

Condensed Consolidated Interim Financial Statements



March 31, 2020



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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

Introduction

We have reviewed the accompanying 31 March 2020 condensed consolidated interim financial statements of First Abu Dhabi Bank P.J.S.C. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise:

- the condensed consolidated interim statement of financial position as at 31 March 2020;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2020; and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34. 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.



Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial statements 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 31 March 2020 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No 1015
Abu Dhabi, United Arab Emirates
Date: 27 April 2020

Condensed consolidated interim statement of financial position

As at

Assets	Note	(Unaudited)	(Audited)
		31 Mar 2020 AED'000	31 Dec 2019 AED'000
Cash and balances with central banks	7	175,950,503	169,702,008
Investments at fair value through profit or loss	8	18,837,996	20,099,181
Due from banks and financial institutions		35,054,593	17,026,502
Reverse repurchase agreements		24,051,761	24,678,375
Derivative financial instruments		34,570,014	15,917,321
Loans and advances	9	381,833,411	407,903,028
Non-trading investments	10	113,825,072	114,644,422
Investment properties	11	8,793,390	7,956,854
Property and equipment		4,792,588	4,618,986
Intangibles	12	19,448,056	19,498,087
Other assets		18,201,278	19,923,251
Total assets		835,358,662	821,968,015
Liabilities			
Due to banks and financial institutions	13	59,930,493	36,007,875
Repurchase agreements		48,368,603	38,821,848
Commercial paper	14	16,562,538	21,236,955
Derivative financial instruments		40,331,976	19,228,541
Customer accounts and other deposits	15	497,126,137	519,161,857
Term borrowings	16	57,206,349	55,751,819
Subordinated notes	17	396,241	381,305
Other liabilities		21,383,304	23,340,779
Total liabilities		741,305,641	713,930,979
Equity			
Share capital	18	10,920,000	10,920,000
Share premium		53,435,960	53,434,461
Treasury shares		(18,719)	(18,864)
Statutory and special reserves		10,920,000	10,920,000
Other reserves	18	(5,646,526)	2,474,032
Tier 1 capital notes	19	10,754,750	10,754,750
Share option scheme	20	249,816	249,816
Retained earnings		13,023,066	18,872,367
Total equity attributable to shareholders of the Bank		93,638,347	107,606,562
Non-controlling interest		414,674	430,474
Total Equity		94,053,021	108,037,036
Total liabilities and equity		835,358,662	821,968,015

To the best of our knowledge, the financial statements present fairly in all material respects the financial condition, financial performance and cash flows of the Group as of, and for, the periods presented therein.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on 27 April 2020 and signed on its behalf:

Chairman

Group Chief Executive Officer

Group Chief Financial Officer

The notes 1 to 31 are an integral part of these condensed consolidated interim financial statements.

The independent auditor's report on review of condensed consolidated interim financial information is set out on pages 2 and 3.

Condensed consolidated interim statement of profit or loss

For the period ended (Unaudited)

	Note	Three Month Period Ended	
		2020	2019
		AED'000	AED'000
Interest income		5,645,318	6,082,842
Interest expense		(2,584,559)	(2,968,593)
Net interest income		3,060,759	3,114,249
Fee and commission income		1,224,884	1,190,172
Fee and commission expense		(385,968)	(374,002)
Net fee and commission income		838,916	816,170
Net foreign exchange gain	23	583,656	647,005
Net gain on investments and derivatives	24	38,287	324,025
Other operating income	25	44,529	40,708
Operating income		4,566,147	4,942,157
General, administration and other operating expenses	26	(1,352,509)	(1,313,891)
Profit before net impairment charge and taxation		3,213,638	3,628,266
Net impairment charge	27	(738,186)	(407,461)
Profit before taxation		2,475,452	3,220,805
Overseas income tax expense		(76,607)	(71,449)
Profit for the period		2,398,845	3,149,356
Profit attributable to:			
Shareholders of the Bank		2,408,261	3,106,653
Non-controlling interests		(9,416)	42,703
		2,398,845	3,149,356
Basic earnings per share (AED)	28	0.20	0.27
Diluted earnings per share (AED)	28	0.20	0.27

The notes 1 to 31 are an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 2 and 3.

Condensed consolidated interim statement of comprehensive income

For the period ended (Unaudited)

	Three Month Period Ended 31 March	
	2020 AED'000	2019 AED'000
Profit for the period	2,398,845	3,149,356
Other comprehensive income		
Items that are or may subsequently be reclassified to condensed consolidated interim statement of profit or loss		
Exchange difference on translation of foreign operations	(110,601)	(1,740)
Net change in fair value reserve during the period (including ECL)	(7,870,045)	885,767
Items that will not subsequently be reclassified to condensed consolidated interim statement of profit or loss		
Net change in fair value of investments in equity instruments designated at fair value through other comprehensive (loss) / income	(146,296)	26,730
Re-measurement of defined benefit obligations	1,736	(425)
Other comprehensive (loss) / income for the period	(8,125,206)	910,332
Total comprehensive (loss) / income for the period	(5,726,361)	4,059,688
Comprehensive (loss) / income attributable to:		
Shareholders of the Bank	(5,710,561)	4,016,978
Non-controlling interest	(15,800)	42,710
Total comprehensive (loss) / income for the period	(5,726,361)	4,059,688

The notes 1 to 31 are an integral part of these condensed consolidated interim financial statements.

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Condensed consolidated interim statement of cash flows

For the three month period ended (Unaudited)

	31 Mar 2020 AED'000	31 Mar 2019 AED'000
Cash flows from operating activities		
Profit before taxation	2,475,452	3,220,805
Adjustments for:		
Depreciation and amortization	170,459	146,675
Loss (gain) on sale of fixed assets	121	(22)
Net impairment charges	789,803	458,156
Accreted interest	180,057	15,586
Foreign currency translation adjustment	(400,380)	1,634
Share option scheme	-	(2,388)
Change in investments at fair value through profit or loss	1,055,337	(732,637)
Change in due from central banks, banks and financial institutions	(3,277,018)	5,944,785
Change in reverse repurchase agreements	625,108	(8,153,050)
Change in loans and advances	25,333,310	(6,476,493)
Change in other assets	1,712,198	(87,723)
Change in due to banks and financial institutions	23,922,618	5,836,188
Change in repurchase agreements	9,546,755	12,807,085
Change in customer accounts and other deposits	(22,035,329)	(32,439,680)
Change in derivative financial instruments	3,467,732	(145,554)
Change in other liabilities	(2,491,316)	339,279
	41,074,907	(19,267,354)
Overseas income tax paid, net of recoveries	(60,567)	(96,119)
Directors' remuneration paid	(54,750)	(54,750)
Net cash from / (used in) operating activities	40,959,590	(19,418,223)
Cash flows from investing activities		
Net purchase of non-trading investments	(7,214,298)	(20,080,646)
Purchase of investment property	(836,536)	(84,036)
Purchase of property and equipment, net of disposals	(294,151)	(42,207)
Net cash used in investing activities	(8,344,985)	(20,206,889)
Cash flows from financing activities		
Proceeds from issue of shares under share option scheme	1,644	226,139
Dividend paid	(7,513,549)	(7,514,364)
Net movement of commercial paper	(4,674,417)	3,069,935
Issue of term borrowings	7,257,909	5,845,105
Repayment of term borrowings	(6,484,034)	(3,125,577)
Payment on Tier 1 capital notes	(192,806)	(209,134)
Net cash used in financing activities	(11,605,253)	(1,707,896)
Net increase / (decrease) in cash and cash equivalents	21,009,352	(41,333,008)
Cash and cash equivalents at 1 January	151,344,934	175,677,376
Cash and cash equivalents at 31 March	172,354,286	134,344,368

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Condensed consolidated interim statement of changes in equity

For the three month period ended (Unaudited)

	Share capital AED'000	Share premium AED'000	Treasury shares AED'000	Statutory and special reserves AED'000	Other reserves AED'000	Tier 1 capital notes AED'000	Share option scheme AED'000	Retained earnings AED'000	Equity attributable to share-holders of the Group AED'000	Non-controlling interest AED'000	Total AED'000
Balance at 1 January 2020	10,920,000	53,434,461	(18,864)	10,920,000	2,474,032	10,754,750	249,816	18,872,367	107,606,562	430,474	108,037,036
Profit for the period	-	-	-	-	-	-	-	2,408,261	2,408,261	(9,416)	2,398,845
Other comprehensive loss for the period	-	-	-	-	(8,120,558)	-	-	1,736	(8,118,822)	(6,384)	(8,125,206)
<u>Transactions with owners of the Group</u>											
Zakat	-	-	-	-	-	-	-	455	455	-	455
Share options exercised (note 20)	-	1,499	145	-	-	-	-	-	1,644	-	1,644
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	(8,066,947)	(8,066,947)	-	(8,066,947)
Payment on Tier 1 capital notes (note 19)	-	-	-	-	-	-	-	(192,806)	(192,806)	-	(192,806)
Balance at 31 March 2020	10,920,000	53,435,960	(18,719)	10,920,000	(5,646,526)	10,754,750	249,816	13,023,066	93,638,347	414,674	94,053,021
Balance at 1 January 2019	10,897,545	53,188,043	(25,530)	9,483,238	(37,477)	10,754,750	266,841	17,083,868	101,611,278	361,722	101,973,000
Profit for the period	-	-	-	-	-	-	-	3,106,653	3,106,653	42,703	3,149,356
Other comprehensive income for the period	-	-	-	-	910,750	-	-	(425)	910,325	7	910,332
<u>Transactions with owners of the Group</u>											
Zakat	-	-	-	-	-	-	-	(21)	(21)	-	(21)
Share options exercised (note 20)	-	202,108	24,031	-	-	-	-	-	226,139	-	226,139
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	(8,063,018)	(8,063,018)	-	(8,063,018)
Options utilised by staff	-	-	-	-	-	-	(2,388)	-	(2,388)	-	(2,388)
Payment on Tier 1 capital notes (note 19)	-	-	-	-	-	-	-	(209,134)	(209,134)	-	(209,134)
IFRS 9 reserve movement	-	-	-	-	45,581	-	-	(45,581)	-	-	-
Realised gain on sale of FVOCI investment	-	-	-	-	(2,324)	-	-	2,324	-	-	-
Balance at 31 March 2019	10,897,545	53,390,151	(1,499)	9,483,238	916,530	10,754,750	264,453	11,874,666	97,579,834	404,432	97,984,266

The notes 1 to 31 are an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 2 and 3.

Notes to the condensed consolidated interim financial statements

1 Legal status and principal activities

On 7 December 2016, Shareholders of National Bank of Abu Dhabi PJSC (“NBAD”) and First Gulf Bank PJSC (“FGB”) approved the merger of the two banks pursuant to Article 283(1) of UAE Federal Law No. 2 of 2015 Concerning Commercial Companies (the Law). The merger was effected through the issuance of 1.254 new NBAD shares for every 1 share in FGB on close of business 30 March 2017, subsequent to which FGB shares were delisted from Abu Dhabi Securities Exchange. On 25 April 2017, NBAD shareholders approved the proposal to change the name of the combined bank to ‘First Abu Dhabi Bank’ (the “Bank”) and have its registered office in FAB Building, Khalifa Business Park 1 Al Qurum P. O. Box 6316 Abu Dhabi, United Arab Emirates.

These condensed consolidated interim financial statements as at and for the period ended 31 March 2020 comprises the Bank and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in corporate, retail, private and investment banking activities, management services, Islamic banking activities, real estate activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in the United Arab Emirates, Bahrain, Brazil, Cayman Islands, China, Egypt, France, Hong Kong, India, Jordan¹, Kingdom of Saudi Arabia, Kuwait, Lebanon, Libya, Malaysia¹, Oman, Qatar², Singapore, South Korea, Sudan¹, Switzerland, the United Kingdom and the United States of America.

The Group’s Islamic banking activities are conducted in accordance with Islamic Sharia’a laws issued by the Sharia’a Supervisory Board.

The Group is listed on the Abu Dhabi Securities Exchange (Ticker: FAB).

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 are available upon request from the Group’s registered office or at <http://www.bankfab.com>.

¹ Under closure.

² During the previous year, the Bank has notified the Qatar Financial Centre Regulatory Authority (“QFCRA”) that it will relinquish its Qatar Financial Centre (“QFC”) branch license and permanently close its QFC branch.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared on an ongoing basis in accordance with IAS 34 Interim Financial Reporting and the requirements of applicable laws in the UAE. They do not include all of the information required for the complete set of annual consolidated financial statements as required under International Financial Reporting Standards (“IFRS”). These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

On 1 April 2015, UAE Federal Law No 2 for Commercial Companies (“UAE Companies Law of 2015”) was issued with effective date 1 July 2015. The Bank is in compliance with applicable sections of the UAE Companies Law of 2015 as at the date of these financial statements.

On 23 September 2018, a new Decretal Federal Law No 14 of 2018 regarding the Central Bank and Organization of Financial Institutions and Activities was issued. As per the transitional provisions of the new law, financial institutions are to ensure compliance within 3 years from the date of issuance of the decretal law. The Bank is in the process of adopting the new decretal federal law and will be fully compliant before the transitional provisions deadline.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 27 April 2020.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2019 except for the adoption of the following new standard as of 1 January 2020.

The following amendments to existing standards and framework have been applied by the Group in preparation of these interim condensed consolidated financial statements. The adoption of the below did not result in changes to previously reported net profit or equity of the Group.

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (continued)

Description	Effective from
Definition of Material – Amendment to IAS 1 and IAS 8	1 January 2020
Definition of a Business – Amendment to IFRS 3	1 January 2020
Amendment to References to Conceptual Framework in IFRS Standards	1 January 2020

Standard issued but not yet effective

IFRS 17 Insurance Contracts is effective from 1 January 2023. The Group is currently evaluating the impact of this new standard. The Group will adopt this new standard on the effective date.

Basis of consolidation

Subsidiaries are investees that are controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if, there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in these consolidated interim financial statements from the date that control commences until the date that control ceases.

The condensed consolidated interim financial statements comprise the financial statements of the Group and those of its following subsidiaries:

Legal Name	Country of incorporation	Principal activities	Holding % 2020
First Abu Dhabi Bank USA N.V.	Curacao	Banking	100%
FAB Securities LLC	United Arab Emirates	Brokerage	100%
Abu Dhabi National Leasing LLC	United Arab Emirates	Leasing	100%
Abu Dhabi National Properties Pvt. JSC	United Arab Emirates	Property Management	100%
FAB Private Bank (Suisse) SA	Switzerland	Banking	100%
First Abu Dhabi Islamic Finance PJSC	United Arab Emirates	Islamic Finance	100%
Abu Dhabi Securities Brokerage Egypt ¹	Egypt	Brokerage	96%
National Bank of Abu Dhabi Malaysia Berhad ¹	Malaysia	Banking	100%
NBAD Employee Share Options Limited	United Arab Emirates	Shares and Securities	100%
SAS 10 Magellan ¹	France	Leasing	100%
National Bank of Abu Dhabi Representações Ltda	Brazil	Representative office	100%
FAB Global Markets (Cayman) Limited	Cayman Islands	Financial Institution	100%
Nawat Management Services - One Man Company LLC	United Arab Emirates	Services	100%
Mismak Properties Co. LLC (Mismak)	United Arab Emirates	Real estate investments	100%
Moora Properties Co. LLC (Subsidiary of Mismak)	United Arab Emirates	Real estate investments	67%
First Merchant International LLC (FMI)	United Arab Emirates	Real estate investments	100%
FAB Employment Services LLC (Subsidiary of FMI)	United Arab Emirates	Resourcing services	100%
FAB Resourcing Services LLC (Subsidiary of FMI)	United Arab Emirates	Resourcing services	100%
FAB Sukuk Company Limited	Cayman Islands	Special purpose vehicle	100%
First Gulf Libyan Bank ²	Libya	Banking services	50%
FGB Global Markets Cayman Limited ¹	Cayman Islands	Financial Institution	100%

Notes to the condensed consolidated interim financial statements *(continued)*

3 Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

Legal Name	Country of incorporation	Principal activities	Holding % 2020
FAB Properties LLC	United Arab Emirates	Management and brokerage of real estate properties	100%
Aseel Finance PJSC ¹	United Arab Emirates	Islamic finance	100%
Dubai First PJSC ¹	United Arab Emirates	Credit card finance	100%
First Gulf Information Technology LLC	United Arab Emirates	IT Services	100%
FAB Investment KSA (single Shareholder LLC)	Kingdom of Saudi Arabia	Financial Institution	100%

¹ Under liquidation.

² Although the Bank owns 50% of the outstanding shares of First Gulf Libyan Bank, the investment has been classified as a subsidiary as the Bank exercises control over the investee because it casts the majority of the votes on the board of directors.

4 Use of estimates and judgements

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2019 except the following estimates and judgements which are applicable from 1 January 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Impact of COVID-19

On 11 March 2020, the World Health Organization ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities have instigated a host of measures to contain or delay the spread of the virus.

On 27th March 2020, the IASB issued a guidance note, advising that both the assessment of Significant Increase in Credit risk ("SICR") and the measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken. It is difficult at this time to incorporate the specific effects of COVID-19 and government support measures on a reasonable and supportable basis.

In line with other global regulators, the UAE Central Bank, under the Targeted Economic Support Scheme ("TESS"), has facilitated the provision of temporary relief from the payments of principal and/or interest / profit on outstanding loans for all affected private sector corporates, SMEs and individuals with specific conditions. Additionally, the program seeks to facilitate additional lending and liquidity capacity of banks, through the relief of existing capital and liquidity buffers, which have been further elaborated on in the sections below.

This note outlines the steps taken by the Bank to estimate the impact of COVID-19 and the judgments applied by management in assessing the values of assets and liabilities as at 31 March 2020.

Notes to the condensed consolidated interim financial statements *(continued)*

4 Use of estimates and judgements *(continued)*

Impact of COVID-19 *(continued)*

i) Credit risk management

A key element in determining the ECL is the assessment of whether a SICR has occurred or not, and hence whether a lifetime Probability of Default (PD) or a 12-month PD is applied. UAE government's support measures including the Central Bank's TESS program, have been considered within this assessment which include both quantitative and qualitative criteria and are subject to significant judgment due to the rapidly-changing dynamics of COVID-19. The IFRS9 Steering Committee, which reports to Group Risk Committee, is primarily responsible for overseeing the Bank's ECL Models and calculations. This committee is now also closely monitoring the impact of COVID-19 on the Bank's portfolio in close coordination with Credit Executive Committee.

Although it is difficult to assess at this stage the degree of impact faced by each sector though the COVID-19 crisis is expected to affect most of the economy to some degree. However, the main industries directly impacted are hospitality, tourism, leisure, airlines / transportation, retailers and media. In addition, some other industries will indirectly suffer such as contracting, real estate and wholesale trade. Equally, the sharp drop in oil price will affect the oil & gas industry as a whole.

In addition to the management of credit risk described in Note 5 (a) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019, the Bank has undertaken preemptive measures in response to the COVID-19 outbreak. These include significantly reduced underwriting to companies in affected sectors; payment holidays on a case by case basis in the Private sector and SME segment, in line with CBUAE relief program and depending on their underlying credit assessment; and frequent reviews of the Loan to Value ("LTV") ratios on securities held against facilities.

ii) Liquidity risk management

The Bank's management of liquidity risk is disclosed in note 5 (b) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019.

The effects of COVID-19 on the liquidity and funding risk profile of the banking system are evolving and subject to ongoing monitoring and evaluation, as governments around the world intervene in to provide relief and mitigate the adverse effects of the crisis.

The UAE Central Bank has announced a Dh 256 billion monetary stimulus package in an attempt to combat the above effects of COVID-19 and ease the liquidity constraints in the UAE Banking Sector, to enable local banks to support their customers and the local economy through this challenging period. The stimulus package includes the following:

- Temporary relief to certain customers in the way of deferring payments up to Dec 2020, and allowing banks to apply for zero-cost funding from the Central Bank;
- Granted an extension of the capital buffer relief by allowing to use 60% of Capital conservation buffer and 100% of Domestic Systemically Important Bank buffer until 31 December 2021 for banks participating in the TESS program;
- Reduction of the reserve requirements for demand deposits and ELAR for all banks, from 14% to 7% and from 11% to 8% respectively; and
- Planned implementation of certain Basel III capital requirements will be postponed to 31 March 2021.

In response to the COVID-19 outbreak, the Bank invoked its Liquidity Contingency Plan and continues to monitor and respond to all liquidity and funding requirements that are presented. The Bank continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Bank in current extreme stress. As at the reporting date the liquidity and funding position of the bank remains strong and is well placed to absorb and manage the impacts of this disruption.

iii) Use of estimates and judgements

The Bank is of the view that current economic data being published by economists and other bodies is yet to reasonably reflect the impacts of the economic disruption caused by COVID-19 and the economic and financial intervention implemented by the relevant authorities. Nevertheless, in arriving at the current period's ECL charge to comply with IFRS 9 requirements, the Bank has analyzed relevant data and made best estimates to capture the financial impact through management overlays. An overview of the approach applied is as follows:

Notes to the condensed consolidated interim financial statements *(continued)*

4 Use of estimates and judgements *(continued)*

Impact of COVID-19 *(continued)*

iii) Use of estimates and judgements *(continued)*

a) Significant Increase in Credit Risk ("SICR")

The Bank's existing Significant Increase in Credit Risk ("SICR") criteria is disclosed in note 5 (a) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019.

In the absence of sufficient and timely data to update the loan credit risk ratings, which are a core element of assessing SICR, for the purpose of Q1 2020 reporting, the Bank has applied a variety of factors to quantify the potential impact. To apply the SICR criteria on exposures in light of the COVID-19 impact, the Bank is in the process of segregating its portfolio into two categories of borrowers:

1) Customers that are temporarily and / or mildly impacted by the COVID-19

This sub-segment includes borrowers for which the credit deterioration is not considered significant enough to trigger a SICR. Such customers are expected to face short term liquidity issues caused by business disruption / salary cuts and are expected to recover rapidly once the economic environment stabilizes.

2) Customers that are significantly expected to be impacted by COVID-19

This sub-segment includes borrowers for which the credit deterioration is more significant and prolonged, ranging beyond liquidity issues, with an extended recovery period.

The Bank is adopting the above guidelines on borrowers that have defaulted and/or approach the Bank for concessions in determining SICR as summarized below:

- Concessions on principal and interest offered to customers or entire group of customers in the "severely impacted segment" will trigger SICR;
- Borrowers that have become delinquent post COVID-19, which fall in the "mildly impacted segment", and are expected to be regularized shortly, will not trigger SICR.

a) Macro economic factors

The bank uses a range of macro-economic factors in ECL assessment relevant to multiple jurisdictions of operations. These are disclosed in note 5 (a) of annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019. The bank periodically reviews and updates selected economic series and applies judgment in determining what constitutes reasonable and forward-looking estimates.

For Q1 2020, the bank reviewed economic series (e.g., Oil price 1 year-projected change at 57.94%, UAE 1 year change HPI index at 93.57%). The Bank has used the mechanism to stress the probability scenario weightages (Base scenario reduced from 40% to 30% and downturn scenario increased from 30% to 40%) to estimate additional ECL requirements due to COVID-19 as in comparison to the scenario weightages used as of Dec 2019. As such, for the period ended 31 March 2020, the Bank has taken as a part of management overlays, COVID-19 impact which is included in the net impairment charge of AED 738 million for the period.

b) Exposure estimates

In the context of COVID-19 crisis, Loss Given Default ("LGD") and Exposure at Default ("EAD") estimates have also been critically assessed. This assessment has considered several aspects including, the cash situation of clients, the value of collateral and the enforceability of guarantees.

Notwithstanding the above, the Bank is well placed to absorb the shock of any deteriorations in credit quality that might occur due to the COVID-19 impact and any expected credit losses arising as a result, based on its strong capital and liquidity position, its privileged position as the major lender to the UAE Government and public sector which continues to provide a high quality source of asset growth and the support by the CB UAE in temporary allowances on capital and liquidity requirements.

Notes to the condensed consolidated interim financial statements (continued)

5 Financial risk management

Credit risk

The Group's credit concentration by counterparty for trading securities and non-trading investments are disclosed below:

	Investments at fair value through profit or loss		Non-trading investments	
	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Government sector	6,759,880	7,973,070	53,288,398	58,151,621
Supranational	1,572,877	1,851,821	904,872	1,806,646
Public sector	1,015,275	1,442,491	23,236,071	23,953,560
Banking sector	7,469,454	6,718,571	28,548,766	23,049,215
Corporate / private sector	2,020,510	2,113,228	7,847,791	7,684,400
	18,837,996	20,099,181	113,825,898	114,645,442
Less: allowance for impairment (expected credit loss) on amortised cost securities	-	-	(826)	(1,020)
	18,837,996	20,099,181	113,825,072	114,644,422

The external ratings for trading securities and non-trading investments are disclosed below:

	Investments at fair value through profit or loss		Non-trading investments	
	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
AAA	111,364	4,076	12,945,611	16,237,301
AA to A	8,565,483	9,030,149	73,129,340	71,921,751
BBB and below	4,334,415	6,577,622	23,156,668	21,514,326
Unrated	5,826,734	4,487,334	4,594,279	4,972,064
	18,837,996	20,099,181	113,825,898	114,645,442

Investments at fair value through profit or loss includes investment in equity instruments and private equity funds which do not carry credit risk (refer Note 8).

Notes to the condensed consolidated interim financial statements (continued)

5 Financial risk management (continued)

Credit risk (continued)

The Group also measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The carrying amount of financial assets represents the maximum credit exposure.

As at 31 March 2020	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired ⁴		Total	
	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision
Balances with central Banks	170,995,611	27,598	3,457,222	115,056	-	-	-	-	174,452,833	142,654
Due from banks and financial institutions	34,359,060	16,676	763,799	51,590	-	-	-	-	35,122,859	68,266
Reverse repurchase Agreements	24,053,681	1,920	-	-	-	-	-	-	24,053,681	1,920
Loans and advances ¹	360,628,946	2,063,610	18,729,237	3,200,291	12,369,207	4,850,649	4,837,425	1,468,377	396,564,815	11,582,927
Non-trading investments										
Amortised cost	4,263,269	826	-	-	-	-	-	-	4,263,269	826
FVOCI Debt ²	109,000,180	166,119	22,177	2,336	-	-	-	-	109,022,357	168,455
Other assets ³	12,267,211	70,432	125,589	2,753	1,601	201	-	-	12,394,401	73,386
Unfunded exposure	220,940,437	201,835	5,583,117	129,424	1,370,216	291,843	-	-	227,893,770	623,102
	<u>936,508,395</u>	<u>2,549,016</u>	<u>28,681,141</u>	<u>3,501,450</u>	<u>13,741,024</u>	<u>5,142,693</u>	<u>4,837,425</u>	<u>1,468,377</u>	<u>983,767,985</u>	<u>12,661,536</u>

¹The exposure represents gross loans and advances.

²The provision against financial instruments classified as FVOCI is included in the fair value reserve.

³On certain assets included as part of other assets, ECL is computed based on simplified approach and reported as part of stage 1.

⁴The Group, from an internal credit quality point of view, considers AED 4,667 million as par to non-performing loans.

Notes to the condensed consolidated interim financial statements (continued)

5 Financial risk management (continued)

Credit risk (continued)

As at 31 December 2019	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired ⁴		Total	
	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision
Balances with central banks	164,343,649	40,694	3,520,018	112,473	-	-	-	-	167,863,667	153,167
Due from banks and financial institutions	16,186,541	10,310	887,930	37,659	-	-	-	-	17,074,471	47,969
Reverse repurchase agreements	24,678,789	414	-	-	-	-	-	-	24,678,789	414
Loans and advances ¹	385,583,423	1,739,418	19,642,585	3,228,577	11,768,567	4,581,173	4,735,753	1,478,975	421,730,328	11,028,143
Non-trading investments										
Amortised cost	5,387,087	1,020	-	-	-	-	-	-	5,387,087	1,020
FVOCI Debt ²	108,576,288	159,477	22,582	1,806	-	-	-	-	108,598,870	161,283
Other assets ³	13,282,010	61,762	46,176	1,363	3,791	486	-	-	13,331,977	63,611
Unfunded exposure	200,490,346	190,504	5,341,218	106,985	1,532,564	304,272	-	-	207,364,128	601,761
	<u>918,528,133</u>	<u>2,203,599</u>	<u>29,460,509</u>	<u>3,488,863</u>	<u>13,304,922</u>	<u>4,885,931</u>	<u>4,735,753</u>	<u>1,478,975</u>	<u>966,029,317</u>	<u>12,057,368</u>

¹The exposure represents gross loans and advances.

²The provision against financial instruments classified as FVOCI is included in the fair value reserve.

³On certain assets included as part of other assets, ECL is computed based on simplified approach and reported as part of stage 1.

⁴The Group, from an internal credit quality point of view, considers AED 4,560 million as par to non-performing loans.

Notes to the condensed consolidated interim financial statements (continued)

5 Financial risk management (continued)

Credit risk (continued)

The movement in the allowance for impairment during the period is shown below:

	(Unaudited) Three month period ended 31 Mar 2020 AED'000	(Unaudited) Three month period ended 31 Mar 2019 AED'000
Beginning of the period	12,057,368	12,769,210
Net charge for impairment of financial instruments	764,219	410,638
Amounts written off and other adjustment	(160,051)	(264,174)
End of the period	<u>12,661,536</u>	<u>12,915,674</u>

6 Financial assets and liabilities

Financial instruments measured at fair value - hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 Mar 2020 (Unaudited)				
Investment at fair value through profit or loss	11,972,168	5,282,023	1,583,805	18,837,996
FVOCI - with recycle to profit or loss	105,394,247	3,628,084	-	109,022,331
FVOCI - without recycle to profit or loss	454,391	-	22,447	476,838
Derivative financial instruments (Assets)	220,685	34,349,329	-	34,570,014
	<u>118,041,491</u>	<u>43,259,436</u>	<u>1,606,252</u>	<u>162,907,179</u>
Term borrowings	-	371,755	-	371,755
Derivative financial instruments (Liabilities)	96,408	40,235,568	-	40,331,976
	<u>96,408</u>	<u>40,607,323</u>	<u>-</u>	<u>40,703,731</u>

Notes to the condensed consolidated interim financial statements (continued)

6 Financial assets and liabilities (continued)

Financial instruments measured at fair value – hierarchy (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2019				
Investment at fair value through profit or loss	15,150,281	3,468,678	1,480,222	20,099,181
FVOCI - with recycle to profit or loss	103,832,350	4,766,520	-	108,598,870
FVOCI - without recycle to profit or loss	573,601	-	22,485	596,086
Derivative financial instruments (Assets)	5,393	15,911,928	-	15,917,321
	<u>119,561,625</u>	<u>24,147,126</u>	<u>1,502,707</u>	<u>145,211,458</u>
Term borrowings	-	399,025	-	399,025
Derivative financial instruments (Liabilities)	65,518	19,163,023	-	19,228,541
	<u>65,518</u>	<u>19,562,048</u>	<u>-</u>	<u>19,627,566</u>

There were no transfers between the fair value hierarchies for any financial asset or liability except for four securities in fair value through OCI classification which were moved from level 2 to level 1 amounting to AED 1,324.6 million. In regards to financial instruments at fair value through profit or loss, two securities were moved from level 2 to level 1 amounting to AED 74.4 million.

The valuation techniques and inputs used in these condensed consolidated interim financial statements are same as those prescribed in the Group as at and for the year ended 31 December 2019.

7 Cash and balances with central banks

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Cash on hand	1,640,324	1,991,508
Central Bank of the UAE		
cash reserve deposits	31,217,339	29,796,172
certificates of deposits	18,007,238	21,989,135
other balances	515,582	883,662
Balances with other central banks	124,712,674	115,194,698
	<u>176,093,157</u>	<u>169,855,175</u>
Less: expected credit losses	(142,654)	(153,167)
	<u>175,950,503</u>	<u>169,702,008</u>

Cash reserve deposits are not available for the day to day operations of the Group.

Notes to the condensed consolidated interim financial statements (continued)

8 Investments at fair value through profit or loss

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Investments in managed funds	6,020	6,380
Investment in private equity	1,643,544	1,591,074
Investments in equities	586,816	1,116,477
Debt securities	16,601,616	17,385,250
	<u>18,837,996</u>	<u>20,099,181</u>

9 Loans and advances

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Gross loans and advances	396,564,815	421,730,328
Less: interest suspended	(3,148,477)	(2,799,157)
Less: expected credit losses	(11,582,927)	(11,028,143)
Net loans and advances	<u>381,833,411</u>	<u>407,903,028</u>

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
By counterparty:		
Government sector	36,502,467	66,387,415
Public sector	76,521,509	77,077,046
Banking sector	23,823,753	24,681,349
Corporate / private sector	186,747,469	180,950,089
Personal / retail sector	72,969,617	72,634,429
Gross loans and advances	<u>396,564,815</u>	<u>421,730,328</u>

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
By product:		
Overdrafts	25,408,219	24,652,642
Term loans	298,576,325	324,545,497
Trade related loans	33,684,312	33,778,265
Personal loans	31,831,240	31,493,689
Credit cards	5,793,908	6,019,027
Vehicle financing loans	1,270,811	1,241,208
Gross loans and advances	<u>396,564,815</u>	<u>421,730,328</u>

Notes to the condensed consolidated interim financial statements (continued)

9 Loans and advances (continued)

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Concentration by industry sector:		
Agriculture	477,126	667,898
Energy	35,480,036	35,946,386
Manufacturing	24,403,964	23,859,479
Construction	10,488,784	10,212,445
Real estate	81,982,998	81,283,262
Trading	25,874,461	25,288,459
Transport and communication	26,945,182	25,534,949
Banks	23,823,753	24,681,349
Other financial institutions	35,835,645	33,943,336
Services	21,729,991	21,063,352
Government	36,502,467	66,387,415
Personal - Loans & Credit Cards	53,201,238	53,826,058
Personal - Retail Mortgage	19,768,379	18,808,371
Others	50,791	227,569
	<u>396,564,815</u>	<u>421,730,328</u>

10 Non-trading Investments

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Fair value through other comprehensive income:		
- with recycle to profit or loss (Debt Investments)	109,022,357	108,598,870
- without recycle to profit or loss (Equity Investments)	476,812	596,086
Amortised cost	4,263,269	5,387,087
Investment in associates and joint venture	63,460	63,399
	<u>113,825,898</u>	<u>114,645,442</u>
Less: expected credit losses	(826)	(1,020)
	<u>113,825,072</u>	<u>114,644,422</u>

Notes to the condensed consolidated interim financial statements (continued)

10 Non-trading Investments (continued)

An analysis of non-trading investments by type at the reporting date is shown below:

	(Unaudited) 31 Mar 2020 AED'000			(Audited) 31 Dec 2019 AED'000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity investments	454,391	85,906	540,297	523,401	136,084	659,485
Debt investments	112,128,605	1,156,996	113,285,601	113,065,018	920,939	113,985,957
	<u>112,582,996</u>	<u>1,242,902</u>	<u>113,825,898</u>	<u>113,588,419</u>	<u>1,057,023</u>	<u>114,645,442</u>
Less: expected credit losses	(804)	(22)	(826)	(1,002)	(18)	(1,020)
	<u>112,582,192</u>	<u>1,242,880</u>	<u>113,825,072</u>	<u>113,587,417</u>	<u>1,057,005</u>	<u>114,644,422</u>

Debt instruments under repurchase agreements included in non-trading investments amounted to AED 34,362 million (31 December 2019: AED 28,428 million).

11 Investment Properties

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Beginning of the period	7,956,854	7,388,493
Additions / transfer from PPE	836,536	583,789
Disposals / transfer to PPE	-	(8,729)
Fair value adjustment	-	(6,699)
End of the period	<u>8,793,390</u>	<u>7,956,854</u>

The fair value of the properties is based on the valuations performed by third party valuers as at 31 December 2019 and all are level 3 under fair value hierarchy.

12 Intangibles

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Goodwill	17,370,249	17,370,249
Customer relationship	1,774,716	1,774,716
Core deposits	593,335	593,335
License	368,700	368,700
Brand	22,000	22,000
	<u>20,129,000</u>	<u>20,129,000</u>
Accumulated amortisation	(680,944)	(630,913)
	<u>19,448,056</u>	<u>19,498,087</u>

Notes to the condensed consolidated interim financial statements (continued)

13 Due to banks and financial institutions

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Banks and financial institutions	20,738,817	16,946,175
Central banks	39,191,676	19,061,700
	<u>59,930,493</u>	<u>36,007,875</u>

14 Commercial paper

The Bank has established two Euro Commercial Paper programmes with programme limits totaling up to USD 10.5 billion in aggregate. The Bank also has a "US Dollar Commercial Paper programme" with a programme limit of USD 5 billion.

The notes outstanding as at the end of the reporting date amounted to AED 16,563 million (2019: AED 21,237 million) and have maturity period of less than 12 months.

The Group has not had any defaults of principal, interests or other breaches with respect to its Commercial paper programmes till 31 March 2020.

15 Customer accounts and other deposits

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
By account:		
Current accounts	170,317,854	163,661,767
Savings accounts	10,705,318	10,338,002
Margin accounts	2,874,708	2,921,202
Notice and time deposits	292,517,967	311,441,597
	<u>476,415,847</u>	<u>488,362,568</u>
Certificates of deposit	20,710,290	30,799,289
	<u>497,126,137</u>	<u>519,161,857</u>
By counterparty:		
Government sector	105,062,537	152,374,406
Public sector	89,917,234	88,803,076
Corporate / private sector	203,917,325	166,584,489
Personal / retail sector	77,518,751	80,600,597
	<u>476,415,847</u>	<u>488,362,568</u>
Certificates of deposit	20,710,290	30,799,289
	<u>497,126,137</u>	<u>519,161,857</u>

Notes to the condensed consolidated interim financial statements (continued)

16 Term borrowings

		31 March 2020 (Unaudited)						31 December 2019 (Audited)					
Currency	Interest	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 Years AED'000	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 Years AED'000	Total AED'000
AED	Fixed rate of 4.00% to 4.20% p.a.	-	-	-	3,318	81,248	84,566	-	-	-	3,689	92,988	96,677
AUD	Fixed rate of 3.17% to 3.37% p.a.	67,379	-	68,348	-	-	135,727	-	77,803	78,468	-	-	156,271
AUD	3 month AUD BBSW + till 0.9% p.a.	-	-	55,852	781,362	66,791	904,005	-	-	64,403	-	77,557	141,960
CHF	Fixed rate of 0.16% to 0.625% p.a.	-	-	763,123	2,100,993	1,125,924	3,990,040	-	-	762,375	2,089,794	1,118,045	3,970,214
CNH	Fixed rate of 4.00% to 4.80% p.a.	-	535,693	968,919	1,512,679	-	3,017,291	105,760	58,750	1,459,407	1,406,112	-	3,030,029
EUR	Fixed rate of 0.516% to 3.00% p.a.	100,755	-	-	99,792	668,979	869,526	-	103,202	-	101,366	629,286	833,854
EUR	3 month EURIBOR + 0.699% p.a.	-	241,366	-	-	-	241,366	-	246,699	-	-	-	246,699
GBP	Fixed rate of 1.375% to 2.205% p.a.	-	-	2,139,587	-	225,369	2,364,956	-	-	121,897	-	233,411	355,308
GBP	3 month GBP LIBOR + till 0.747% p.a.	1,547,153	-	113,686	-	-	1,660,839	-	1,647,446	121,012	-	-	1,768,458
HKD	Fixed rate of 2.37% to 4.18% p.a.	170,586	76,775	537,574	499,062	250,178	1,534,175	75,378	169,701	599,435	482,837	231,203	1,558,554
JPY	Fixed rate of 2.60% p.a.	-	-	-	-	360,028	360,028	-	-	-	-	357,315	357,315
MXN	Fixed rate of 0.50% p.a.	-	-	-	-	691	691	-	-	-	-	3,010	3,010
MYR	Fixed rate of 4.90% p.a.	-	428,646	-	-	-	428,646	-	450,428	-	-	-	450,428
USD	Fixed rate of till 5.207% p.a.	9,181	136,160	4,986,302	7,165,421	16,751,245	29,048,309	5,870,694	72,519	2,354,991	7,770,416	14,434,213	30,502,833
USD	3 month LIBOR + till 1.909% p.a.	1,175,374	193,579	5,126,915	5,886,666	183,650	12,566,184	346,410	1,368,711	4,628,328	5,753,110	183,650	12,280,209
		3,070,428	1,612,219	14,760,306	18,049,293	19,714,103	57,206,349	6,398,242	4,195,259	10,190,316	17,607,324	17,360,678	55,751,819

Notes to the condensed consolidated interim financial statements *(continued)*

16 Term borrowings *(continued)*

During the period, the Bank has issued various fixed and floating rate notes. The movement of term borrowings during the period is below:

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Beginning of the period	55,751,819	42,268,173
New issuances	7,257,909	23,906,212
Redemptions	(6,484,034)	(13,529,379)
Fair valuation, exchange and other adjustments	680,655	3,106,813
End of the period	<u>57,206,349</u>	<u>55,751,819</u>

17 Subordinated notes

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
10 December 2012 issue <i>(4.75 percent fixed rate maturing on 9 December 2027)</i>	<u>396,241</u>	<u>381,305</u>

The Bank has hedged the interest rate and foreign currency exposure on the subordinated notes. The Bank has not had any defaults of principal, interests, or other breaches with respect to its subordinated notes during the three months period ended 31 March 2020.

18 Capital and reserves

Share Capital

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Ordinary paid up shares of AED 1 each	<u>10,920,000</u>	<u>10,920,000</u>
Treasury shares of AED 1 each	<u>18,719</u>	<u>18,864</u>

At the Annual General Meeting (AGM) held on 25 February 2020, the shareholders of the Bank approved a cash dividend of AED 0.74 per ordinary shares amounting to AED 8,080 million *(31 December 2018: AED 0.74 per ordinary share amounting to AED 8,064 million)*.

Notes to the condensed consolidated interim financial statements (continued)

18 Capital and reserves (continued)

Other reserves

	Fair value reserve AED'000	General reserve AED'000	Foreign currency translation reserve AED'000	Revaluati- on reserve AED'000	IFRS 9 reserve - specific AED'000	IFRS 9 reserve – collective AED'000	Total AED'000
As at 1 January 2020	1,361,293	228,265	(354,657)	280,601	315,908	642,622	2,474,032
Other comprehensive income / (loss) for the period	(8,016,341)	-	(104,217)	-	-	-	(8,120,558)
Balance at 31 March 2020	<u>(6,655,048)</u>	<u>228,265</u>	<u>(458,874)</u>	<u>280,601</u>	<u>315,908</u>	<u>642,622</u>	<u>(5,646,526)</u>
As at 1 January 2019	(598,021)	228,265	(310,931)	280,601	297,621	64,988	(37,477)
Other comprehensive income / (loss) for the period	912,497	-	(1,747)	-	-	-	910,750
IFRS 9 reserve movement	-	-	-	-	3,980	41,601	45,581
Realised gain on sale of FVOCI Investment	(2,324)	-	-	-	-	-	(2,324)
Balance at 31 March 2019	<u>312,152</u>	<u>228,265</u>	<u>(312,678)</u>	<u>280,601</u>	<u>301,601</u>	<u>106,589</u>	<u>916,530</u>

19 Tier 1 capital notes

	Currency	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Government of Abu Dhabi Notes (6 month EIBOR plus 2.3 percent per annum)	AED	8,000,000	8,000,000
USD 750 million Notes (5.25 percent fixed rate until 2020, thereafter 5 year mid swap rate plus 3.35 percent per annum)	USD	2,754,750	2,754,750
		<u>10,754,750</u>	<u>10,754,750</u>

Tier 1 capital notes are perpetual, subordinated, unsecured and carry coupons to be paid semi-annually in arrears. The Bank may elect not to pay a coupon at its own discretion. The note holder does not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default. In addition, there are certain circumstances under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date.

If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Notes except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full.

During the period, coupon payment election was made by the Bank in the amount of AED 192,806 thousand (31 March 2019: AED 209,134 thousand).

Notes to the condensed consolidated interim financial statements (continued)

20 Share option scheme

The Group had introduced in 2008 a share based payment scheme (the "Scheme") for selected employees which would vest over three years and can be exercised within the next three years after the vesting period. The key vesting condition is that the option holder is in continued employment with the Bank until the end of the vesting period. The options lapse nine years after their date of grant irrespective of whether they are exercised or not.

The Group established a subsidiary to issue shares when the vested option is exercised by the employee. These shares are treated as treasury shares until exercised by the option holders.

During the period, 145 thousand options (31 March 2019: 24,031 thousand) had been exercised by the option holders resulting in an increase in the share capital by AED 145 thousand (31 March 2019: AED 24,031 thousand) and share premium by AED 1,499 thousand (31 March 2019: AED 202,108 thousand).

21 Commitments and contingencies

The Group, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn loan commitments.

There were no other significant changes in contingent liabilities and commitments during the period other than those arising out of normal course of business.

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Letter of credit	60,437,491	63,227,522
Letters of guarantees	102,943,925	102,673,707
Financial guarantees	804,152	2,020,873
Irrevocable Undrawn commitments	63,708,202	39,442,026
Private Equity commitments	676,310	794,001
	<u>228,570,080</u>	<u>208,158,129</u>

22 Cash and cash equivalents

	(Unaudited) 31 Mar 2020 AED'000	(Audited) 31 Dec 2019 AED'000
Cash and balances with Central Banks	176,093,157	169,855,176
Due from banks and financial institutions	35,122,859	17,074,471
	<u>211,216,016</u>	<u>186,929,647</u>
Less: Balances with Central Banks maturing after three months of placement	(13,327,506)	(21,493,508)
Less: Due from banks and financial institutions maturing after three months of placement	(25,534,224)	(14,091,205)
	<u>172,354,286</u>	<u>151,344,934</u>

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central banks and highly liquid financial assets with original maturities of three months or less from the date of its acquisition.

Notes to the condensed consolidated interim financial statements *(continued)*

23 Net foreign exchange gain

	(Unaudited) Three month period ended 31 Mar 2020 AED'000	(Unaudited) Three month period ended 31 Mar 2019 AED'000
Trading and retranslation gain on foreign exchange and related derivatives ^{1,2}	386,497	516,984
Dealings with customers ³	197,159	130,021
	<u>583,656</u>	<u>647,005</u>

¹ Due to effective hedging strategies, the offsetting impact of hedging instruments is reflected in the net gains from sale of non-trading investments.

² Includes negative interest income of AED 69.4 million (31 March 2019: AED 83.8 million) arising from placement with ECB.

³ The comparatives have been restated to include customer facing portfolios which were in the prior periods included within trading and retranslation gain on foreign exchange and related derivatives.

24 Net gain on investments and derivatives

	(Unaudited) Three month period ended 31 Mar 2020 AED'000	(Unaudited) Three month period ended 31 Mar 2019 AED'000
Net realised and unrealized (loss) / gain on investments at fair value through profit or loss and derivatives	(278,656)	287,054
Net gain from sale of non-trading investments	281,893	25,443
Dividend income	35,050	11,528
	<u>38,287</u>	<u>324,025</u>

25 Other Operating Income

	(Unaudited) Three month period ended 31 Mar 2020 AED'000	(Unaudited) Three month period ended 31 Mar 2019 AED'000
Investment property income	5,235	5,397
Leasing related income	30,667	22,576
Other income	8,627	12,735
	<u>44,529</u>	<u>40,708</u>

Notes to the condensed consolidated interim financial statements *(continued)*

26 General, administration and other operating expenses

	(Unaudited) Three month period ended 31 Mar 2020 AED'000	(Unaudited) Three month period ended 31 Mar 2019 AED'000
Staff costs	755,237	800,894
Other general and administration expenses	404,175	350,598
Depreciation	120,428	96,658
Intangibles <i>(note 12)</i>	50,031	50,017
Sponsorships and donations	22,638	15,724
	<u>1,352,509</u>	<u>1,313,891</u>

27 Net impairment charge

	(Unaudited) Three month period ended 31 Mar 2020 AED'000	(Unaudited) Three month period ended 31 Mar 2019 AED'000
Impairment charge on loans and advances	712,369	388,784
other financial assets	29,683	(42,044)
unfunded exposures	22,167	63,898
other non-financial instruments	23	-
Recoveries	(51,617)	(50,695)
Write-off of impaired financial assets	25,561	47,518
	<u>738,186</u>	<u>407,461</u>

Notes to the condensed consolidated interim financial statements *(continued)*

28 Earnings per share

Earnings per share is calculated by dividing the net profit for the period after deduction of Tier 1 capital notes payment by the weighted average number of ordinary shares in issue during the period as set out below:

	(Unaudited) Three month period ended 31 Mar 2020	(Unaudited) Three month period ended 31 Mar 2019
Basic earnings per share:		
Net profit for the period (AED'000)	2,408,261	3,106,653
Less: payment on Tier 1 capital notes (AED'000)	(192,806)	(209,134)
Net profit after payment of Tier 1 capital notes (AED'000)	<u>2,215,455</u>	<u>2,897,519</u>
Weighted average number of ordinary shares:		
Number of shares issued / deemed to be outstanding from the beginning of the period ('000)	10,901,136	10,872,015
Weighted average number of shares exercised under the share options scheme ('000)	61	15,536
Weighted average number of ordinary shares ('000)	<u>10,901,197</u>	<u>10,887,551</u>
Basic earnings per share (AED)	<u>0.20</u>	<u>0.27</u>
Diluted earnings per share:		
Net profit after payment of Tier 1 capital notes (AED'000)	2,215,455	2,897,519
Weighted average number of ordinary shares ('000)	10,901,197	10,887,551
Weighted average number of dilutive shares under share options scheme ('000)	1,454	7,444
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	<u>10,902,651</u>	<u>10,894,995</u>
Diluted earnings per share (AED)	<u>0.20</u>	<u>0.27</u>

Notes to the condensed consolidated interim financial statements *(continued)*

29 Segmental information

The operating structure consists of four key Business segments across Geographic segments that are driving the business strategy, customer value propositions, products and channel development and customer relationships in addition to supporting the delivery of the Group's financial performance.

Business segments

Corporate & Investment Banking ("CIB")

Covers corporate and institutional clients through dedicated client segments (Corporate Banking, Institutional Banking, Commercial Banking, Privileged Clients Groups and Financial Institutions). CIB offers Credit facilities, Global Transaction Services, Corporate Finance, Islamic Finance and Global Markets products to both UAE and international clients.

Personal Banking Group ("PBG")

The business targets retail, affluent, high net-worth customers, Islamic consumer finance and SME customer segments. The products' ranges offered include every day banking products such as current accounts, deposits, credit cards, loans, sophisticated investment solutions, business banking products and services. The business furnishes variety of distribution and sales channels, including mobile and internet banking, branches, direct sales agents and through its banking subsidiaries namely Dubai First, Aseel and First Abu Dhabi Islamic Finance.

Subsidiaries

The business includes a diversified business model supported by complementary offerings provided across real estate, property management, brokerage and conventional banking. This business covers subsidiaries partially or fully owned by the Group, namely FAB Properties, ADNP, Mismak, FAB Securities and First Gulf Libyan Bank.

Head office

The Group provides centralized human resources, information technology, operations, finance, strategy, investor relations, risk management, credit management, corporate communications, legal & compliance, internal audit, procurement, treasury operations, integration management office and administrative support to all of its business units.

Geographic segments

The Group is managing its various business segments through a network of branches, subsidiaries and representative offices within the two defined geographic segments which are UAE and International. International business is further sub-divided into two sub-segments which are Europe, Americas, Middle East and Africa ("EAMEA") and Asia Pacific ("APAC").

- **Europe, Americas, Middle East and Africa (EAMEA)**
FAB network in the EAMEA region is operated through its presence in United States of America, Brazil, United Kingdom, France, Switzerland, Oman, Bahrain, Qatar, Egypt, Sudan, Kuwait, Lebanon, Jordan, and Kingdom of Saudi Arabia.
- **Asia Pacific (APAC)**
FAB's business in the Asia region is run through its presence in Singapore, Hong Kong, Korea, China, Malaysia and India.

Notes to the condensed consolidated interim financial statements (continued)

29 Segmental information (continued)

	Business Segment					Geographic Segment			
	Corporate and Investment Banking AED'000	Personal Banking Group AED'000	Subsidiaries AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Europe, Americas, Middle East and Africa AED'000	Asia - Pacific AED'000	Total AED'000
<i>For the three month period ended 31 March 2020 (Unaudited)</i>									
Net interest income	1,419,215	1,397,327	(43,168)	287,385	3,060,759	2,574,984	389,880	95,895	3,060,759
Net non-interest income	1,003,490	466,457	56,240	(20,799)	1,505,388	1,261,090	183,587	60,711	1,505,388
Operating income	<u>2,422,705</u>	<u>1,863,784</u>	<u>13,072</u>	<u>266,586</u>	<u>4,566,147</u>	<u>3,836,074</u>	<u>573,467</u>	<u>156,606</u>	<u>4,566,147</u>
General administration and other operating expenses	541,214	737,925	33,526	39,844	1,352,509	1,067,670	223,612	61,227	1,352,509
Net impairment charge	<u>177,440</u>	<u>351,004</u>	<u>22,877</u>	<u>186,865</u>	<u>738,186</u>	<u>640,844</u>	<u>66,204</u>	<u>31,138</u>	<u>738,186</u>
Profit before taxation	<u>1,704,051</u>	<u>774,855</u>	<u>(43,331)</u>	<u>39,877</u>	<u>2,475,452</u>	<u>2,127,560</u>	<u>283,651</u>	<u>64,241</u>	<u>2,475,452</u>
Overseas taxation	<u>46,896</u>	<u>23,437</u>	<u>785</u>	<u>5,489</u>	<u>76,607</u>	<u>218</u>	<u>53,558</u>	<u>22,831</u>	<u>76,607</u>
Net profit for the period	<u>1,657,155</u>	<u>751,418</u>	<u>(44,116)</u>	<u>34,388</u>	<u>2,398,845</u>	<u>2,127,342</u>	<u>230,093</u>	<u>41,410</u>	<u>2,398,845</u>
<i>As at 31 March 2020 (Unaudited)</i>									
Segment total assets	<u>726,164,095</u>	<u>105,907,984</u>	<u>13,233,919</u>	<u>117,567,112</u>	<u>962,873,110</u>	<u>657,997,339</u>	<u>214,584,214</u>	<u>46,530,510</u>	<u>919,112,063</u>
Inter segment balances					(127,514,448)				(83,753,401)
Total assets					<u>835,358,662</u>				<u>835,358,662</u>
Segment total liabilities	<u>579,417,844</u>	<u>93,437,649</u>	<u>10,373,046</u>	<u>185,591,550</u>	<u>868,820,089</u>	<u>584,965,019</u>	<u>199,153,378</u>	<u>40,940,645</u>	<u>825,059,042</u>
Inter segment balances					(127,514,448)				(83,753,401)
Total liabilities					<u>741,305,641</u>				<u>741,305,641</u>

Notes to the condensed consolidated interim financial statements (continued)

29 Segmental information (continued)

	Business Segment					Geographic Segment			
	Corporate and Investment Banking AED'000	Personal Banking Group AED'000	Subsidiaries AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Europe, Americas, Middle East and Africa AED'000	Asia - Pacific AED'000	Total AED'000
<i>For the three month period ended 31 March 2019 (Unaudited)</i>									
Net interest income	1,330,118	1,384,016	(19,379)	419,494	3,114,249	2,689,473	343,399	81,377	3,114,249
Net non-interest income	1,443,310	359,844	52,071	(27,317)	1,827,908	1,543,332	200,779	83,797	1,827,908
Operating income	<u>2,773,428</u>	<u>1,743,860</u>	<u>32,692</u>	<u>392,177</u>	<u>4,942,157</u>	<u>4,232,805</u>	<u>544,178</u>	<u>165,174</u>	<u>4,942,157</u>
General administration and other operating expenses	497,222	706,165	36,030	74,474	1,313,891	1,068,642	190,084	55,165	1,313,891
Net impairment charge	<u>335,518</u>	<u>130,622</u>	<u>(76,645)</u>	<u>17,966</u>	<u>407,461</u>	<u>343,742</u>	<u>68,250</u>	<u>(4,531)</u>	<u>407,461</u>
Profit before taxation	<u>1,940,688</u>	<u>907,073</u>	<u>73,307</u>	<u>299,737</u>	<u>3,220,805</u>	<u>2,820,421</u>	<u>285,844</u>	<u>114,540</u>	<u>3,220,805</u>
Overseas taxation	<u>41,971</u>	<u>26,772</u>	<u>2,648</u>	<u>58</u>	<u>71,449</u>	<u>321</u>	<u>51,318</u>	<u>19,810</u>	<u>71,449</u>
Net profit for the period	<u>1,898,717</u>	<u>880,301</u>	<u>70,659</u>	<u>299,679</u>	<u>3,149,356</u>	<u>2,820,100</u>	<u>234,526</u>	<u>94,730</u>	<u>3,149,356</u>
<i>As at 31 December 2019(Audited)</i>									
Segment total assets	<u>760,993,361</u>	<u>109,888,175</u>	<u>12,625,249</u>	<u>119,745,452</u>	<u>1,003,252,237</u>	<u>674,788,589</u>	<u>199,587,722</u>	<u>45,597,405</u>	<u>919,973,716</u>
Inter segment balances					<u>(181,284,222)</u>				<u>(98,005,701)</u>
Total assets					<u>821,968,015</u>				<u>821,968,015</u>
Segment total liabilities	<u>550,148,233</u>	<u>97,570,693</u>	<u>9,759,079</u>	<u>237,737,196</u>	<u>895,215,201</u>	<u>585,048,834</u>	<u>187,337,802</u>	<u>39,550,044</u>	<u>811,936,680</u>
Inter segment balances					<u>(181,284,222)</u>				<u>(98,005,701)</u>
Total liabilities					<u>713,930,979</u>				<u>713,930,979</u>

Notes to the condensed consolidated interim financial statements (continued)

30 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholder, directors and key management personnel of the Group. Key management personnel comprise those executive committee members "EXCO" of the Group who are involved in the strategic planning and decision making of the Group. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management.

	31 March 2020 (Unaudited)			31 December 2019 (Audited)
	Senior management and related entities AED'000	Major shareholders AED'000	Total AED'000	Total AED'000
<i>Balances with related parties at the reporting date are shown below:</i>				
Financial assets	6,009,750	51,959,170	57,968,920	50,361,238
Financial liabilities	10,993,736	40,448,275	51,442,011	44,804,811
Contingent liabilities	4,580,987	16,198,403	20,779,390	12,977,634

Transactions carried out during the three month period with related parties are shown below:

	31 Mar 2020 (Unaudited)			31 Mar 2019 (Unaudited)
Interest income	63,849	414,240	478,089	180,873
Interest expense	55,103	53,038	108,141	62,050

31 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform to the presentation adopted in these condensed consolidated interim financial statements.