

**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 2020

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 2020**

Contents	Pages
Report on review of condensed consolidated interim financial statements	1
Consolidated interim statement of financial position	2
Consolidated interim income statement	3
Consolidated interim statement of comprehensive income	4
Consolidated interim statement of changes in equity	5
Consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial statements	7 - 22

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 2020 and the related consolidated interim statements of income, comprehensive income, changes in equity and statement of cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

For Ernst & Young




Signed by:
Ashraf Abu Sharkh
Partner
Registration No. 690

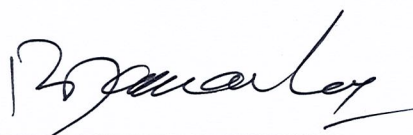
21 May 2020

Sharjah, United Arab Emirates

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 March 2020 (Unaudited)

	Notes	31 March 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
ASSETS			
Cash and balances with the U.A.E. Central Bank	4	1,340,708	1,729,448
Due from other banks	5	3,057,840	2,790,762
Loans and advances and Islamic financing receivables	6	8,109,323	8,263,269
Investment securities	7	875,583	1,101,017
Customers' acceptances		221,516	217,382
Investment in an associate		1,464	1,500
Property and equipment		89,284	62,916
Other assets	8	123,318	130,888
TOTAL ASSETS		13,819,036	14,297,182
LIABILITIES			
Due to other banks	9	23	423
Customers' deposits and Islamic customers' deposits	10	8,939,883	9,035,108
Customers' acceptances		222,052	217,772
Other liabilities	11	240,200	273,883
TOTAL LIABILITIES		9,402,158	9,527,186
SHAREHOLDERS' EQUITY			
Share capital	12	1,848,000	1,848,000
Statutory reserve		1,019,266	1,019,266
General reserve		6,440	6,440
Impairment reserve -general	25	2,215	16,385
Cumulative change in fair values		(10,680)	211,976
Retained earnings		1,551,637	1,667,929
TOTAL SHAREHOLDERS' EQUITY		4,416,878	4,769,996
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,819,036	14,297,182
COMMITMENTS AND CONTINGENCIES	13	4,611,005	5,091,994


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


R Ramachandra Iyer
General Manager

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

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

CONSOLIDATED INTERIM INCOME STATEMENT

For the three months period ended 31 March 2020 (Unaudited)

	<i>Notes</i>	<i>Three months period ended 31 March (Unaudited)</i>	
		<i>2020 AED '000</i>	<i>2019 AED '000</i>
Interest income		113,028	145,255
Income from Islamic financing products		8,349	8,367
Total interest income and income from Islamic financing products		121,377	153,622
Interest expense		(28,711)	(21,721)
Distribution to depositors – Islamic products		(163)	(567)
Net interest income and income from Islamic products net of distribution to depositors		92,503	131,334
Net fees and commission income		22,306	12,906
Other operating income		2,844	1,920
GROSS INCOME		117,653	146,160
Operating expenses		(34,321)	(35,081)
Investment gains		37,378	40,458
OPERATING INCOME		120,710	151,537
Share of results from an associate		(36)	227
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT		120,674	151,764
Provision for impairment on financial assets	14	(47,856)	(16,583)
PROFIT FOR THE PERIOD		72,818	135,181
Basic and diluted earnings per share (AED)	15	0.04	0.07

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

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

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months period ended 31 March 2020 (Unaudited)

	<i>Three months period ended 31 March (Unaudited)</i>	
	<i>2020 AED '000</i>	<i>2019 AED '000</i>
PROFIT FOR THE PERIOD	72,818	135,181
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net fair value (loss) / gain on investment securities carried at FVTOCI - equity	<u>(222,656)</u>	<u>38,457</u>
Other comprehensive (loss) / income for the period	<u>(222,656)</u>	<u>38,457</u>
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	<u>(149,838)</u>	<u>173,638</u>

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

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2020 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Impairment reserve - general AED '000</i>	<i>Cumulative change in fair values AED '000</i>	<i>Retained earnings AED '000</i>	<i>Total AED '000</i>
Balance as at 1 January 2020 (audited)	1,848,000	1,019,266	6,440	16,385	211,976	1,667,929	4,769,996
Profit for the period	-	-	-	-	-	72,818	72,818
Other comprehensive loss for the period	-	-	-	-	(222,656)	-	(222,656)
Total comprehensive (loss) / income for the period	-	-	-	-	(222,656)	72,818	(149,838)
Dividend paid (see Note 16)	-	-	-	-	-	(203,280)	(203,280)
Excess provision under CBUAE requirement written back(see Note 24)	-	-	-	(14,170)	-	14,170	-
Balance as at 31 March 2020 (unaudited)	1,848,000	1,019,266	6,440	2,215	(10,680)	1,551,637	4,416,878
Balance as 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 16)	-	-	-	-	-	(203,278)	(203,278)
Balance as at 31 March 2019 (unaudited)	1,848,000	1,019,266	6,440	-	164,904	1,395,103	4,433,713

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

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

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2020 (Unaudited)

	<i>Three months period ended 31 March (Unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED '000</i>	<i>AED '000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	72,818	135,181
Adjustments for:		
Provision for impairment on financial assets	47,856	16,583
Depreciation of property and equipment	2,142	1,984
Impairment of inventory	1,350	1,800
Increase in fair value of investment in securities at FVTPL	2,739	(1,599)
Discount amortised on investment securities	(8)	(11)
Dividend income	(40,109)	(38,849)
Loss on disposal of property and equipment	16	3
Share of results from an associate	36	(227)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	86,840	114,865
(Increase) / decrease in certificate of deposits with original maturity greater than 3 months	(50,000)	70,000
Increase in statutory deposit with U.A.E. Central Bank	(4,397)	(8,832)
Decrease in loans and advances and Islamic financing receivables	106,679	2,543
Increase in other assets	(443)	(22,422)
Decrease in customers' deposits and Islamic customers' deposits	(95,225)	(223,599)
Decrease in other liabilities	(33,683)	(2,376)
	<hr/>	<hr/>
Net cash generated from / (used in) operating activities	9,771	(69,821)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(677)	(563)
Proceeds from disposal of property and equipment	-	830
Proceeds from sale and maturity of investment securities	-	73,460
Dividend received from investment securities	18,920	38,849
Dividend received from investment in an associate	-	202
	<hr/>	<hr/>
Net cash generated from investing activities	18,243	112,778
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(203,280)	(203,278)
	<hr/>	<hr/>
Net cash used in financing activities	(203,280)	(203,278)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(175,266)	(160,321)
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	3,633,059	3,125,550
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (SEE NOTE 16)	3,457,793	2,965,229
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2020 (Unaudited)

1. GENERAL INFORMATION

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

The Bank is engaged in providing retail and corporate banking services through a network of 13 branches in the U.A.E. The Group carries out Islamic banking operations through 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 2020 were authorised and approved for issue by the Board of Directors on 21st May 2020.

2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

2.1 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards, amendments and interpretations that are effective for the Group’s accounting period beginning on 1 January 2020

Amendments to IAS 1 and IAS 8: Definition of Material (effective date: 01 January 2020)

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

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

There are no other applicable new standards and amendments to the published standards or IFRS IC interpretations that have been issued but are not effective for the first time for the Group’s financial year beginning on 01 January 2020 that would be expected to have a material impact on the Group’s condensed consolidated interim financial information.

IBOR reform disclosure: (effective date: 01 January 2020)

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

2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

2.1 CHANGES IN ACCOUNTING POLICIES (continued)

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

IBOR reform disclosure: (effective date: 01 January 2020) (continued)

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

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

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

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

Key accounting estimates and judgments

The preparation of the condensed consolidated interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial information as at and for the year ended 31 December 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

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

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

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

These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2019. In addition, results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2020 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 BASIS OF CONSOLIDATION

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

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

The condensed consolidated interim financial statements comprise the financial statements of the Bank and of the subsidiary as disclosed in the annual audited financial statements for the year ended 31 December 2019. The financial statements of the subsidiary are prepared for the same reporting period as that of the Bank.

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 2019, 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 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Balances with the U.A.E. Central Bank		
Current account	176,431	487,016
Certificates of deposit*	500,000	600,000
Statutory deposit	541,570	537,173
	<hr/>	<hr/>
	1,218,001	1,624,189
Cash in hand	122,707	105,259
	<hr/>	<hr/>
	1,340,708	1,729,448
	<hr/> <hr/>	<hr/> <hr/>

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 400 million (31 December 2019: AED 350 million).

5. DUE FROM OTHER BANKS

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Term deposits	3,035,710	2,766,439
Demand deposits	22,968	24,768
	<hr/>	<hr/>
Total due from other banks	3,058,678	2,791,207
Provision for credit loss	(838)	(445)
	<hr/>	<hr/>
Net due from other banks	3,057,840	2,790,762
	<hr/> <hr/>	<hr/> <hr/>

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 2020 (Unaudited)

5. DUE FROM OTHER BANKS (continued)

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Gross amounts due from other banks by geographical area		
Within U.A.E.	3,035,710	2,766,439
Within GCC	904	577
Other countries	22,064	24,191
	<u>3,058,678</u>	<u>2,791,207</u>

All amounts due from other banks were classified as Stage 1 (31 December 2019: Stage 1) with corresponding ECL of AED 838 thousand (31 December 2019: AED 445 thousand). There was no inter-stage movement in gross balances due from other banks during the period (31 December 2019: no inter-stage movement)

6. LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Loans	6,744,980	6,946,683
Overdrafts	1,270,088	1,259,522
Islamic financing products	262,835	278,897
Loans against trust receipts	126,684	111,111
Others	44,993	44,619
	<u>8,449,580</u>	<u>8,640,832</u>
Total loans and advances and Islamic financing receivables	8,449,580	8,640,832
Provision for credit loss	(340,257)	(377,563)
	<u>8,109,323</u>	<u>8,263,269</u>
Net loans and advances and Islamic financing receivables	8,109,323	8,263,269

Gross loans and advances and Islamic financing receivables by economic sector

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Wholesale and retail trade	1,190,422	1,136,287
Real estate and construction	2,577,407	2,716,780
Personal loans and other	549,986	578,575
Manufacturing	412,539	423,305
Agriculture and allied activities	1,238	1,250
Transport and communication	237,234	256,892
Financial institutions	598,928	598,428
Services and others	2,881,826	2,929,315
	<u>8,449,580</u>	<u>8,640,832</u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2020 (Unaudited)

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

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

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount as at 31 December 2019	7,114,324	773,830	752,678	8,640,832
New assets originated or purchased	21,803	25,000	-	46,803
Assets derecognised or repaid	(147,782)	583	(90,856)	(238,055)
Transfer to Stage 1	179,149	(179,149)	-	-
Transfer to Stage 2	(236,076)	263,486	(27,410)	-
Transfer to Stage 3	(63,872)	(117,657)	181,529	-
As at 31 March 2020 (unaudited)	6,867,546	766,093	815,941	8,449,580
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount as at 31 December 2018	7,640,858	1,015,533	686,660	9,343,051
New assets originated or purchased	232,403	18,176	-	250,579
Assets derecognised or repaid	(736,751)	(63,387)	(152,660)	(952,798)
Transfer to Stage 1	459,685	(459,685)	-	-
Transfer to Stage 2	(465,661)	465,661	-	-
Transfer to Stage 3	(16,210)	(202,468)	218,678	-
As at 31 December 2019 (audited)	7,114,324	773,830	752,678	8,640,832

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

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2019	97,146	48,909	231,508	377,563
Net impairment charged during the period	2,812	10,527	34,627	47,966
Recoveries	-	-	(910)	(910)
Transfer to Stage 1	12,771	(12,771)	-	-
Transfer to Stage 2	(3,295)	3,295	-	-
Transfer to Stage 3	(230)	(4,655)	4,885	-
Written off	-	-	(84,362)	(84,362)
As at 31 March 2020 (unaudited)	109,204	45,305	185,748	340,257
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2018	112,860	69,716	235,563	418,139
Net impairment charged during the year	(20,259)	2,797	192,739	175,277
Recoveries	-	-	(84,392)	(84,392)
Transfer to Stage 1	12,426	(12,426)	-	-
Transfer to Stage 2	(7,059)	7,059	-	-
Transfer to Stage 3	(822)	(18,237)	19,059	-
Written off	-	-	(131,461)	(131,461)
As at 31 December 2019 (audited)	97,146	48,909	231,508	377,563

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2020 (Unaudited)

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

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

	31 March 2020 (Unaudited)			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Performing (Grades 1-12)	6,867,546	766,093	-	7,633,639
Sub Standard (Grade 13)	-	-	365,407	365,407
Doubtful (Grade 14)	-	-	422,691	422,691
Loss (Grades 15)	-	-	27,843	27,843
Total gross carrying amount	6,867,546	766,093	815,941	8,449,580
Expected credit loss	(109,204)	(45,305)	(185,748)	(340,257)
Carrying amount	6,758,342	720,788	630,193	8,109,323
	31 December 2019 (Audited)			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Performing (Grades 1-12)	7,114,324	773,830	-	7,888,154
Sub Standard (Grade 13)	-	-	213,210	213,210
Doubtful (Grade 14)	-	-	454,162	454,162
Loss (Grades 15)	-	-	85,306	85,306
Total gross carrying amount	7,114,324	773,830	752,678	8,640,832
Expected credit loss	(97,146)	(48,909)	(231,508)	(377,563)
Carrying amount	7,017,178	724,921	521,170	8,263,269

The Stage 3 loans as at 31 March 2020 amounted to AED 816 million (31 December 2019: AED 753 million) which is well covered by securities of AED 1,217 million (31 December 2019: AED 1,166 million) and impairment provision of AED 186 million (31 December 2019: AED 232 million) aggregating to AED 1,403 million (31 December 2019: AED 1,398 million) which is 172% (31 December 2019: 186%) of the stage 3 loans.

7. INVESTMENT SECURITIES

Investment securities comprise the following:

	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Securities at FVTPL		
Quoted equity securities	18,072	20,801
Discretionary funds managed by third parties – quoted equity securities	242	247
	18,314	21,048

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 2020 (Unaudited)

7. INVESTMENT SECURITIES (continued)

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Securities at FVTOCI		
Quoted equity securities	618,005	840,661
Unquoted equity securities	743	747
	<u>618,748</u>	<u>841,408</u>
Securities at amortised cost		
Quoted debt instruments	238,725	238,716
Total investment securities	875,787	1,101,172
Provision for credit loss	(204)	(155)
Net investment securities	875,583	1,101,017
	<u><u>875,583</u></u>	<u><u>1,101,017</u></u>
	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Gross investment securities by geographical area		
Within U.A.E.	814,070	1,030,618
Within GCC	35,623	40,952
Other countries	26,094	29,602
	<u>875,787</u>	<u>1,101,172</u>

The Group has no exposures with Abraaj Capital.

All debt investment are classified as Stage 1 (31 December 2019: Stage 1) with corresponding ECL of AED 204 thousand (31 December 2019: AED 155 thousand). There was no inter-stage movement in investment securities during the period (31 December 2019: no inter-stage movement).

8. OTHER ASSETS

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Inventory*	29,403	58,602
Interest receivable	41,007	33,673
Prepayments and deposits	26,905	33,964
Others	26,003	4,649
	<u>123,318</u>	<u>130,888</u>

*Inventory represents property acquired in the settlement of debt. The group has recorded an impairment on its inventory amounting to AED 1.35 million during 3 month period ended 31 March 2020 (31 December 2019: AED 3.49 million).

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 2020 (Unaudited)

9. DUE TO OTHER BANKS

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Demand deposits	<u>23</u>	<u>423</u>
By geographical area		
Other countries outside the U.A.E.	<u>23</u>	<u>423</u>

10. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Time deposits	6,251,961	6,444,064
Current accounts	2,391,098	2,256,152
Savings deposits	178,848	170,300
Margin deposits	42,282	42,760
Islamic customers' deposits	75,694	121,832
	<u>8,939,883</u>	<u>9,035,108</u>

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

11. OTHER LIABILITIES

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Accounts payable	23,919	32,016
Interest payable	49,455	54,925
Provision for employees' end of service benefits	19,737	20,494
Other staff benefits	1,420	316
Dividend payable	11,596	11,596
Provision for expected credit loss on commitments and contingencies (Note 13)	3,722	3,513
Manager's Cheques	109,243	127,245
Other	21,108	23,778
	<u>240,200</u>	<u>273,883</u>

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 2020 (Unaudited)

12. SHARE CAPITAL

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

13. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Guarantees	3,309,156	3,779,813
Letters of credit	74,251	80,132
	3,383,407	3,859,945
Commitments to extend credit	1,201,135	1,211,646
Other	26,463	20,403
	4,611,005	5,091,994
Gross commitments and contingent liabilities by geographical area		
Within the U.A.E.	4,568,527	5,036,772
Outside the U.A.E.	42,478	55,222
	4,611,005	5,091,994

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 2019	3,787,709	22,259	49,977	3,859,945
New assets originated or purchased	79,982	484		80,466
Assets derecognised or repaid (excluding write offs)	(556,623)	(320)	(61)	(557,004)
Transfer to Stage 1	17,440	(17,440)	-	-
Transfer to Stage 2	(3,823)	3,823	-	-
As at 31 March 2020 (unaudited)	3,324,685	8,806	49,916	3,383,407
	<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/expired (net)	(1,493,208)	(33,882)	(8,500)	(1,535,590)
Transfer to Stage 1	39,360	(39,360)	-	-
Transfer to Stage 2	(16,094)	16,094	-	-
Transfer to Stage 3	(908)	(57,569)	58,477	-
As at 31 December 2019 (audited)	3,787,709	22,259	49,977	3,859,945

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 2020 (Unaudited)

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 2019	3,324	189	-	3,513
Transferred from stage 1	145	(145)	-	-
Transferred from stage 2	(3)	3	-	-
Originated/expired during the period	203	6	-	209
As at 31 March 2020 (unaudited)	3,669	53	-	3,722
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2018	11,137	1	-	11,138
Transferred from stage 1	(67)	67	-	-
Originated/expired during the period including changes in PDs / LGDs / EADs	(7,746)	121	-	(7,625)
As at 31 December 2019 (audited)	3,324	189	-	3,513

Grading of commitments and contingent liabilities along with stages:

	<i>31 March 2020 (unaudited)</i>			
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Performing (Grades 1-12)	3,324,685	8,806	-	3,333,491
Sub Standard (Grade 13)	-	-	285	285
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,866	38,866
Total gross carrying amount	3,324,685	8,806	49,916	3,383,407
Expected credit loss (Note 11)	(3,669)	(53)	-	(3,722)
Carrying amount	3,321,016	8,753	49,916	3,379,685
	<i>31 December 2019 (audited)</i>			
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Performing (Grades 1-12)	3,787,709	22,259	-	3,809,968
Sub Standard (Grade 13)	-	-	346	346
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,866	38,866
Total gross carrying amount	3,787,709	22,259	49,977	3,859,945
Expected credit loss	(3,324)	(189)	-	(3,513)
Carrying amount	3,784,385	22,070	49,977	3,856,432

At 31 March 2020, the group has capital commitments of AED 3.03 million (31 December 2019: AED 3.34 million).

The provision for expected credit loss against the off-balance sheet items disclosed above amounting to AED 3.72 million (31 December 2019: AED 3.51 million) is classified under other liabilities (Note 11).

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 2020 (Unaudited)

14. NET IMPAIRMENT LOSSES

	<i>Three months period ended 31 March (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
Loans and advances and Islamic financing receivables	47,056	29,082
Due from other banks	393	(3,391)
Investment securities	49	(2,324)
Acceptances and off-balance sheet items	358	(6,784)
	47,856	16,583

15. BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months period ended 31 March (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
Profit for the period (in AED '000)	72,818	135,181
Weighted average number of shares ('000)	1,848,000	1,848,000
Basic and diluted earnings per share (in AED)	0.04	0.07

There were no potential dilutive shares as at 31 March 2020 and 31 March 2019.

16. DIVIDENDS

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

17. CASH AND CASH EQUIVALENTS

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Cash and balances with the U.A.E. Central Bank (Note 4)	1,340,708	1,729,448
Due from other banks (Note 5)	3,058,678	2,791,207
Statutory deposit (Note 4)	(541,570)	(537,173)
Certificates of deposit with original maturity greater than three months (Note 4)	(400,000)	(350,000)
Due to other banks (Note 11)	(23)	(423)
	3,457,793	3,633,059

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 2020 (Unaudited)

18. RELATED PARTY TRANSACTIONS

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

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

	<i>Three months period ended 31 March (unaudited)</i>	
	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Interest income	3,426	4,884
Interest expense	14,126	11,017
Remuneration of key management personnel	691	1,135
Other income	21	80
Directors' fees	750	750

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

	<i>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Loans and advances and Islamic financing receivables	362,345	316,776
Customers' deposits and Islamic customers' deposits	2,567,029	2,379,375
Irrevocable commitments and contingent liabilities	447,274	496,595

Related party balances were classified as Stage 1 (31 December 2019: Stage 1) with corresponding ECL of AED 7.22 million (31 December 2019: AED 4.55 million).

19. BUSINESS SEGMENTS

The Group is organised into three main business segments:

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

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

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

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 2020 (Unaudited)

19. BUSINESS SEGMENTS (continued)

Primary segment information

	<i>Retail and corporate banking AED' 000</i>	<i>Treasury and investments AED' 000</i>	<i>Unallocated AED' 000</i>	<i>Total AED' 000</i>
Three months period ended				
31 March 2020 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	77,718	14,785	-	92,503
Net fees and commission income	21,055	676	575	22,306
Other operating income	434	68	2,342	2,844
Gross income	99,207	15,529	2,917	117,653
Operating expenses	(10,686)	(453)	(23,182)	(34,321)
Investment gains	-	37,378	-	37,378
Provision for impairment on financial assets	(46,994)	(505)	(357)	(47,856)
Share of profits from an associate	-	-	(36)	(36)
Segment result	41,527	51,949	(20,658)	72,818
As at 31 March 2020 (Unaudited)				
Segment assets	8,297,762	4,686,052	835,222	13,819,036
Segment liabilities and equity	8,813,264	341,422	4,664,350	13,819,036
Three months period ended				
31 March 2019 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	108,823	22,511	-	131,334
Net fees and commission income	9,475	579	3,207	13,261
Other operating income	2,680	228	(988)	1,920
Gross income	120,978	23,318	2,219	146,515
Operating expenses	(12,449)	(592)	(22,395)	(35,436)
Investment gains	-	40,458	-	40,458
Provision for impairment on financial assets	(24,980)	1,613	6,784	(16,583)
Share of profits from an associate	-	-	227	227
Segment result	83,549	64,797	(13,165)	135,181
As at 31 December 2019 (Audited)				
Segment assets	8,425,936	5,068,864	802,382	14,297,182
Segment liabilities and equity	8,742,448	511,016	5,043,718	14,297,182

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 2020 (Unaudited)

20. FAIR VALUE MEASUREMENTS

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

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

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

Fair value of financial instruments carried at amortised cost

The fair value of the quoted debt instruments at 31 March 2020 amounted to AED 244.49 million (31 December 2019: AED 245.15 million). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Management believes that fair value of other financial instruments carried at amortized cost, are not materially different from their carrying values at the end of the reporting period.

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2019. The quoted securities are valued using the prices from active market. The unquoted securities are valued using P/E multiples.

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

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

Financial assets

	<i>Fair value as at</i>		<i>Fair value hierarchy</i>
	<i>31 March 2020</i>	<i>31 December 2019</i>	
	<i>AED '000 (Unaudited)</i>	<i>AED '000 (Audited)</i>	
Financial assets at FVTPL			
Quoted equity Securities	18,072	20,801	Level 1
Discretionary funds managed by third parties – quoted equity securities	242	247	Level 1
Financial assets at FVTOCI			
Quoted equity securities	618,005	840,661	Level 1
Unquoted equity securities	743	747	Level 3
Positive fair value of Derivative	7	-	Level 2
Negative fair value of Derivative	15	4	Level 2

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

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 2020 (Unaudited)

21. SEASONALITY OF RESULTS

Investment income includes dividend income of AED 40.11 million for the three months period ended 31 March 2020 (31 March 2019: AED 38.85 million), which is of a seasonal nature.

22. CAPITAL ADEQUACY RATIOS

Capital element	Basel III Minimum requirement	As at 31 March 2020	As at 31 December 2019
Common equity tier 1 ratio	7.0%	37.58%	37.10%
Tier 1 capital ratio	8.5%	37.58%	37.10%
Capital adequacy ratio	10.5%	38.71%	38.23%

23. DERIVATIVES

	31 March 2020 (Unaudited)			31 December 2019 (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	7	15	502	-	4	524
Total	7	15	502	-	4	524

24. RISK MANAGEMENT

Current Economic Situation

The economic fallout of COVID-19 crisis is expected to be significant and is rapidly evolving at the present time. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Central Bank of UAE ("CBUAE") has also announced (a) TESS (Targeted Economic Support Scheme) (b) Capital & Liquidity stimulus package. The aggregate value of all the measures adopted till date by the CBUAE is AED 256 billion. The Bank participated in the scheme of CBUAE.

In line with the IASB guidance issued on 27 March 2020, the CBUAE, Dubai Financial Services Authority of the DIFC (DFSA) and Financial Services Regulatory Authority of the ADGM (FSRA) also introduced a joint guidance on 22 April 2020 which stipulates the following considerations while measuring ECL.

1. Temporary moratorium on payments, or a waiver of a breach of covenant in itself is not considered an SICR trigger in the current environment, therefore
2. For the duration of the COVID -19 crisis, aside from scenario inputs to be considered gradually, CBUAE does not expect any re-calibration of the macro models.
3. The Bank distinguishes between obligors whose long-term credit risk is unlikely to be significantly affected by the COVID -19 from those who may be more permanently impacted. These factors are considered to determine whether there is a case of SICR.

Impact of COVID- 19 on ECL

IFRS 9 framework requires the estimation of ECL based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Bank utilizes a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes. The Bank has robust governance in place to ensure the appropriateness of the IFRS 9 framework and resultant ECL estimates at all times.

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 2020 (Unaudited)

24. RISK MANAGEMENT (continued)

Impact of COVID- 19 on ECL (continued)

The Bank has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in our ECL estimates. Notwithstanding this, recognizing that the outbreak is expected to have an impact on the macro-economic environment beyond reasonable doubt, the Bank has assessed the impact of an increase in probability for the pessimistic scenario in ECL measurement. The probability of pessimistic scenario was increased from 30% to 40% while the probability of the base scenario was reduced from 40% to 30%. The Bank has considered impact of higher volatility in the forward-looking macro-economic factors for determining ECL. The changes in the assigned probabilities of the macro economic scenario and the management overlays resulted in additional ECL of AED 22 million for the three month period ended 31 March 2020. Overlays are judgmental and the Bank will continue to reassess the impact on a regular basis.

If the pessimistic scenario was further increased by 10%, ECL provision would increase by AED 7 million as at Q1'2020. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

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 Central Bank of UAE (“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>31 March 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Impairment Reserve: General		
General Provisions under Circular 28/2010 of CBUAE	156,723	162,440
Less: Stage 1 & Stage 2 provisions under IFRS 9	154,509	146,055
	<hr/>	<hr/>
Impairment Reserve: General	2,215	16,385
	<hr/> <hr/>	<hr/> <hr/>
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of CBUAE	185,749	231,508
Less: Stage 3 provisions under IFRS 9	(185,749)	(231,508)
	<hr/>	<hr/>
Impairment Reserve: Specific	-	-
	<hr/> <hr/>	<hr/> <hr/>

26. COMPARATIVE FIGURES

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