

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

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

For the period ended 30 June 2020

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

**Review report and condensed consolidated interim financial statements
For the six months period ended 30 June 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 - 25

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of National Bank of Umm Al-Qaiwain PSC (the “Bank”) and its subsidiary (collectively referred to as the “Group”), which comprise the consolidated interim statement of financial position as at 30 June 2020 and the related consolidated interim statements of income and comprehensive income for the three month and six month periods then ended and consolidated interim statement of cash flows and changes in equity for the six-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


28 July 2020

Dubai, United Arab Emirates

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2020 (Unaudited)

	Notes	30 June 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
ASSETS			
Cash and balances with the U.A.E. Central Bank	4	1,535,751	1,729,448
Due from other banks	5	3,347,076	2,790,762
Loans and advances and Islamic financing receivables	6	7,901,136	8,263,269
Investment securities	7	917,563	1,101,017
Customers' acceptances		162,558	217,382
Investment in an associate		1,395	1,500
Property and equipment		87,591	62,916
Other assets	8	100,398	130,888
TOTAL ASSETS		14,053,468	14,297,182
LIABILITIES			
Due to other banks	9	-	423
Customers' deposits and Islamic customers' deposits	10	8,771,055	9,035,108
Customers' acceptances		162,816	217,772
Other liabilities	11	606,641	273,883
TOTAL LIABILITIES		9,540,512	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	-	16,385
Cumulative change in fair values		35,704	211,976
Retained earnings		1,603,546	1,667,929
TOTAL SHAREHOLDERS' EQUITY		4,512,956	4,769,996
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,053,468	14,297,182
COMMITMENTS AND CONTINGENCIES	13	4,747,138	5,091,994


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


K.G. Pradeep
Chief Financial Officer (DGM)

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 six months period ended 30 June 2020 (Unaudited)

	Notes	<i>Three months period ended 30 June (Unaudited)</i>		<i>Six months period ended 30 June (Unaudited)</i>	
		<i>2020 AED '000</i>	<i>2019 AED '000</i>	<i>2020 AED '000</i>	<i>2019 AED '000</i>
Interest income		108,705	142,220	221,733	287,475
Income from Islamic financing products		6,708	8,633	15,057	17,000
Total interest income and income from Islamic financing products		115,413	150,853	236,790	304,475
Interest expense		(22,940)	(25,498)	(51,651)	(47,219)
Distribution to depositors – Islamic products		(131)	(595)	(294)	(1,162)
Net interest income and income from Islamic products net of distribution to depositors		92,342	124,760	184,845	256,094
Net fees and commission income		10,072	23,117	32,378	36,023
Other operating income		4,718	5,461	7,560	7,381
GROSS INCOME		107,132	153,338	224,783	299,498
Operating expenses		(32,015)	(33,393)	(66,336)	(68,474)
Investment gains		1,986	917	39,364	41,375
OPERATING INCOME		77,103	120,862	197,811	272,399
Share of results from an associate		(69)	130	(105)	357
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT		77,034	120,992	197,706	272,756
Provision for impairment on financial assets	14	(22,614)	(17,285)	(70,470)	(33,868)
PROFIT FOR THE PERIOD		54,420	103,707	127,236	238,888
Basic and diluted earnings per share (AED)	15	0.03	0.06	0.07	0.13

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 six months period ended 30 June 2020 (Unaudited)

	<i>Three months period ended 30 June (Unaudited)</i>		<i>Six months period ended 30 June (Unaudited)</i>	
	<i>2020 AED '000</i>	<i>2019 AED '000</i>	<i>2020 AED '000</i>	<i>2019 AED '000</i>
PROFIT FOR THE PERIOD	54,420	103,707	127,236	238,888
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	41,660	430	(180,996)	38,881
Other comprehensive income/ (loss)_ for the period	41,660	430	(180,996)	38,881
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	96,080	104,137	(53,760)	277,769

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

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2020 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Impairment reserve - general AED '000</i>	<i>Cumulative change in fair values AED '000</i>	<i>Retained earnings AED '000</i>	<i>Total AED '000</i>
Balance at 1 January 2020 (audited)	1,848,000	1,019,266	6,440	16,385	211,976	1,667,929	4,769,996
Profit for the period	-	-	-	-	-	127,236	127,236
Other comprehensive income/ (loss) for the period	-	-	-	-	(180,996)	-	(180,996)
Total comprehensive (loss)/ income for the period	-	-	-	-	(180,996)	127,236	(53,760)
Other movements of FVTOCI equity investments	-	-	-	-	4,724	(4,724)	-
Excess provisions under CBUAE requirement written back (see Note 25)	-	-	-	(16,385)	-	16,385	-
Dividend paid (see Note 15)	-	-	-	-	-	(203,280)	(203,280)
Balance at 30 June 2020 (unaudited)	1,848,000	1,019,266	6,440	-	35,704	1,603,546	4,512,956
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	-	-	-	-	-	238,888	238,888
Other comprehensive income for the period	-	-	-	-	38,881	-	38,881
Total comprehensive income for the period	-	-	-	-	38,881	238,888	277,769
Dividend paid (see Note 15)	-	-	-	-	-	(203,278)	(203,278)
Balance at 30 June 2019 (unaudited)	1,848,000	1,019,266	6,440	-	165,328	1,498,810	4,537,844

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

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2020 (Unaudited)

	<i>Six months period ended 30 June (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	127,236	238,888
Adjustments for:		
Provision for impairment on financial assets	70,470	33,868
Depreciation of property and equipment	4,248	3,844
Impairment of inventory	1,350	1,800
Increase in fair value of investment in securities at FVTPL	2,410	(536)
Discount amortised on investment securities	(16)	(20)
Dividend income	(41,758)	(40,819)
Loss on disposal of property and equipment	16	3
Share of results from an associate	105	(357)
	<u>164,061</u>	<u>236,671</u>
Operating cash flows before movements in working capital		
(Increase) / decrease in certificate of deposits		
with original maturity greater than 3 months	(25,000)	20,000
Decrease / (increase) in statutory deposit with U.A.E. Central Bank	227,352	(37,439)
Decrease in loans and advances and Islamic financing receivables	292,593	284,374
Decrease / (Increase) in other assets	1,291	(2,449)
Decrease in customers' deposits and Islamic customers' deposits	(264,053)	(280,395)
Increase in other liabilities	332,758	87,999
	<u>729,002</u>	<u>308,761</u>
Net cash generated from operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(1,092)	(1,147)
Proceeds from disposal of property and equipment	-	830
Proceeds from sale and maturity of investment securities	-	73,460
Dividend received from investment securities	41,758	40,819
Dividend received from investment in an associate	-	332
	<u>40,666</u>	<u>114,294</u>
Net cash generated from investing activities		
Cash flows from financing activities		
Dividend paid	(203,280)	(203,278)
	<u>(203,280)</u>	<u>(203,278)</u>
Net cash used in financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	566,388	219,777
Cash and cash equivalents at the beginning of the period	3,633,059	3,125,550
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (SEE NOTE 16)	<u>4,199,447</u>	<u>3,345,327</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 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 six months period ended 30 June 2020 were authorised and approved for issue by the Board of Directors on 28 July 2020.

2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

2.1 Changes in accounting policies

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

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2020 (Unaudited)

2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

2.1 CHANGES IN ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Key accounting estimates and judgments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

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

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

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

These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2019. In addition, results for the six months period ended 30 June 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 six months period ended 30 June 2020 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 BASIS OF CONSOLIDATION

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

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

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

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

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Balances with the U.A.E. Central Bank:		
Current account	241,823	487,016
Certificates of deposit*	875,000	600,000
Statutory deposit	309,821	537,173
	<hr/>	<hr/>
	1,426,644	1,624,189
Cash in hand	109,107	105,259
	<hr/>	<hr/>
	1,535,751	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 375 million (31 December 2019: AED 350 million).

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

5. DUE FROM OTHER BANKS

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Term deposits	3,318,029	2,766,439
Demand deposits	30,488	24,768
	<hr/>	<hr/>
Total due from other banks	3,348,517	2,791,207
Provision for credit loss	(1,441)	(445)
	<hr/>	<hr/>
Net due from other banks	3,347,076	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 six months period ended 30 June 2020 (Unaudited)

5. DUE FROM OTHER BANKS (continued)

	<i>30 June 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.	3,318,029	2,766,439
Within GCC	590	577
Other countries	29,898	24,191
	<u>3,348,517</u>	<u>2,791,207</u>

All amounts due from other banks were classified as Stage 1 as at 30 June 2020 (31 December 2019: Stage 1) with corresponding ECL of AED 1,441 thousand as at 30 June 2020 (31 December 2019: AED 445 thousand). There was no inter-stage movement in gross balances due from other banks during the period ended 30 June 2020 (31 December 2019: no inter-stage movement).

6. LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Loans	6,695,274	6,946,683
Overdrafts	1,121,862	1,259,522
Islamic financing products	251,539	278,897
Loans against trust receipts	136,232	111,111
Other	57,397	44,619
	<u>8,262,304</u>	<u>8,640,832</u>
Total loans and advances and Islamic financing receivables	8,262,304	8,640,832
Provision for credit loss	(361,168)	(377,563)
	<u>7,901,136</u>	<u>8,263,269</u>

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Gross loans and advances and Islamic financing receivables by economic sector		
Wholesale and retail trade	1,127,675	1,136,287
Real estate and construction	2,570,879	2,716,780
Personal loans and other	526,131	578,575
Manufacturing	395,669	423,305
Agriculture and allied activities	1,229	1,250
Transport and communication	236,233	256,892
Financial institutions	581,834	598,428
Services and other	2,822,654	2,929,315
	<u>8,262,304</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 six months period ended 30 June 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	89,993	1,392	-	91,385
Assets derecognised or repaid including write offs	(365,311)	(16,058)	(88,544)	(469,913)
Transfer to Stage 1	280,636	(280,636)	-	-
Transfer to Stage 2	(184,862)	252,679	(67,817)	-
Transfer to Stage 3	(88,439)	(41,694)	130,133	-
As at 30 June 2020 (unaudited)	6,846,341	689,513	726,450	8,262,304

	<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 including write offs	(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	(1,717)	15,713	56,974	70,970
Recoveries	-	-	(2,109)	(2,109)
Transfer to Stage 1	16,738	(16,738)	-	-
Transfer to Stage 2	(1,916)	1,916	-	-
Transfer to Stage 3	(311)	(2,620)	2,931	-
Written off	-	-	(85,256)	(85,256)
Closing Balance as at 30 June 2020 (unaudited)	109,940	47,180	204,048	361,168

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2018	112,860	69,716	235,563	418,139
Net impairment charged during the year	(20,259)	2,797	192,739	175,277
Recoveries	-	-	(84,392)	(84,392)
Transfer to Stage 1	12,426	(12,426)	-	-
Transfer to Stage 2	(7,059)	7,059	-	-
Transfer to Stage 3	(822)	(18,237)	19,059	-
Written off	-	-	(131,461)	(131,461)
Closing Balance as at 31 December 2019 (audited)	97,146	48,909	231,508	377,563

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2020 (Unaudited)

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

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

	<i>30 June 2020 (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)	6,846,341	689,513	-	7,535,854
Sub Standard (Grade 13)	-	-	273,185	273,185
Doubtful (Grade 14)	-	-	426,109	426,109
Loss (Grades 15)	-	-	27,156	27,156
Total gross carrying amount	6,846,341	689,513	726,450	8,262,304
Expected credit loss	(109,940)	(47,180)	(204,048)	(361,168)
Carrying amount	6,736,401	642,333	522,402	7,901,136
	<i>31 December 2019 (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)	7,114,324	773,830	-	7,888,154
Sub Standard (Grade 13)	-	-	213,210	213,210
Doubtful (Grade 14)	-	-	454,162	454,162
Loss (Grades 15)	-	-	85,306	85,306
Total gross carrying amount	7,114,324	773,830	752,678	8,640,832
Expected credit loss	(97,146)	(48,909)	(231,508)	(377,563)
Carrying amount	7,017,178	724,921	521,170	8,263,269

The non-performing loans as at 30 June 2020 amounted to AED 726 million (31 December 2019: AED 753 million) which is well covered by securities of AED 1,066 million (31 December 2019: AED 1,166 million) and impairment provision of AED 204 million (31 December 2019: AED 232 million) aggregating to AED 1,270 million (31 December 2019: AED 1,398 million) which is 1.7 times (31 December 2019: 1.9 times) of the non-performing loans.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2020 (Unaudited)

7. INVESTMENT SECURITIES

Investment securities comprise the following:

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Securities at FVTPL		
Quoted equity securities	18,399	20,801
Discretionary funds managed by third parties – quoted equity securities	243	247
	<u>18,642</u>	<u>21,048</u>
Securities at FVTOCI		
Quoted equity securities	659,665	840,661
Unquoted equity securities	743	747
	<u>660,408</u>	<u>841,408</u>
Securities at amortised cost		
Government debt instruments	202,015	202,015
Corporate debt instruments	36,718	36,701
	<u>238,733</u>	<u>238,716</u>
Total investment securities	917,783	1,101,172
Provision for credit loss	(220)	(155)
Net investment securities	<u>917,563</u>	<u>1,101,017</u>
Gross investment securities by geographical area		
Within U.A.E.	846,940	1,030,618
Within GCC	40,682	40,952
Other countries	30,161	29,602
	<u>917,783</u>	<u>1,101,172</u>

All debt investment are classified as Stage 1 as at 30 June 2020 (31 December 2019: Stage 1) with corresponding ECL of AED 220 thousand as at 30 June 2020 (31 December 2019: AED 155 thousand). There was no inter-stage movement in investment securities during the period ended 30 June 2020 (31 December 2019: no inter-stage movement).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2020 (Unaudited)

8. OTHER ASSETS

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Inventory*	29,403	58,602
Interest receivable	35,950	33,673
Prepayments and deposits	30,484	33,964
Other	4,561	4,649
	<u>100,398</u>	<u>130,888</u>

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

9. DUE TO OTHER BANKS

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

10. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Time deposits	6,049,935	6,444,064
Current accounts	2,419,821	2,256,152
Savings deposits	186,985	170,300
Islamic customers' deposits	77,472	121,832
Margin deposits	36,842	42,760
	<u>8,771,055</u>	<u>9,035,108</u>

All customers' deposits and Islamic customers' deposits 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 six months period ended 30 June 2020 (Unaudited)

11. OTHER LIABILITIES

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Borrowing from the U.A.E. Central Bank *	374,252	-
Accounts payable	27,144	32,016
Interest payable	23,171	54,925
Provision for employees' end of service benefits	19,963	20,494
Other staff benefits	2,430	316
Dividend payable	11,596	11,596
Provision for expected credit loss on contingent assets (Note 13)	4,191	3,513
Manager's Cheques	121,470	127,245
Others	22,424	23,778
	<u>606,641</u>	<u>273,883</u>

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

12. SHARE CAPITAL

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

13. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Guarantees	3,105,991	3,779,813
Letters of credit	56,576	80,132
	<u>3,162,567</u>	<u>3,859,945</u>
Commitments to extend credit	1,186,002	1,211,646
Other	398,569	20,403
	<u>4,747,138</u>	<u>5,091,994</u>
Gross commitments and contingent liabilities by geographical area		
Within the U.A.E.	4,703,812	5,036,772
Outside the U.A.E.	43,326	55,222
	<u>4,747,138</u>	<u>5,091,994</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2020 (Unaudited)

13. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount as at 31 December 2019	3,787,709	22,259	49,977	3,859,945
New assets originated or purchased	125,438	663	-	126,101
Assets derecognised or repaid (excluding write offs)	(818,608)	(4,810)	(61)	(823,479)
Transfer to Stage 1	14,026	(14,026)	-	-
Transfer to Stage 2	(10,394)	10,394	-	-
As at 30 June 2020 (unaudited)	3,098,171	14,480	49,916	3,162,567
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount as at 31 December 2018	5,258,559	136,976	-	5,395,535
New assets originated or purchased	230,630	1,578	-	232,208
Assets derecognised or repaid (excluding write offs)	(1,723,838)	(35,460)	(8,500)	(1,767,798)
Transfer to Stage 1	39,360	(39,360)	-	-
Transfer to Stage 2	(16,094)	16,094	-	-
Transfer to Stage 3	(908)	(57,569)	58,477	-
As at 31 December 2019 (audited)	3,787,709	22,259	49,977	3,859,945

Movement in the provision for impairment of commitments and contingent liabilities

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2019	3,324	189	-	3,513
Net impairment charged during the period	292	3	-	295
Transferred from stage 1	128	(128)	-	-
Transferred from stage 2	(21)	21	-	-
Originated/expired during the period	326	57	-	383
Write back	-	-	-	-
Closing balance as at 30 June 2020 (unaudited)	4,049	142	-	4,191
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2018	11,137	1	-	11,138
Transferred from stage 1	(67)	67	-	-
Originated/expired during the period	(7,746)	121	-	(7,625)
Closing balance as at 31 December 2019 (audited)	3,324	189	-	3,513

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2020 (Unaudited)

13. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Grading of commitments and contingent liabilities along with stages:

	<i>30 June 2020 (Unaudited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Performing (Grades 1-12)	3,098,171	14,480	-	3,112,651
Sub Standard (Grade 13)	-	-	285	285
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,866	38,866
Total gross carrying amount	3,098,171	14,480	49,916	3,162,567
Expected credit loss (Note 11)	(4,049)	(142)	-	(4,191)
Carrying amount	3,094,122	14,338	49,916	3,158,376
	<i>31 December 2019 (audited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Performing (Grades 1-12)	3,787,709	22,259	-	3,809,968
Sub Standard (Grade 13)	-	-	346	346
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,866	38,866
Total gross carrying amount	3,787,709	22,259	49,977	3,859,945
Expected credit loss	(3,324)	(189)	-	(3,513)
Carrying amount	3,784,385	22,070	49,977	3,856,432

At 30 June 2020, the group has capital commitments of AED 3.25 million (31 December 2019: AED 3.34 million).

14. NET IMPAIRMENT LOSSES

	<i>Six months period ended</i>	
	<i>30 June (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED'000</i>	<i>AED'000</i>
Loans and advances and Islamic financing receivables	70,970	120,080
Due from other banks	997	(3,391)
Investment securities	65	(2,324)
Customers' acceptances	(132)	(6,926)
Commitments and contingencies	679	142
Recoveries from Loans and advances and Islamic financing receivables	(2,109)	(73,713)
	70,470	33,868

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2020 (Unaudited)

15. BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months period ended 30 June (Unaudited)</i>		<i>Six months period ended 30 June (Unaudited)</i>	
	<i>2020 AED '000</i>	<i>2019 AED '000</i>	<i>2020 AED '000</i>	<i>2019 AED '000</i>
Profit for the period (in AED '000)	54,420	103,707	127,236	238,888
Weighted average number of shares ('000)	1,848,000	1,848,000	1,848,000	1,848,000
Basic earnings per share (in AED)	0.03	0.06	0.07	0.13

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

16. DIVIDENDS

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

17. CASH AND CASH EQUIVALENTS

	<i>30 June 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)	1,535,751	1,729,448
Due from other banks (Note 5)	3,348,517	2,791,207
Statutory deposit (Note 4)	(309,821)	(537,173)
Certificates of deposit with original maturity greater than three months (Note 4)	(375,000)	(350,000)
Due to other banks	-	(423)
	4,199,447	3,633,059

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 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>Six months period ended 30 June (unaudited)</i>	
	2020	2019
	AED'000	AED'000
Interest income	3,331	9,146
Interest expense	24,984	24,582
Remuneration of key management personnel	1,382	2,271
Other income	59	113
Directors' fees	1,500	1,500

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

	30 June 2020	31 December 2019
	AED'000	AED'000
	(Unaudited)	(Audited)
Loans and advances and Islamic financing receivables	160,018	316,776
Customers' deposits and Islamic customers' deposits	2,583,340	2,379,375
Irrevocable commitments and contingent liabilities	372,982	496,595

Related party balances were classified as Stage 1 (31 December 2019: Stage 1) with corresponding ECL of AED 5.51 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 six months period ended 30 June 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>
Six months period ended				
30 June 2020 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	159,753	25,092	-	184,845
Net fees and commission income	29,868	1,452	1,058	32,378
Other operating income	610	114	6,836	7,560
Gross income	190,231	26,658	7,894	224,783
Operating expenses	(21,249)	(1,047)	(44,040)	(66,336)
Investment gains	-	39,364	-	39,364
Provision for impairment on financial assets	(68,780)	(1,142)	(548)	(70,470)
Share of results from an associate	-	-	(105)	(105)
Segment result	100,202	63,833	(36,799)	127,236
As at 30 June 2020 (Unaudited)				
Segment assets	8,026,888	5,455,990	570,590	14,053,468
Segment liabilities and equity	8,592,642	716,572	4,744,254	14,053,468
Six months period ended				
30 June 2019 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	209,825	46,269	-	256,094
Net fees and commission income	28,566	1,181	6,276	36,023
Other operating income	5,453	338	1,590	7,381
Gross income	243,844	47,788	7,866	299,498
Operating expenses	(23,345)	(1,211)	(43,918)	(68,474)
Investment gains	-	41,375	-	41,375
Provision for impairment on financial assets	(38,307)	(2,345)	6,784	(33,868)
Share of results from an associate	-	-	357	357
Segment result	182,192	85,607	(28,911)	238,888
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 six months period ended 30 June 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 30 June 2020 amounted to AED 243.33 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>30 June 2020 (unaudited) AED '000</i>	<i>31 December 2019 (audited) AED '000</i>	
Financial assets at FVTPL			
Quoted equity Securities	18,399	20,801	Level 1
Discretionary funds managed by third parties – quoted equity securities	243	247	Level 1
Financial assets at FVTOCI			
Quoted equity securities	659,665	840,661	Level 1
Unquoted equity securities	743	747	Level 3
Positive fair value of Derivative	3	-	Level 2
Negative fair value of Derivative	-	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 six months period ended 30 June 2020 (Unaudited)

21. SEASONALITY OF RESULTS

Investment income includes dividend income of AED 41.76 million for the six months period ended 30 June 2020 (30 June 2019: AED 39 million), which is of a seasonal nature.

22. CAPITAL ADEQUACY RATIOS

Capital element	Basel III Minimum requirement	As at 30 June 2020	As at 31 December 2019
Common equity tier 1 ratio	7.0%	37.98%	37.10%
Tier 1 capital ratio	8.5%	37.98%	37.10%
Capital adequacy ratio	10.5%	39.09%	38.23%

23. DERIVATIVES

	30 June 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	3	-	537	-	4	524
Total	3	-	537	-	4	524

24. RISK MANAGEMENT

COVID- 19 and Expected Credit Losses (ECL)

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

The Bank in its ECL computations has taken into consideration the guidelines issued by CBUAE on TESS and 'Treatment of IFRS9 Expected Credit Loss in the context of Covid-19 crisis' as well as the guidance issued by the International Accounting Standards Board (IASB). Further, the Bank has robust governance in place to ensure the appropriateness of the IFRS 9 framework and resultant ECL estimates at all times. The Bank has also reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS9 ECL measurement in light of available information.

The Bank has considered macroeconomic variable forecast which are in line with the latest forecast published by the CBUAE in its quarterly economic review. 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 actively participated in CBUAE's TESS program and ZCF was availed by the Bank amounting to AED 375 million. The ZCF funding availed has been utilized by the Bank to provide payment relief to the impacted customers.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2020 (Unaudited)

24. RISK MANAGEMENT (continued)

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

As per the CBUAE requirements, the Bank has divided its customers benefitting from payment deferrals into two groups as follows:

- *Group 1: includes those customers that are not expected to face substantial changes in their creditworthiness, beyond liquidity issues and are temporarily and mildly impacted by the Covid-19 crisis. For these clients, the payment deferrals are believed to be effective and thus the economic value of the facilities is not expected to be materially affected. These customers will remain in their current IFRS 9 stage, for the duration of the crisis.*
- *Group 2: includes those customers that are expected to face substantial changes in their creditworthiness, in addition to liquidity issues that will be addressed by payment deferrals. For these customers, there is sufficient deterioration in credit risk to trigger IFRS 9 stage migration. The Group continues to monitor the creditworthiness of these customers, particularly indications of potential inability to pay any of their obligations as and when they become due.*

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

Analysis of customers benefitting from payment deferrals under TESS

Below table contains analysis of the deferral amount and outstanding balances of customers benefitting from the TESS program:

Deferral amount and outstanding balances as at 30 June 2020:

Loans and advances and Islamic financing receivables	<i>Wholesale AED'000</i>	<i>Retail AED'000</i>	<i>Total AED'000</i>
Gross exposure	3,038,653	8,832	3,047,485
Deferral amount	373,302	1,699	375,001
Number of customers	107	5	112
Group wise break up			
Loans and advances and Islamic financing receivables	<i>Group 1 AED'000</i>	<i>Group 2 AED'000</i>	<i>Total AED'000</i>
Gross exposure	3,004,068	43,417	3,047,485
ECL	(61,786)	(3,850)	(65,636)
Net exposure	2,942,282	39,567	2,981,849

Sectoral composition of ECL for customers benefitting from payment deferrals under TESS:

Economic Sector	<i>Exposure AED'000</i>	<i>ECL AED' 000</i>
Construction & real estate	1,113,029	19,166
Individual loans for business	301,879	8,571
Manufacturing	116,677	2,226
Other services	1,009,751	24,859
Trade	378,443	8,217
Others	127,706	2,597
Grand Total	3,047,485	65,636

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2020 (Unaudited)

24. RISK MANAGEMENT (continued)

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

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

	<i>Stage1</i> <i>AED'000</i>	<i>Stage2</i> <i>AED'000</i>	<i>Stage3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount as at 1 January 2020	2,591,279	224,867	27,700	2,843,846
New assets originated or purchased	15,102	-	-	15,102
Assets derecognised or repaid	130,053	58,484	-	188,537
Transfer to Stage 1	119,689	(119,689)	-	-
Transfer to Stage 2	(27,376)	27,376	-	-
Transfer to Stage 3	-	27,700	(27,700)	-
	<u>2,828,747</u>	<u>218,738</u>	<u>-</u>	<u>3,047,485</u>

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

	<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 1 January 2020	36,757	14,763	-	51,520
New assets originated or purchased	1,437	4,120	-	5,557
Assets derecognised or repaid	(2,052)	10,613	-	8,561
Transfer to Stage 1	10,454	(10,454)	-	-
Transfer to Stage 2	(596)	596	-	-
Transfer to Stage 3	-	-	-	-
	<u>46,000</u>	<u>19,638</u>	<u>-</u>	<u>65,638</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2020 (Unaudited)

25. IMPAIRMENT RESERVE

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

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Impairment Reserve: General		
General Provisions under Circular 28/2010 of CBUAE	153,976	162,440
Less: Stage 1 & Stage 2 provisions under IFRS 9	157,120	146,055
	<hr/>	<hr/>
Impairment Reserve: General*	-	16,385
	<hr/> <hr/>	<hr/> <hr/>
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of CBUAE	204,048	231,508
Less: Stage 3 provisions under IFRS 9	(204,048)	(231,508)
	<hr/>	<hr/>
Impairment Reserve: Specific*	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

26. Comparative figures

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