December 2020
Analysis by economic activity	AED 000	AED 000
Manufacturing	3,298,645	2,301,059
Construction	1,437,097	1,454,031
Trade	7,226,946	7,802,617
Transport and communication	1,362,843	1,350,371
Services	1,561,541	1,500,560
Sovereign	809,285	946,762
Personal	32,686,523	31,650,560
Real estate	7,234,855	8,468,048
Hotels and restaurants	775,569	785,409
Management of companies and enterprises	3,276,191	2,614,556
Financial institutions and investment companies	1,828,255	1,494,364
Others	3,032,830	3,110,261
Total Islamic financing and receivables	64,530,580	63,478,598
Less: Deferred Income	(1,541,941)	(1,721,350)
Less: Expected credit loss	(6,403,857)	(6,139,203)
	56,584,782	55,618,045

8 GOODWILL AND INTANGIBLES

	Goodwill	Intangibles on Acquisition				Total
		Banking license	Customer relationships	Core deposit intangibles	Brands	
Unaudited 30 June 2021	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Cost						
Balance as at 1 January	5,561,714	163,079	471,438	895,473	279,370	7,371,074
Foreign exchange movement	(5)	(14)	(8,730)	(6,432)	(39,787)	(54,968)
	5,561,709	163,065	462,708	889,041	239,583	7,316,106
Less: Amortisation and impairment						
Balance as at 1 January	4,903	-	290,691	762,309	-	1,057,903
Amortisation and impairment for the period	-	-	47,012	34,636	-	81,648
Balance as at 30 June	4,903	-	337,703	796,945	-	1,139,551
Net Goodwill and Intangibles	**5,556,806**	**163,065**	**125,005**	**92,096**	**239,583**	**6,176,555**
Audited 31 December 2020						
Cost	5,561,714	163,079	471,438	895,473	279,370	7,371,074
Less: Amortisation and impairment	4,903	-	290,691	762,309	-	1,057,903
Net Goodwill and Intangibles	**5,556,811**	**163,079**	**180,747**	**133,164**	**279,370**	**6,313,171**

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

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

9 OTHER ASSETS

	Unaudited 30 June 2021	Audited 31 December 2020
	AED 000	AED 000
Accrued interest receivable	3,996,436	4,784,330
Islamic profit receivable	129,140	129,884
Prepayments and other advances	967,930	909,724
Sundry debtors and other receivables	6,085,861	3,046,706
Inventory	1,768,704	1,266,689
Deferred tax asset	869,702	882,845
Others	1,517,654	1,276,275
	15,335,427	12,296,453

10 DEBT ISSUED AND OTHER BORROWED FUNDS

	Unaudited 30 June 2021	Audited 31 December 2020
	AED 000	AED 000
Medium term note programme	52,546,881	46,408,605
Term loans from banks	6,400,784	7,335,940
Borrowings raised from loan securitisations	2,489,947	918,125
	61,437,612	54,662,670

	Unaudited 30 June 2021	Audited 31 December 2020
	AED 000	AED 000
Balance as at 1 January	54,662,670	49,317,315
New issues	20,251,772	18,264,098
Repayments	(12,011,165)	(13,487,491)
Other movements*	(1,465,665)	568,748
Balance at end of period / year	61,437,612	54,662,670

*Represents exchange rate and fair value 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 2021, the outstanding medium term borrowings totalling AED 61,438 million (31 December 2020: AED 54,663 million) is falling due as below:

	Unaudited 30 June 2021	Audited 31 December 2020
	AED millions	AED millions
2021	3,728	13,396
2022	10,625	10,347
2023	4,163	3,235
2024	9,427	2,374
2025	7,924	6,721
Beyond 2025	25,571	18,590
	61,438	54,663

11 SUKUK PAYABLE

	Unaudited 30 June 2021	Audited 31 December 2020
	AED 000	AED 000
Balance as at 1 January	5,510,933	3,679,921
New issues	-	1,836,250
Repayments	(3,672,500)	-
Other movements	(2,183)	(5,238)
Balance at end of period / year	1,836,250	5,510,933

During 2020, the Group issued US Dollar denominated Sukuk amounting to AED 1,836 million under a Sharia'a compliant Sukuk financing arrangement and will mature in September 2025.

During the period, the Group repaid Sukuk amounting to AED 3,673 million on maturity.

As at 30 June 2021, the outstanding Sukuk payable totalling AED 1,836 million (31 December 2020: AED 5,511 million) is falling due as follows:

	Unaudited 30 June 2021	Audited 31 December 2020
	AED million	AED million
2021	-	3,675
2025	1,836	1,836
	1,836	5,511

12 OTHER LIABILITIES

	Unaudited 30 June 2021	Audited 31 December 2020
	AED 000	AED 000
Accrued interest payable	2,172,295	2,951,170
Profit payable to Islamic depositors	105,344	89,488
Managers' cheques	3,051,202	1,482,690
Trade and other payables	5,424,258	4,172,156
Staff related liabilities	1,214,810	1,326,558
Provision for taxation	350,963	311,961
Others	7,459,664	7,479,692
	19,778,536	17,813,715

13 EQUITY HOLDER FUNDS

At the Annual General Meeting held on 24 February 2021, shareholders approved payment of a cash dividend of 40% of the issued and paid up capital (AED 0.40 per share) amounting to AED 2,527 million which has been recognised in the condensed consolidated interim financial statements as of 30 June 2021.

14 TIER I CAPITAL NOTES

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

Issuance Month/year	Issued Amount	Coupon rate
May 2021	USD 750 million (AED 2.75 billion)	Fixed interest rate with a reset after six years
July 2020	USD 750 million (AED 2.75 billion)	Fixed interest rate with a reset after six years
March 2019	USD 1 billion (AED 3.67 billion)	Fixed interest rate with a reset after six years

The Group has exercised its option to call back Tier 1 capital notes amounting to AED 4 billion issued in 2009.

15 OTHER OPERATING INCOME

	Unaudited six months period ended 30 June 2021	Unaudited six months period ended 30 June 2020
	AED 000	AED 000
Dividend income on equity investment measured at FVOCI	567	4,652
Dividend income on equity investments measured at FVTPL	10,243	16,164
Gain / (loss) from sale of debt investment securities measured at FVOCI	155,356	54,531
Gain / (loss) from investment securities designated at fair value through profit or loss	(3,013)	(133,349)
Rental income	13,026	16,432
Gain on sale of properties (investment properties / inventories)	15,158	621
Foreign exchange income / (loss)*	(815,513)	611,429
Derivative income / (loss)	1,432,418	545,301
Other income (net)	344,539	159,991
	1,152,781	1,275,772

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

16 GENERAL AND ADMINISTRATIVE EXPENSES

	Unaudited six months period ended 30 June 2021	Unaudited six months period ended 30 June 2020
	AED 000	AED 000
Staff cost	2,179,157	2,402,911
Occupancy cost	132,236	157,612
Equipment & supplies	101,595	109,701
Information technology cost	165,776	164,641
Communication cost	131,871	131,507
Service, legal and professional fees	93,301	80,726
Marketing related expenses	55,796	60,344
Depreciation	387,902	428,604
Amortisation of intangibles	81,648	81,648
Others	434,409	381,618
	3,763,691	3,999,312

17 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

	Unaudited six months period ended 30 June 2021	Unaudited six months period ended 30 June 2020
	AED 000	AED 000
Net impairment of cash and deposits with central bank	1,564	1,456
Net impairment of due from banks / other assets	(26,786)	63,204
Net impairment of investment securities	(9,454)	40,799
Net impairment of loans and receivables	2,200,264	3,369,826
Net impairment of Islamic financing receivables	610,284	730,564
Net impairment of unfunded exposures	(49,864)	80,007
Bad debt written off / (recovery) and modification adjustment - net	(111,608)	(74,811)
Net impairment loss for the period	2,614,400	4,211,045

18 COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are as follows:

	Unaudited 30 June 2021	Audited 31 December 2020
	AED 000	AED 000
Letters of credit	16,397,438	10,731,079
Guarantees	57,389,439	58,473,299
Liability on risk participations	145,355	113,037
Irrevocable loan commitments*	37,854,477	33,506,436
	111,786,709	102,823,851

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

19 EARNINGS PER SHARE

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

	Unaudited six months period ended 30 June 2021	Unaudited six months period ended 30 June 2020
	AED 000	AED 000
Profit for the period attributable to equity holders	4,780,149	4,087,865
Deduct : Interest on Tier 1 capital notes	(336,879)	(301,434)
Net profit attributable to equity holders	4,443,270	3,786,431
Weighted average number of equity shares in issue ('000)	6,310,696	6,310,696
Earnings per share* (AED)	0.70	0.60

*The diluted and basic earnings per share were the same for the six months period ended 30 June 2021

20 DERIVATIVES

	Unaudited 30 June 2021			Audited 31 December 2020		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Derivatives held for trading	9,507,576	(7,361,288)	731,267,540	11,720,619	(9,826,150)	727,686,505
Derivatives held as cash flow hedges	449,481	(51,926)	35,824,445	549,448	(106,004)	40,741,351
Derivatives held as fair value hedges	729,626	(873,969)	31,247,960	1,427,332	(804,474)	26,699,467
Derivatives held as hedge of a net investment in foreign operations	-	(9,355)	452,876	-	(38,603)	520,792
Total	10,686,683	(8,296,538)	798,792,821	13,697,399	(10,775,231)	795,648,115

21 OPERATING SEGMENTS

The Group is organised into the following main businesses:

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

21 OPERATING SEGMENTS (CONTNUED)

Unaudited 30 June 2021	Corporate and Institutional banking	Retail banking and Wealth Management	Global Markets and Treasury	Islamic banking	DenizBank	Others	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Net interest income and income from Islamic products net of distribution to depositors	2,047,034	2,693,875	(151,764)	817,472	2,534,538	207,153	8,148,308
Net fees, commission and other income	851,115	1,297,433	97,859	362,196	778,303	4,559	3,391,465
Total operating income	2,898,149	3,991,308	(53,905)	1,179,668	3,312,841	211,712	11,539,773
General and administrative expenses	(268,915)	(1,053,713)	(77,515)	(525,651)	(1,135,024)	(702,873)	(3,763,691)
Net impairment loss on financial assets	(1,163,834)	(299,518)	1,321	(85,303)	(883,930)	(183,136)	(2,614,400)
Share of profit of associate and loss on its disposal	-	-	-	-	-	(21,137)	(21,137)
Taxation charge	(17,755)	(39,832)	(28,486)	-	(257,439)	(12,733)	(356,245)
Group profit for the period	1,447,645	2,598,245	(158,585)	568,714	1,036,448	(708,167)	4,784,300
Segment Assets	317,618,888	66,590,143	117,415,303	66,220,212	125,861,354	76,795	693,782,695
Segment Liabilities and Equity	184,137,546	173,571,531	28,217,068	55,894,668	114,520,449	137,441,433	693,782,695

21 OPERATING SEGMENTS (CONTNUED)

Unaudited 30 June 2020	Corporate and Institutional banking	Retail banking and Wealth Management	Global Markets and Treasury	Islamic banking	DenizBank	Others	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Net interest income and income from Islamic products net of distribution to depositors	2,486,213	2,806,325	(253,515)	886,667	2,957,528	421,914	9,305,132
Net fees, commission and other income	639,596	1,154,654	262,194	253,382	1,037,599	(24,155)	3,323,270
Total operating income	3,125,809	3,960,979	8,679	1,140,049	3,995,127	397,759	12,628,402
General and administrative expenses	(307,043)	(1,017,582)	(88,494)	(537,544)	(1,191,280)	(857,369)	(3,999,312)
Net impairment loss on financial assets	(687,404)	(879,103)	(35,661)	(590,659)	(1,636,189)	(382,029)	(4,211,045)
Share of profit of associate and loss on its disposal	-	-	-	-	-	1,194	1,194
Taxation charge	(14,688)	(32,977)	(27,511)	-	(238,974)	(13,739)	(327,889)
Group profit for the period	2,116,674	2,031,317	(142,987)	11,846	928,684	(854,184)	4,091,350
Segment Assets	327,411,233	56,607,739	113,440,098	62,361,073	133,540,478	922,165	694,282,786
Segment Liabilities and Equity	186,769,284	161,256,048	45,240,366	53,788,658	121,600,927	125,627,503	694,282,786

22 RELATED PARTY TRANSACTIONS

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

Deposits from and loans to government related entities, other than those that have been individually disclosed, amount to 4% (December 2020: 6%) and 6% (December 2020: 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 2021 AED 000	Audited 31 December 2020 AED 000
Loans and receivables:		
To majority shareholder of the parent	156,177,170	157,723,504
To parent	1,487,463	1,487,463
To directors and related companies	843,739	850,367
	158,508,372	160,061,334
Customer and Islamic deposits:		
From majority shareholder of the parent	5,445,521	4,423,770
From parent	2,398,532	1,797,459
From associates	-	90,675
	7,844,053	6,311,904
Investment in Government of Dubai bonds	6,485,834	6,474,854
Commitments to associates	-	78,877

22 RELATED PARTY TRANSACTIONS (CONTINUED)

	Unaudited six months period ended 30 June 2021	Unaudited six months period ended 30 June 2020
	AED 000	AED 000
Payments made to associates	99	430
Payments made to other related parties	17,180	20,327
Fees received in respect of funds managed by the Group	10,160	7,122
Directors sitting fee	9,106	8,117

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 2021	Unaudited six months period ended 30 June 2020
	AED 000	AED 000
Key management compensation:		
Short term employment benefits	55,147	67,413
Post employment benefits	815	715

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

23 NOTES TO THE GROUP CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months period ended 30 June 2021 AED 000	Unaudited six months period ended 30 June 2020 AED 000
(a) Analysis of changes in cash and cash equivalents during the period		
Balance at beginning of period	20,911,912	32,291,487
Net cash inflow/(outflow)	1,568,654	(16,742,523)
Balance at end of period	22,480,566	15,548,964
(b) Analysis of cash and cash equivalents		
Cash and deposits with Central Banks	82,562,885	101,696,995
Due from banks	38,706,883	46,017,914
Due to banks	(51,403,348)	(57,557,378)
	69,866,420	90,157,531
Less : deposits with Central Banks for regulatory purposes	(48,435,735)	(41,321,194)
Less : certificates of deposits with Central Banks maturing after three months	(12,000,000)	(37,000,000)
Less : amounts due from banks maturing after three months	(20,927,193)	(25,817,528)
Add : amounts due to banks maturing after three months	33,977,074	29,530,155
	22,480,566	15,548,964

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

	Unaudited six months period ended 30 June 2021 AED 000	Unaudited six months period ended 30 June 2020 AED 000
(c) Adjustment for non cash and other items		
Impairment loss on cash and deposits with central banks	1,564	1,456
Impairment loss on due from banks	(26,786)	63,204
Impairment loss on investment securities	(9,454)	40,799
Impairment loss on loans and receivables	2,200,264	3,369,826
Impairment loss on Islamic financing receivables	610,284	730,564
Impairment loss on unfunded exposures	(49,864)	80,007
Amortisation of fair value	67,398	60,321
(Discount) / premium on Investment securities	(17,723)	(16,115)
Unrealised foreign exchange loss / (gain)	1,392,255	(43,609)
Amortisation of intangibles	81,648	81,648
Depreciation / impairment on property and equipment / Investment property	400,585	436,906
Share of profit of associate and loss on its disposal	21,137	(1,194)
Dividend income on equity investments	(10,810)	(20,816)
Unrealized (gain)/loss on investments	18,233	132,265
Unrealized (gain)/loss on FV Hedged item	(977,414)	668,896
Gain on sale of properties (inventories)	(15,158)	(621)
	3,686,159	5,583,537

24 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair Value of assets and liabilities

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

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

Unaudited 30 June 2021	Level 1	Level 2	Level 3	Total
	AED 000	AED 000	AED 000	AED 000
Investment Securities				
Trading securities at FVTPL	5,931,486	-	-	5,931,486
FVOCI - debt instruments	17,077,393	45,910	-	17,123,303
FVOCI - equity instruments	581,820	873	5,456	588,149
Designated at FVTPL	120,455	-	152,558	273,013
	23,711,154	46,783	158,014	23,915,951
Derivatives				
Positive fair value of derivatives				
Derivatives held for trading	-	9,507,576	-	9,507,576
Derivatives held as cash flow hedges	-	449,481	-	449,481
Derivatives held as fair value hedges	-	729,626	-	729,626
Derivatives held as hedge of a net investment in foreign operations	-	-	-	-
	-	10,686,683	-	10,686,683
Negative fair value of derivatives				
Derivatives held for trading	-	(7,361,288)	-	(7,361,288)
Derivatives held as cash flow hedges	-	(51,926)	-	(51,926)
Derivatives held as fair value hedges	-	(873,969)	-	(873,969)
Derivatives held as hedge of a net investment in foreign operations	-	(9,355)	-	(9,355)
	-	(8,296,538)	-	(8,296,538)
	23,711,154	2,436,928	158,014	26,306,096
Audited 31 December 2020	22,891,659	3,011,270	167,693	26,070,622

24 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

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

	Trading securities at FVTPL	Designated at FVTPL	FVOCI – debt instrument	FVOCI– equity instrument	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2021	-	161,928	-	5,765	167,693
Total gains or losses:					
- in profit or loss	-	(8,644)	-	-	(8,644)
- in other comprehensive income	-	-	-	(267)	(267)
Additions	-	-	-	-	-
Settlements and other adjustments	-	(726)	-	(42)	(768)
Balance as at 30 June 2021 (unaudited)	-	152,558	-	5,456	158,014
Balance as at 31 December 2020 (audited)	-	161,928	-	5,765	167,693

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 2021 no financial assets measured at FVOCI were transferred from Level 1 to Level 2 or from Level 2 to Level 1 (2020: AED Nil).

For comparative information please refer to the Group's consolidated financial statements for the year ended 31 December 2020.

25 RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2020.

Amounts arising from ECL

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

i) Loans and receivables

	Unaudited six months period ended 30 June 2021 AED 000 ECL	Unaudited six months period ended 30 June 2020 AED 000 ECL
Balance at 1 January	28,845,608	23,790,153
Expected credit losses recognised during the period	2,765,717	3,835,972
Write back / recoveries made during the period	(565,453)	(466,146)
Amounts written off during the period	(575,261)	(342,371)
Exchange and other adjustments	(481,621)	(73,123)
Closing Balance	29,988,990	26,744,485

ii) Islamic financing receivables

	Unaudited six months period ended 30 June 2021 AED 000 ECL	Unaudited six months period ended 30 June 2020 AED 000 ECL
Balance at 1 January	6,139,203	5,436,242
Expected credit losses recognised during the period	711,982	846,641
Write back / recoveries made during the period	(101,698)	(116,077)
Amounts written off during the period	(345,044)	(634,173)
Exchange and other adjustments	(586)	9,816
Closing Balance	6,403,857	5,542,449

Stage-wise financing exposures and the related ECL as at 30 June 2021 are given below:

	30 June 2021		31 December 2020	
AED 000	Exposure	ECL	Exposure	ECL
Loans and receivables				
12-month ECL	361,115,860	3,010,692	369,677,061	3,659,321
Lifetime ECL not credit-impaired	27,121,900	6,199,691	23,094,760	5,271,329
Lifetime ECL credit-impaired	21,550,332	19,707,129	21,938,329	19,037,235
Purchased or Originated Credit Impaired	1,842,670	1,071,478	2,058,882	877,723
	411,630,762	29,988,990	416,769,032	28,845,608
Islamic financing receivables				
12-month ECL	52,155,941	807,053	52,056,413	953,362
Lifetime ECL not credit-impaired	4,511,410	665,990	3,880,132	425,869
Lifetime ECL credit-impaired	6,321,288	4,930,814	5,820,703	4,759,972
	62,988,639	6,403,857	61,757,248	6,139,203

25 RISK MANAGEMENT (CONTINUED)

Covid-19 and Expected Credit Loss (ECL)

Novel coronavirus (Covid-19) continues to disrupt businesses and economic activity in 2021. In response, governments and central banks extended economic support and relief measures (including payment deferrals) launched last year to lessen the impact on individuals and corporates.

In determination of Q2 2021 ECL, the Group has considered potential impact caused by Covid-19 pandemic (based upon available information) and taken into account economic support and relief measures of governments and central banks. The Group has also considered the notices issued by the Central Bank of UAE with regards to the 'Targeted Economic Support Scheme (TESS)' and 'Treatment of IFRS9 Expected Credit Loss in the context of Covid-19 crisis' as well as the guidance issued by the International Accounting Standards Board (IASB).

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

Significant Increase in Credit Risk (SICR)

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

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

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

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

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

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

Forward Looking Information

The Group has assessed the macro-economic scenarios and associated weights and analyzed their impact on Q2 2021 ECL estimates. Accordingly, updated MEVs were used with the associated weights remaining unchanged from those used at year end 2020. The Group has also applied portfolio-level ECL adjustments to retail customers availing deferrals based upon employment status and level of salary inflows. The Group continues to assess individually significant exposures for any adverse movements due to Covid-19.

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

25 RISK MANAGEMENT (CONTINUED)

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

Forward Looking Information (continued)

Analysis of customers benefiting from payment deferrals

Deferral amount and outstanding balances of UAE customers

During 2020, the Group drew AED 6,906 million of Zero Cost Funding under the CBUAE TESS program and repaid AED 4,260 million to date (including AED 1,431 million repaid during Q2 2021). After repayment the balance as at 30 June 2021 amounted to AED 2,646 million (31 December 2020: AED 5,242 million). As of 30 June 2021, the Group has repaid 62% of the total allocated ZCF.

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

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

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

All Stage 1 customers availing deferrals are classified as Group 1. Some customers in Stage 2 who availed deferrals without any material deterioration in credit grade and overall credit worthiness since the time of availing the deferral are also classified in Group 1 at reporting date.

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

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

Stage 2 customers who experienced credit deterioration since deferral period are classified as Group 2. Customers that have availed deferrals either in stage 1 or stage 2 but subsequently migrated to stage 3 are also classified as Group 2 at reporting date.

The impact of Covid-19 crisis continues to filter through into the real economy. In view of this, the Group has taken a proactive approach and on an ongoing basis for all customers, the Group continues to consider the severity and extent of potential Covid-19 impact on economic sectors and outlook, cash flow, financial strength, agility and change in risk profile along with the past track record and ongoing adaptation. Accordingly, all staging and grouping decisions are subject to regular review to ensure these reflect an accurate view of the Group's assessment of the customers' creditworthiness, staging and grouping as of the reporting date.

The table below contains analysis of the number of customers, deferral amount, gross exposures and related ECL of UAE customers benefiting from deferrals:

Unaudited 30 June 2021 AED 000	Corporate and institutional banking	Retail banking and wealth management	Total
Deferral amount			
Loans and Islamic financing receivables	9,018,053	1,638,184	10,656,237
Less: Repayments	(6,131,965)	(694,811)	(6,826,776)
	2,886,088	943,373	3,829,461

25 RISK MANAGEMENT (CONTINUED)

Analysis of customers benefiting from payment deferrals (continued)

Deferral amount and outstanding balances of UAE customers (continued)

	Unaudited 30 June 2021			
	Loans and Islamic financing receivables			
AED 000	**Number of deferral customers /accounts**	**Payments deferred**	**Exposures**	**Expected Credit Losses**
Corporate and Institutional banking				
Stage 1	448	7,120,342	28,741,239	848,720
Stage 2	75	1,407,621	7,379,783	2,911,493
Stage 3	42	490,090	2,054,106	1,318,424
	565	9,018,053	38,175,128	5,078,637
Group 1	471	7,454,454	30,731,969	1,736,081
Group 2	94	1,563,599	7,443,159	3,342,556
	565	9,018,053	38,175,128	5,078,637
Retail banking and Wealth Management				
Stage 1	111,984	1,373,786	11,490,258	384,658
Stage 2	7,746	216,774	837,504	216,377
Stage 3	33	47,624	222,036	96,449
	119,763	1,638,184	12,549,798	697,484
Group 1	112,315	1,403,404	11,591,498	418,623
Group 2	7,448	234,780	958,300	278,861
	119,763	1,638,184	12,549,798	697,484
Total	**120,328**	**10,656,237**	**50,724,926**	**5,776,121**

25 RISK MANAGEMENT (CONTINUED)

Analysis of customers benefiting from payment deferrals (continued)

Movement in Exposures of UAE customers

Below is an analysis of total changes in exposures since 31 December 2020 on UAE customers benefiting from payment deferrals:

	AED 000
Exposure as at 1 January 2021	50,652,206
Increase in exposure due to new drawdowns	6,197,341
Increase in exposure of the same customers	1,667,779
Decrease in exposure of the same customers	(3,757,899)
Decrease in exposure due to closure	(4,034,501)
Exposure as at 30 June 2021 (Unaudited)	**50,724,926**

Stage migrations of UAE customers

Below is an analysis of Stage migrations since 31 December 2020 of UAE customers benefiting from payment deferrals:

	Loans and Islamic financing receivables			
AED 000	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Corporate and Institutional banking				
Exposure as at 1 January 2021	28,534,720	6,437,747	1,237,660	36,210,127
Transferred from 12-month ECL	(1,736,414)	1,684,514	51,900	-
Transferred from Lifetime ECL not credit-impaired	255,384	(1,029,548)	774,164	-
Transferred from Lifetime ECL credit-impaired	-	-	-	-
Other movements - net	1,687,549	287,070	(9,618)	1,965,001
Exposure as at 30 June 2021 (Unaudited)	**28,741,239**	**7,379,783**	**2,054,106**	**38,175,128**
Retail banking and Wealth Management				
Exposure as at 1 January 2021	13,366,814	921,620	153,645	14,442,079
Transferred from 12-month ECL	(600,311)	521,462	78,849	-
Transferred from Lifetime ECL not credit-impaired	242,246	(250,869)	8,623	-
Transferred from Lifetime ECL credit-impaired	-	505	(505)	-
Other movements - net	(1,518,491)	(355,214)	(18,576)	(1,892,281)
Exposure as at 30 June 2021 (Unaudited)	**11,490,258**	**837,504**	**222,036**	**12,549,798**

25 RISK MANAGEMENT (CONTINUED)

Analysis of customers benefiting from payment deferrals (continued)

Stage migrations of UAE customers (continued)

AED 000	Loans and Islamic financing receivables			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Corporate and institutional banking				
ECL as at 1 January 2021	778,827	2,567,740	842,599	4,189,166
Transferred from 12-month ECL	(65,165)	60,329	4,836	-
Transferred from Lifetime ECL not credit-impaired	26,030	(563,281)	537,251	-
Transferred from Lifetime ECL credit-impaired	-	-	-	-
Other movements - net	109,028	846,705	(66,262)	889,471
ECL as at 30 June 2021 (Unaudited)	848,720	2,911,493	1,318,424	5,078,637

AED 000	Loans and Islamic financing receivables			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Retail banking and wealth management				
ECL as at 1 January 2021	443,152	297,655	67,139	807,946
Transferred from 12-month ECL	(42,011)	37,226	4,785	-
Transferred from Lifetime ECL not credit-impaired	65,095	(66,174)	1,079	-
Transferred from Lifetime ECL credit-impaired	-	86	(86)	-
Other movements - net	(81,578)	(52,416)	23,532	(110,462)
ECL as at 30 June 2021 (Unaudited)	384,658	216,377	96,449	697,484

25 RISK MANAGEMENT (CONTINUED)

Analysis of customers benefiting from payment deferrals (continued)

Change in ECL allowance by industry sector for UAE Corporate and Institutional banking customers

Below is an analysis of change in ECL allowance by industry sector since 31 December 2020 on UAE Corporate and Institutional banking customers benefiting from payment deferrals:

	Loans and Islamic financing receivables			
AED 000	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
ECL allowance as at 1 January 2021	-	2,567,740	842,599	4,189,166
Manufacturing	(2,084)	(55,561)	(3,736)	(61,381)
Construction	(1,836)	24,795	8,273	31,232
Trade	53,791	184,263	10,561	248,615
Services	(85,552)	124,374	(120)	38,702
Personal	93,810	55,530	(76)	149,264
Real estate	29,059	12,286	461,412	502,757
Others	(17,295)	(1,934)	(489)	(19,718)
ECL allowance as at 30 June 2021 (Unaudited)	848,720	2,911,493	1,318,424	5,078,637

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

Below is an analysis of change in ECL allowance by products since 31 December 2020 on UAE Retail banking and Wealth Management customers benefiting from payment deferrals:

	Loans and Islamic financing receivables			
AED 000	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
ECL allowance as at 1 January 2021	443,153	297,655	67,139	807,947
Personal Finance	(24,254)	(78,617)	-	(102,871)
Home Finance	(4,078)	(11,515)	-	(15,593)
Auto loans	(27,373)	(8,931)	-	(36,304)
Credit cards	(877)	(1,165)	-	(2,042)
Others	(1,913)	18,950	29,310	46,347
ECL allowance as at 30 June 2021 (Unaudited)	384,658	216,377	96,449	697,484

26 IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

Effective from 1 January 2021, the Group implemented Phase 2 of the Interest Rate Benchmark Reform —Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The areas impacted by the amendments include application of practical expedient for accounting for modifications of financial assets and financial liabilities when transactions are updated for the new IBOR rates (will not result in derecognition), relief on changes to hedge designations and hedge documentation (a change to hedge designations and hedge documentation required by IBOR reform would not result in discontinuation of hedge accounting) and providing disclosures that enable users to understand nature and extent of risks arising from interest rate benchmark reform to which the Group is exposed and how it manages those risks. The amendments are applied retrospectively with no restatement required for prior periods.

During 2020, the Group implemented Phase 1 of the amendments which provided relief on hedge accounting requirements for those hedges existing before the IBOR replacement. The Group's exposure to hedging instruments (Interest Rate Swaps and Cross-Currency Swaps) and hedged items maturing from the year 2021 onwards which are in scope of the IFRS 9 amendments include Fair Value Hedges with notional values of USD 1.35 billion on the receiving leg and USD 4 billion on the paying leg; and Cash Flow Hedges with notional values of USD 0.8 billion on the receiving leg.

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.

27 DISPOSAL OF SUBSIDIARY

In April 2021, the Group entered into a Sale Purchase Agreement to sell a controlling interest in Dubai Bank (P.J.S.C), a subsidiary to Eradah Capital (L.L.C.). As at 30 June 2021, the carrying value of Dubai Bank's total assets amounted to AED 0.4 billion. The transaction is expected to complete in 2021 and the resultant impact in the books will be accounted for upon completion. The transaction is subject to regulatory approval by the Central Bank of the UAE.

28 DISPOSAL OF ASSOCIATE

During the period, the Group disposed 21.5% of its holdings in National General Insurance Company (P.J.S.C) ("NGI") for a net consideration of AED 105 million. As of that date, the Group retained 15.2% interest in NGI and no longer held significant influence and discontinued equity accounting. The retained interest was classified as investment at FVTPL. Subsequent to the period end, the Group sold the remaining 15.2 % interest in NGI at a price of AED 3.12 per share.