

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

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

For the period ended 30 September 2020

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

**Review report and condensed consolidated interim financial statements
For the nine months period ended 30 September 2020**

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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 30 September 2020 and the related consolidated interim statements of income and comprehensive income for the three month and nine month periods then ended and consolidated interim statements of cash flows and changes in equity for the nine-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.

For Ernst & Young



Signed by:
Ashraf Abu Sharkh
Partner
Registration No. 690

26 October 2020


Sharjah, United Arab Emirates


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

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2020 (Unaudited)

	<i>Notes</i>	<i>30 September 2020 AED '000 (Unaudited)</i>	<i>31 December 2019 AED '000 (Audited)</i>
ASSETS			
Cash and balances with the U.A.E. Central Bank	4	1,422,085	1,729,448
Due from other banks	5	3,044,189	2,790,762
Loans and advances and Islamic financing receivables	6	7,637,893	8,263,269
Investment securities	7	1,105,536	1,101,017
Customers' acceptances		142,317	217,772
Investment in an associate		1,112	1,500
Property and equipment		87,787	62,916
Other assets	8	158,769	130,888
TOTAL ASSETS		13,599,688	14,297,572
LIABILITIES			
Due to other banks	9	1,754	423
Customers' deposits and Islamic customers' deposits	10	8,249,461	9,035,108
Customers' acceptances		142,317	217,772
Other liabilities	11	621,385	274,273
TOTAL LIABILITIES		9,014,917	9,527,576
SHAREHOLDERS' EQUITY			
Share capital	12	1,848,000	1,848,000
Statutory reserve		1,019,266	1,019,266
General reserve		6,440	6,440
Impairment reserve -general	25	-	16,385
Cumulative change in fair values		58,750	211,976
Retained earnings		1,652,315	1,667,929
TOTAL SHAREHOLDERS' EQUITY		4,584,771	4,769,996
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,599,688	14,297,572
COMMITMENTS AND CONTINGENCIES	13	4,528,226	5,091,994


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


 R Ramachandran Iyer
 General Manager

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 nine months period ended 30 September 2020 (Unaudited)

	Notes	<i>Three months period ended 30 September (Unaudited)</i>		<i>Nine months period ended 30 September (Unaudited)</i>	
		<i>2020 AED '000</i>	<i>2019 AED '000</i>	<i>2020 AED '000</i>	<i>2019 AED '000</i>
Interest income		90,608	138,973	312,341	426,448
Income from Islamic financing products		6,935	7,948	21,992	24,948
Total interest income and income from Islamic financing products		97,543	146,921	334,333	451,396
Interest expense		(19,560)	(26,632)	(71,211)	(73,851)
Distribution to depositors – Islamic products		(119)	(579)	(413)	(1,741)
Net interest income and income from Islamic products net of distribution to depositors		77,864	119,710	262,709	375,804
Net fees and commission income		22,055	22,168	54,433	58,915
Other operating income		13,560	14,054	21,120	21,435
GROSS INCOME		113,479	155,932	338,262	456,154
Operating expenses		(38,166)	(34,247)	(104,504)	(103,445)
Investment gains / (loss)		517	(3,469)	39,881	37,906
OPERATING INCOME		75,830	118,216	273,639	390,615
Share of results from an associate		(283)	(130)	(388)	227
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT		75,547	118,086	273,251	390,842
Provision for impairment on financial assets	14	(26,778)	(7,210)	(97,246)	(41,078)
PROFIT FOR THE PERIOD		48,769	110,876	176,005	349,764
Basic and diluted earnings per share (AED)	15	0.03	0.06	0.10	0.19

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 nine months period ended 30 September 2020 (Unaudited)

	<i>Three months period ended 30 September (Unaudited)</i>		<i>Nine months period ended 30 September (Unaudited)</i>	
	<i>2020 AED '000</i>	<i>2019 AED '000</i>	<i>2020 AED '000</i>	<i>2019 AED '000</i>
PROFIT FOR THE PERIOD	48,769	110,876	176,005	349,764
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net fair value (loss) /gain on investment securities carried at FVTOCI - equity	(30,714)	28,581	(157,950)	67,462
Other comprehensive (loss)/income for the period	(30,714)	28,581	(157,950)	67,462
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	18,055	139,457	18,055	417,226

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 nine months period ended 30 September 2020 (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 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	-	-	-	-	-	176,005	176,005
Other comprehensive loss for the period	-	-	-	-	(157,950)	-	(157,950)
Total comprehensive (loss)/ income for the period	-	-	-	-	(157,950)	176,005	18,055
Other movements of FVTOCI equity investments	-	-	-	-	4,724	(4,724)	-
Excess impairment reserve under CBUAE requirement written back (see Note 25)	-	-	-	(16,385)	-	16,385	-
Dividend paid (see Note 16)	-	-	-	-	-	(203,280)	(203,280)
Balance at 30 September 2020 (unaudited)	1,848,000	1,019,266	6,440	-	58,750	1,652,315	4,584,771
Balance at 1 January 2019 (audited)	1,848,000	1,019,266	6,440	-	126,447	1,463,200	4,463,353
Profit for the period	-	-	-	-	-	349,764	349,764
Other comprehensive income for the period	-	-	-	-	67,462	-	67,462
Total comprehensive income for the period	-	-	-	-	67,462	349,764	417,226
Dividend paid (see Note 16)	-	-	-	-	-	(203,278)	(203,278)
Balance at 30 September 2019 (unaudited)	1,848,000	1,019,266	6,440	-	193,909	1,609,686	4,677,301

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 nine months period ended 30 September 2020 (Unaudited)

		<i>Nine months period ended 30 September (Unaudited)</i>	
		<i>2020</i>	<i>2019</i>
		<i>AED '000</i>	<i>AED '000</i>
<i>Notes</i>			
Cash flows from operating activities			
	Profit for the period	176,005	349,764
	Adjustments for:		
	Provision for impairment on financial assets	97,248	41,078
	Depreciation of property and equipment	6,596	5,712
	Impairment of inventory	1,350	1,800
	Increase in fair value of investment in securities at FVTPL	2,673	2,942
	Discount amortised on investment securities	(24)	(29)
	Dividend income	(42,309)	(40,819)
	Loss on disposal of property and equipment	16	25
	Share of results from an associate	388	(227)
	Operating cash flows before movements in working capital	241,943	360,246
	(Increase) / decrease in certificate of deposits		
	with original maturity greater than 3 months	(225,000)	220,000
	Decrease/ (increase) in statutory deposit with U.A.E. Central Bank	226,770	(46,790)
	Decrease in loans and advances and Islamic financing receivables	528,775	367,850
	Increase in other assets	(57,080)	(5,744)
	Decrease in customers' deposits and Islamic customers' deposits	(785,647)	(441,820)
	Increase in other liabilities	347,112	50,056
	Net cash generated from operating activities	276,873	503,798
Cash flows from investing activities			
	Purchase of property and equipment	(3,634)	(2,975)
	Proceeds from disposal of property and equipment	-	808
	Purchase of investment securities	(165,285)	-
	Proceeds from sale and maturity of investment securities	-	73,460
	Dividend received from investment securities	42,309	40,819
	Dividend received from investment in an associate	-	272
	Net cash (used)/ generated from investing activities	(126,610)	112,384
Cash flows from financing activity			
	Dividend paid	(203,280)	(203,278)
	Net cash used in financing activity	(203,280)	(203,278)
	NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(53,017)	412,904
	Cash and cash equivalents at the beginning of the period	3,633,059	3,125,530
	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,580,042	3,538,434

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

For the nine months period ended 30 September 2020 (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 13 branches in the U.A.E. The Group carries out Islamic banking operations through an Islamic banking window established in 2005 across its branch network.

The condensed consolidated interim financial statements of the Group for the nine months period ended 30 September 2020 were authorised and approved for issue by the Board of Directors on 26 October 2020.

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 2019, except for the adoption of new standards effective as of 1 January 2020. 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 2020

Amendments to IAS 1 and IAS 8: Definition of Material (effective date: 1 January 2020)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

The amendments to the definition of material is not expected to have a significant impact on the Group’s condensed consolidated interim financial information.

IBOR reform disclosure: (effective date: 1 January 2020)

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an “RFR”). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

2.1 CHANGES IN ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2020 (continued)

IBOR reform disclosure: (effective date: 1 January 2020) (continued)

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project.

The Group has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

The Group has "limited" exposure to interbank offered rates (IBORs) on its financial instruments that will be replaced or reformed as part of this market-wide initiative. There is an uncertainty over the timing and the methods of transition. The Group anticipates that IBOR reform will have "limited" operational, risk management and accounting impacts across all of its business lines. The Group plans to do a detailed assessment during 2020.

There are no other applicable new standards and amendments to the published standards or IFRS IC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2020 that would be expected to have a material impact on the Group's condensed consolidated interim financial information.

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 2019.

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 2019. In addition, results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2020 (Unaudited)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2019. The financial statements of the subsidiary are prepared for the same reporting period as that of the Bank.

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

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Balances with the U.A.E. Central Bank:		
Current account	43,904	487,016
Certificates of deposit*	965,000	600,000
Statutory deposit	310,403	537,173
	<hr/>	<hr/>
	1,319,307	1,624,189
Cash in hand	102,778	105,259
	<hr/>	<hr/>
	1,422,085	1,729,448
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The statutory deposit with the U.A.E. Central Bank is not available to finance the day to day operations of the Bank.

*Certificates of deposit (including Overnight Deposit Facility with U.A.E. Central Bank) with original maturity over three months amounted to AED 575 million (31 December 2019: AED 350 million).

Additionally, as at 30 September 2020, certificates of deposit with the U.A.E. Central Bank amounting to AED 375 million were collateralized to avail of Zero Cost Funding ("ZCF") from the U.A.E. Central Bank. (31 December 2019: Nil).

5 DUE FROM OTHER BANKS

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Term deposits	3,019,611	2,766,439
Demand deposits	25,503	24,768
	<hr/>	<hr/>
Total due from other banks	3,045,114	2,791,207
Provision for credit loss	(925)	(445)
	<hr/>	<hr/>
Net due from other banks	3,044,189	2,790,762
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National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2020 (Unaudited)

5 DUE FROM OTHER BANKS (continued)

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Gross amounts due from other banks by geographical area		
Within U.A.E.	3,019,611	2,766,439
Within GCC	646	577
Other countries	24,857	24,191
	3,045,114	2,791,207

All amounts due from other banks were classified as Stage 1 as at 30 September 2020 (31 December 2019: Stage 1) with corresponding ECL of AED 925 thousand as at 30 September 2020 (31 December 2019: AED 445 thousand). There was no inter-stage movement in gross balances due from other banks during the period ended 30 September 2020 (31 December 2019: no inter-stage movement).

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Loans	6,565,012	6,946,683
Overdrafts	1,045,152	1,259,522
Islamic financing products	240,281	278,897
Loans against trust receipts	126,672	111,111
Other	47,923	44,619
Total loans and advances and Islamic financing receivables	8,025,040	8,640,832
Provision for credit loss	(387,147)	(377,563)
Net loans and advances and Islamic financing receivables	7,637,893	8,263,269

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Gross loans and advances and Islamic financing receivables by economic sector		
Wholesale and retail trade	1,137,309	1,136,287
Real estate and construction	2,470,964	2,716,780
Services and other	2,757,033	2,929,315
Financial institutions	515,055	598,428
Personal loans and other	505,324	578,575
Manufacturing	402,220	423,305
Transport and communication	235,915	256,892
Agriculture and allied activities	1,220	1,250
	8,025,040	8,640,832

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2020 (Unaudited)

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

Movement in the gross balances 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>
Gross carrying amount as at 31 December 2019	7,114,324	773,830	752,678	8,640,832
New assets originated or purchased	274,400	1,417	-	275,817
Assets derecognised or repaid	(585,959)	(212,790)	(6,187)	(804,936)
Transfer to Stage 1	343,040	(343,040)	-	-
Transfer to Stage 2	(225,687)	293,546	(67,859)	-
Transfer to Stage 3	(88,595)	(41,694)	130,289	-
Write off	-	-	(86,673)	(86,673)
As at 30 September 2020 (unaudited)	6,831,523	471,269	722,248	8,025,040

	<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 2018	7,640,858	1,015,533	686,660	9,343,051
New assets originated or purchased	232,403	18,176	-	250,579
Assets derecognised or repaid	(736,751)	(63,387)	(21,199)	(821,337)
Transfer to Stage 1	459,685	(459,685)	-	-
Transfer to Stage 2	(465,661)	465,661	-	-
Transfer to Stage 3	(16,210)	(202,468)	218,678	-
Write off	-	-	(131,461)	(131,461)
As at 31 December 2019 (audited)	7,114,324	773,830	752,678	8,640,832

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 2019	97,146	48,909	231,508	377,563
Net impairment charged during the period	(10,534)	26,469	83,240	99,175
Recoveries	-	-	(2,918)	(2,918)
Transfer to Stage 1	34,815	(34,815)	-	-
Transfer to Stage 2	(2,517)	2,517	-	-
Transfer to Stage 3	(311)	(2,620)	2,931	-
Written off	-	-	(86,673)	(86,673)
Closing Balance as at 30 September 2020 (unaudited)	118,599	40,460	228,088	387,147

	<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 2018	112,860	69,716	235,563	418,139
Net impairment charged during the year	(20,259)	2,797	192,739	175,277
Recoveries	-	-	(84,392)	(84,392)
Transfer to Stage 1	12,426	(12,426)	-	-
Transfer to Stage 2	(7,059)	7,059	-	-
Transfer to Stage 3	(822)	(18,237)	19,059	-
Written off	-	-	(131,461)	(131,461)
Closing Balance as at 31 December 2019 (audited)	97,146	48,909	231,508	377,563

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2020 (Unaudited)

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

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

	<i>30 September 2020 (Unaudited)</i>			
	<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 1-12)	6,831,524	471,268	-	7,302,792
Sub Standard (Grade 13)	-	-	273,037	273,037
Doubtful (Grade 14)	-	-	423,136	423,136
Loss (Grades 15)	-	-	26,075	26,075
Total gross carrying amount	6,831,524	471,268	722,248	8,025,040
Expected credit loss	(118,599)	(40,460)	(228,088)	(387,147)
Carrying amount	6,712,925	430,808	494,160	7,637,893

	<i>31 December 2019 (Audited)</i>			
	<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 1-12)	7,114,324	773,830	-	7,888,154
Sub Standard (Grade 13)	-	-	213,210	213,210
Doubtful (Grade 14)	-	-	454,162	454,162
Loss (Grades 15)	-	-	85,306	85,306
Total gross carrying amount	7,114,324	773,830	752,678	8,640,832
Expected credit loss	(97,146)	(48,909)	(231,508)	(377,563)
Carrying amount	7,017,178	724,921	521,170	8,263,269

The non-performing loans as at 30 September 2020 amounted to AED 722 million (31 December 2019: AED 753 million) which is well covered by securities of AED 955 million (31 December 2019: AED 1,166 million) and impairment provision of AED 228 million (31 December 2019: AED 232 million) aggregating to AED 1,183 million (31 December 2019: AED 1,398 million) which is 1.6 times (31 December 2019: 1.9 times) of the non-performing loans.

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7 INVESTMENT SECURITIES

Investment securities comprise the following:

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Securities at FVTPL		
Quoted equity securities	18,133	20,801
Discretionary funds managed by third parties – quoted equity securities	244	247
	<u>18,377</u>	<u>21,048</u>
Securities at FVTOCI		
Quoted equity securities	682,711	840,661
Unquoted equity securities	744	747
	<u>683,455</u>	<u>841,408</u>
Securities at amortised cost		
Government debt instruments	36,726	36,701
Corporate debt instruments	367,300	202,015
	<u>404,026</u>	<u>238,716</u>
Total investment securities	1,105,858	1,101,172
Provision for credit loss	(322)	(155)
Net investment securities	<u>1,105,536</u>	<u>1,101,017</u>
Gross investment securities by geographical area		
Within U.A.E.	1,032,328	1,030,618
Within GCC	42,099	40,952
Other countries	31,431	29,602
	<u>1,105,858</u>	<u>1,101,172</u>

All debt investment are classified as Stage 1 as at 30 September 2020 (31 December 2019: Stage 1) with corresponding ECL of AED 322 thousand as at 30 September 2020 (31 December 2019: AED 155 thousand). There was no inter-stage movement in investment securities during the period ended 30 September 2020 (31 December 2019: no inter-stage movement).

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8 OTHER ASSETS

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Inventory*	29,403	58,602
Interest receivable	59,353	33,673
Prepayments and deposits	22,410	33,964
Other	47,603	4,649
	<u>158,769</u>	<u>130,888</u>

*Inventory represents property acquired in the settlement of debt. The group has recorded an impairment on its inventory amounting to AED 1.35 million during period ended 30 September 2020 (31 December 2019: AED 3.49 million).

9 DUE TO OTHER BANKS

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Demand deposits	1,754	423
By geographical area		
Outside U.A.E.	1,754	423

10 CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Time deposits	5,499,887	6,444,064
Current accounts	2,445,176	2,256,152
Savings deposits	188,457	170,300
Islamic customers' deposits	86,707	121,832
Margin deposits	29,234	42,760
	<u>8,249,461</u>	<u>9,035,108</u>

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

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11 OTHER LIABILITIES

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Borrowing from the U.A.E. Central Bank *	374,518	-
Manager's cheques	134,719	127,245
Interest payable	31,858	54,925
Accounts payable	28,975	32,016
Provision for employees' end of service benefits	20,125	20,494
Dividend payable	10,650	11,596
Provision for expected credit loss on contingent assets (Note 13)	3,838	3,513
Other staff benefits	2,018	316
Provision for expected credit loss on Acceptances	407	390
Others	14,277	23,778
	<u>621,385</u>	<u>274,273</u>

*Represents ZCF availed from the U.A.E. Central Bank under the Targeted Economic Support Scheme ("TESS").

12 SHARE CAPITAL

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Issued and fully paid: 1,848 million ordinary shares of AED 1 each	1,848,000	1,848,000
	<u>1,848,000</u>	<u>1,848,000</u>

13 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Guarantees	2,725,873	3,779,813
Letters of credit	51,774	80,132
	<u>2,777,647</u>	<u>3,859,945</u>
Commitments to extend credit	1,247,196	1,211,646
Other	503,383	20,403
	<u>4,528,226</u>	<u>5,091,994</u>
Gross commitments and contingent liabilities by geographical area		
Within U.A.E.	4,491,582	5,036,772
Outside U.A.E.	36,644	55,222
	<u>4,528,226</u>	<u>5,091,994</u>

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13 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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

	<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	3,787,709	22,259	49,977	3,859,945
New assets originated or purchased	120,815	1,250	-	122,065
Assets derecognised or repaid (excluding write offs)	(1,199,442)	(4,860)	(61)	(1,204,363)
Transfer to Stage 1	15,296	(15,296)	-	-
Transfer to Stage 2	(1,899)	1,899	-	-
As at 30 September 2020 (unaudited)	2,722,479	5,252	49,916	2,777,647

	<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 2018	5,258,559	136,976	-	5,395,535
New assets originated or purchased	230,630	1,578	-	232,208
Assets derecognised or repaid (excluding write offs)	(1,723,838)	(35,460)	(8,500)	(1,767,798)
Transfer to Stage 1	39,360	(39,360)	-	-
Transfer to Stage 2	(16,094)	16,094	-	-
Transfer to Stage 3	(908)	(57,569)	58,477	-
As at 31 December 2019 (audited)	3,787,709	22,259	49,977	3,859,945

Movement in the provision for impairment of commitments and contingent liabilities

	<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	3,324	189	-	3,513
Net impairment charged during the period	352	(27)	-	325
Transferred to stage 1	158	(158)	-	-
Transferred to stage 2	(6)	6	-	-
Closing balance as at 30 September 2020 (unaudited)	3,828	10	-	3,838

	<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 2018	11,137	1	-	11,138
Transferred from stage 1	(67)	67	-	-
Originated/expired during the period	(7,746)	121	-	(7,625)
Closing balance as at 31 December 2019 (audited)	3,324	189	-	3,513

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13 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Grading of commitments and contingent liabilities along with stages:

	<i>30 September 2020 (Unaudited)</i>			
	<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 1-12)	2,722,479	5,252	-	2,727,731
Sub Standard (Grade 13)	-	-	285	285
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,866	38,866
Total gross carrying amount	2,722,479	5,252	49,916	2,777,647
Expected credit loss (Note 11)	(3,828)	(10)	-	(3,838)
Carrying amount	2,718,651	5,242	49,916	2,773,809

	<i>31 December 2019 (audited)</i>			
	<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 1-12)	3,787,709	22,259	-	3,809,968
Sub Standard (Grade 13)	-	-	346	346
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,866	38,866
Total gross carrying amount	3,787,709	22,259	49,977	3,859,945
Expected credit loss	(3,324)	(189)	-	(3,513)
Carrying amount	3,784,385	22,070	49,977	3,856,432

At 30 September 2020, the group has capital commitments of AED 3.11 million (31 December 2019: AED 3.34 million).

14 NET IMPAIRMENT LOSSES

	<i>Nine months period ended</i> <i>30 September (unaudited)</i>	
	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Loans and advances and Islamic financing receivables	99,175	137,623
Due from other banks	480	(3,391)
Investment securities	167	(2,324)
Customers' acceptances	17	142
Commitments and contingencies	325	(6,926)
Recoveries from Loans and advances and Islamic financing receivables	(2,918)	(84,046)
	97,246	41,078

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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 30 September (Unaudited)</i>		<i>Nine months period ended 30 September (Unaudited)</i>	
	<i>2020 AED '000</i>	<i>2019 AED '000</i>	<i>2020 AED '000</i>	<i>2019 AED '000</i>
Profit for the period (in AED '000)	48,769	110,876	176,005	349,764
Weighted average number of shares ('000)	1,848,000	1,848,000	1,848,000	1,848,000
Basic earnings per share (in AED)	0.03	0.06	0.10	0.19

There were no potential dilutive shares as at 30 September 2020 and 30 September 2019.

16 DIVIDENDS

At the Annual General Meeting held on 15 March 2020, the Shareholders approved dividend of 11% amounting to AED 203.28 million in respect of the year ended 31 December 2019 (2018: AED 203.28 million).

17 CASH AND CASH EQUIVALENTS

	<i>30 September 2020 AED '000 (Unaudited)</i>	<i>31 December 2019 AED '000 (Audited)</i>
Cash and balances with the U.A.E. Central Bank (Note 4)	1,422,085	1,729,448
Due from other banks (Note 5)	3,045,114	2,791,207
	4,467,199	4,520,655
Statutory deposit (Note 4)	(310,403)	(537,173)
Certificates of deposit with original maturity greater than three months (Note 4)	(575,000)	(350,000)
Due to other banks (Note 9)	(1,754)	(423)
	3,580,042	3,633,059

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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>Nine months period ended 30 September (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED'000</i>	<i>AED'000</i>
Interest income	4,043	12,514
Interest expense	34,253	39,027
<u>Remuneration of key management personnel</u>		
- Salaries and other short term benefits	1,996	3,311
- End of service benefits	78	97
Other income	81	268
Directors' fees	2,250	2,250

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

	<i>30 September 2020</i>	<i>31 December 2019</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Loans and advances and Islamic financing receivables	79,138	316,776
Customers' deposits and Islamic customers' deposits	2,645,834	2,379,375
Irrevocable commitments and contingent liabilities	311,014	496,595

Related party balances were classified as Stage 1 (31 December 2019: Stage 1) with corresponding ECL of AED 4.41 million (31 December 2019: AED 4.55 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 the U.A.E. Central Bank 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.

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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>
Nine months period ended				
30 September 2020 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	230,633	32,076	-	262,709
Net fees and commission income	51,413	2,463	557	54,433
Other operating income	1,001	201	19,918	21,120
Gross income	283,047	34,740	20,475	338,262
Operating expenses	(32,435)	(1,571)	(70,496)	(104,502)
Investment gains	-	39,881	-	39,881
Provision for impairment on financial assets	(96,257)	(648)	(343)	(97,248)
Share of results from an associate	-	-	(388)	(388)
Segment result	154,355	72,402	(50,751)	176,005
As at 30 September 2020 (Unaudited)				
Segment assets	7,828,696	5,171,014	599,978	13,599,688
Segment liabilities and equity	8,282,418	486,754	4,830,516	13,599,688
Nine months period ended				
30 September 2019 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	306,162	69,642	-	375,804
Fees and commission income, net	49,269	1,839	7,807	58,915
Other operating income	6,765	390	14,280	21,435
Gross income	362,196	71,871	22,087	456,154
Operating expenses	(36,069)	(1,769)	(65,607)	(103,445)
Investment gains	-	37,906	-	37,906
Provision for impairment on financial assets	(41,378)	(6,503)	6,803	(41,078)
Share of profits from an associate	-	-	227	227
Segment result	284,749	101,505	(36,490)	349,764
Segment assets	8,636,685	5,011,939	782,185	14,430,809
Segment liabilities and equity	9,345,055	150,022	4,935,732	14,430,809

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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 30 September 2020 amounted to AED 410.70 million (31 December 2019: AED 245.15 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 2019. 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;

	<i>Fair value as at</i>		<i>Fair value hierarchy</i>
	<i>30 September 2020</i>	<i>31 December 2019</i>	
Financial assets	<i>(unaudited)</i>	<i>(audited)</i>	
	<i>AED '000</i>	<i>AED '000</i>	
Financial assets at FVTPL			
Quoted equity Securities	18,133	20,801	Level 1
Discretionary funds managed by third parties – quoted equity securities	244	247	Level 1
Financial assets at FVTOCI			
Quoted equity securities	682,711	840,661	Level 1
Unquoted equity securities	744	747	Level 3
Positive fair value of Derivative	3	-	Level 2
Negative fair value of Derivative	1	4	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.

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21 SEASONALITY OF RESULTS

Investment income includes dividend income of AED 42.31 million for the nine months period ended 30 September 2020 (30 September 2019: AED 40.82 million), which is of a seasonal nature.

22 CAPITAL ADEQUACY RATIOS

<i>Capital element</i>	<i>Basel III Minimum requirement</i>	<i>As at 30 September 2020</i>	<i>As at 31 December 2019</i>
Common equity tier 1 ratio	7.0%	38.92%	37.10%
Tier 1 capital ratio	8.5%	38.92%	37.10%
Capital adequacy ratio	10.5%	40.03%	38.23%

23 DERIVATIVES

	<i>30 September 2020 (Unaudited)</i>			<i>31 December 2019 (Audited)</i>		
	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Notional amount AED'000</i>	<i>Positive fair value AED 000</i>	<i>Negative fair value AED 000</i>	<i>Notional amount AED 000</i>
Foreign currency forward contracts	290	2	441,595	-	4	524
Total	290	2	441,595	-	4	524

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 U.A.E. Central Bank ("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.

The Bank has considered macroeconomic variable forecast which are in line with the latest forecast published by the CBUAE in its quarterly economic review. As at 30 September 2020, the probability of pessimistic scenario is increased from 30% to 40% while the probability of the upturn scenario is reduced from 30% to 20% as compared 31 December 2019. The changes in the assigned probabilities of the macro economic scenario and the management overlays resulted in additional ECL of AED 40 million for nine months ended 30 September 2020. Overlays are judgmental and the Bank continues to reassess the impact on a regular basis.

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24 RISK MANAGEMENT (continued)

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

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.

Analysis of customers benefitting from payment deferrals

Deferral amount and outstanding balances as at 30 September 2020 (Unaudited):

Loans and advances and Islamic financing receivables

	<i>Wholesale AED'000</i>	<i>Retail AED'000</i>	<i>Total AED'000</i>
Gross exposure	3,545,142	16,206	3,561,348
Deferral amount	456,143	2,965	459,108
Number of customers	111	8	119

Group wise break up as at 30 September 2020 (Unaudited):

Loans and advances and Islamic financing receivables

	<i>Group 1 AED'000</i>	<i>Group 2 AED'000</i>	<i>Total AED'000</i>
Gross exposure	3,439,624	121,724	3,561,348
ECL	(70,814)	(9,471)	(80,285)
Net exposure	3,368,810	112,253	3,481,063

As at 30 September 2020, the Bank has availed ZCF facilities amounting to AED 375 million which has been fully utilized to provide payment relief to the impacted customers.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2020 (Unaudited)

24 RISK MANAGEMENT (continued)

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

Sectoral composition of Gross exposure and ECL for customers benefitting from payment deferrals:

Economic Sector	Gross Exposure AED'000 (Unaudited)	ECL AED' 000 (Unaudited)
Construction & real estate	1,328,547	23,268
Services	1,157,917	27,673
Trade	499,826	12,408
Individual loans for business	294,571	10,833
Manufacturing	129,991	2,040
Others	150,496	4,063
Grand Total	3,561,348	80,285

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

	Stage1 AED'000	Stage2 AED'000	Stage3 AED'000	Total AED'000
Gross carrying amount as at 1 January 2020	2,591,279	224,867	27,700	2,843,846
New assets originated or purchased	452,979	105,964	-	558,943
Assets derecognised or repaid	160,551	(1,992)	-	158,559
Transfer to Stage 1	125,289	(125,289)	-	-
Transfer to Stage 2	(63,863)	63,863	-	-
Transfer to Stage 3	-	27,700	(27,700)	-
Gross exposure as at 30 September 2020 (Unaudited)	3,266,235	295,113	-	3,561,348

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

	Stage1 AED'000	Stage2 AED'000	Stage3 AED'000	Total AED'000
ECL allowances as at 1 January 2020	36,757	14,763	-	51,520
New assets originated or purchased	7,142	8,489	-	15,631
Assets derecognised or repaid	(747)	13,881	-	13,134
Transfer to Stage 1	11,137	(11,137)	-	-
Transfer to Stage 2	(1,128)	1,128	-	-
ECL as at 30 September 2020 (Unaudited)	53,161	27,124	-	80,285

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2020 (Unaudited)

25 IMPAIRMENT RESERVE

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>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Impairment Reserve: General		
General Provisions under Circular 28/2010 of CBUAE	150,593	162,440
Less: Stage 1 & Stage 2 provisions under IFRS 9	159,059	146,055
	<hr/>	<hr/>
Impairment Reserve: General*	-	16,385
	<hr/> <hr/>	<hr/> <hr/>
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of CBUAE	228,088	231,508
Less: Stage 3 provisions under IFRS 9	(228,088)	(231,508)
	<hr/>	<hr/>
Impairment Reserve: Specific*	-	-
	<hr/> <hr/>	<hr/> <hr/>

* In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.

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.