

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

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

For the period ended 30 September 2021

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 2021**

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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 2021 and the related consolidated interim statements of income, comprehensive income for the three month and nine month periods then ended and consolidated interim statement 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.

Ernst & Young



Signed by:
Ashraf Abu Sharkh
Partner
Registration No. 690

30 October 2021


Sharjah, United Arab Emirates


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

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2021 (Unaudited)

	<i>Notes</i>	<i>30 September 2021 AED '000 (Unaudited)</i>	<i>31 December 2020 AED '000 (Audited)</i>
ASSETS			
Cash and balances with the U.A.E. Central Bank	4	1,567,947	1,510,911
Due from other banks	5	3,184,870	2,947,129
Loans and advances and Islamic financing receivables	6	7,021,366	7,639,656
Investment securities	7	1,010,955	943,354
Customers' acceptances		193,428	166,207
Investment in an associate		766	990
Property and equipment		90,225	86,362
Other assets	8	234,185	251,435
TOTAL ASSETS		13,303,742	13,546,044
LIABILITIES			
Due to other banks	9	140,305	198,585
Customers' deposits and Islamic customers' deposits	10	7,868,986	8,224,858
Customers' acceptances		193,428	166,207
Other liabilities	11	194,152	258,972
TOTAL LIABILITIES		8,396,871	8,848,622
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
Cumulative change in fair values		298,245	135,632
Impairment Reserve	25	11,827	-
Retained earnings		1,723,093	1,688,084
TOTAL SHAREHOLDERS' EQUITY		4,906,871	4,697,422
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,303,742	13,546,044
COMMITMENTS AND CONTINGENCIES	13	3,067,098	3,650,629


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


 Adnan Al Awadhi
 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 nine months period ended 30 September 2021 (Unaudited)

	Notes	<i>Three months period ended 30 September (Unaudited)</i>		<i>Nine months period ended 30 September (Unaudited)</i>	
		<i>2021 AED '000</i>	<i>2020 AED '000</i>	<i>2021 AED '000</i>	<i>2020 AED '000</i>
Interest income		74,025	90,608	225,172	312,341
Income from Islamic financing products		7,835	6,935	22,599	21,992
Total interest income and income from Islamic financing products		81,860	97,543	247,771	334,333
Interest expense		(12,357)	(19,560)	(37,809)	(71,211)
Distribution to depositors – Islamic products		(78)	(119)	(254)	(413)
Net interest income and income from Islamic products net of distribution to depositors		69,425	77,864	209,708	262,709
Net fees and commission income		8,247	22,055	32,094	54,433
Other operating income		16,491	13,560	34,655	22,470
GROSS INCOME		94,163	113,479	276,457	339,612
Operating expenses		(34,944)	(38,166)	(99,938)	(104,504)
Investment gains		430	517	33,919	39,881
OPERATING INCOME		59,649	75,830	210,438	274,989
Share of results from an associate		(430)	(283)	(176)	(388)
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT		59,219	75,547	210,262	274,601
Provision for impairment on financial assets	14	3,977	(26,778)	(15,586)	(98,596)
PROFIT FOR THE PERIOD		63,196	48,769	194,676	176,005
Basic and diluted earnings per share (AED)	15	0.03	0.03	0.11	0.10

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 2021 (Unaudited)

	<i>Three months period ended 30 September (Unaudited)</i>		<i>Nine months period ended 30 September (Unaudited)</i>	
	<i>2021 AED '000</i>	<i>2020 AED '000</i>	<i>2021 AED '000</i>	<i>2020 AED '000</i>
PROFIT FOR THE PERIOD	63,196	48,769	194,676	176,005
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	27,419	(30,714)	162,613	(157,950)
Other comprehensive income/ (loss) for the period	27,419	(30,714)	162,613	(157,950)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	90,615	18,055	357,289	18,055

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 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 at 1 January 2021 (unaudited)	1,848,000	1,019,266	6,440	-	135,632	1,688,084	4,697,422
Profit for the period	-	-	-	-	-	194,676	194,676
Other comprehensive loss for the period	-	-	-	-	162,613	-	162,613
Total comprehensive (loss)/ income for the period	-	-	-	-	162,613	194,676	357,289
Other movements of FVTOCI equity investments	-	-	-	-	-	-	-
Shortfall of impairment reserve under CBUAE requirement (see Note 25)	-	-	-	11,827	-	(11,827)	-
Dividend paid (see Note 16)	-	-	-	-	-	(147,840)	(147,840)
Balance at 30 September 2021 (unaudited)	1,848,000	1,019,266	6,440	11,827	298,245	1,723,093	4,906,871
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	-	-	-	(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

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 2021 (Unaudited)

		<i>Nine months period ended 30 September (Unaudited)</i>	
		2021	2020
		AED '000	AED '000
<i>Notes</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
	Profit for the period	194,676	176,005
	Adjustments for:		
	Provision for expected credit losses	14 12,783	97,246
	Depreciation of property and equipment	11,440	6,596
	Depreciation of right of use asset	1,136	-
	Provision for employee end of service benefits	1,067	1,777
	Provision for impairment of inventory	14 2,803	1,350
	Increase in fair value of investment in securities at FVTPL	1,465	2,673
	Discount amortised on investment securities	312	(24)
	Dividend income	21 (35,696)	(42,309)
	(Gain)/Loss on disposal of property and equipment	(19)	16
	Share of results from an associate	176	388
	Finance cost on lease liability	87	-
	Operating cash flows before movements in working capital	190,230	243,718
	Decrease/(Increase) in certificate of deposits with original maturity greater than 3 months	237,285	(225,000)
	(Increase) /Decrease in statutory deposit with CBUAE	(21,001)	226,770
	Decrease in loans and advances and Islamic financing receivables	611,967	528,775
	Increase / (Decrease) in other assets	14,447	(57,080)
	Payment of employee end of service benefits	(3,525)	(2,651)
	Decrease in customers' deposits and Islamic customers' deposits	(355,872)	(785,647)
	Increase in other liabilities	(71,657)	(27,012)
	Net cash generated from operating activities	601,874	(98,127)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Purchase of property and equipment	(8,880)	(3,634)
	Proceeds from disposal of property and equipment	383	-
	Purchase of investment securities	(72,491)	(165,285)
	Proceeds from sale and maturity of investment securities	165,285	-
	Dividend received from investment securities	21 35,696	42,309
	Dividend received from investment in an associate	49	-
	Net cash generated/ (used in) from investing activities	120,042	(126,610)
CASH FLOWS FROM FINANCING ACTIVITY			
	Dividend paid	16 (147,840)	(203,280)
	Lease payments	(1,352)	-
	Net cash used in financing activity	(149,192)	(203,280)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		572,724	(428,017)
	Cash and cash equivalents at the beginning of the period	3,308,809	3,633,059
	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17 3,881,533	3,205,042

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 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 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 2021 were authorised and approved by the Board of Directors (by circulation) for issue on 28 October 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

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 nine months period ended 30 September 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 statements of the subsidiary are prepared for the same reporting period 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

For the nine months period ended 30 September 2021 (Unaudited)

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

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Balances with the CBUAE		
Current account	10,718	12,912
Statutory cash reserve deposit	332,915	311,914
Monetary Bills	552,889	-
Overnight deposits	590,000	610,000
Certificate of deposits	-	475,000
	<u>1,486,522</u>	<u>1,409,826</u>
Cash in hand	81,425	101,085
	<u>1,567,947</u>	<u>1,510,911</u>

The statutory deposit with the U.A.E. Central Bank is not available to finance the day to day operations of the Bank.

5 DUE FROM OTHER BANKS

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Term deposits	2,411,116	2,756,204
Demand deposits	25,725	27,193
Loans to financial institutions	752,965	165,285
	<u>3,189,806</u>	<u>2,948,682</u>
Total due from other banks	3,189,806	2,948,682
Provision for credit loss	(4,936)	(1,553)
	<u>3,184,870</u>	<u>2,947,129</u>
	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Gross amounts due from other banks by geographical area		
Within U.A.E.	3,145,716	2,921,489
Within GCC	19,195	1,037
Other countries	24,895	26,156
	<u>3,189,806</u>	<u>2,948,682</u>

All amounts due from other banks were classified as Stage 1 as at 30 September 2021 (31 December 2020: Stage1) with corresponding ECL of AED 4.94 million as at 30 September 2021 (31 December 2020: AED 1.55 million). There was no inter-stage movement in gross balances due from other banks during the period ended 30 September 2021 (31 December 2020: no inter-stage movement).

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 2021 (Unaudited)

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Loans	5,873,351	6,224,681
Overdrafts	1,085,932	1,401,570
Islamic financing products	205,244	232,859
Loans against trust receipts	121,502	108,087
Other	44,592	24,636
Total loans and advances and Islamic financing receivables	7,330,621	7,991,833
Provision for credit loss	(309,255)	(352,177)
Net loans and advances and Islamic financing receivables	7,021,366	7,639,656

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Gross loans and advances and Islamic financing receivables by economic sector		
Wholesale and retail trade	1,009,494	1,099,471
Services and other	2,576,037	2,762,697
Real estate and construction	2,261,782	2,488,031
Financial institutions	438,770	535,042
Personal loans and other	420,327	485,427
Manufacturing	412,751	387,166
Transport and communication	210,267	232,786
Agriculture and allied activities	1,193	1,213
	7,330,621	7,991,833

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
Assets originated or (derecognised)	(374,765)	(171,794)	(65,408)	(611,967)
Transfer to Stage 1	1,902	(1,902)	-	-
Transfer to Stage 2	(227,155)	233,574	(6,419)	-
Transfer to Stage 3	(23,826)	(14,995)	38,821	-
Write off	-	-	(49,245)	(49,245)
As at 30 September 2021 (unaudited)	6,189,685	427,760	713,176	7,330,621

	<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 2019	7,114,324	773,830	752,678	8,640,832
Assets originated or (derecognised)	(279,360)	(226,041)	(19,432)	(524,833)
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	6,813,529	382,877	795,427	7,991,833

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 2021 (Unaudited)

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

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	112,318	39,523	200,336	352,177
Net impairment charged during the period	(2,645)	(8,178)	18,738	7,915
Recoveries	-	-	(1,592)	(1,592)
Transfer to Stage 1	127	(127)	-	-
Transfer to Stage 2	(3,648)	3,648	-	-
Transfer to Stage 3	(332)	(798)	1,130	-
Written off	-	-	(49,245)	(49,245)
Closing Balance as at 30 September 2021 (unaudited)	105,820	34,068	169,367	309,255
	<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)
Closing Balance as at 31 December 2020	112,318	39,523	200,336	352,177

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

	<i>30 September 2021 (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 1-8)	6,189,685	205,663	-	6,395,348
Performing watchlist (9-12)	-	222,097	-	222,097
Sub Standard (Grade 13)	-	-	109,517	109,517
Doubtful (Grade 14)	-	-	574,295	574,295
Loss (Grades 15)	-	-	29,364	29,364
Total gross carrying amount	6,189,685	427,760	713,176	7,330,621
Expected credit loss	(105,820)	(34,068)	(169,367)	(309,255)
Carrying amount	6,083,865	393,692	543,809	7,021,366

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 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</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>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 30 September 2021 amounted to AED 713.18 million (31 December 2020: AED 795.43 million) which is well covered by securities of AED 1,178.34 million (31 December 2020: AED 1,134.73 million) and impairment provision of AED 169.37 million (31 December 2020: AED 200.34 million) aggregating to AED 1,347.71 million (31 December 2020: AED 1,334.73 million) which is 1.89 times (31 December 2020: 1.68 times) of the non-performing loans.

7 INVESTMENT SECURITIES

Investment securities comprise the following:

	<i>30 September</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Securities at FVTPL		
Quoted equity securities	16,259	17,730
Discretionary funds managed by third parties – quoted equity securities	251	248
	16,510	17,978
Securities at FVTOCI		
Quoted equity securities	922,207	759,593
Unquoted equity securities	1,362	747
	923,569	760,340
Securities at amortised cost		
Quoted debt instruments	71,566	165,285
Total investment securities	1,011,645	943,603
Provision for expected credit loss	(690)	(249)
Net investment securities	1,010,955	943,354

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7 INVESTMENT SECURITIES (continued)

Investment securities comprise the following: (continued)

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Gross investment securities by geographical area		
Within U.A.E.	853,281	865,038
Within GCC	122,639	44,152
Other countries	35,725	34,413
	<u>1,011,645</u>	<u>943,603</u>

All debt investment are classified as Stage 1 as at 30 September 2021 (31 December 2020: Stage 1) with corresponding ECL of AED 0.69 million as at 30 September 2021 (31 December 2020: AED 0.25 million). There was no inter-stage movement in investment securities during the period ended 30 September 2021 (31 December 2020: no inter-stage movement).

8 OTHER ASSETS

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Inventory*	130,413	63,726
Interest receivable	23,121	39,105
Prepayments and deposits	19,173	19,157
Othes**	61,478	129,447
	<u>234,185</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 2.80 million during period ended 30 September 2021 (31 December 2020: AED 8.25 million).

**Others include amount of AED 48.89 million (31 December 2020: AED 124.87 million) deposited with the UAE courts for auction bids made by the bank.

9 DUE TO OTHER BANKS

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Borrowing from the U.A.E. Central Bank *	140,000	198,560
Demand deposits	305	25
By geographical area		
Within U.A.E.	140,000	198,560
Outside U.A.E.	305	25
	<u>140,305</u>	<u>198,585</u>

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

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10 CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Time deposits	5,098,390	5,307,100
Current accounts	2,482,261	2,616,166
Savings deposits	179,626	191,898
Islamic customers' deposits	81,203	80,274
Margin deposits	27,506	29,420
	<u>7,868,986</u>	<u>8,224,858</u>

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

11 OTHER LIABILITIES

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Manager's cheques	85,811	144,481
Interest payable	22,660	26,588
Accounts payable	28,183	25,638
Provision for employees' end of service benefits	18,543	20,873
Dividend payable	10,619	10,619
Provision for expected credit loss on contingent assets (Note 13)	9,739	7,177
Other staff benefits	2,762	761
Provision for expected credit loss on Acceptances	495	421
Others	15,340	22,414
	<u>194,152</u>	<u>258,972</u>

12 SHARE CAPITAL

	<i>30 September 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>

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13 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Guarantees	1,882,734	2,362,293
Letters of credit	139,171	72,171
	<u>2,021,905</u>	<u>2,434,464</u>
Commitments to extend credit	1,009,397	956,972
Other	35,796	259,193
	<u>3,067,098</u>	<u>3,650,629</u>
Gross commitments and contingent liabilities by geographical area		
Within U.A.E.	2,993,784	3,632,460
Outside U.A.E.	73,314	18,169
	<u>3,067,098</u>	<u>3,650,629</u>

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

	<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	2,382,538	2,252	49,674	2,434,464
New assets originated or purchased	226,519	-	-	226,519
Assets derecognised or repaid (excluding write offs)	(639,078)	-	-	(639,078)
Transfer to Stage 2	(346)	346	-	-
Transfer to Stage 3	(1,608)	-	1,608	-
As at 30 September 2021 (unaudited)	<u>1,968,025</u>	<u>2,598</u>	<u>51,282</u>	<u>2,021,905</u>
	<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 - 1 January 2020	3,787,709	22,259	49,977	3,859,945
Transferred from Stage 1	15,146	(15,146)	-	-
Net impairment charged during the period	(1,420,317)	(4,861)	(303)	(1,425,481)
As at 31 December 2020 (audited)	<u>2,382,538</u>	<u>2,252</u>	<u>49,674</u>	<u>2,434,464</u>

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13 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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 2020	7,171	6	-	7,177
New assets originated or purchased	5,022	1	-	5,023
Assets derecognised or repaid (excluding write offs)	(2,453)	2	(10)	(2,461)
Transferred to stage 3	(10)	-	10	-
Closing balance as at 30 September 2021 (unaudited)	9,730	9	-	9,739
	<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 - 31 December 2019	3,324	189	-	3,513
Net impairment charged during the period	3,689	(25)	-	3,664
Transferred from Stage 1	158	(158)	-	-
Closing balance as at 30 September 2020	7,171	6	-	7,177

Grading of commitments and contingent liabilities along with stages:

	<i>30 September 2021 (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 1-8)	1,968,026	-	-	1,968,026
Performing (Grades 9-12)	-	2,597	-	2,597
Sub Standard (Grade 13)	-	-	360	360
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	40,157	40,157
Total gross carrying amount	1,968,026	2,597	51,282	2,021,905
Expected credit loss (Note 11)	(9,730)	(9)	-	(9,739)
Carrying amount	1,958,296	2,588	51,282	2,012,166
	<i>31 December 2020</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 1-8)	2,382,538	-	-	2,382,538
Performing (Grades 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)
Carrying amount	2,375,367	2,246	49,674	2,427,287

At 30 September 2021, the group has capital commitments of AED 2.65 million (31 December 2020: AED 3.34 million).\

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14 NET IMPAIRMENT LOSSES

	<i>Nine months period ended 30 September (unaudited)</i>	
	<i>2021 AED'000</i>	<i>2020 AED'000</i>
Loans and advances and Islamic financing receivables	7,915	99,175
Due from other banks	3,383	480
Investment securities	441	167
Customers' acceptances	75	17
Commitments and contingencies	2,561	325
Property Valuation – Impairment	2,803	1,350
Total impairment charged	17,178	101,514
Recoveries from Loans and advances and Islamic financing receivables	(1,592)	(2,918)
	15,586	98,596

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>2021 AED '000</i>	<i>2020 AED '000</i>	<i>2021 AED '000</i>	<i>2020 AED '000</i>
Profit for the period (in AED '000)	63,196	48,769	194,676	176,005
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	0.03	0.11	0.10

There were no potential dilutive shares as at 30 September 2021 and 30 September 2020.

16 DIVIDENDS

At the Annual General Meeting held on 28 March 2021, the Shareholders approved dividend of 8% amounting to AED 147.84 million in respect of the year ended 31 December 2020 (31 December 2019: AED 203.28 million).

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17 CASH AND CASH EQUIVALENTS

	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>30 September 2020 AED'000 (Unaudited)</i>
Cash and balances with the U.A.E. Central Bank (Note 4)	1,567,947	1,422,085
Due from other banks (Note 5)	3,189,806	3,045,114
	<u>4,757,753</u>	<u>4,467,199</u>
Statutory deposit (Note 4)	(332,915)	(310,403)
Certificates of deposit with original maturity greater than three months	(403,000)	(575,000)
Due to other banks (Note 9)	(140,305)	(1,754)
	<u><u>3,881,533</u></u>	<u><u>3,580,042</u></u>

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>2021 AED'000</i>	<i>2020 AED'000</i>
Interest income	1,499	4,043
Interest expense	21,459	34,253
<u>Remuneration of key management personnel</u>		
- Salaries and other short term benefits	2,557	1,996
- End of service benefits	55	78
Other income	76	81
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 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Loans and advances and Islamic financing receivables	88,226	82,798
Customers' deposits and Islamic customers' deposits	3,121,656	2,728,217
Irrevocable commitments and contingent liabilities	224,499	260,229
	<u><u>3,434,381</u></u>	<u><u>3,071,244</u></u>
	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Key Management		
Loans and advances and Islamic financing receivables	-	534
Customer deposits and Islamic customer deposits	701	412
	<u><u>701</u></u>	<u><u>946</u></u>

The loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 61.15 million (31 December 2020: AED 61.15 million). All loans and advances to related parties are classified as Stage 1 (31 December 2020: Stage 1) with corresponding ECL of AED 4.56 million. (31 December 2020: AED 1.88 million).

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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.

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 2021 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	199,897	9,811	-	209,708
Net fees and commission income	32,250	-	(156)	32,094
Other operating income	17	2,856	31,787	34,660
Gross income	232,164	12,667	31,631	276,462
Operating expenses	(25,947)	(1,912)	(72,079)	(99,938)
Investment gains	-	33,914	-	33,914
Provision for impairment on financial assets	(8,959)	(3,824)	(2,803)	(15,586)
Share of results from an associate	-	-	(176)	(176)
Segment result	197,258	40,845	(43,427)	194,676
As at 30 September 2021 (Unaudited)				
Segment assets	7,236,830	5,351,282	715,630	13,303,742
Segment liabilities and equity	8,052,340	150,560	5,100,842	13,303,742

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19 BUSINESS SEGMENTS (continued)

Primary segment information (continued)

	<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	<u>283,047</u>	<u>34,740</u>	<u>20,475</u>	<u>338,262</u>
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	<u>154,355</u>	<u>72,402</u>	<u>(50,752)</u>	<u>176,005</u>
As at 30 September 2020 (Unaudited)				
Segment assets	<u>7,828,696</u>	<u>5,171,014</u>	<u>599,978</u>	<u>13,599,688</u>
Segment liabilities and equity	<u>8,282,418</u>	<u>486,754</u>	<u>4,830,516</u>	<u>13,599,688</u>

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).

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20 FAIR VALUE MEASUREMENTS (continued)

Fair value of financial instruments carried at amortised cost

The fair value of the quoted debt instruments at 30 September 2021 amounted to AED 71.30 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;

	<i>Fair value as at</i>		<i>Fair value hierarchy</i>
	<i>30 September 2021</i>	<i>31 December 2020</i>	
Financial assets	<i>(unaudited)</i>	<i>(audited)</i>	
	<i>AED '000</i>	<i>AED '000</i>	
Financial assets at FVTPL			
Quoted equity Securities	16,259	17,730	Level 1
Discretionary funds managed by third parties – quoted equity securities	251	248	Level 1
Financial assets at FVTOCI			
Quoted equity securities	886,482	725,279	Level 1
Unquoted equity securities	37,087	35,061	Level 3
Positive fair value of Derivative	24	211	Level 2
Negative fair value of Derivative	-	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.

21 SEASONALITY OF RESULTS

Investment income includes dividend income of AED 35.70 million for the nine months period ended 30 September 2021 (30 September 2020: AED 42.31 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 2021</i>	<i>As at 31 December 2020</i>
Common equity tier 1 ratio	7.0%	40.25	40.34
Tier 1 capital ratio	8.5%	40.25	40.34
Capital adequacy ratio	10.5%	41.37	41.45

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23 DERIVATIVES

	30 September 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	24	-	8,920	211	2	257,674
Total	24	-	8,920	211	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 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 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.

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24 RISK MANAGEMENT (continued)

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

Analysis of customers benefitting from payment deferrals

Deferral amount and outstanding balances as at 30 September 2021 (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	1,696,106	1,345	1,697,451
Deferral amount	140,708	177	140,885
Number of customers	32	2	34

Group wise break up as at 30 September 2021 (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	1,481,589	215,862	1,697,451
ECL	(23,461)	(18,633)	(42,094)
Net exposure	1,458,128	197,229	1,655,357

As at 30 September 2021, the Bank has availed ZCF facilities amounting to AED 140 million which has been fully utilized to provide payment relief to the impacted customers.

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

Economic Sector	<i>Gross Exposure AED'000 (Unaudited)</i>	<i>ECL AED' 000 (Unaudited)</i>
Wholesale and retail trade	126,082	2,275
Real estate and construction	446,520	6,721
Personal loans and other	52,066	2,038
Manufacturing	33,172	939
Services and other	1,039,611	30,121
Grand Total	1,697,451	42,094
By Product	<i>Gross exposure AED'000</i>	<i>ECL AED' 000</i>
Term Loans	1,692,330	41,967
Overdrafts	5,121	127
Grand Total	1,697,451	42,094

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

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For the nine months period ended 30 September 2021 (Unaudited)

24 RISK MANAGEMENT (continued)

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

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

	<i>Stage1</i> <i>AED'000</i>	<i>Stage2</i> <i>AED'000</i>	<i>Stage3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount as at 1 January 2021	1,787,871	97,020	-	1,884,891
Assets derecognised or repaid	(132,339)	(55,101)	-	(187,440)
Transfer to Stage 2	(173,943)	173,943	-	-
Gross exposure as at 30 September 2021 (Unaudited)	1,481,589	215,862	-	1,697,451

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

	<i>Stage1</i> <i>AED'000</i>	<i>Stage2</i> <i>AED'000</i>	<i>Stage3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 1 January 2021	40,333	7,731	-	48,064
Assets derecognised or repaid	(13,945)	7,975	-	(5,970)
Transfer to Stage 2	(2,928)	2,928	-	-
ECL as at 30 September 2021 (Unaudited)	23,460	18,634	-	42,094

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>30 September</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>
Impairment Reserve: General		
General Provisions under Circular 28/2010 of CBUAE	151,715	149,022
Less: Stage 1 & Stage 2 provisions under IFRS 9	139,888	151,841
Impairment Reserve: General*	11,827	-
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of CBUAE	169,367	200,336
Less: Stage 3 provisions under IFRS 9	(169,367)	(200,336)
Impairment Reserve: Specific*	-	-

* 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.