

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

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

For the three months period ended 31 March 2019

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

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For the three months period ended 31 March 2019**

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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 31 March 2019 and the related consolidated interim statements of income and comprehensive income, cash flows and changes in equity for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 January 2019. Furthermore, the condensed consolidated interim financial information as at and for the period ended 31 March 2018 was reviewed by another auditor who expressed an unqualified conclusion on the interim financial information on 2 May 2018.

Ernst & Young

Signed by:
Anthony O'Sullivan
Partner
Registration No. 687

5 May 2019


Dubai, United Arab Emirates

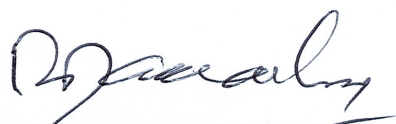
National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2019 (Unaudited)

	Notes	31 March 2019 AED '000 (Unaudited)	31 December 2018 AED '000 (Audited)
ASSETS			
Cash and balances with the U.A.E. Central Bank	4	1,781,754	1,521,021
Due from other banks	5	2,164,421	2,642,820
Loans and advances	6	8,900,213	8,924,912
Investment securities	7	1,103,153	1,134,222
Customers' acceptances		237,522	234,106
Investment in an associate		1,650	1,625
Property and equipment		65,421	67,675
Other assets	8	159,089	138,467
TOTAL ASSETS		14,413,223	14,664,848
LIABILITIES			
Due to other banks	9	452	20
Customers' deposits	10	9,534,343	9,757,942
Customers' acceptances		238,585	235,027
Other liabilities	11	206,130	208,506
TOTAL LIABILITIES		9,979,510	10,201,495
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		164,904	126,447
Retained earnings		1,395,103	1,463,200
TOTAL SHAREHOLDERS' EQUITY		4,433,713	4,463,353
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,413,223	14,664,848
COMMITMENTS AND CONTINGENCIES	13	6,515,070	6,724,082


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


 R Ramachandra Iyer
 General Manager

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary
 CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
 For the three months period ended 31 March 2019 (Unaudited)

	<i>Note</i>	<i>Three months period ended 31 March (Unaudited)</i>	
		<i>2019 AED '000</i>	<i>2018 AED '000</i>
Interest income		145,255	150,115
Income from Islamic financing products		8,367	12,379
Total interest income and income from Islamic financing products		153,622	162,494
Interest expense		(21,721)	(17,435)
Distribution to depositors – Islamic products		(567)	(90)
Net interest income and income from Islamic products net of distribution to depositors		131,334	144,969
Fees and commission income, net		13,261	10,135
Other operating income		1,920	4,653
TOTAL INCOME		146,515	159,757
Operating expenses		(35,436)	(37,552)
OPERATING INCOME		111,079	122,205
Investment income		40,458	44,492
Provision for impairment on financial assets		(16,583)	(36,099)
Share of results from an associate		227	430
PROFIT FOR THE PERIOD		135,181	131,028
Basic earnings per share (AED)	14	0.07	0.07

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months period ended 31 March 2019 (Unaudited)

	<i>Three months period ended 31 March (Unaudited)</i>	
	<i>2019 AED '000</i>	<i>2018 AED '000</i>
PROFIT FOR THE PERIOD	135,181	131,028
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net fair value gain on investment securities carried at FVTOCI - equity	38,457	14,410
Other comprehensive income for the period	38,457	14,410
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	173,638	145,438

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2019 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>General reserve 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 2019 (audited)	1,848,000	1,019,266	6,440	126,447	1,463,200	4,463,353
Profit for the period	-	-	-	-	135,181	135,181
Other comprehensive income for the period	-	-	-	38,457	-	38,457
Total comprehensive income for the period	-	-	-	38,457	135,181	173,638
Dividend paid (see Note 15)	-	-	-	-	(203,278)	(203,278)
Balance at 31 March 2019 (unaudited)	1,848,000	1,019,266	6,440	164,904	1,395,103	4,433,713
Balance at 31 December 2017 (audited)	1,848,000	1,019,266	6,440	36,868	1,263,040	4,173,614
Impact on adoption of IFRS 9 (Note 2.1)	-	-	-	-	(27,829)	(27,829)
Transfer within equity on adoption of IFRS 9	-	-	-	(5,000)	5,000	-
Balance at 1 January 2018 (audited)	1,848,000	1,019,266	6,440	31,868	1,240,211	4,145,785
Profit for the period	-	-	-	-	131,028	131,028
Other comprehensive income for the period	-	-	-	14,410	-	14,410
Total comprehensive income for the period	-	-	-	14,410	131,028	145,438
Loss on disposal of investment securities carried at FVTOCI	-	-	-	589	(589)	-
Dividend paid (see Note 15)	-	-	-	-	(184,800)	(184,800)
Balance at 31 March 2018 (unaudited)	1,848,000	1,019,266	6,440	46,867	1,185,850	4,106,423

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2019 (Unaudited)

	<i>Three months period ended 31 March (Unaudited)</i>	
	2019 <i>AED '000</i>	2018 <i>AED '000</i>
Cash flows from operating activities		
Profit for the period	135,181	131,028
Adjustments for:		
Provision for impairment on financial assets	16,583	36,099
Depreciation of property and equipment	1,984	2,707
Impairment of inventory	1,800	-
Increase in fair value of investment in securities at FVTPL	(1,599)	(3,687)
Discount amortised on investment securities	(11)	(24)
Loss on disposal of investment securities	-	24
Dividend income	(38,849)	(40,805)
Loss on disposal of property and equipment	3	-
Share of results from an associate	(227)	(430)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	114,865	124,912
Decrease/(increase) in certificate of deposits with original maturity greater than 3 months	70,000	(120,000)
Increase in statutory deposit with U.A.E. Central Bank	(8,832)	(4,226)
Decrease in loans and advances	2,543	364,750
Increase in other assets	(22,422)	(3,324)
Increase in due to other banks	432	91,814
(Decrease)/ increase in customers' deposits	(223,599)	225,699
Decrease in other liabilities	(2,376)	(33,949)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(69,389)	645,676
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property and equipment	(563)	(1,974)
Proceeds from disposal of property and equipment	830	2
Purchase of investment securities	-	(17,595)
Proceeds from sale and maturity of investment securities	73,460	74,752
Dividend received from investment securities	38,849	21,399
Dividend received from investment in an associate	202	298
	<hr/>	<hr/>
Net cash generated from investing activities	112,778	76,882
	<hr/>	<hr/>
Cash flows from financing activities		
Dividend paid	(203,278)	(184,800)
	<hr/>	<hr/>
Net cash used in financing activities	(203,278)	(184,800)
	<hr/>	<hr/>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(159,889)	537,758
Cash and cash equivalents at the beginning of the period	3,125,550	1,552,564
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CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (SEE NOTE 16)	2,965,661	2,090,322
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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2019 (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 14 branches in the U.A.E. The Group carries out Islamic banking operations through Islamic banking window established in 2005 across all its branch network.

The condensed consolidated interim financial statements of the Group for the three months period ended 31 March 2019 were authorised and approved for issue by the Board of Directors on 05 May 2019.

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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16, ‘Leases’

IFRS 16 replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays remains mainly unchanged. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has applied modified retrospective method and therefore comparative figures are not restated. The reclassifications and the adjustments arising from the new leasing rules are insignificant and therefore not recognized as adjustment to the opening balance in retained earnings on 1 January 2019.

The overall impact of the IFRS 16 on the condensed consolidated interim financial statements of the Group is insignificant.

Amendment to IFRS 9: Prepayment Feature with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the condensed consolidated interim financial statements of the Group.

2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (continued)

2.1 Changes in accounting policies (continued)

Key accounting estimates and judgments

The preparation of the condensed consolidated interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing, the condensed consolidated interim financial information, except for IFRS 16: Leases, as mentioned above, the other 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 2018.

Changes to judgements made in applying accounting policies that have most significant effects on the amounts recognized in the condensed consolidated interim financial information of the period ended 31 March 2019 pertain to the changes introduced because of adoption of IFRS 16: Leases, which are covered in the above section.

2.2 New and revised IFRS in issue but not yet effective

New and revised IFRS	Effective for annual periods beginning on or after
IFRS 17 <i>Insurance Contracts</i>	1 January 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated interim financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the condensed consolidated interim financial statements of the Group in the period of initial application.

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 2018. In addition, results for the three months period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2019 (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 2018. 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 2018, except for changes in accounting policies explained in Note 2.1.

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

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Balances with the U.A.E. Central Bank:		
Current account	292,843	321,153
Certificates of deposit*	900,000	620,000
Statutory deposit	480,600	471,768
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	1,673,443	1,412,921
Cash in hand	108,311	108,100
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	1,781,754	1,521,021
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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 with original maturity over three months amounted to AED 500 million (31 December 2018: AED 570 million).

5. DUE FROM OTHER BANKS

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Term deposits	2,136,245	2,612,648
Demand deposits	28,262	33,649
	<hr/>	<hr/>
Total due from other banks	2,164,507	2,646,297
Provision for credit loss	(86)	(3,477)
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Net due from other banks	2,164,421	2,642,820
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National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2019 (Unaudited)

5. DUE FROM OTHER BANKS (continued)

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Gross amounts due from other banks by geographical area		
Within U.A.E.	2,099,515	2,452,458
Within GCC	762	50,714
Other countries	64,230	143,125
	<u>2,164,507</u>	<u>2,646,297</u>

All amounts due from other banks were classified as Stage 1 (31 December 2018: Stage 1) with corresponding ECL of AED 86 thousand (31 December 2018: AED 3,477 thousand).

6. LOANS AND ADVANCES

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Loans	7,481,384	7,386,097
Overdrafts	1,316,826	1,386,530
Islamic financing products	321,499	332,547
Loans against trust receipts	173,988	166,253
Other	53,690	71,624
Total loans and advances	<u>9,347,387</u>	<u>9,343,051</u>
Provision for credit loss	(447,174)	(418,139)
Net loans and advances	<u>8,900,213</u>	<u>8,924,912</u>
Gross loans and advances by economic sector		
Wholesale and retail trade	1,306,820	1,285,512
Real estate and construction	3,279,486	3,344,685
Personal loans and other	689,647	706,542
Manufacturing	439,897	459,068
Agriculture and allied activities	1,328	1,370
Transport and communication	288,877	273,096
Financial institutions	599,304	645,836
Services and other	2,742,028	2,626,942
	<u>9,347,387</u>	<u>9,343,051</u>

All loans and advances 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 three months period ended 31 March 2019 (Unaudited)

6. LOANS AND ADVANCES (continued)

Movement in the gross balances of loans and advances

	<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	716,665	11,061	3,375	731,101
Assets derecognised or repaid (excluding write offs)	(686,392)	(30,582)	(9,791)	(726,765)
Transfer to Stage 1	61,910	(61,910)	-	-
Transfer to Stage 2	(153,708)	162,083	(8,375)	-
Transfer to Stage 3	-	(49,722)	49,722	-
As at 31 March 2019 (unaudited)	7,579,333	1,046,463	721,591	9,347,387
	<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 2017	8,204,688	906,986	657,571	9,769,245
New assets originated or purchased	1,854,242	308,829	32,171	2,195,242
Assets derecognised or repaid (excluding write offs)	(2,187,524)	(368,489)	(65,423)	(2,621,436)
Transfer to Stage 1	4,360	(4,360)	-	-
Transfer to Stage 2	(233,237)	248,660	(15,423)	-
Transfer to Stage 3	(1,671)	(76,093)	77,764	-
As at 31 December 2018 (audited)	7,640,858	1,015,533	686,660	9,343,051

Movement in the provision for impairment of loans and advances:

	<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 period	(9,665)	(8,454)	49,110	30,991
Recoveries	-	-	(1,909)	(1,909)
Written off	-	-	(47)	(47)
Closing Balance as At 31 March 2019 (unaudited)	103,195	61,262	282,717	447,174

Movement in the provision for impairment of loans and advances in 2018 were as follows

	<i>AED'000</i> <i>(Audited)</i>
ECL allowances as at 1 January 2018	317,742
Allowance for impairment charged	124,731
Recoveries	(21,800)
Written off	(2,534)
Closing Balance 31 December 2018 (audited)	418,139

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2019 (Unaudited)

6. LOANS AND ADVANCES (continued)

Grading of loans and advances along with stages:

	<i>31 March 2019 (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)	7,579,333	1,046,463	-	8,625,796
Sub Standard (Grade 13)	-	-	135,319	135,319
Doubtful (Grade 14)	-	-	455,357	455,357
Loss (Grades 15)	-	-	130,915	130,915
Total gross carrying amount	7,579,333	1,046,463	721,591	9,347,387
Expected credit loss	(103,195)	(61,262)	(282,717)	(447,174)
Carrying amount	7,476,138	985,201	438,874	8,900,213

	<i>31 December 2018 (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)	7,640,858	1,015,533	-	8,656,391
Sub Standard (Grade 13)	-	-	92,787	92,787
Doubtful (Grade 14)	-	-	478,818	478,818
Loss (Grades 15)	-	-	115,055	115,055
Total gross carrying amount	7,640,858	1,015,533	686,660	9,343,051
Expected credit loss	(112,860)	(69,716)	(235,563)	(418,139)
Carrying amount	7,527,998	945,817	451,097	8,924,912

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7. INVESTMENT SECURITIES

Investment securities comprise the following:

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Securities at FVTPL		
Quoted equity securities	25,854	24,255
Discretionary funds managed by third parties – quoted equity securities	231	231
	<u>26,085</u>	<u>24,486</u>
Securities at FVTOCI		
Quoted equity securities	793,589	755,132
Unquoted equity securities	747	747
	<u>794,336</u>	<u>755,879</u>
Securities at amortised cost		
Quoted debt instruments	<u>282,766</u>	356,215
Total investment securities	1,103,187	1,136,580
Provision for credit loss	(34)	(2,358)
Net investment securities	<u>1,103,153</u>	<u>1,134,222</u>
Gross investment securities by geographical area		
Within U.A.E.	1,035,996	1,080,242
Within GCC	42,573	35,701
Other countries	24,618	20,637
	<u>1,103,187</u>	<u>1,136,580</u>

The Group has no exposures with Abraaj Capital.

All debt investment are classified as Stage 1 (31 December 2018: Stage 1) with corresponding ECL of AED 34 thousand (31 December 2018: AED 2,358 thousand).

8. OTHER ASSETS

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Inventory*	60,292	62,092
Interest receivable	45,907	37,120
Prepayments and deposits	26,186	33,746
Other	26,704	5,509
	<u>159,089</u>	<u>138,467</u>

*Inventory represents property acquired in the settlement of debt. The group has recorded an impairment on its inventory amounting to AED 1.8 million during 3 month period ended 31 March 2019 (31 March 2018: AED Nil).

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9. DUE TO OTHER BANKS

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Demand deposits	452	20
By geographical area		
Within U.A.E.	-	-
Outside U.A.E.	452	20
	452	20

10. CUSTOMERS' DEPOSITS

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Time deposits	7,176,587	7,383,978
Current accounts	1,978,053	1,980,842
Savings deposits	168,572	180,122
Islamic customers' deposits	151,028	151,597
Margin deposits	60,103	61,403
	9,534,343	9,757,942

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

11. OTHER LIABILITIES

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Accounts payable	27,446	26,431
Interest payable	39,805	42,237
Provision for employees' end of service benefits	20,727	21,001
Dividend payable	11,596	11,596
Provision for expected credit loss on contingent assets (Note 13)	4,212	11,138
Other staff benefits	1,937	637
Other	100,407	95,466
	206,130	208,506

12. SHARE CAPITAL

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Issued and fully paid:		
1,848 million ordinary shares of AED 1 each	1,848,000	1,848,000

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13. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Guarantees	5,071,467	5,294,248
Letters of credit	81,535	101,287
	<u>5,153,002</u>	<u>5,395,535</u>
Commitments to extend credit	1,348,204	1,296,726
Other	13,864	31,821
	<u>6,515,070</u>	<u>6,724,082</u>
Gross commitments and contingent liabilities by geographical area		
Within the U.A.E.	6,484,587	6,668,834
Outside the U.A.E.	30,483	55,248
	<u>6,515,070</u>	<u>6,724,082</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 2018	5,258,559	136,976	-	5,395,535
New assets originated or purchased	96,827	2,960	-	99,787
Assets derecognised or repaid (excluding write offs)	(314,025)	(28,295)	-	(342,320)
Transfer to Stage 1	8,897	(8,897)	-	-
Transfer to Stage 2	(1,036)	1,036	-	-
As at 31 March 2019 (unaudited)	<u>5,049,222</u>	<u>103,780</u>	<u>-</u>	<u>5,153,002</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 as at 1 January 2018	5,944,271	79,091	-	6,023,362
New assets originated or purchased	282,351	9,794	-	292,145
Assets derecognised or repaid (excluding write offs)	(908,109)	(11,863)	-	(919,972)
Transfer to Stage 2	(59,954)	59,954	-	-
As at 31 December 2018 (audited)	<u>5,258,559</u>	<u>136,976</u>	<u>-</u>	<u>5,395,535</u>

Movement in the provision for impairment 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>
ECL allowances as at 31 December 2018	11,137	1	-	11,138
Net impairment charged during the period	84	644	-	728
Write back	(7,261)	(393)	-	(7,654)
Closing Balance as at 31 March 2019 (unaudited)	<u>3,960</u>	<u>252</u>	<u>-</u>	<u>4,212</u>

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13. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

During the prior year, 31 December 2018, there was no movement in provision for impairment of commitments and contingent liabilities.

Grading of commitments and contingent liabilities along with stages:

	<i>31 March 2019 (Unaudited)</i>			
	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Performing (Grades 1-12)	5,049,222	103,780	-	5,153,002
Total gross carrying amount	5,049,222	103,780	-	5,153,002
Expected credit loss (Note 11)	(3,960)	(252)	-	(4,212)
Carrying amount	5,045,262	103,528	-	5,148,790
	<i>31 December 2018 (Audited)</i>			
	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Performing (Grades 1-12)	5,258,559	136,976	-	5,395,535
Total gross carrying amount	5,258,559	136,976	-	5,395,535
Expected credit loss (Note 11)	(11,137)	(1)	-	(11,138)
Carrying amount	5,247,422	136,975	-	5,384,397

At 31 March 2019, the group has capital commitments of AED 3.76 million (31 December 2018: AED 4.05 million).

The provision for expected credit loss against the off-balance sheet items disclosed above amounting to AED 4.21 million (31 December 2018: AED 11.14 million) is classified under other liabilities (Note 11).

14. BASIC EARNINGS PER SHARE

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

	<i>Three months period ended 31 March (unaudited)</i>	
	<i>2019 AED'000</i>	<i>2018 AED'000</i>
Profit for the period (in AED '000)	135,181	131,028
Weighted average number of shares ('000)	1,848,000	1,848,000
Basic earnings per share (in AED)	0.07	0.07

There were no potential dilutive shares as at 31 March 2019 and 31 March 2018.

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15. DIVIDENDS

At the Annual General Meeting held on 18 March 2019, the Shareholders approved dividend of 11% amounting to AED 203.28 million in respect of the year ended 31 December 2018 (2017: AED 184.8 million).

16. CASH AND CASH EQUIVALENTS

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Cash and balances with the U.A.E. Central Bank (Note 4)	1,781,754	1,521,021
Due from other banks (Note 5)	2,164,507	2,646,297
Statutory deposit (Note 4)	(480,600)	(471,768)
Certificates of deposit with original maturity greater than three months (Note 4)	(500,000)	(570,000)
	<u>2,965,661</u>	<u>3,125,550</u>

17. RELATED PARTY TRANSACTIONS

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

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

	<i>Three months period ended 31 March (unaudited)</i>	
	<i>2019 AED'000</i>	<i>2018 AED'000</i>
Interest income	4,884	2,482
Interest expense	11,017	9,265
Remuneration of key management personnel	1,135	1,536
Other income	80	240
Directors' fees	750	750

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

	<i>31 March 2019 AED'000 (Unaudited)</i>	<i>31 December 2018 AED'000 (Audited)</i>
Loans and advances	385,787	391,508
Customers' deposits	1,905,551	1,873,234
Irrevocable commitments and contingent liabilities	539,684	540,919

Related party balances were classified as Stage 1 (31 December 2018: Stage 1) with corresponding ECL of AED 5.46 million (31 December 2018: AED 4.37 million).

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18. BUSINESS SEGMENTS

The Group is organised into three main business segments:

Retail 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>Corporate banking AED' 000</i>	<i>Retail banking AED' 000</i>	<i>Treasury and investments AED' 000</i>	<i>Unallocated AED' 000</i>	<i>Total AED' 000</i>
Unaudited 31 March 2019					
Net interest income and income from Islamic products net of distribution to depositors	93,825	14,998	22,511	-	131,334
Fees and commission income, net	2,162	7,313	579	3,207	13,261
Other operating income	2,607	73	228	(988)	1,920
Gross income	98,594	22,384	23,318	2,219	146,515
Operating expenses	(1,946)	(10,503)	(592)	(22,395)	(35,436)
Investment gains	-	-	40,458	-	40,458
Provision for impairment on financial assets	(24,317)	(663)	1,613	6,784	(16,583)
Share of profits from an associate	-	-	-	227	227
Segment result	72,331	11,218	64,797	(13,165)	135,181
Segment assets	8,423,478	643,612	4,578,506	767,627	14,413,223
Segment liabilities and equity	4,736,811	4,985,775	50,452	4,640,185	14,413,223
Unaudited 31 March 2018					
Segment result	77,241	14,265	62,864	(23,342)	131,028
Audited 31 December 2018					
Segment assets	8,393,824	666,805	5,536,028	68,191	14,664,848
Segment liabilities and equity	4,798,027	5,145,000	246,872	4,474,949	14,664,848

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2019 (Unaudited)

19. FAIR VALUE MEASUREMENTS

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

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

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

Fair value of financial instruments carried at amortised cost

The fair value of the quoted debt instruments at 31 March 2019 amounted to AED 291.03 million (31 December 2018: AED 443.59 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 2018. 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>31 March 2019</i>	<i>31 December 2018</i>	
Financial assets			
	<i>(unaudited)</i>	<i>(audited)</i>	
	<i>AED '000</i>	<i>AED '000</i>	<i>Fair value hierarchy</i>
Financial assets at FVTPL			
Quoted equity Securities	25,854	24,555	Level 1
Discretionary funds managed by third parties – quoted equity securities	231	231	Level 1
Financial assets at FVTOCI			
Quoted equity securities	793,589	755,132	Level 1
Unquoted equity securities	4,735	4,735	Level 3
Positive fair value of Derivative	24	17	Level 2
Negative fair value of Derivative	22	18	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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20. SEASONALITY OF RESULTS

Investment income includes dividend income of AED 39 million for the three months period ended 31 March 2019 (31 March 2018: AED 41 million), which is of a seasonal nature.

21. CAPITAL ADEQUACY RATIOS

Capital element	Basel III Minimum requirement	As at 31 March 2019	As at 31 December 2018
Common equity tier 1 ratio	7.0%	34.09%	35.59%
Tier 1 capital ratio	8.5%	34.09%	35.59%
Capital adequacy ratio	10.5%	35.23%	36.73%

22. DERIVATIVES

	<i>Unaudited 31 March 2019</i>			<i>Audited 31 December 2018</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	24	22	3,449	17	18	5,097
Total	24	22	3,449	17	18	5,097