

**NATIONAL BANK OF  
UMM AL-QAIWAIN (PSC)  
AND SUBSIDIARY**

**Review report and condensed consolidated interim  
financial statements**

**For the three months period ended 31 March 2021**

# **NATIONAL BANK OF UMM AL-QAIWAIN (PSC) AND SUBSIDIARY**

## **Review report and condensed consolidated interim financial statements For the three months period ended 31 March 2021**

<b>Contents</b>	<b>Pages</b>
<b>Report on review of condensed consolidated interim financial statements</b>	<b>1</b>
<b>Consolidated interim statement of financial position</b>	<b>2</b>
<b>Consolidated interim income statement</b>	<b>3</b>
<b>Consolidated interim statement of comprehensive income</b>	<b>4</b>
<b>Consolidated interim statement of changes in equity</b>	<b>5</b>
<b>Consolidated interim statement of cash flows</b>	<b>6</b>
<b>Notes to the condensed consolidated interim financial statements</b>	<b>7 - 24</b>

## **REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF NATIONAL BANK OF UMM AL-QAIWAIN PSC AND SUBSIDIARY**

### ***Introduction***

We have reviewed the accompanying condensed consolidated interim financial statements of National Bank of Umm Al-Qaiwain PSC (the “Bank”) and its subsidiary (collectively referred to as the “Group”), which comprise the consolidated interim statement of financial position as at 31 March 2021 and the related consolidated interim statements of income, comprehensive income, changes in equity and statement of cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”). 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 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young




Signed by:  
Ashraf Abu Sharkh  
Partner  
Registration No. 690

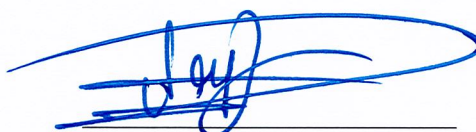
28 April 2021

Sharjah, United Arab Emirates

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary  
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
As at 31 March 2021 (Unaudited)

		<b>31 March 2021 AED '000 (Unaudited)</b>	<b>31 December 2020 AED '000 (Audited)</b>
	<i>Notes</i>		
<b>ASSETS</b>			
Cash and balances with Central Bank of the UAE	4	1,460,955	1,510,911
Due from other banks	5	3,274,148	2,947,129
Loans and advances and Islamic financing receivables	6	7,403,717	7,639,656
Investment securities	7	1,009,484	943,354
Customers' acceptances		192,541	166,207
Investment in an associate		1,044	990
Property and equipment		85,781	86,362
Other assets	8	254,118	251,435
<b>TOTAL ASSETS</b>		<b>13,681,788</b>	<b>13,546,044</b>
<b>LIABILITIES</b>			
Due to other banks	9	97	25
Customers' deposits and Islamic customers' deposits	10	8,178,061	8,224,858
Customers' acceptances		192,541	166,207
Other liabilities	11	475,225	457,532
<b>TOTAL LIABILITIES</b>		<b>8,845,924</b>	<b>8,848,622</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	1,848,000	1,848,000
Statutory reserve		1,019,266	1,019,266
General reserve		6,440	6,440
Cumulative change in fair values		197,587	135,632
Retained earnings		1,764,571	1,688,084
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,835,864</b>	<b>4,697,422</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>13,681,788</b>	<b>13,546,044</b>

  
Nasser Bin Rashid Al Moalla  
Vice Chairman and  
Chairman of Executive Committee

  
Adnan Al Awadhi  
Acting Chief Executive Officer

The attached notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.  
The independent auditor's report on review of the condensed consolidated interim financial statements is set out on page 1.

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

CONSOLIDATED INTERIM INCOME STATEMENT

For the three months period ended 31 March 2021 (Unaudited)

	<i>Notes</i>	<i>Three months period ended 31 March (Unaudited)</i>	
		<i>2021 AED '000</i>	<i>2020 AED '000</i>
Interest income		75,271	113,028
Income from Islamic financing products		8,765	8,349
<b>Total interest income and income from Islamic financing products</b>		<b>84,036</b>	<b>121,377</b>
Interest expense		(13,405)	(28,711)
Distribution to depositors – Islamic products		(96)	(163)
<b>Net interest income and income from Islamic products net of distribution to depositors</b>		<b>70,535</b>	<b>92,503</b>
Net fees and commission income		13,390	22,306
Other operating income		13,183	4,194
<b>GROSS INCOME</b>		<b>97,108</b>	<b>119,003</b>
Operating expenses		(32,159)	(34,321)
Investment gains		27,585	37,378
<b>OPERATING INCOME</b>		<b>92,534</b>	<b>122,060</b>
Share of results from an associate		54	(36)
<b>PROFIT FOR THE PERIOD BEFORE IMPAIRMENT</b>		<b>92,588</b>	<b>122,024</b>
Net Impairment Losses	14	(16,101)	(49,206)
<b>PROFIT FOR THE PERIOD</b>		<b>76,487</b>	<b>72,818</b>
<b>Basic and diluted earnings per share (AED)</b>	15	<b>0.04</b>	<b>0.04</b>

The attached notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

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

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

---

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months period ended 31 March 2021 (Unaudited)

	<i>Three months period ended 31 March (Unaudited)</i>	
	<i>2021 AED '000</i>	<i>2020 AED '000</i>
<b>PROFIT FOR THE PERIOD</b>	<b>76,487</b>	72,818
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net fair value gain / (loss) on investment securities carried at FVTOCI - equity	<b>61,955</b>	(222,656)
Other comprehensive income /(loss) for the period	<b>61,955</b>	(222,656)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>138,442</b>	(149,838)

The attached notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.  
The independent auditor's report on review of the condensed consolidated interim financial statements is set out on page 1.

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2021 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Impairment reserve - general AED '000</i>	<i>Cumulative change in fair values AED '000</i>	<i>Retained earnings AED '000</i>	<i>Total AED '000</i>
Balance as at 1 January 2021 (audited)	1,848,000	1,019,266	6,440	-	135,632	1,688,084	4,697,422
Profit for the period	-	-	-	-	-	76,487	76,487
Other comprehensive income for the period	-	-	-	-	61,955	-	61,955
Total comprehensive income for the period	-	-	-	-	61,955	76,487	138,442
<b>Balance as at 31 March 2021 (unaudited)</b>	<b>1,848,000</b>	<b>1,019,266</b>	<b>6,440</b>	<b>-</b>	<b>197,587</b>	<b>1,764,571</b>	<b>4,835,864</b>
Balance as at 1 January 2020 (audited)	1,848,000	1,019,266	6,440	16,385	211,976	1,667,929	4,769,996
Profit for the period	-	-	-	-	-	72,818	72,818
Other comprehensive loss for the period	-	-	-	-	(222,656)	-	(222,656)
Total comprehensive (loss) / income for the period	-	-	-	-	(222,656)	72,818	(149,838)
Dividend paid (see Note 16)	-	-	-	-	-	(203,280)	(203,280)
Excess provision under Central Bank of the UAE (CBUAE) requirement written back	-	-	-	(14,170)	-	14,170	-
Balance as at 31 March 2020 (unaudited)	1,848,000	1,019,266	6,440	2,215	(10,680)	1,551,637	4,416,878

The attached notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

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

# National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

## CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2021 (Unaudited)

		<i>Three months period ended 31 March (Unaudited)</i>	
	<i>Notes</i>	<i>2021 AED '000</i>	<i>2020 AED '000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period		<b>76,487</b>	72,818
Adjustments for:			
Provision for expected credit losses	14	<b>14,626</b>	47,856
Provision for impairment of inventory	14	<b>1,475</b>	1,350
Depreciation of property and equipment		<b>4,238</b>	2,142
Provision for employee end of service benefits		<b>381</b>	414
(Increase)/Decrease in fair value of investment in securities at FVTPL		<b>(437)</b>	2,739
Discount amortised on investment securities		<b>-</b>	(8)
Dividend income		<b>(27,149)</b>	(40,109)
Loss on disposal of property and equipment		<b>15</b>	16
Share of loss/(profit) from an associate		<b>(54)</b>	36
Operating cash flows before movements in working capital		<b>69,582</b>	87,254
Decrease / (increase) in certificate of deposits with original maturity greater than 3 months		<b>224,000</b>	(50,000)
Increase in statutory deposit with CBUAE		<b>(7,593)</b>	(4,397)
Payment of employee end of service benefits		<b>(1,412)</b>	(1,678)
Decrease in loans and advances and Islamic financing receivables		<b>221,908</b>	106,679
Decrease / (increase) in other assets		<b>5,915</b>	(443)
Decrease in customers' deposits		<b>(46,797)</b>	(95,225)
Decrease/ (increase) in other liabilities		<b>18,341</b>	(32,419)
Net cash generated from operating activities		<b>483,944</b>	9,771
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		<b>(3,739)</b>	(677)
Proceeds from disposal of property and equipment		<b>66</b>	-
Purchase of investment securities		<b>(3,673)</b>	-
Dividend received from investment securities		<b>17,077</b>	18,920
Net cash generated from investing activities		<b>9,731</b>	18,243
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid	16	<b>-</b>	(203,280)
Net cash used in financing activities		<b>-</b>	(203,280)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>493,675</b>	(175,266)
Cash and cash equivalents at the beginning of the period	17	<b>3,672,654</b>	3,633,059
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
	17	<b>4,166,329</b>	3,457,793

The attached notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

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



# National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

### 1. GENERAL INFORMATION

National Bank of Umm Al-Qaiwain (PSC) (the "Bank") is a Public Shareholding Company incorporated in the Emirate of Umm Al-Qaiwain ("UAQ") in the United Arab Emirates ("U.A.E.") by Amiri Decree Number (1) on 5 January 1982, issued by His Highness, the Ruler of Umm Al-Qaiwain, and commenced its operations with effect from 1 August 1982. National Bank of Umm Al-Qaiwain (PSC), and its subsidiary, Twin Towns Marketing Management L.L.C. are together referred to as the "Group". The address of the Bank's registered Head Office is P.O. Box 800, Umm Al-Qaiwain, United Arab Emirates.

The Bank is engaged in providing retail and corporate banking services through a network of 12 branches in the U.A.E. The Group carries out Islamic banking operations through Islamic banking window established in 2005 across all its branch network.

The condensed consolidated interim financial statements of the Group for the three months period ended 31 March 2021 were authorised and approved for issue by the Board of Directors on 28 April 2021.

### 2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

#### 2.1 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2021**

The Group has consistently applied the accounting policies as applied in the annual consolidated financial statements for the year ended 31 December 2020, except for effect of the Inter Bank Offer Rate ("IBOR") transition as mentioned below.

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

The following amendments to existing standards 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.

Description	Effective from
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

#### **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.

#### **Interest Rate Benchmark Reform - Phase 2 amendments**

Effective from 1 January 2021, Interest Rate Benchmark Reform - Phase 2 amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and hedge accounting.

The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. In addition, it provides certain exceptions to hedge accounting requirements.

The Group is in discussion with counterparties in relation to exposure to non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2021. Management believes that the amendments are not expected to have a material on the Group's condensed consolidated interim financial information.

## **2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)**

### **2.1 CHANGES IN ACCOUNTING POLICIES (continued)**

#### **Key accounting estimates and judgments**

The preparation of the condensed consolidated interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial information as at and for the year ended 31 December 2020.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 BASIS OF PREPARATION**

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard No. 34 - *Interim Financial Reporting* issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated interim financial statements are prepared in accordance with the historical cost basis, except for the revaluation of certain financial instruments.

The condensed consolidated interim financial statements are presented in U.A.E. Dirhams (AED) as that is the functional currency in which the majority of the Group's transactions are denominated. All financial information presented in AED has been rounded off to the nearest thousand, unless otherwise stated.

These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2020. In addition, results for the three months period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

### **3.2 BASIS OF CONSOLIDATION**

These condensed consolidated interim financial statements incorporate the financial statements of the Bank and entity controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The condensed consolidated interim financial statements comprise the financial statements of the Bank and of the subsidiary as disclosed in the annual audited financial statements for the year ended 31 December 2020. The financial year end for the subsidiary is the same as that of the Bank.

### **3.3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies 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 changes in accounting policies explained in Note 2.1.

# National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

### 4. CASH AND BALANCES WITH THE U.A.E. CENTRAL BANK

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
<b>Balances with CBUAE</b>		
Current account	23,154	12,912
Deposits with CBUAE *	1,011,929	1,085,000
Statutory deposit	319,507	311,914
	<u>1,354,590</u>	<u>1,409,826</u>
Cash in hand	106,365	101,085
	<u>1,460,955</u>	<u>1,510,911</u>

The statutory deposit with the CBUAE is not available to finance the day to day operations of the Bank.

\* Deposit with CBUAE includes deposits and Monetary Bills (M-bills) with original maturity over three months amounted to AED 251 million (31 December 2020: AED 475 million). Deposits included overnight deposit (ODF), Monetary Bills (M-bills) and Certificate of Deposits.

### 5. DUE FROM OTHER BANKS

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Term deposits	3,232,349	2,756,204
Demand deposits	43,629	27,193
Loans to financial institutions	-	165,285
	<u>3,275,978</u>	<u>2,948,682</u>
<b>Total due from other banks</b>	<b>3,275,978</b>	<b>2,948,682</b>
Provision for credit loss	(1,830)	(1,553)
	<u>3,274,148</u>	<u>2,947,129</u>
<b>Net due from other banks</b>	<b>3,274,148</b>	<b>2,947,129</b>
	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
<b>Gross amounts due from other banks by geographical area</b>		
Within U.A.E.	3,232,349	2,921,489
Within GCC	598	1,037
Other countries	43,031	26,156
	<u>3,275,978</u>	<u>2,948,682</u>

All amounts due from other banks were classified as Stage 1 (31 December 2020: Stage 1) with corresponding ECL of AED 1,830 thousand (31 December 2020: AED 1,553 thousand). There was no inter-stage movement in gross balances due from other banks during the period (31 December 2020: no inter-stage movement).

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

**6. LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES**

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Loans	6,238,921	6,224,681
Overdrafts	1,159,387	1,401,570
Islamic financing products	220,079	232,859
Loans against trust receipts	120,741	108,087
Others	30,309	24,636
<b>Total loans and advances and Islamic financing receivables</b>	<b>7,769,437</b>	<b>7,991,833</b>
Provision for credit loss	(365,720)	(352,177)
<b>Net loans and advances and Islamic financing receivables</b>	<b>7,403,717</b>	<b>7,639,656</b>

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
<b>Gross loans and advances and Islamic financing receivables by economic sector</b>		
Wholesale and retail trade	1,000,794	1,099,471
Real estate and construction	2,324,977	2,488,031
Personal loans and other	464,156	485,427
Manufacturing	381,346	387,166
Agriculture and allied activities	1,206	1,213
Transport and communication	227,979	232,786
Financial institutions	488,328	535,042
Services and others	2,880,651	2,762,697
	<b>7,769,437</b>	<b>7,991,833</b>

All loans and advances and Islamic financing receivables are from customers within U.A.E.

**Movement in the gross balances of loans and advances and Islamic financing receivables**

	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Gross carrying amount as at 31 December 2020	6,813,529	382,877	795,427	7,991,833
New assets originated or purchased	17,306	-	-	17,306
Assets derecognised or repaid	(198,731)	(38,712)	(1,769)	(239,212)
Transfer to Stage 2	(27,175)	27,175	-	-
Transfer to Stage 3	(1,416)	-	1,416	-
Write off	-	-	(490)	(490)
<b>As at 31 March 2021 (unaudited)</b>	<b>6,603,513</b>	<b>371,340</b>	<b>794,584</b>	<b>7,769,437</b>

# National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

### 6. LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

#### Movement in the gross balances of loans and advances and Islamic financing receivables (continued)

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount as at 31 December 2019	7,114,324	773,830	752,678	8,640,832
New assets originated or purchased	249,312	1,052	-	250,364
Assets derecognised or repaid	(528,672)	(227,093)	(19,432)	(775,197)
Transfer to Stage 1	309,111	(309,111)	-	-
Transfer to Stage 2	(118,034)	185,893	(67,859)	-
Transfer to Stage 3	(212,512)	(41,694)	254,206	-
Write off	-	-	(124,166)	(124,166)
As at 31 December 2020	<u>6,813,529</u>	<u>382,877</u>	<u>795,427</u>	<u>7,991,833</u>

#### Movement in the provision for impairment of loans and advances and Islamic financing receivables:

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2020	<b>112,318</b>	<b>39,523</b>	<b>200,336</b>	<b>352,177</b>
Net impairment charged during the period	<b>736</b>	<b>3,484</b>	<b>9,937</b>	<b>14,157</b>
Recoveries	-	-	(124)	(124)
Transfer to Stage 2	(710)	710	-	-
Transfer to Stage 3	(7)	-	7	-
Written off	-	-	(490)	(490)
As at 31 March 2021 (unaudited)	<u><b>112,337</b></u>	<u><b>43,717</b></u>	<u><b>209,666</b></u>	<u><b>365,720</b></u>

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2019	97,146	48,909	231,508	377,563
Net impairment charged during the period	3,161	6,812	97,159	107,132
Recoveries	-	-	(8,352)	(8,352)
Transfer to Stage 1	15,047	(15,047)	-	-
Transfer to Stage 2	(1,469)	1,469	-	-
Transfer to Stage 3	(1,567)	(2,620)	4,187	-
Written off	-	-	(124,166)	(124,166)
As at 31 December 2020	<u>112,318</u>	<u>39,523</u>	<u>200,336</u>	<u>352,177</u>

#### Grading of loans and advances and Islamic financing receivables along with stages:

31 March 2021 (Unaudited)

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Performing (Grades 1-8)	<b>6,603,521</b>	<b>36,018</b>	-	<b>6,639,539</b>
Performing Watchlist (9-12)	-	<b>335,314</b>	-	<b>335,314</b>
Sub Standard (Grade 13)	-	-	<b>102,085</b>	<b>102,085</b>
Doubtful (Grade 14)	-	-	<b>663,620</b>	<b>663,620</b>
Loss (Grades 15)	-	-	<b>28,879</b>	<b>28,879</b>
Total gross carrying amount	<u><b>6,603,521</b></u>	<u><b>371,332</b></u>	<u><b>794,584</b></u>	<u><b>7,769,437</b></u>
Expected credit loss	<u><b>(112,337)</b></u>	<u><b>(43,717)</b></u>	<u><b>(209,666)</b></u>	<u><b>(365,720)</b></u>
Carrying amount	<u><b>6,491,184</b></u>	<u><b>327,615</b></u>	<u><b>584,918</b></u>	<u><b>7,403,717</b></u>

# National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

### 6. LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

#### Grading of loans and advances and Islamic financing receivables along with stages: (continued)

	<i>31 December 2020 (Audited)</i>			
	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Performing (Grades 1-8)	6,813,528	32,165	-	6,845,693
Performing Watchlist (9-12)	-	350,713	-	350,713
Sub Standard (Grade 13)	-	-	187,688	187,688
Doubtful (Grade 14)	-	-	578,608	578,608
Loss (Grades 15)	-	-	29,131	29,131
Total gross carrying amount	6,813,528	382,878	795,427	7,991,833
Expected credit loss	(112,318)	(39,523)	(200,336)	(352,177)
Carrying amount	6,701,210	343,355	595,091	7,639,656

The non-performing loans as at 31 March 2021 amounted to AED 795 million (31 December 2020: AED 795 million) which is well covered by securities of AED 1,147 million (31 December 2020: AED 1,135 million) and impairment provision of AED 210 million (31 December 2020: AED 200 million) aggregating to AED 1,347 million (31 December 2020: AED 1,335 million) which is 1.7 times (31 December 2020: 1.7 times) of the non-performing loans.

### 7. INVESTMENT SECURITIES

Investment securities comprise the following:

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
<b>Securities at FVTPL</b>		
Quoted equity securities	18,166	17,730
Discretionary funds managed by third parties – quoted equity securities	249	248
	<b>18,415</b>	<b>17,978</b>
<b>Securities at FVTOCI</b>		
Quoted equity securities	821,548	759,593
Unquoted equity securities	748	747
	<b>822,296</b>	<b>760,340</b>
<b>Securities at amortised cost</b>		
Quoted debt instruments	168,958	165,285
<b>Total investment securities</b>	<b>1,009,669</b>	<b>943,603</b>
Provision for credit loss	(185)	(249)
<b>Net investment securities</b>	<b>1,009,484</b>	<b>943,354</b>

# National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

### 7. INVESTMENT SECURITIES (continued)

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
<b>Gross investment securities by geographical area</b>		
Within U.A.E.	922,162	865,038
Within GCC	54,111	44,152
Other countries	33,396	34,413
	<u>1,009,669</u>	<u>943,603</u>

All debt investment are classified as Stage 1 (31 December 2020: Stage 1) with corresponding ECL of AED 185 thousand (31 December 2020: AED 249 thousand). There was no inter-stage movement in investment securities during the period (31 December 2020: no inter-stage movement).

### 8. OTHER ASSETS

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Inventory*	77,721	63,726
Interest receivable	29,169	39,105
Prepayments and deposits	23,380	19,157
Others**	123,848	129,447
	<u>254,118</u>	<u>251,435</u>

\*Inventory represents property acquired in the settlement of debt. The Group has recorded an impairment on its inventory amounting to AED 1.5 million during 3 months period ended 31 March 2021 (31 December 2020: AED 8.3 million).

\*\*Others include amount of AED 109.4 million (2020: AED 124.9) deposited with the UAE courts for auctions made by the bank.

### 9. DUE TO OTHER BANKS

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Demand deposits	97	25
<b>By geographical area</b>		
Other countries outside the U.A.E.	97	25

# National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

### 10. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Time deposits	5,245,004	5,307,100
Current accounts	2,638,261	2,616,166
Savings deposits	187,123	191,898
Margin deposits	28,907	29,420
Islamic customers' deposits	78,766	80,274
	<u>8,178,061</u>	<u>8,224,858</u>

All customers' deposits and Islamic customers' deposits are from customers within U.A.E.

### 11. OTHER LIABILITIES

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Borrowing from the CBUAE*	272,967	198,560
Accounts payable	19,437	25,638
Interest payable	14,996	26,588
Provision for employees' end of service benefits	19,970	20,873
Other staff benefits	1,845	761
Dividend payable	10,619	10,619
Provision for expected credit loss on acceptance	496	421
Provision for expected credit loss on commitments and contingencies (Note 13)	7,484	7,177
Manager's Cheques	111,864	144,481
Other	15,547	22,414
	<u>475,225</u>	<u>457,532</u>

\*Represents Zero cost fund (ZCF) availed from CBUAE under the Targeted Economic Support Scheme ("TESS").

### 12. SHARE CAPITAL

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Issued and fully paid:		
1,848 million ordinary shares of AED 1 each	<u>1,848,000</u>	<u>1,848,000</u>



National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

13. COMMITMENTS AND CONTINGENT LIABILITIES

	<b>31 March 2021 AED'000 (Unaudited)</b>	<b>31 December 2020 AED'000 (Audited)</b>
Guarantees	2,112,367	2,362,293
Letters of credit	108,706	72,171
Commitments to extend credit	986,567	956,972
Other	334,978	259,193
	<b>3,542,618</b>	<b>3,650,629</b>
<b>Gross commitments and contingent liabilities by geographical area</b>		
Within the U.A.E.	3,534,889	3,632,460
Outside the U.A.E.	7,729	18,169
	<b>3,542,618</b>	<b>3,650,629</b>

Movement in the gross balance and corresponding ECL allowances of commitments and contingent liabilities

	<b>Stage 1 AED'000</b>	<b>Stage 2 AED'000</b>	<b>Stage 3 AED'000</b>	<b>Total AED'000</b>
Gross carrying amount as at 01 January 2021	2,382,538	2,252	49,674	2,434,464
New assets originated or purchased	145,646	-	-	145,646
New assets originated/expired (net)	(359,037)	-	-	(359,037)
Transfer to Stage 3	(1,608)	-	1,608	-
<b>As at 31 March 2021 (unaudited)</b>	<b>2,167,539</b>	<b>2,252</b>	<b>51,282</b>	<b>2,221,073</b>
	<b>Stage 1 AED'000</b>	<b>Stage 2 AED'000</b>	<b>Stage 3 AED'000</b>	<b>Total AED'000</b>
Gross carrying amount - 1 January 2020	3,787,709	22,259	49,977	3,859,945
Net impairment charged during the period	(1,420,317)	(4,861)	(303)	(1,425,481)
Transferred from Stage 1	15,146	(15,146)	-	-
<b>As at 31 December 2020 (audited)</b>	<b>2,382,538</b>	<b>2,252</b>	<b>49,674</b>	<b>2,434,464</b>

Movement in the provision for impairment of commitments and contingent liabilities

	<b>Stage 1 AED'000</b>	<b>Stage 2 AED'000</b>	<b>Stage 3 AED'000</b>	<b>Total AED'000</b>
ECL allowances as at 01 January 2021	7,171	6	-	7,177
Originated/expired during the period	305	2	-	307
<b>As at 31 March 2021 (unaudited)</b>	<b>7,476</b>	<b>8</b>	<b>-</b>	<b>7,484</b>
	<b>Stage 1 AED'000</b>	<b>Stage 2 AED'000</b>	<b>Stage 3 AED'000</b>	<b>Total AED'000</b>
ECL allowances as at 31 December 2019	3,324	189	-	3,513
Transferred from stage 1	158	(158)	-	-
Originated/expired during the period	3,689	(25)	-	3,664
<b>As at 31 December 2020 (audited)</b>	<b>7,171</b>	<b>6</b>	<b>-</b>	<b>7,177</b>

**13. COMMITMENTS AND CONTINGENT LIABILITIES (continued)****Grading of commitments and contingent liabilities along with stages:**

	<i>31 March 2021 (unaudited)</i>			
	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Performing (Grades 1-8)	2,167,539	-	-	2,167,539
Performing Watchlist (9-12)	-	2,252	-	2,252
Sub Standard (Grade 13)	-	-	359	359
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	40,158	40,158
Total gross carrying amount	2,167,539	2,252	51,282	2,221,073
Expected credit loss (Note 11)	(7,476)	(8)	-	(7,484)
<b>Carrying amount</b>	<b>2,160,063</b>	<b>2,244</b>	<b>51,282</b>	<b>2,213,589</b>

	<i>31 December 2020 (audited)</i>			
	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Performing (Grades 1-12)	2,382,538	-	-	2,382,538
Performing Watchlist (9-12)	-	2,252	-	2,252
Sub Standard (Grade 13)	-	-	285	285
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,624	38,624
Total gross carrying amount	2,382,538	2,252	49,674	2,434,464
Expected credit loss	(7,171)	(6)	-	(7,177)
<b>Carrying amount</b>	<b>2,375,367</b>	<b>2,246</b>	<b>49,674</b>	<b>2,427,287</b>

At 31 March 2021, the group has capital commitments of AED 6.4 million (31 December 2020: AED 3.7 million).

The provision for expected credit loss against the off-balance sheet items disclosed above amounting to AED 7.48million (31 December 2020: AED 7.18 million) is classified under other liabilities (Note 11).

**14. NET IMPAIRMENT LOSSES**

	<i>Three months period ended 31 March (Unaudited)</i>	
	<i>2021 AED '000</i>	<i>2020 AED '000</i>
Loans and advances and Islamic financing receivables	14,032	47,056
Due from other banks	277	393
Investment securities	(64)	49
Acceptances and off-balance sheet items	381	358
Property valuation – Impairment	1,475	1,350
	<b>16,101</b>	<b>49,206</b>

# National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

### 15. BASIC AND DILUTED EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to shareholders by the average number of ordinary shares in issue during the year.

	<i>Three months period ended 31 March (unaudited)</i>	
	<i>2021</i>	<i>2020</i>
Profit for the period (in AED '000)	<b>76,487</b>	72,818
Weighted average number of shares ('000)	<b>1,848,000</b>	1,848,000
Basic and diluted earnings per share (in AED)	<b>0.04</b>	0.04

There were no potential dilutive shares as at 31 March 2021 and 31 March 2020.

### 16. DIVIDENDS

At the Annual General Meeting held on 28 March 2021, the Shareholders approved dividend of 8% amounting to AED 147.8 million for the year ended 31 December 2020 (2019: AED 203.3 million).

### 17. CASH AND CASH EQUIVALENTS

	<i>31 March 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Cash and balances with CBUAE(Note 4)	<b>1,460,955</b>	1,510,911
Due from other banks (Note 5)	<b>3,275,978</b>	2,948,682
Statutory deposit (Note 4)	<b>(319,507)</b>	(311,914)
Certificates of deposit with original maturity greater than three months (Note 4)	<b>(251,000)</b>	(475,000)
Due to other banks (Note 9)	<b>(97)</b>	(25)
	<b>4,166,329</b>	3,672,654

### 18. RELATED PARTY TRANSACTIONS

The Group carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Group, all Directors of the Group and companies in which such shareholders and Directors have a significant interest and key management personnel of the Group.

During the period, the Group entered into the following significant transactions with related parties in the ordinary course of business.

	<i>Three months period ended 31 March (unaudited)</i>	
	<i>2021 AED'000</i>	<i>2020 AED'000</i>
Interest income	<b>407</b>	3,426
Interest expense	<b>7,419</b>	14,126
Other income	<b>21</b>	21
Directors' fees	<b>750</b>	750

**18. RELATED PARTY TRANSACTIONS (continued)****Remuneration of key management personnel**

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Salaries and other short-term benefits	<b>1,067</b>	691
Employee end of service benefits	<b>77</b>	105

The Group has entered into transactions with related parties which were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with third parties.

Outstanding balances at the end of reporting date from transactions with related parties are as follows

	<i>31 March</i> <i>2021</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2020</i> <i>AED'000</i> <i>(Audited)</i>
Loans and advances and Islamic financing receivables	<b>42,165</b>	82,798
Customers' deposits and Islamic customers' deposits	<b>2,869,115</b>	2,728,217
Irrevocable commitments and contingent liabilities	<b>251,824</b>	260,229

**Key Management**

Loans and advances and Islamic financing receivables	<b>-</b>	534
Customer deposits and Islamic customer deposits	<b>574</b>	412

The loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 61.15 million (2020: AED AED 61.2 million). All loans and advances to related parties are classified as Stage 1 (31 December 2020: Stage 1) with corresponding ECL of AED 2.10 million (31 December 2020: AED 1.88 million).

**19. BUSINESS SEGMENTS**

The Group is organised into three main business segments:

Retail and corporate banking - wherein retail banking comprises private customer current accounts, savings accounts, deposits, credit and debit cards, customer loans and mortgages. Corporate banking involves transactions with corporate bodies including government and public bodies and comprises loans, advances, deposits and trade finance transactions.

Treasury and investments - incorporating the activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including CBUAE and operations by the Bank's Head Office as a whole, none of which mutually constitute a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income and expense arising between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the condensed consolidated statement of financial position items.

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

19. BUSINESS SEGMENTS (continued)

Primary segment information

	<i>Retail and corporate banking AED' 000</i>	<i>Treasury and investments AED' 000</i>	<i>Others AED' 000</i>	<i>Total AED' 000</i>
<b>Three months period ended</b>				
<b>31 March 2021 (Unaudited)</b>				
Net interest income and income from Islamic products net of distribution to depositors	67,817	2,718	-	70,535
Net fees and commission income	12,187	786	417	13,390
Other operating income	276	35	12,872	13,183
<b>Gross income</b>	<b>80,280</b>	<b>3,539</b>	<b>13,289</b>	<b>97,108</b>
Operating expenses	(7,275)	(524)	(24,360)	(32,159)
Investment gains	-	27,585	-	27,585
Provision for impairment on financial assets	(14,031)	(213)	(1,857)	(16,101)
Share of profits from an associate	-	-	54	54
<b>Segment result</b>	<b>58,974</b>	<b>30,387</b>	<b>(12,874)</b>	<b>76,487</b>
<b>As at 31 March 2021 (Unaudited)</b>				
<b>Segment assets</b>	<b>7,625,044</b>	<b>5,320,142</b>	<b>736,602</b>	<b>13,681,788</b>
<b>Segment liabilities and equity</b>	<b>8,076,880</b>	<b>567,002</b>	<b>5,037,906</b>	<b>13,681,788</b>
<b>Three months period ended</b>				
<b>31 March 2020 (Unaudited)</b>				
Net interest income and income from Islamic products net of distribution to depositors	77,718	14,785	-	92,503
Net fees and commission income	21,055	676	575	22,306
Other operating income	1,784	68	2,342	4,194
<b>Gross income</b>	<b>100,557</b>	<b>15,529</b>	<b>2,917</b>	<b>119,003</b>
Operating expenses	(10,686)	(453)	(23,182)	(34,321)
Investment gains	-	37,378	-	37,378
Provision for impairment on financial assets	(48,344)	(505)	(357)	(49,206)
Share of profits from an associate	-	-	(36)	(36)
<b>Segment result</b>	<b>41,527</b>	<b>51,949</b>	<b>(20,658)</b>	<b>72,818</b>
<b>As at 31 March 2020 (Unaudited)</b>				
<b>Segment assets</b>	<b>8,297,762</b>	<b>4,686,052</b>	<b>835,222</b>	<b>13,819,036</b>
<b>Segment liabilities and equity</b>	<b>8,813,264</b>	<b>341,422</b>	<b>4,664,350</b>	<b>13,819,036</b>

**20. FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*Fair value of financial instruments carried at amortised cost*

The fair value of the quoted debt instruments at 31 March 2021 amounted to AED 170.38 million (31 December 2020: AED 165.90 million). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Management believes that fair value of other financial instruments carried at amortized cost, are not materially different from their carrying values at the end of the reporting period.

*Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2020. The quoted securities are valued using the prices from active market. The unquoted securities are valued using P/E multiples.

*Fair value of the Group's financial assets that are measured at fair value on recurring basis*

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

**Financial assets**

	<i>Fair value as at</i>		<i>Fair value hierarchy</i>
	<i>31 March 2021 AED '000 (Unaudited)</i>	<i>31 December 2020 AED '000 (Audited)</i>	
<b>Financial assets at FVTPL</b>			
Quoted equity Securities	<b>18,166</b>	17,730	Level 1
Discretionary Funds managed by third parties – quoted equity securities	<b>249</b>	248	Level 1
<b>Financial assets at FVTOCI</b>			
Quoted equity securities	<b>787,405</b>	725,279	Level 1
Unquoted equity securities	<b>34,143</b>	35,061	Level 3
Positive fair value of Derivative	<b>58</b>	71	Level 2
Negative fair value of Derivative	<b>3</b>	2	Level 2

There were no transfers between each of level during the year. There are no financial liabilities which should be categorised under any of the level in above table.

# National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

### 21. SEASONALITY OF RESULTS

Investment income includes dividend income of AED 27.15 million for the three months period ended 31 March 2021 (31 March 2020: AED 40.11 million), which is of a seasonal nature.

### 22. CAPITAL ADEQUACY RATIOS

Capital element	Basel III Minimum requirement	As at 31 March 2021	As at 31 December 2020
Common equity tier 1 ratio	7.0%	42.36%	40.34%
Tier 1 capital ratio	8.5%	42.36%	40.34%
Capital adequacy ratio	10.5%	43.48%	41.45%

### 23. DERIVATIVES

	31 March 2021 (Unaudited)			31 December 2020 (Audited)		
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000
Foreign currency forward contracts	58	3	312,731	71	2	257,674
Total	58	3	312,731	71	2	257,674

### 24. RISK MANAGEMENT

#### COVID- 19 and Expected Credit Losses (ECL)

The economic fallout of COVID-19 crisis continues to evolve. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact on corporates and individuals. The relief measures include liquidity support, payment moratoriums to customers and capital relief by the CBUAE

The Bank in its ECL computations has taken into consideration the guidelines issued by CBUAE on 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). Further, the Bank has robust governance in place to ensure the appropriateness of the IFRS 9 framework and resultant ECL estimates at all times. The Bank has also reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS9 ECL measurement in light of available information.

As at 31 March 2021, the Bank hold probability of pessimistic scenario to 40% while the probability of the upturn scenario is 20%.

As per the CBUAE requirements, the Bank 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, for the duration of the crisis.
- 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 customers, particularly indications of potential inability to pay any of their obligations as and when they become due.

Accordingly, all staging and grouping decisions are subject to regular review to ensure these reflect an accurate view of the Bank's assessment of the customers' creditworthiness, staging and grouping as of the reporting date.

# National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2021 (Unaudited)

### 24. RISK MANAGEMENT (continued)

#### Analysis of customers benefiting from payment deferrals

#### Analysis of customers benefitting from payment deferrals by type, groups and segments, with the related ECL:

	<i>Wholesale AED'000</i>	<i>Retail AED'000</i>	<i>Total AED'000</i>
Gross exposure	2,390,131	3,958	<b>2,394,089</b>
ECL	51,909	16	<b>51,925</b>
Deferral amount	271,076	435	<b>271,511</b>
Number of customers	66	3	<b>69</b>
<b>Group wise break up as at 31 March 2021:</b>			
	<i>Group 1 AED'000</i>	<i>Group 2 AED'000</i>	<i>Total AED'000</i>
Gross exposure	2,347,267	46,822	2,394,089
ECL	(45,434)	(6,491)	(51,925)
<b>Net exposure</b>	<b>2,301,833</b>	<b>40,331</b>	<b>2,342,164</b>
Deferral amount	260,472	11,039	<b>271,511</b>
	<i>Group 1 AED'000</i>	<i>Group 2 AED'000</i>	<i>Total AED'000</i>
<b>Wholesale</b>			
Gross exposure	2,343,308	46,823	2,390,131
ECL	(45,418)	(6,491)	(51,909)
<b>Net Wholesale exposure</b>	<b>2,297,890</b>	<b>40,332</b>	<b>2,338,222</b>
	<i>Group 1 AED'000</i>	<i>Group 2 AED'000</i>	<i>Total AED'000</i>
<b>Retail</b>			
Gross exposure	3,958	-	3,958
ECL	(16)	-	(16)
<b>Net Retail exposure</b>	<b>3,942</b>	<b>-</b>	<b>3,942</b>

As at 31 March 2021, the Bank has availed ZCF facilities amounting to AED 273 million (2020: AED 198.56 million) which has been fully utilized to provide payment relief to the impacted customers.



**24. RISK MANAGEMENT (continued)****Sectoral composition of Gross exposure and ECL for customers benefitting from payment deferrals:**

<b>Economic Sector</b>	<b>Gross Exposure AED'000</b>	<b>ECL AED' 000</b>
Wholesale and retail trade	219,864	8,799
Real estate and construction	686,713	10,322
Personal loans and other	265,350	7,404
Manufacturing	149,732	7,143
Transport and communication	77,048	1,169
Services and other	995,382	17,088
<b>Grand Total</b>	<b>2,394,089</b>	<b>51,925</b>

<b>By Product</b>	<b>Gross Exposure AED'000</b>	<b>ECL AED' 000</b>
Term Loans	2,363,528	51,174
Loans against trust receipts	30,561	751
<b>Grand Total</b>	<b>2,394,089</b>	<b>51,925</b>

**Movement in the gross balances of loans and advances and Islamic financing receivables deferred:**

	<b>Stage1 AED'000</b>	<b>Stage2 AED'000</b>	<b>Stage3 AED'000</b>	<b>Total AED'000</b>
Gross carrying amount as at 1 January 2021	1,787,871	97,021	-	1,884,892
Originated/Derecognized during the period	504,452	4,745	-	509,197
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(14,993)	14,993	-	-
Transfer to Stage 3	-	-	-	-
<b>Gross exposure as at 31 March 2021</b>	<b>2,277,330</b>	<b>116,759</b>	<b>-</b>	<b>2,394,089</b>

**Movement in the provision for impairment of loans and advances and Islamic financing receivables deferred:**

	<b>Stage1 AED'000</b>	<b>Stage2 AED'000</b>	<b>Stage3 AED'000</b>	<b>Total AED'000</b>
ECL allowances as at 1 January 2021	40,333	7,731	-	48,064
Originated/Derecognized during the period	(2,194)	6,055	-	3,861
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(280)	280	-	-
<b>ECL as at 31 March 2021</b>	<b>37,859</b>	<b>14,066</b>	<b>-</b>	<b>51,925</b>

**25. GENERAL RESERVE**

The Group maintains a general reserve and the contributions to this reserve are made at the discretion of the Directors. This reserve may be utilised for any purpose to be determined by a resolution of the shareholders of the Group at an Ordinary General Meeting.

**Impairment Reserve under the CBUAE**

The CBUAE issued its IFRS 9 guidance on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE (the "Guidance"). Pursuant to clause 6.4 of the guidance, the reconciliation between general and specific provision under circular 28/2010 of CBUAE and IFRS 9 is as follows:

	<i><b>31 March 2021 AED '000 (Unaudited)</b></i>	<i><b>31 December 2020 AED '000 (Audited)</b></i>
<b>Impairment Reserve: General</b>		
General Provisions under Circular 28/2010 of CBUAE	<b>147,612</b>	149,022
Less: Stage 1 & Stage 2 provisions under IFRS 9	<b>(156,055)</b>	(151,841)
	<hr/>	<hr/>
<b>Impairment Reserve: General</b>	<hr/> <b>-</b> <hr/>	<hr/> <b>-</b> <hr/>
<b>Impairment Reserve: Specific</b>		
Specific Provisions under Circular 28/2010 of CBUAE	<b>209,665</b>	200,336
Less: Stage 3 provisions under IFRS 9	<b>(209,665)</b>	(200,336)
	<hr/>	<hr/>
<b>Impairment Reserve: Specific</b>	<hr/> <b>-</b> <hr/>	<hr/> <b>-</b> <hr/>

**26. COMPARATIVE FIGURES**

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