

**National Bank of Fujairah PJSC**  
**Condensed consolidated interim financial information**  
**for the nine month period ended**  
**30 September 2020**

**Condensed consolidated interim financial information**  
**For the nine month period ended 30 September 2020**

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## **REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NATIONAL BANK OF FUJAIRAH PJSC**

### ***Introduction***

We have reviewed the accompanying condensed consolidated interim financial information of National Bank of Fujairah PJSC (the “Bank”), which comprise the consolidated interim statement of financial position as at 30 September 2020 and the related consolidated interim statements of income and comprehensive income for the three month and nine month periods then ended and consolidated interim statement of cash flows and changes in equity for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information 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 information 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 information is not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by:  
Joseph Alexander Murphy  
Partner  
Registration number: 492

28 October 2020

Dubai, United Arab Emirates


# National Bank of Fujairah PJSC


## Consolidated interim statement of financial position

As at 30 September 2020

	Notes	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
<b>Assets</b>			
Cash and balances with the UAE Central Bank	5	6,624,329	6,864,369
Due from banks and financial institutions	6	2,148,216	2,345,720
Investments and Islamic instruments	7	4,611,414	3,367,190
Loans and advances and Islamic financing receivables	8	25,369,626	27,095,498
Property and equipment and capital work-in-progress		365,755	348,972
Other assets		2,657,552	2,783,508
<b>Total assets</b>		<b>41,776,892</b>	<b>42,805,257</b>
<b>Liabilities</b>			
Due to banks	11	1,268,182	1,346,810
Customer deposits and Islamic customer deposits	12	31,204,337	31,949,730
Term borrowings	11	514,220	293,840
Other liabilities		2,580,274	2,864,323
<b>Total liabilities</b>		<b>35,567,013</b>	<b>36,454,703</b>
<b>Equity</b>			
Share capital	13.1	1,914,762	1,850,012
Statutory reserve		936,053	936,053
Special reserve		561,899	561,899
Fair value reserve		49,570	31,409
Proposed cash dividends	13.2	-	185,002
Proposed bonus issue	13.2	-	64,750
Impairment reserve	10.2	349,806	363,069
Retained earnings		1,112,239	1,072,810
Tier 1 capital securities	14	1,285,550	1,285,550
<b>Total equity attributable to equity and securities holders of the Group</b>		<b>6,209,879</b>	<b>6,350,554</b>
<b>Total liabilities and equity</b>		<b>41,776,892</b>	<b>42,805,257</b>

This condensed consolidated interim financial information was approved by the Board of Directors on 28 October 2020 and was signed on its behalf by:

  
**Vince Cook**  
 Chief Executive Officer

  
**Adnan Anwar**  
 Chief Financial Officer

The notes on pages 7 to 50 form an integral part of the condensed consolidated interim financial information. The independent auditor's review report of the Group condensed consolidated interim financial information is set out on page 1.

# National Bank of Fujairah PJSC

## Consolidated interim statement of income – (Unaudited)

For the nine month period ended 30 September 2020

		Three month period ended 30 September 2020	Three month period ended 30 September 2019	Nine month period ended 30 September 2020	Nine month period ended 30 September 2019
	Notes	AED'000	AED'000	AED'000	AED'000
Interest income and income from Islamic financing and investment activities		329,820	500,707	1,142,202	1,462,921
Interest expense and distribution to Islamic depositors		(119,631)	(204,585)	(420,150)	(603,519)
<b>Net interest income and net income from Islamic financing and investment activities</b>		<b>210,189</b>	<b>296,122</b>	<b>722,052</b>	<b>859,402</b>
Net fees and commission income		57,329	94,720	188,874	271,902
Foreign exchange and derivatives income		30,118	38,259	99,062	112,482
Income from investments and Islamic instruments		535	2,783	18,619	8,359
Other operating income		8,332	7,549	33,466	28,756
<b>Operating income</b>		<b>306,503</b>	<b>439,433</b>	<b>1,062,073</b>	<b>1,280,901</b>
<b>Operating expenses</b>					
Employee benefits expense		(72,908)	(91,430)	(221,562)	(276,726)
Depreciation and amortization		(7,487)	(9,365)	(22,642)	(27,627)
Other operating expenses		(40,190)	(43,369)	(110,566)	(114,291)
<b>Total operating expenses</b>		<b>(120,585)</b>	<b>(144,164)</b>	<b>(354,770)</b>	<b>(418,644)</b>
<b>Operating profit before impairment loss</b>		<b>185,918</b>	<b>295,269</b>	<b>707,303</b>	<b>862,257</b>
Net impairment loss	15	(184,695)	(140,739)	(640,988)	(350,650)
<b>Profit for the period</b>		<b>1,223</b>	<b>154,530</b>	<b>66,315</b>	<b>511,607</b>
<b>Earnings per share (basic and diluted)</b>	16	<b>AED 0.001</b>	<b>AED 0.071</b>	<b>AED 0.014</b>	<b>AED 0.248</b>

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# National Bank of Fujairah PJSC

## Consolidated interim statement of comprehensive income – (Unaudited)

For the nine month period ended 30 September 2020

	Three month period ended 30 September 2020 AED'000	Three month period ended 30 September 2019 AED'000	Nine month period ended 30 September 2020 AED'000	Nine month period ended 30 September 2019 AED'000
<b>Profit for the period</b>	<b>1,223</b>	<b>154,530</b>	<b>66,315</b>	<b>511,607</b>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified subsequently to income statement:</b>				
Movement in fair value reserve (equity instruments):				
- Net change in fair value	2,881	1,023	(987)	7,850
<b>Items that may be reclassified subsequently to income statement:</b>				
Movement in fair value reserve (debt instruments):				
- Net change in fair value	16,370	9,693	36,007	48,835
- Net amount transferred to income statement	(747)	(3,125)	(16,859)	(4,333)
<b>Other comprehensive income for the period</b>	<b>18,504</b>	<b>7,591</b>	<b>18,161</b>	<b>52,352</b>
<b>Total comprehensive income for the period</b>	<b>19,727</b>	<b>162,121</b>	<b>84,476</b>	<b>563,959</b>

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# National Bank of Fujairah PJSC

## Consolidated interim statement of cash flows – (Unaudited)

For the nine month period ended 30 September 2020

	Notes	Nine month period ended 30 September 2020 AED'000	Nine month period ended 30 September 2019 AED'000
<b>Operating activities</b>			
<b>Profit for the period</b>		<b>66,315</b>	<b>511,607</b>
Adjustments for :			
Depreciation and amortization		22,642	27,627
Provision for employee end of service and other long term benefits		11,656	13,241
Gain on disposal of property, plant and equipment		(9)	-
Net impairment losses	15	640,988	350,650
Net fair value gain on disposal of investments and Islamic instruments		(21,035)	(3,199)
Net changes in fair value of investments at fair value through profit or loss		3,774	(5,160)
<b>Cash flow from operating activities before changes in operating assets and liabilities and payment of employee end of service and other long term benefits</b>		<b>724,331</b>	<b>894,766</b>
Payment of employee end of service and other long term benefits		(11,796)	(9,120)
Change in due from central bank		3,237,999	(2,327,324)
Change in due from banks and financial institutions		606,851	(379,909)
Change in loans and advances and Islamic financing receivables		1,115,044	(1,674,866)
Change in other assets		125,956	(115,062)
Change in due to banks		939,755	(174,521)
Change in customer deposits and Islamic customer deposits		(745,393)	720,011
Change in other liabilities		(293,838)	62,562
<b>Net cash generated from / (used in) operating activities</b>		<b>5,698,909</b>	<b>(3,003,463)</b>
<b>Investing activities</b>			
Purchase of property and equipment and capital work-in-progress		(48,571)	(38,342)
Proceeds from sale of property and equipment		9	-
Purchase of investments and Islamic instruments		(2,967,463)	(2,044,860)
Proceeds from sale of investments and Islamic instruments		1,755,071	1,472,760
<b>Net cash used in investing activities</b>		<b>(1,260,954)</b>	<b>(610,442)</b>
<b>Financing activities</b>			
Proceeds from term borrowings		440,760	752,965
Repayment of term borrowings		(385,665)	(863,155)
Cash dividends paid		(185,002)	(123,334)
Tier 1 capital securities / notes coupon paid		(37,763)	(36,250)
Tier 1 capital securities issuance cost		(1,028)	(274)
<b>Net cash used in financing activities</b>		<b>(168,698)</b>	<b>(270,048)</b>
<b>Net change in cash and cash equivalents</b>		<b>4,269,257</b>	<b>(3,883,953)</b>
Cash and cash equivalents at beginning of the period		1,046,739	3,055,379
<b>Cash and cash equivalents at end of the period</b>	19	<b>5,315,996</b>	<b>(828,574)</b>

The notes on pages 7 to 50 form an integral part of the condensed consolidated interim financial information.  
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# National Bank of Fujairah PJSC

## Consolidated interim statement of changes in equity – (Unaudited)

For the nine month period ended 30 September 2020

AED'000	Share capital	Statutory reserve	Special reserve	Fair value reserve	Proposed dividends	Retained earnings	Impairment reserve	Tier 1 capital notes/ securities	Total
<b>At 01 January 2019</b>	<b>1,644,455</b>	<b>936,053</b>	<b>506,492</b>	<b>(27,932)</b>	<b>328,891</b>	<b>967,467</b>	<b>266,440</b>	<b>500,000</b>	<b>5,121,866</b>
Profit for the period	-	-	-	-	-	511,607	-	-	511,607
Other comprehensive income for the period	-	-	-	52,352	-	-	-	-	52,352
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,352</b>	<b>-</b>	<b>511,607</b>	<b>-</b>	<b>-</b>	<b>563,959</b>
Excess provisions under CBUAE requirements over IFRS 9 (note 10.2)	-	-	-	-	-	14,827	(14,827)	-	-
Tier 1 capital notes coupon paid	-	-	-	-	-	(36,524)	-	-	(36,524)
2018 cash dividends paid	-	-	-	-	(123,334)	-	-	-	(123,334)
2018 bonus shares issued	205,557	-	-	-	(205,557)	-	-	-	-
<b>At 30 September 2019</b>	<b>1,850,012</b>	<b>936,053</b>	<b>506,492</b>	<b>24,420</b>	<b>-</b>	<b>1,457,377</b>	<b>251,613</b>	<b>500,000</b>	<b>5,525,967</b>
<b>At 01 January 2020</b>	<b>1,850,012</b>	<b>936,053</b>	<b>561,899</b>	<b>31,409</b>	<b>249,752</b>	<b>1,072,810</b>	<b>363,069</b>	<b>1,285,550</b>	<b>6,350,554</b>
Profit for the period	-	-	-	-	-	66,315	-	-	66,315
Other comprehensive income for the period	-	-	-	18,161	-	(1,358)	-	-	16,803
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,161</b>	<b>-</b>	<b>64,957</b>	<b>-</b>	<b>-</b>	<b>83,118</b>
Excess provisions under CBUAE requirements over IFRS 9 (note 10.2)	-	-	-	-	-	13,263	(13,263)	-	-
Tier 1 capital securities coupon paid	-	-	-	-	-	(37,763)	-	-	(37,763)
Tier 1 capital securities issuance cost	-	-	-	-	-	(1,028)	-	-	(1,028)
2019 cash dividends paid	-	-	-	-	(185,002)	-	-	-	(185,002)
2019 bonus shares issued	64,750	-	-	-	(64,750)	-	-	-	-
<b>At 30 September 2020</b>	<b>1,914,762</b>	<b>936,053</b>	<b>561,899</b>	<b>49,570</b>	<b>-</b>	<b>1,112,239</b>	<b>349,806</b>	<b>1,285,550</b>	<b>6,209,879</b>

The notes on pages 7 to 50 form an integral part of the condensed consolidated interim financial information.

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



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

*For the nine month period ended 30 September 2020*

### 1. Legal status and activities

National Bank of Fujairah (the Bank) is a Public Joint Stock Company registered under the laws of the United Arab Emirates. The Bank operates under a banking license issued on 29 August 1984 by the Central Bank of the United Arab Emirates (the UAE Central Bank) and commenced operations on 20 September 1984. The shares of the Bank were listed on Abu Dhabi Securities Exchange (ADX) on 23 October 2005. The Bank's key shareholders include the Department of Industry and Economy – Government of Fujairah, Easa Saleh Al Gurg LLC and Investment Corporation of Dubai.

The principal activity of the Bank is commercial banking which is carried out from its network of fifteen branches, including one electronic banking service unit, across the UAE in emirates of Fujairah, Abu Dhabi, Dubai and Sharjah.

The Bank has three fully owned subsidiary companies:

- NBF Financial Services FZC was established in December 2004 with limited liability status in the Fujairah Free Trade Zone to provide support services to the Bank.
- NBF Capital Limited is registered in the Dubai International Financial Centre (DIFC) as a company limited by shares under DIFC laws and regulations and regulated by the Dubai Financial Services Authority (DFSA). The Company was established on 3 April 2013 and commenced operations on 12 May 2013. The principal business activities of the Company are arranging credit or deals in investments, advising on financial products or credit, and dealing in investments as agent, managing assets and managing collective investment fund.
- NBF Markets (Cayman) Limited is registered in the Cayman Islands as an exempted company limited by shares under the Companies Law (revised) of the Cayman Islands and regulated by the Cayman Island Government General Registry. The Company was established on 31 January 2017 to provide support services to the Bank to enter into foreign exchange and derivative transactions with financial institutions / counterparties under the terms and conditions of International Swaps and Derivatives Association (ISDA).

The condensed consolidated interim financial information for the nine months period ended 30 September 2020 comprise the Bank and its subsidiaries (together referred to as 'the Group').

UAE Federal Law No. 2 of 2015 (Companies Law) which is applicable to the Group has come into effect from 1 July 2015. The Group had assessed, evaluated and ensured compliance with the relevant provisions of the Companies Law.

The registered address of the Group is Hamad Bin Abdullah Street, P. O. Box 887, Fujairah, United Arab Emirates.

### 2. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with IFRS, International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by International Accounting Standard Board (IASB).

These condensed consolidated interim financial information does not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2019.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

*For the nine month period ended 30 September 2020 (continued)*

### 2. Basis of preparation *(continued)*

In preparing this condensed consolidated interim financial information, significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2019 except for the new judgements and estimates explained in Note 3.

### 3. Significant accounting policies

#### 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 01 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

#### (a) Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 01 January 2020

##### Standards, amendments and interpretations

##### 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 include a number of reliefs, which apply to all hedging relationships that are directly affected by the 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.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

*For the nine month period ended 30 September 2020 (continued)*

### **3. Significant accounting policies (continued)**

#### **(a) Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 01 January 2020(continued)**

##### **Standards, amendments and interpretations (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 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 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 statements as at and for the year ended 31 December 2019.

#### **(b) Property and equipment, capital work-in-progress, depreciation and amortisation**

The estimated useful lives of buildings, furniture and equipment and software were reassessed during the year and the impact was not significant to the condensed consolidated interim financial information of the Group.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

*For the nine month period ended 30 September 2020 (continued)*

### **4. Financial risk management**

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2019.

#### **(a) Fair value measurement principles**

Fair value is defined as 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.

When available, the fair value of a financial instrument is based on quoted market prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a quoted market price is not available or if a market for a financial instrument is not active, the fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, discounted cash flow methods, comparison to similar instruments for which market observable prices exist. For investments under management with external fund managers, fair value is provided by the external fund managers, and is determined based on the market value of underlying investments of each fund. In all other cases, the instruments are measured at acquisition cost, including transaction cost, less impairment losses, if any.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the date of the consolidated interim statement of financial position for an instrument with similar terms and conditions.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Group would receive or pay to terminate the contract at the date of the consolidated interim statement of financial position, taking into account current market conditions and the current creditworthiness of the counterparty.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 4. Financial risk management (continued)

#### (b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.
- Level 2: Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Pursuant to disclosure requirements of IFRS 7 Financial Instruments: Disclosures, the Group has disclosed the relevant information in the table below:

#### Fair value measurement – fair value hierarchy:

30 September 2020 (Unaudited)  
AED'000

	Notional	Level 1	Level 2	Level 3
Investments and Islamic instruments				
Debt securities / Islamic sukuku	-	2,019,626	-	-
Other investments	-	723,490	2,608	-
Forward foreign exchange contracts	14,402,661	-	25,980	-
Currency options	9,402,783	-	1,046	-
Interest rate derivatives	8,204,913	-	(4,794)	-
Commodity derivatives	185,302	-	2,081	-

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 4. Financial risk management (continued)

#### (b) Fair value hierarchy (continued)

##### Fair value measurement – fair value hierarchy (continued)

31 December 2019 (Audited) AED'000	Notional	Level 1	Level 2	Level 3
Investments and Islamic instruments				
Debt securities / Islamic sukus	-	2,125,774	-	-
Other investments	-	649,384	3,688	-
Forward foreign exchange contracts	13,153,247	-	(2,142)	-
Currency options	12,614,709	-	3,208	-
Interest rate derivatives	9,728,842	-	3,108	-
Commodity derivatives	247,214	-	884	-

#### (c) Management of liquidity risk

The positive / negative fair values of derivative financial instruments, entered into by the Group, at the reporting date are as below:

AED'000	30 September 2020 (Unaudited)			31 December 2019 (Audited)		
	Positive fair value	Negative fair value	Net	Positive fair value	Negative fair value	Net
<b>Derivatives</b>						
Forward foreign exchange contracts	78,506	52,526	25,980	36,235	38,377	(2,142)
Currency options	27,166	26,120	1,046	19,325	16,117	3,208
Interest rate derivatives	219,850	224,644	(4,794)	167,795	164,687	3,108
Commodity derivatives	5,101	3,020	2,081	10,704	9,820	884
	<b>330,623</b>	<b>306,310</b>	<b>24,313</b>	<b>234,059</b>	<b>229,001</b>	<b>5,058</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 4. Financial risk management (continued)

#### (d) Financial assets and liabilities

##### Classification and measurement

The fair values and carrying values of the financial assets and liabilities at 30 September 2020 are shown below:

30 September 2020 (Unaudited) AED'000	At fair value through profit or loss	At fair value through other comprehensive income	Amortized cost	Allowances for impairment (ECL)	Carrying amount
<b>Financial assets</b>					
Cash and balances with the UAE Central Bank	-	-	6,624,329	-	6,624,329
Due from banks and financial institutions	-	-	2,165,975	(17,759)	2,148,216
Investments and Islamic instruments	2,141	2,743,582	1,870,096	(4,405)	4,611,414
Loans and advances and Islamic financing receivables	-	-	26,881,925	(1,512,299)	25,369,626
Other assets	-	-	2,327,103	(367)	2,326,736
<b>Total financial assets</b>	<b>2,141</b>	<b>2,743,582</b>	<b>39,869,428</b>	<b>(1,534,830)</b>	<b>41,080,321</b>
<b>Financial liabilities</b>					
Due to banks	-	-	1,268,182	-	1,268,182
Customer deposits and Islamic customer deposits	-	-	31,204,337	-	31,204,337
Term borrowings	-	-	514,220	-	514,220
Other liabilities	-	-	2,275,730	102,202	2,377,932
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>35,262,469</b>	<b>102,202</b>	<b>35,364,671</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 4. Financial risk management (continued)

#### (d) Financial assets and liabilities (continued)

31 December 2019 (Audited) AED'000	At fair value through profit or loss	At fair value through other comprehensive income	Amortized cost	Allowances for impairment (ECL)	Carrying amount
<b>Financial assets</b>					
Cash and balances with the UAE Central Bank	-	-	6,864,369	-	6,864,369
Due from banks and financial institutions	-	-	2,354,627	(8,907)	2,345,720
Investments and Islamic instruments	46,962	2,731,884	590,517	(2,173)	3,367,190
Loans and advances and Islamic financing receivables	-	-	28,388,738	(1,293,240)	27,095,498
Other assets	-	-	2,525,077	-	2,525,077
<b>Total financial assets</b>	<b>46,962</b>	<b>2,731,884</b>	<b>40,723,328</b>	<b>(1,304,320)</b>	<b>42,197,854</b>
<b>Financial liabilities</b>					
Due to banks	-	-	1,346,810	-	1,346,810
Customer deposits and Islamic customer deposits	-	-	31,949,730	-	31,949,730
Term borrowings	-	-	293,840	-	293,840
Other liabilities	-	-	2,579,155	83,127	2,662,282
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>36,169,535</b>	<b>83,127</b>	<b>36,252,662</b>

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

#### (e) Market risk

##### Derivative financial instruments

In the ordinary course of business, the Group enters into various types of derivative transactions that are affected by variables in the underlying instruments.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- (i) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 4. Financial risk management (continued)

#### (e) Market risk (continued)

##### Derivative financial instruments (continued)

- (ii) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- (iii) it is settled at a future date.

Derivative financial instruments which the Group enters into includes forward foreign exchange contracts, interest rate derivatives, commodity derivatives and currency options.

The Group uses derivative financial instruments for hedging purposes as part of its asset and liability management activities in order to reduce its own exposure to fluctuations in interest rates.

The Group uses interest rate swaps to hedge interest rate risks. In all such cases, the hedging relationship and objectives including details of the hedged item and hedging instrument are formally documented and the transactions are accounted for based on the type of hedge.

The following table shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments.

Hedging instrument	Assets	Liabilities	Notional
<b>30 September 2020 (Unaudited)</b>			
<b>AED'000</b>			
<b>Derivatives held as fair value hedges</b>			
Interest rate swaps	-	12,357	216,707
<b>Total derivative financial instruments</b>	<b>-</b>	<b>12,357</b>	<b>216,707</b>
<b>Hedging instrument</b>			
<b>31 December 2019 (Audited)</b>			
<b>AED'000</b>			
<b>Derivatives held as fair value hedges</b>			
Interest rate swaps	-	7,703	257,110
<b>Total derivative financial instruments</b>	<b>-</b>	<b>7,703</b>	<b>257,110</b>

The carrying value of investments (hedged item) is AED 237.7 million (31 December 2019: AED 270.2 million) and the accumulated amount of fair value adjustments to investments (hedged item) is AED 12.4 million (31 December 2019: AED 7.7 million). The gains / losses attributable to the hedged risk for investments amounted to AED 12.4 million (31 December 2019: AED 7.7 million) and on the interest rate swaps (hedging instrument) amounted to AED 12.4 million (31 December 2019: AED 7.7 million). All the hedges were fully effective for the period ended 30 September 2020 and the year ended 31 December 2019.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 5. Cash and balances with the UAE Central Bank

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
Cash on hand	257,791	271,489
Certificates of deposit (CDs) with the UAE Central Bank (note 5.1)	5,325,000	4,275,000
Other balances with the UAE Central Bank (note 5.2)	1,041,538	2,317,880
	<u>6,624,329</u>	<u>6,864,369</u>

5.1 CDs with the UAE Central Bank include AED 1,100.0 million collateralized with the UAE Central Bank against the Targeted Economic Support Scheme (TESS). In relation to the subsequent settlements mentioned in Note 12.1 and 21.1, CDs with the UAE Central Bank amounting to AED 1,000.0 million have been de-collateralized.

5.2 Other balances with the UAE Central Bank include regulatory cash reserve deposits of AED 968.7 million (31 December 2019: AED 1,556.7 million).

### 6. Due from banks and financial institutions

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
6.1 By type		
Placements	841,595	537,205
Current accounts / term deposits	786,525	1,065,530
Bills discounted	537,855	751,892
	<u>2,165,975</u>	<u>2,354,627</u>
Less: Allowances for impairment (ECL) (note 10.1)	<u>(17,759)</u>	<u>(8,907)</u>
	<u>2,148,216</u>	<u>2,345,720</u>

As at 30 September 2020, current accounts / term deposits include cash collateral of AED 229.9 million (31 December 2019: AED 164.0 million) in respect of negative fair value of derivatives, in accordance with the Credit Support Annex (CSA) agreements with the interbank counterparties.

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
6.2 By geographical area		
UAE	886,859	660,631
GCC	412,845	412,696
Europe	551,655	179,401
Americas	49,001	777,390
Others	265,615	324,509
	<u>2,165,975</u>	<u>2,354,627</u>
Less: Allowances for impairment (ECL) (note 10.1)	<u>(17,759)</u>	<u>(8,907)</u>
	<u>2,148,216</u>	<u>2,345,720</u>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 6. Due from banks and financial institutions (continued)

#### 6.3 By currency

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
AED	547,524	504,176
USD	1,066,480	1,700,496
EUR	350,190	49,323
GBP	13,916	5,323
XAU	4,670	12,710
Others	183,195	82,599
	<u>2,165,975</u>	<u>2,354,627</u>
Less: Allowances for impairment (ECL) (note 10.1)	<u>(17,759)</u>	<u>(8,907)</u>
	<u>2,148,216</u>	<u>2,345,720</u>

#### 6.4 Based on external credit ratings

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
AA	2,726	636
AA–	91,054	66,894
A+	154,436	203,939
A	259,587	397,038
A–	338,027	555,839
BBB+	344,978	582,640
BBB	269,010	16,124
BBB– and below	706,157	531,517
	<u>2,165,975</u>	<u>2,354,627</u>
Less: Allowances for impairment (ECL) (note 10.1)	<u>(17,759)</u>	<u>(8,907)</u>
	<u>2,148,216</u>	<u>2,345,720</u>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 6. Due from banks and financial institutions (continued)

#### 6.5 Due from banks and financial institutions stage-wise analysis

The following table contains an analysis of the credit risk exposure of due from banks and financial institutions. The gross carrying amount of due from banks and financial institutions, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

AED'000	30 September 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	1,924,771	243,198	-	2,167,969
Allowances for impairment (ECL) (note 10.1)	(6,653)	(11,106)	-	(17,759)
<b>Carrying amount</b>	<b>1,918,118</b>	<b>232,092</b>	<b>-</b>	<b>2,150,210</b>

AED'000	31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,324,967	33,434	-	2,358,401
Allowances for impairment (ECL) (note 10.1)	(7,930)	(977)	-	(8,907)
<b>Carrying amount</b>	<b>2,317,037</b>	<b>32,457</b>	<b>-</b>	<b>2,349,494</b>

Majority of due from banks and financial institutions are in stage 1 throughout the period and therefore have insignificant ECL. Accordingly, there have been no significant movements between stages in respect of these financial assets.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 7. Investments and Islamic instruments

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
<b>Investments at fair value through profit or loss (FVTPL) (note 7.1)</b>	<b>2,141</b>	<b>46,962</b>
<b>Investments at fair value through other comprehensive income (FVOCI)</b>		
Debt securities / Islamic sukuku (note 7.2)	2,019,626	2,125,774
Other investments	723,956	606,110
	<b>2,743,582</b>	<b>2,731,884</b>
<b>Investments measured at amortized cost</b>		
Debt securities / Islamic sukuku (note 7.2)	1,870,096	590,517
	<b>4,615,819</b>	<b>3,369,363</b>
Less: Allowances for impairment (ECL) (note 10.1)	(4,405)	(2,173)
	<b>4,611,414</b>	<b>3,367,190</b>

7.1 Investments at FVTPL include various funds whose fair values are based on the net asset values provided by the fund managers.

7.2 Debt securities aggregating AED 3,889.7 million (31 December 2019: AED 2,716.3 million) represent the Group's investments in bonds and notes which are quoted on recognized exchanges and prices of which are available on internationally recognized platforms of Reuters and Bloomberg and are liquid in normal market conditions. The debt securities portfolio includes floating rate securities amounting to AED 963.4 million (31 December 2019: AED 970.2 million).

Debt securities include Islamic sukuku amounting to AED 392.3 million (31 December 2019: AED 646.6 million).

Debt securities include AED 61.9 million collateralized with the UAE Central Bank against the TESS. In relation to the subsequent settlements mentioned in Note 12.1 and 21.1, aforementioned debt securities have been de-collateralized.

7.3 The dispersion of the investment portfolio is set out below:

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
Government	1,979,700	1,000,591
Banks and financial institutions	1,561,843	1,428,229
Others	1,074,276	940,543
	<b>4,615,819</b>	<b>3,369,363</b>
Less: Allowances for impairment (ECL) (note 10.1)	(4,405)	(2,173)
	<b>4,611,414</b>	<b>3,367,190</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 7. Investments and Islamic instruments (continued)

#### 7.4 By geography

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
UAE	1,464,888	682,881
GCC	962,451	307,749
Europe	775,091	824,719
Americas	657,349	721,199
Others	756,040	832,815
	<u>4,615,819</u>	<u>3,369,363</u>
Less: Allowances for impairment (ECL) (note 10.1)	<u>(4,405)</u>	<u>(2,173)</u>
	<u>4,611,414</u>	<u>3,367,190</u>

#### 7.5 By currency

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
AED	467	467
USD	4,508,441	3,313,831
EUR	21,465	40,209
GBP	81,200	-
JPY	4,246	14,856
	<u>4,615,819</u>	<u>3,369,363</u>
Less: Allowances for impairment (ECL) (note 10.1)	<u>(4,405)</u>	<u>(2,173)</u>
	<u>4,611,414</u>	<u>3,367,190</u>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 7. Investments and Islamic instruments (continued)

#### 7.6 Based on external credit ratings

30 September 2020 (Unaudited) AED'000	Debt securities / Islamic sukuks	Other investments	Total
AAA	-	208,071	208,071
AA	1,015,539	-	1,015,539
AA-	828,344	146,965	975,309
A+	192,929	-	192,929
A	767,823	128,377	896,200
A-	812,731	148,910	961,641
BBB+	114,576	-	114,576
BBB	75,800	-	75,800
BBB- and below	81,979	93,775	175,754
Less: Allowances for impairment (ECL) (note 10.1)	(3,938)	(467)	(4,405)
	<b>3,885,783</b>	<b>725,631</b>	<b>4,611,414</b>

31 December 2019 (Audited) AED'000	Debt securities / Islamic sukuks	Other investments	Total
AAA	147,240	98,282	245,522
AA	291,153	96,262	387,415
AA-	707,567	121,602	829,169
A+	224,833	-	224,833
A	300,089	121,260	421,349
A-	537,325	102,773	640,098
BBB+	44,465	-	44,465
BBB- and below	463,619	112,893	576,512
Less: Allowances for impairment (ECL) (note 10.1)	(1,620)	(553)	(2,173)
	<b>2,714,671</b>	<b>652,519</b>	<b>3,367,190</b>

BBB- and below rating investments include unrated issuances by Government related entities and supranational institutions owned by governments.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 7. Investments and Islamic instruments (continued)

#### 7.7 Debt investments and Islamic instruments stage-wise analysis

The following table contains an analysis of the credit risk exposure of debt investments and Islamic instruments. The gross carrying amount of debt investments and Islamic instruments, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

30 September 2020 (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	4,522,043	-	-	4,522,043
Allowances for impairment (ECL) (note 10.1)	(4,405)	-	-	(4,405)
<b>Carrying amount</b>	<b>4,517,638</b>	<b>-</b>	<b>-</b>	<b>4,517,638</b>

31 December 2019 (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	3,256,470	-	-	3,256,470
Allowances for impairment (ECL) (note 10.1)	(2,173)	-	-	(2,173)
<b>Carrying amount</b>	<b>3,254,297</b>	<b>-</b>	<b>-</b>	<b>3,254,297</b>

Debt investments and Islamic instruments are in stage 1 throughout the period and therefore have insignificant ECL. Accordingly, there have been no movements between stages in respect of these financial assets.



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 8. Loans and advances and Islamic financing receivables

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
<b>8.1 By type</b>		
Overdrafts	2,505,164	2,437,108
Term loans	19,435,142	20,153,451
Loans against trust receipts	2,975,270	3,385,267
Bills discounted	1,711,577	2,165,752
Bills drawn under letters of credit	254,772	247,160
<b>Gross loans and advances and Islamic financing receivables</b>	<b>26,881,925</b>	<b>28,388,738</b>
Allowances for impairment (ECL) (note 10.1)	(1,512,299)	(1,293,240)
<b>Net loans and advances and Islamic financing receivables</b>	<b>25,369,626</b>	<b>27,095,498</b>

**8.2** Loans and advances and Islamic financing receivables include Murabaha Tawarruq and Ijara financing activities amounting to **AED 3,105.8 million** (31 December 2019: AED 3,493.9 million) provided through a Shari'a compliant Islamic window, NBF Islamic.

### 8.3 Loans and advances and Islamic financing receivables and acceptances stage-wise analysis

The following table contains an analysis of the credit risk exposure of loans and advances and Islamic receivables and acceptances. The gross carrying amount of loans and advances and Islamic receivables and acceptances, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

#### 30 September 2020

(Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	22,868,757	3,482,282	2,554,634	28,905,673
Allowances for impairment (ECL) (note 10.1)	(207,582)	(319,394)	(985,323)	(1,512,299)
<b>Carrying amount</b>	<b>22,661,175</b>	<b>3,162,888</b>	<b>1,569,311</b>	<b>27,393,374</b>

#### 31 December 2019

(Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	26,319,746	2,704,403	1,761,170	30,785,319
Allowances for impairment (ECL) (note 10.1)	(220,482)	(271,207)	(801,551)	(1,293,240)
<b>Carrying amount</b>	<b>26,099,264</b>	<b>2,433,196</b>	<b>959,619</b>	<b>29,492,079</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 8. Loans and advances and Islamic financing receivables (continued)

#### 8.4 Movement in the gross balance of loans and advances and Islamic financing receivables and acceptances

Outstanding balance (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount - 31 December 2019</b>	<b>26,319,746</b>	<b>2,704,403</b>	<b>1,761,170</b>	<b>30,785,319</b>
Transferred from Stage 1	(1,426,144)	1,141,355	284,789	-
Transferred from Stage 2	63,453	(839,798)	776,345	-
Transferred from Stage 3	117	577	(694)	-
Originated / (derecognized) during the period	(2,088,415)	475,745	124,427	(1,488,243)
Written-off during the period	-	-	(391,403)	(391,403)
<b>Gross carrying amount – 30 September 2020</b>	<b>22,868,757</b>	<b>3,482,282</b>	<b>2,554,634</b>	<b>28,905,673</b>

Outstanding balance (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount – 31 December 2018</b>	<b>24,992,897</b>	<b>3,182,337</b>	<b>1,538,965</b>	<b>29,714,199</b>
Transferred from Stage 1	(1,176,577)	1,051,956	124,621	-
Transferred from Stage 2	713,250	(907,903)	194,653	-
Transferred from Stage 3	-	18,141	(18,141)	-
Originated / (derecognized) during the year	1,790,176	(640,128)	338,456	1,488,504
Written-off during the year	-	-	(417,384)	(417,384)
<b>Gross carrying amount - 31 December 2019</b>	<b>26,319,746</b>	<b>2,704,403</b>	<b>1,761,170</b>	<b>30,785,319</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 8. Loans and advances and Islamic financing receivables (continued)

#### 8.5 Movement in the provision for impairment of loans and advances and Islamic financing receivables and acceptances

<b>ECL (Unaudited) AED'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECL allowance - 31 December 2019</b>	<b>220,482</b>	<b>271,207</b>	<b>801,551</b>	<b>1,293,240</b>
Transferred from Stage 1	(13,203)	57,810	123,970	168,577
Transferred from Stage 2	1,446	(107,722)	261,074	154,798
Transferred from Stage 3	2	60	(431)	(369)
Originated / (derecognized) during the period including changes in PDs / LGDs / EADs	(1,145)	98,039	190,562	287,456
<b>Net allowance for impairment losses</b>	<b>(12,900)</b>	<b>48,187</b>	<b>575,175</b>	<b>610,462</b>
Written-off during the period	-	-	(391,403)	(391,403)
<b>ECL allowance – 30 September 2020</b>	<b>207,582</b>	<b>319,394</b>	<b>985,323</b>	<b>1,512,299</b>

<b>ECL (Audited) AED'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECL allowance - 31 December 2018</b>	<b>166,819</b>	<b>188,542</b>	<b>809,461</b>	<b>1,164,822</b>
Transferred from Stage 1	(25,936)	34,400	78,851	87,315
Transferred from Stage 2	10,022	(65,210)	99,361	44,173
Transferred from Stage 3	-	1,296	(6,498)	(5,202)
Originated / (derecognized) during the year including changes in PDs / LGDs / EADs	69,577	112,179	237,760	419,516
<b>Net allowance for impairment losses</b>	<b>53,663</b>	<b>82,665</b>	<b>409,474</b>	<b>545,802</b>
Written-off during the year	-	-	(417,384)	(417,384)
<b>ECL allowance - 31 December 2019</b>	<b>220,482</b>	<b>271,207</b>	<b>801,551</b>	<b>1,293,240</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 8. Loans and advances and Islamic financing receivables (continued)

#### 8.6 Risk mitigation, credit quality, collateral and credit enhancements

The Group manages credit exposure by obtaining security where appropriate, and in certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The amount and type of collateral depends on assessments of the credit risk of the counterparty. The types of collateral mainly include cash, guarantees, pledge over listed shares and mortgage and liens over properties or other securities over assets. Pledged interests over vehicles, ships and equipment are also obtained. Collateral generally is not held against non-trading investments and due from banks and financial institutions.

Management monitors the market value of collateral, and wherever necessary the Group requests additional collateral in accordance with the underlying agreement, and considers collateral obtained during its review of the adequacy of the allowance for impairment losses.

Estimates of fair value are generally assessed on a periodic basis in accordance with the respective credit policies.

The credit quality of the loans and advances and Islamic financing receivables is managed by the Group using internal credit ratings comprising 22 grades. The risk rating system is used as a credit risk management tool whereby any risks taken on the Group's books are rated against a set of predetermined standards which are in line with the UAE Central Bank guidelines.

The Group's Credit Risk Rating Methodology reflects its assessment of the probability of default of individual counterparties mapped to the ratings specified by the External Credit Assessment Institutions (ECAIs). The mapping is based on a statistical model which takes into consideration the industry weights, country specific factors and the sensitivity of the counter party to systematic risk. Risk classification / grading system for Loans and advances and Islamic financing receivables has been presented below

#### Risk Grade

AED'000

30 September 2020 (Unaudited)

	Stage 1	Stage 2	Stage 3	Total
<b>RR 1-19</b>				
Grade RR 1 - 17: Performing or normal	21,144,826	1,173,238	-	22,318,064
Grade RR 18 - 19: Watch-list and Other				
Loans Especially Mentioned (OLEM)	28,581	2,247,651	-	2,276,232
<b>Total – RR1-19</b>	<b>21,173,407</b>	<b>3,420,889</b>	<b>-</b>	<b>24,594,296</b>
<b>RR 20-22: Substandard, doubtful and loss</b>	<b>-</b>	<b>-</b>	<b>2,287,629</b>	<b>2,287,629</b>
<b>Total</b>	<b>21,173,407</b>	<b>3,420,889</b>	<b>2,287,629</b>	<b>26,881,925</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 8. Loans and advances and Islamic financing receivables (continued)

#### 8.6 Risk mitigation, credit quality, collateral and credit enhancements (continued)

Risk Grade	31 December 2019 (Audited)			
AED'000	Stage 1	Stage 2	Stage 3	Total
<b>RR 1-19</b>				
Grade RR 1 - 17: Performing or normal	24,187,365	528,310	-	24,715,675
Grade RR 18 - 19: Watchlist and Other				
Loans Especially Mentioned (OLEM)	57,317	2,071,989	-	2,129,306
<b>Total – RR1-19</b>	<b>24,244,682</b>	<b>2,600,299</b>	<b>-</b>	<b>26,844,981</b>
<b>RR 20-22: Substandard, doubtful and loss</b>	<b>-</b>	<b>-</b>	<b>1,543,757</b>	<b>1,543,757</b>
<b>Total</b>	<b>24,244,682</b>	<b>2,600,299</b>	<b>1,543,757</b>	<b>28,388,738</b>

### 9. Contingent liabilities and commitments

Contingent liabilities represent credit related commitments under letters of credit and guarantees which are designed to meet the requirements of the Group's customers towards third parties. Commitments represent credit facilities and other capital expenditure commitments of the Group which are undrawn at the date of consolidated interim statement of financial position. Aforementioned items are stated as off-balance sheet in the subsequent notes below. All credit related commitments are unconditionally cancellable / revocable at the discretion of the Group except for the amounts mentioned below.

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
<b>Contingent liabilities:</b>		
– Letters of credit covering movement of goods	1,580,669	2,164,151
– Financial guarantees and other direct credit substitutes	889,977	873,424
– Bid bonds, performance bonds and other transaction related contingencies	4,985,840	5,202,745
	<b>7,456,486</b>	<b>8,240,320</b>
<b>Commitments:</b>		
– Undrawn irrevocable commitments – credit related	160,676	183,179
– Others	98,544	87,612
	<b>259,220</b>	<b>270,791</b>
	<b>7,715,706</b>	<b>8,511,111</b>

The total undrawn commitments which are revocable at the discretion of the Bank amount to AED 12,865.0 million (31 December 2019: AED 13,712.1 million). Many of the contingent liabilities and commitments will expire without being funded in whole or in part. Therefore, the amounts do not necessarily represent expected future cash flows.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 9. Contingent liabilities and commitments (continued)

#### 9.1 Off balance sheet exposures stage-wise analysis

The following table contains an analysis of the credit risk of relevant off balance sheet exposures and the related ECL. The gross carrying amount of off balance sheet exposures below represents the Group's maximum exposure to credit risk on these assets:

30 September 2020 (Unaudited)				
AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	6,224,575	802,053	158,321	7,184,949
Allowances for impairment (ECL)	(19,700)	(5,284)	(77,218)	(102,202)
<b>Carrying amount</b>	<b>6,204,875</b>	<b>796,769</b>	<b>81,103</b>	<b>7,082,747</b>

31 December 2019 (Audited)				
AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	7,034,990	807,971	147,932	7,990,893
Allowances for impairment (ECL)	(18,398)	(7,334)	(57,395)	(83,127)
<b>Carrying amount</b>	<b>7,016,592</b>	<b>800,637</b>	<b>90,537</b>	<b>7,907,766</b>

#### 9.2 Movement in the gross balance of off-balance sheet exposures

Outstanding balance (Unaudited) AED '000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount - 31 December 2019</b>	<b>7,034,990</b>	<b>807,971</b>	<b>147,932</b>	<b>7,990,893</b>
Transferred from Stage 1	(312,661)	310,328	2,333	-
Transferred from Stage 2	25,009	(73,196)	48,187	-
Transferred from Stage 3	-	-	-	-
Originated / (expired) during the period	(522,763)	(243,050)	(40,131)	(805,944)
Written-off during the period	-	-	-	-
<b>Gross carrying amount - 30 September 2020</b>	<b>6,224,575</b>	<b>802,053</b>	<b>158,321</b>	<b>7,184,949</b>

Outstanding balance (Audited) AED '000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount - 31 December 2018</b>	<b>6,433,141</b>	<b>1,163,486</b>	<b>31,944</b>	<b>7,628,571</b>
Transferred from Stage 1	(182,576)	126,819	55,757	-
Transferred from Stage 2	328,970	(401,173)	72,203	-
Originated / (expired) during the year	455,455	(81,161)	(6,842)	367,452
Written-off during the year	-	-	(5,130)	(5,130)
<b>Gross carrying amount - 31 December 2019</b>	<b>7,034,990</b>	<b>807,971</b>	<b>147,932</b>	<b>7,990,893</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 9. Contingent liabilities and commitments (continued)

#### 9.3 Movement in the provision for impairment of off-balance sheet exposures

ECL – AED '000 (Unaudited)	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowances - 31 December 2019</b>	<b>18,398</b>	<b>7,334</b>	<b>57,395</b>	<b>83,127</b>
Transferred from Stage 1	(344)	1,719	1,120	<b>2,495</b>
Transferred from Stage 2	65	(770)	23,197	<b>22,492</b>
Originated / (expired) during the period including changes in PDs / LGDs / EADs	1,581	(2,999)	(4,494)	<b>(5,912)</b>
<b>Net allowance for impairment losses</b>	<b>1,302</b>	<b>(2,050)</b>	<b>19,823</b>	<b>19,075</b>
Written-off during the year	-	-	-	-
<b>ECL allowances - 30 September 2020</b>	<b>19,700</b>	<b>5,284</b>	<b>77,218</b>	<b>102,202</b>

ECL – AED '000 (Audited)	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowances - 31 December 2018</b>	<b>23,983</b>	<b>5,171</b>	<b>14,888</b>	<b>44,042</b>
Transferred from Stage 1	(570)	723	18,297	<b>18,450</b>
Transferred from Stage 2	477	(1,541)	29,774	<b>28,710</b>
Originated / (expired) during the year including changes in PDs / LGDs / EADs	(5,492)	2,981	(434)	<b>(2,945)</b>
<b>Net allowance for impairment losses</b>	<b>(5,585)</b>	<b>2,163</b>	<b>47,637</b>	<b>44,215</b>
Written-off during the year	-	-	(5,130)	<b>(5,130)</b>
<b>ECL allowances - 31 December 2019</b>	<b>18,398</b>	<b>7,334</b>	<b>57,395</b>	<b>83,127</b>

The provision for ECL against the off-balance sheet exposures disclosed above, amounting to [AED 102.2 million](#), (31 December 2019: AED 83.1 million) is classified under other liabilities.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 10. Stage-wise ECL and movement in the impairment reserve

10.1 The analysis of ECL by stage for loans and advances and Islamic financing receivables and acceptances, due from banks and financial institutions, debt investments and Islamic instruments and off-balance sheet items is as follows:

AED' 000		30 September 2020 (Unaudited)				
	Loans and advances and Islamic financing receivables and acceptances	Due from banks and financial institutions	Investments and Islamic instruments	Off-balance sheet exposures	Total	ECL rate
Stage 3	985,690	-	-	77,218	1,062,908	39.2%
Stage 2	319,394	11,106	-	5,284	335,784	7.4%
Stage 1	207,583	6,653	4,405	19,700	238,341	0.7%
<b>Total Stage 2 &amp; 1</b>	<b>526,977</b>	<b>17,759</b>	<b>4,405</b>	<b>24,984</b>	<b>574,125</b>	
<b>Total ECL</b>	<b>1,512,667</b>	<b>17,759</b>	<b>4,405</b>	<b>102,202</b>	<b>1,637,033</b>	<b>3.8%</b>
<b>ECL rate</b>	<b>5.2%</b>	<b>0.8%</b>	<b>0.1%</b>	<b>1.4%</b>		

AED '000		31 December 2019 (Audited)				
	Loans and advances and Islamic financing receivables and acceptances	Due from banks and financial institutions	Investments and Islamic instruments	Off-balance sheet exposures	Total	ECL rate
Stage 3	801,551	-	-	57,395	858,946	45.0%
Stage 2	271,207	977	-	7,334	279,518	7.9%
Stage 1	220,482	7,930	2,173	18,398	248,983	0.6%
<b>Total Stage 2 &amp; 1</b>	<b>491,689</b>	<b>8,907</b>	<b>2,173</b>	<b>25,732</b>	<b>528,501</b>	
<b>Total ECL</b>	<b>1,293,240</b>	<b>8,907</b>	<b>2,173</b>	<b>83,127</b>	<b>1,387,447</b>	<b>3.1%</b>
<b>ECL rate</b>	<b>4.2%</b>	<b>0.4%</b>	<b>0.1%</b>	<b>1.0%</b>		



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 10. Stage-wise ECL and movement in the impairment reserve (continued)

#### 10.2 Impairment reserve

Pursuant to the UAE Central Bank guidelines on IFRS 9 during 2018, banks are required to compare provisions calculated as per the UAE Central Bank and IFRS 9. Where UAE Central Bank requirement is higher, excess over IFRS 9 requirement is charged to Impairment reserve.

The following tables analyse the movement in the impairment reserve during the period ended 30 September 2020 and the year ended 31 December 2019:

AED'000 (Unaudited)	Impairment reserve - General	Impairment reserve - Specific	Impairment Reserve
At 01 January 2020	-	363,069	363,069
Increase in general provision under CBUAE over stage 1 and 2 requirements under IFRS 9	7,306	-	7,306
Reduction in excess specific provision under CBUAE over stage 3 requirements under IFRS 9	-	(20,569)	(20,569)
	7,306	(20,569)	(13,263)
At 30 September 2020	7,306	342,500	349,806

AED'000 (Audited)	Impairment reserve - General	Impairment reserve - Specific	Impairment reserve
At 01 January 2019	75,260	191,180	266,440
Reduction in excess general provision under CBUAE over stage 1 and 2 requirements under IFRS 9	(75,260)	-	(75,260)
Increase in specific provision under CBUAE over stage 3 requirements under IFRS 9	-	171,889	171,889
	(75,260)	171,889	96,629
At 31 December 2019	-	363,069	363,069

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 11. Due to banks and term borrowings

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
<i>By type:</i>		
Bilateral borrowings (note 11.1)	514,220	293,840
Due to banks including balances due to the UAE Central Bank (note 11.2)	323,332	1,258,910
Repurchase agreements with banks	944,850	87,900
	<b>1,782,402</b>	<b>1,640,650</b>
<i>By geographical area:</i>		
UAE	459,950	1,061,461
GCC	36,772	112,816
Europe	741,947	232,470
Americas	538,251	221,004
Others	5,482	12,899
	<b>1,782,402</b>	<b>1,640,650</b>

As at 30 September 2020, due to banks include cash collateral of AED 18.5 million (31 December 2019: AED 1.7 million), in respect of positive fair value of derivatives, in accordance with the CSA agreements with the interbank counterparties.

- 11.1 Bilateral borrowings comprise of several borrowings obtained from other banks and financial institutions as follows.

<i>Loan no.</i>	<i>Year obtained</i>	<i>Maturity</i>	<i>Interest rate</i>	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
1	2020	Mar-22	Libor + Margin	73,460	-
2	2020	Mar-21	Libor + Margin	183,650	-
3	2020	Mar-21	Libor + Margin	183,650	-
4	2020	Oct-20	Libor + Margin	73,460	-
5	2018	May-20	Libor + Margin	-	110,190
6	2019	Mar-20	Libor + Margin	-	183,650
				<b>514,220</b>	<b>293,840</b>

- 11.2 No gold related borrowings was outstanding as at 30 September 2020 (31 December 2019: AED 11.2 million) utilized to finance gold loans extended to customers on a matched basis.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 12. Customer deposits and Islamic customer deposits

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
<i>By type:</i>		
Demand and margin deposits	9,514,435	9,285,021
Saving deposits	533,733	391,187
Fixed term and notice deposits (note 12.1)	21,156,169	22,273,522
	<u>31,204,337</u>	<u>31,949,730</u>
<i>By geographical area:</i>		
UAE	26,918,996	28,260,028
GCC	2,686,364	1,987,687
Europe	684,426	427,949
Americas	25,042	391,921
Others	889,509	882,145
	<u>31,204,337</u>	<u>31,949,730</u>

**12.1** Fixed term and notice deposits include TESS deposit amounting to AED 1,161.9 million (31 December 2019: nil) provided by UAE Central Bank in order to contain the repercussions of the COVID-19 pandemic in the United Arab Emirates. The bank settled AED 718.5 million on 30 September 2020 with value date of 01 October 2020 and AED 362.5 million on 14 October 2020 with value date 15 October 2020 in line with the reduction of deferrals availed by its customers.

**12.2** Customer deposits and Islamic customer deposits include Qard Islamic current accounts, Murabaha Wakala and Mudaraba deposits amounting to AED 3,778.7 million (31 December 2019: AED 4,589.5 million) undertaken through a Shari'a - compliant Islamic window, NBF Islamic.

### 13. Shareholders' equity

#### 13.1 Share capital

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
<i>Authorised, issued and fully paid:</i>		
1,914,761,884 shares of AED 1 each (2019: 1,850,011,482 shares of AED 1 each)	<u>1,914,762</u>	<u>1,850,012</u>

#### 13.2 Proposed dividend

The Board of Directors proposed a distribution of bonus shares of 3.5% of share capital and cash dividend of 10% of share capital for the year ended 31 December 2019. This distribution was approved by the shareholders at the Annual General Assembly Meeting held in March 2020.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 14. Tier 1 capital securities

In October 2019, the Bank issued US\$ 350 million (AED 1,285.6 million) regulatory Additional Tier 1 (AT1) capital securities. These securities are perpetual, subordinated and unsecured and are classified as equity. The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities. The transaction costs relating to the issuance are accounted for as a deduction from equity.

### 15. Net impairment loss

	30 September 2020 AED'000 Unaudited	30 September 2019 AED'000 Unaudited
Loans and advances and Islamic financing receivables, acceptances and off balance sheet items	629,904	350,293
Due from banks and financial institutions	8,852	(723)
Investments and Islamic instruments	2,232	1,080
	<u>640,988</u>	<u>350,650</u>

### 16. Earnings per share

The calculation of earnings per share for the nine month period ended 30 September 2020 is based on net profit of AED 27.5 million (30 September 2019: AED 475.1 million), after deduction of AED 38.8 million (30 September 2019: AED 36.5 million of coupon payment on Tier 1 capital notes) of additional Tier 1 capital securities coupon payment and issuance cost divided by the weighted average number of shares of 1,914.8 million (30 September 2019: 1,914.8 million shares after adjusting for bonus shares) outstanding during the period.

The calculation of earnings per share for the three month period ended 30 September 2020 is based on net profit of AED 1.2 million (30 September 2019: net profit of AED 136.1 million), after deduction of Nil (30 September 2019: AED 18.4 million) additional Tier 1 capital securities coupon payment divided by the weighted average number of shares of 1,914.8 million (30 September 2019: 1,914.8 million shares after adjusting for bonus shares) outstanding during the period.

### 17. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Group, related parties, as defined in the International Accounting Standard No. 24, include major shareholders of the Group, directors and officers of the Group and companies of which they are principal owners and key management personnel. Banking transactions are entered into with related parties on agreed terms and conditions approved by the Board of Directors. The significant transactions and balances included in the condensed consolidated interim financial statements, which predominantly relate to directors and shareholders of the Group, are as follows:

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 17. Related parties (continued)

	30 September 2020 AED'000 Unaudited	31 December 2019 AED'000 Audited
<b>Interim statement of financial position items</b>		
Loans and advances and Islamic financing receivables	2,375,329	2,367,755
Customer deposits and Islamic customer deposits	6,883,530	6,737,173
Investments and Islamic instruments	146,400	186,875
Acceptances	7,970	17,430
Tier 1 capital securities	293,840	293,840
<b>Interim statement of changes in equity items</b>		
Tier 1 capital securities / notes coupon paid	8,632	14,809
<b>Contingent liabilities</b>		
Letters of credit	55,360	73,232
Financial guarantees and other direct credit substitutes	86,635	85,432
Transaction related contingencies	268,974	275,431
	30 September 2020 AED'000 Unaudited	30 September 2019 AED'000 Unaudited
<b>Interim statement of income items</b>		
Interest income and income from Islamic financing and investment activities	49,218	64,657
Interest expense and distribution to Islamic depositors	129,699	155,870
Other income	10,902	4,162
<b>Key management compensation</b>		
Salaries and other short-term benefits	12,373	16,267
Employee end of service benefits	428	719

No stage 3 provisions for impairment have been recognized in respect of loans and advances and Islamic financing receivables to related parties (31 December 2019: nil).

The loans and advances and Islamic financing receivables to related parties amounting to AED 2,375.3 million (31 December 2019: AED 2,367.8 million) have been secured against collateral amounting to AED 1,525.2 million (31 December 2019: AED 1,478.5 million).

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

*For the nine month period ended 30 September 2020 (continued)*

### 18. Capital adequacy ratio

The Bank's risk weighted assets (RWA) are weighted on the basis of relative credit, market, and operational risks. Credit risk includes both on and off-balance sheet risks. In accordance with the Basel III Compliance – Standardized Approach, the Bank is following the standardized measurement approach for credit, market and operational risk, under the existing Pillar 1 of Basel II requirements with the addition of the respective changes pertinent to capital supply.

The quantitative requirements, based on the regulations / guidelines, have been detailed below:

- i. Total regulatory capital (net of regulatory adjustments) – at least 10.5% of risk weighted assets (RWAs) – comprises of two tiers:
  - a. Tier 1 capital – at least 8.5% of RWA, composed of:
    - Common equity Tier 1 (CET1) – at least 7.0% of RWA; and
    - Additional Tier 1 (AT1)

Common equity Tier 1 (CET1) includes ordinary share capital, statutory reserve, special reserve, retained earnings and fair value reserves relating to unrealized gains on investments classified as FVOCI / available-for-sale with a hair-cut of 55%; and Additional Tier 1 (AT1) comprises of Tier 1 capital notes.
  - b. Tier 2 capital  
It includes collective impairment provision and sub-ordinated facilities. Collective impairment provision, including credit risk reserve, shall not exceed 1.25% of total credit risk weighted assets.
- ii. Banks must maintain a Capital Conservation Buffer (CCB) of 2.5% of RWAs in the form of CET1 capital. CBUAE may also require banks to implement Countercyclical Buffer (CCyB), to protect the banks from periods of excess aggregate credit growth. CCyB must be met by using CET1 capital and the level may vary between 0 - 2.5% of RWAs.

Pursuant to the UAE Central Bank standards pertinent to TESS issued during March and April 2020, the Regulator allowed banks to utilize the capital conservation buffer up to a maximum of 60% without supervisory consequences, effective from 15 March 2020 until 31 December 2021.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 18. Capital adequacy ratio (continued)

AED'000	30 September 2020 Unaudited	31 December 2019 Audited
<b>CET1 capital</b>		
Share capital	1,914,762	1,850,012
Statutory reserve	936,053	936,053
Special reserve	561,899	561,899
Retained earnings	1,135,698	1,137,560
Accumulated other comprehensive income	22,307	14,134
<b>CET1 total</b>	<b>4,570,719</b>	<b>4,499,658</b>
<b>Additional Tier 1 (AT1) capital</b>		
Tier 1 capital notes / securities	1,285,550	1,285,550
<b>Total Tier 1</b>	<b>5,856,269</b>	<b>5,785,208</b>
<b>Tier 2 capital</b>		
Collective impairment provision	370,434	397,349
<b>Total Tier 2</b>	<b>370,434</b>	<b>397,349</b>
<b>Total capital base (a)</b>	<b>6,226,703</b>	<b>6,182,557</b>
<b>Risk weighted assets</b>		
<b>Credit risk</b>	29,634,769	31,787,910
<b>Market risk</b>	29,594	62,344
<b>Operational risk</b>	2,946,613	2,946,613
<b>Total risk weighted assets (b)</b>	<b>32,610,976</b>	<b>34,796,867</b>
<b>Capital adequacy ratio (a) / (b) - %</b>	<b>19.1</b>	<b>17.8</b>
<b>Tier 1 ratio - %</b>	<b>18.0</b>	<b>16.6</b>
<b>Common equity tier 1 ratio (CET 1) - %</b>	<b>14.0</b>	<b>12.9</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 19. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances from the date of acquisition:

	30 September 2020 AED'000 Unaudited	30 September 2019 AED'000 Unaudited
Cash on hand	257,791	237,215
Balances with the UAE Central Bank (note 19.1)	3,772,808	-
Due from banks with less than three months maturity	1,483,729	1,011,123
	<u>5,514,328</u>	<u>1,248,338</u>
Due to banks with less than three months maturity	(198,332)	(2,076,912)
	<u>5,315,996</u>	<u>(828,574)</u>

19.1 Balances with the UAE Central Bank include certificates of deposit with less than three month maturity.

### 20. Segmental reporting

The Group uses business segments for presenting its segment information in line with the Group's management and internal reporting structure. The Group's operations are confined mainly in the UAE.

Business segments pay and receive interest, to and from Treasury on an arm's length basis to reflect allocation of capital and funding costs.

#### Business segments

The Group conducts its activity through the following clearly defined business segments:

#### Corporate and Institutional banking

##### *Corporate and Institutional segments*

The segment offers a range of products and services including credit and trade finance products, and services to large and medium sized corporate customers through separate units and to financial institutions, and accepts deposits.

##### *Business banking segment*

The segment offers a range of products and services including credit and trade finance products, and services to small and medium sized customers through separate units, and accepts deposits. The segment also offers transactional services to small and medium sized businesses.



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 20. Segmental reporting (continued)

#### Business segments (continued)

##### Retail banking

The segment offers a range of products and services to individuals and high net worth individuals including personal and mortgage loans, credit cards, other transactions and balances, and accepts their deposits.

##### Treasury, Asset and Liability Management (ALM) and others

The segment undertakes the Group's asset and liability management centrally and is responsible for optimum utilization of resources in productive assets and management of exchange and interest positions within the limits and guidelines set by management and approved by the Board.

Treasury also offers various foreign exchange and derivative products to customers and is entrusted with the responsibility of managing the Group's investment portfolio together with the Investment Management Unit under the guidance from the Investment Committee and Asset and Liability Committee. The Group's capital and investment in subsidiaries is recognised under this segment.

The Group has central-shared services which include Operations, Risk Management, Human Resources, Finance, Information Technology, Product Development, Legal, Credit and Internal Audit. The shared services cost is allocated to business segments based on transaction and relevant drivers.

The segment analysis based on business segments is set out below:

<b>Nine month period ended 30 September 2020 - AED'000 (Unaudited)</b>	<b>Corporate and institutional segments</b>	<b>Business banking segment</b>	<b>Retail banking</b>	<b>Treasury, ALM and others</b>	<b>Consolidated</b>
Segment revenue	536,452	226,161	97,522	201,938	1,062,073
Segment operating cost	(178,804)	(80,737)	(71,694)	(23,535)	(354,770)
<b>Segment operating profit</b>	<b>357,648</b>	<b>145,424</b>	<b>25,828</b>	<b>178,403</b>	<b>707,303</b>
Net impairment losses	(560,672)	(36,105)	(37,968)	(6,243)	(640,988)
<b>Profit / (loss)</b>	<b>(203,024)</b>	<b>109,319</b>	<b>(12,140)</b>	<b>172,160</b>	<b>66,315</b>
<b>30 September 2020 (Unaudited)</b>					
Segment assets	21,690,070	3,407,076	3,065,597	13,614,149	41,776,892
Segment liabilities	26,347,190	3,937,519	3,224,975	2,057,329	35,567,013
Capital expenditure	-	-	-	48,562	48,562

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 20. Segmental reporting (continued)

Nine month period ended 30 September 2019 - AED'000 (Unaudited)	Corporate and institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Segment revenue	708,496	234,233	105,010	233,162	<b>1,280,901</b>
Segment operating cost	(205,185)	(102,369)	(85,063)	(26,027)	<b>(418,644)</b>
<b>Segment operating profit</b>	<b>503,311</b>	<b>131,864</b>	<b>19,947</b>	<b>207,135</b>	<b>862,257</b>
Net impairment losses	(265,752)	(56,891)	(24,137)	(3,870)	<b>(350,650)</b>
<b>Profit / (loss)</b>	<b>237,559</b>	<b>74,973</b>	<b>(4,190)</b>	<b>203,265</b>	<b>511,607</b>
<b>31 December 2019 (Audited)</b>					
Segment assets	23,881,838	3,490,425	3,024,415	12,408,579	<b>42,805,257</b>
Segment liabilities	28,224,879	3,597,527	2,905,107	1,727,190	<b>36,454,703</b>
Capital expenditure	-	-	-	58,232	<b>58,232</b>

### 21. Impact of COVID-19 and macroeconomic variables with respect to ECL

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the world. In addition, the oil prices and financial markets have witnessed unprecedented volatility causing protracted progression and a challenging operating environment. This has resulted in disruption to business and economic activities in the global and domestic economies. The UAE Central bank and fiscal and monetary authorities across the world have announced various support measures to counter the possible adverse implications.

NBF is closely monitoring the situation and has successfully taken a number of measures ranging from reduced branch working hours to remote working and use of digital solutions to ensure continuity of customer services. NBF has been proactively managing its liquidity and further strengthened its position to navigate through these uncertain environment with confidence. As at 30 September 2020, NBF's advances to deposits ratio stood at 81.3%, NSFR at 110.2% and LCR at 413.4%.

The Management Risk Committee ('MRC') and Central Credit Committee ('CCC') of the Group ensures governance over all critical decisions and requirements of the IFRS 9 standard and the related guidance and notices issued by the Regulator are complied and monitored with the appropriate involvement of key stakeholders including Risk, Credit, Finance and the Business divisions. These include key technical accounting and risk methodology decisions, management overlays, inputs and assumptions used for the determination of ECL and macro-economic factors consideration.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

*For the nine month period ended 30 September 2020 (continued)*

### **21. Impact of COVID-19 and macroeconomic variables with respect to ECL (continued)**

Principal decisions execution, results of reviews and monitoring are presented to the Board Audit Committee, Board Risk Committee and the Board, since NBF is committed to upholding the highest corporate governance standards.

NBF has considered the standards and joint guidance with respect to TESS and the Treatment of IFRS 9 Expected Credit Loss Provisions in the UAE in the context of the COVID-19 crisis issued by the UAE Central Bank during March and April 2020 respectively. Pursuant to these standards and the joint guidance, NBF granted repayment holiday to its impacted customers and shall offer payment deferral relief in the context of COVID-19 under the TESS scheme or otherwise. Management at the time of assessing significant increase in credit risk have factored in the past and expected future performance of the customers benefitting from payment deferrals. NBF segregated its customers benefitting from payment deferrals into two groups as follows:

Group 1 – customers not expected to face substantial changes in their creditworthiness, beyond liquidity issues, caused by the COVID-19 crisis; and

Group 2 – customers expected to be significantly impacted by the COVID-19 crises and are expected to face substantial deterioration in their creditworthiness triggering a migration to stage 2. In exceptional circumstances, stage 3 migration may have also been triggered where significant disruptions have threatened the long-term sustainability of the customers' business model causing the business to be permanently impaired.

The principal parameters for the grouping consideration included customers' account conduct, credit worthiness, economic sector, collateral, level of the COVID-19 impact, customers' supply chains and sales markets, severity of industry impacts and implications reflected in the operating performance, where available. NBF has been diligently monitoring its credit risks and the detailed review of all business segment portfolios was undertaken on these lines with the COVID-19 impacts cumulatively assessed and risk-matrixed to adequately protect the Group from any adversarial movements. The impact of the extension of loans and advances and Islamic financing receivables on account of COVID-19 has been assessed and considered in accordance with the requisites of IFRS 9 for modification of the terms of the facilities.

The uncertainties caused by COVID-19 have required NBF to update the inputs and assumptions used for the determination of ECL as at 30 September 2020. NBF has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. Forecast for macroeconomic variables have been modified as well as the assigned probabilities for downside scenario increased to 40% from 30% at 31 December 2019 and reduced the upside scenario to 20% from 30% at 31 December 2019. The Group has considered the potential impacts of the current market volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on observable information.

Markets, however, remain volatile and the impacts remain sensitive to market fluctuations and the Group will continue to monitor and reflect appropriately in ECL calculations. Therefore, actual results may be considerably different to those forecasted. Since, the situation is rapidly changing and accordingly any downside scenarios will be reassessed if adverse conditions continue and the Group will continue to reassess its position and the related impact on a regular basis.

With the heightened COVID-19 concerns and the related shocks being experienced through the world economies, NBF on an on-going basis reviews prudently the staging and grouping decisions to ensure accurate reflection of the Group's assessment of these aspects at the reporting date.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 21. Impact of COVID-19 and macroeconomic variables with respect to ECL (continued)

#### 21.1 Stage-wise analysis of customers benefitting from payment deferrals

Pursuant to the Joint Guidance on the treatment of IFRS 9 ECL provisions in the UAE in the context of COVID-19 crisis issued by the UAE Central Bank during April 2020, NBF granted repayment holiday to some of its impacted customers. Of these, those related to TESS under standards issued during March and April 2020, deferred principal and accrued interest amounted to AED 1,161.9 million. The bank has availed the assistance under TESS and has offered payment deferral relief for a period up to 31 December 2020. The bank settled AED 718.5 million on 30 September 2020 with value date of 01 October 2020 and AED 362.5 million on 14 October 2020 with value date 15 October 2020 in line with the reduction of deferrals availed by its customers.

The following table contains an analysis of the deferred amount of principal outstanding and accrued interest / profit pertinent to loans and advances and Islamic financing receivables of the customers, who have been provided with such benefits, and the related ECL:

#### 30 September 2020 (Unaudited)

AED'000	Stage 1	Stage 2	Stage 3	Total
Deferred amount	95,215	42,712	-	137,927
Allowances for impairment (ECL)	(862)	(3,905)	-	(4,767)
<b>Carrying amount</b>	<b>94,353</b>	<b>38,807</b>	<b>-</b>	<b>133,160</b>
<b>Customer Count</b>	<b>183</b>	<b>39</b>	<b>-</b>	<b>222</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 21. Impact of COVID-19 and macroeconomic variables with respect to ECL (continued)

#### 21.1 Stage-wise analysis of customers benefitting from payment deferrals (continued)

The following table contains an analysis of the credit risk exposure of loans and advances and Islamic receivables and acceptances and the relevant off-balance sheet exposures and the related ECL of the customers benefitting from payment deferrals. The gross carrying amount of loans and advances and Islamic receivables and acceptances, including accrued interest / profit, and off-balance sheet exposures below represents the Group's maximum credit exposure to customers benefitting from payment deferrals:

30 September 2020 (Unaudited)	Loans and advances and Islamic financing receivables and acceptances				Off-balance sheet exposures			
AED'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,052,165	428,234	-	2,480,399	88,535	8,869	-	97,404
Allowances for impairment (ECL)	(23,181)	(33,949)	-	(57,130)	(276)	(104)	-	(380)
Carrying amount	2,028,984	394,285	-	2,423,269	88,259	8,765	-	97,024

31 December 2019 (Audited)	Loans and advances and Islamic financing receivables and acceptances				Off-balance sheet exposures			
AED'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,203,565	277,736	121	2,481,422	105,493	479	-	105,972
Allowances for impairment (ECL)	(24,404)	(20,309)	(90)	(44,803)	(313)	(7)	-	(320)
Carrying amount	2,179,161	257,427	31	2,436,619	105,180	472	-	105,652

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 21. Impact of COVID-19 and macroeconomic variables with respect to ECL (continued)

#### 21.2 Analysis of customers benefitting from payment deferrals by type, groups and segments

The following table contains an analysis of the outstanding balance of loans and advances and Islamic financing receivables and acceptances, including accrued interest / profit, of the customers benefitting from payment deferrals by stage, type, groups and segments, with the related ECL:

30 September 2020 (Unaudited)	AED'000
<b>Corporate and institutional segments</b>	
<b>Group 1</b>	
Loans and advances and Islamic financing receivables and acceptances	1,450,641
Allowances for impairment (ECL)	(17,619)
<b>Carrying amount</b>	<b>1,433,022</b>
<b>Group 2</b>	
Loans and advances and Islamic financing receivables and acceptances	381,136
Allowances for impairment (ECL)	(31,509)
<b>Carrying amount</b>	<b>349,627</b>
<b>Total carrying amount</b>	<b>1,782,649</b>
<b>Customer count</b>	<b>26</b>
<b>Business banking segment</b>	
<b>Group 1</b>	
Loans and advances and Islamic financing receivables and acceptances	113,263
Allowances for impairment (ECL)	(2,904)
<b>Carrying amount</b>	<b>110,359</b>
<b>Group 2</b>	
Loans and advances and Islamic financing receivables and acceptances	12,875
Allowances for impairment (ECL)	(868)
<b>Carrying amount</b>	<b>12,007</b>
<b>Total carrying amount</b>	<b>122,366</b>
<b>Customer count</b>	<b>21</b>
<b>Retail banking</b>	
<b>Group 1</b>	
Overdrafts	1,166
Term loans	219,205
Allowances for impairment (ECL)	(1,167)
<b>Carrying amount</b>	<b>219,204</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 21. Impact of COVID-19 and macroeconomic variables with respect to ECL (continued)

#### 21.2 Analysis of customers benefitting from payment deferrals by type, groups and segments (continued)

<b>Group 2</b>	<b>AED'000</b>
Bills Discounted	586
Overdrafts	933
Term loans	300,594
Allowances for impairment (ECL)	(3,063)
<b>Carrying amount</b>	<b>299,050</b>
<b>Total carrying amount</b>	<b>518,254</b>
<b>Customer count</b>	<b>175</b>
<b>Consolidated carrying amount</b>	<b>2,423,269</b>
<b>Total customer count</b>	<b>222</b>

The following table contains an analysis of the related relevant off-balance sheet exposures of the customers benefitting from payment deferrals by stage, type, groups and segments, with the related ECL:

<b>30 September 2020 (Unaudited)</b>	<b>AED'000</b>
<b>Corporate and institutional segments</b>	
<b>Group 1</b>	
Off-balance sheet exposures	62,974
Allowances for impairment (ECL)	(108)
<b>Carrying amount</b>	<b>62,866</b>
<b>Group 2</b>	
Off-balance sheet exposures	8,790
Allowances for impairment (ECL)	(102)
<b>Carrying amount</b>	<b>8,688</b>
<b>Total carrying amount</b>	<b>71,554</b>
<b>Business banking segment</b>	
<b>Group 1</b>	
Off-balance sheet exposures	9,345
Allowances for impairment (ECL)	(25)
<b>Carrying amount</b>	<b>9,320</b>
<b>Group 2</b>	
Off-balance sheet exposures	15,899
Allowances for impairment (ECL)	(140)
<b>Carrying amount</b>	<b>15,759</b>
<b>Total carrying amount</b>	<b>25,079</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 21. Impact of COVID-19 and macroeconomic variables with respect to ECL (continued)

#### 21.2 Analysis of customers benefitting from payment deferrals by type, groups and segments (continued)

<b>Retail banking</b>	<b>AED'000</b>
<b>Group 1</b>	
Off-balance sheet exposures - guarantees	60
Allowances for impairment (ECL)	(3)
<b>Carrying amount</b>	<b>57</b>
<b>Group 2</b>	
Off-balance sheet exposures - guarantees	336
Allowances for impairment (ECL)	(2)
<b>Carrying amount</b>	<b>334</b>
<b>Total carrying amount</b>	<b>391</b>
 <b>Consolidated carrying amount</b>	 <b>97,024</b>



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 21. Impact of COVID-19 and macroeconomic variables with respect to ECL (continued)

#### 21.3 Movement in the gross balance of loans and advances and Islamic financing receivables and acceptances and off-balance sheet exposures of the customers benefitting from payment deferrals

AED'000	Loans and advances and Islamic financing receivables and acceptances				Off-balance sheet exposures			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount – 31 December 2019</b>	<b>2,203,565</b>	<b>277,736</b>	<b>121</b>	<b>2,481,422</b>	<b>105,493</b>	<b>479</b>	<b>-</b>	<b>105,972</b>
Transferred from Stage 1	(143,967)	143,967	-	-	(6,617)	6,617	-	-
Transferred from Stage 2	5,432	(5,432)	-	-	-	-	-	-
Transferred from Stage 3	-	121	(121)	-	-	-	-	-
Originated / derecognized during the period	(12,865)	11,842	-	(1,023)	(10,341)	1,773	-	(8,569)
<b>Gross carrying amount – 30 September 2020</b>	<b>2,052,165</b>	<b>428,234</b>	<b>-</b>	<b>2,480,399</b>	<b>88,535</b>	<b>8,869</b>	<b>-</b>	<b>97,404</b>

The following table contains the movement in the gross balance of loans and advances and Islamic financing receivables and acceptances of the customers benefitting from payment deferrals by segment:

AED'000	Corporate and institutional segments				Business banking segment				Retail banking			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount - 31 December 2019</b>	<b>1,627,577</b>	<b>222,503</b>	<b>-</b>	<b>1,850,080</b>	<b>126,606</b>	<b>2,677</b>	<b>-</b>	<b>129,283</b>	<b>449,383</b>	<b>52,555</b>	<b>121</b>	<b>502,059</b>
Transferred from Stage 1	(111,180)	111,180	-	-	(1,308)	1,308	-	-	(31,479)	31,479	-	-
Transferred from Stage 2	-	-	-	-	-	-	-	-	5,432	(5,432)	-	-
Transferred from Stage 3	-	-	-	-	-	-	-	-	-	121	(121)	-
Originated / derecognized during the period	(32,174)	13,871	-	(18,303)	(2,787)	(358)	-	(3,145)	22,096	(1,671)	-	20,425
<b>Gross carrying amount - 30 September 2020</b>	<b>1,484,223</b>	<b>347,554</b>	<b>-</b>	<b>1,831,777</b>	<b>122,511</b>	<b>3,627</b>	<b>-</b>	<b>126,138</b>	<b>445,432</b>	<b>77,052</b>	<b>-</b>	<b>522,484</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 21. Impact of COVID-19 and macroeconomic variables with respect to ECL (continued)

#### 21.3 Movement in the gross balance of loans and advances and Islamic financing receivables and acceptances and off-balance sheet exposures (continued)

The following table contains the movement in the related relevant off-balance sheet exposures of the customers benefitting from payment deferrals by segment:

	Corporate and institutional segments				Business banking segment				Retail banking			
AED'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount - 31 December 2019</b>	<b>77,768</b>	<b>150</b>	<b>-</b>	<b>77,918</b>	<b>27,608</b>	<b>-</b>	<b>-</b>	<b>27,608</b>	<b>117</b>	<b>329</b>	<b>-</b>	<b>446</b>
Transferred from Stage 1	(6,617)	6,617	-	-	-	-	-	-	-	-	-	-
Transferred from Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Originated / derecognized during the period	(7,927)	1,773	-	(6,153)	(2,364)	-	-	(2,364)	(50)	-	-	(50)
<b>Gross carrying amount - 30 September 2020</b>	<b>63,224</b>	<b>8,540</b>	<b>-</b>	<b>71,764</b>	<b>25,244</b>	<b>-</b>	<b>-</b>	<b>25,244</b>	<b>67</b>	<b>329</b>	<b>-</b>	<b>396</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 21. Impact of COVID-19 and macroeconomic variables with respect to ECL (continued)

#### 21.4 Movement in the provision for impairment of loans and advances and Islamic financing receivables and acceptances and off-balance sheet exposures of the customers benefitting from payment deferrals

AED'000	Loans and advances and Islamic financing receivables and acceptances				Off-balance sheet exposures			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance - 31 December 2019</b>	<b>24,404</b>	<b>20,309</b>	<b>90</b>	<b>44,803</b>	<b>313</b>	<b>7</b>	<b>-</b>	<b>320</b>
Transferred from Stage 1	(3,747)	10,814	-	7,067	(8)	76	-	68
Transferred from Stage 2	19	(269)	-	(250)	-	-	-	-
Transferred from Stage 3	-	3	(90)	(87)	-	-	-	-
Originated / (derecognized) during the period including changes in PDs / LGDs / EADs	2,505	3,092	-	5,597	(29)	21	-	(8)
<b>Net allowance for impairment losses</b>	<b>(1,223)</b>	<b>13,640</b>	<b>(90)</b>	<b>12,327</b>	<b>(37)</b>	<b>97</b>	<b>-</b>	<b>60</b>
Written-off during the period	-	-	-	-	-	-	-	-
<b>ECL allowance – 30 September 2020</b>	<b>23,181</b>	<b>33,949</b>	<b>-</b>	<b>57,130</b>	<b>276</b>	<b>104</b>	<b>-</b>	<b>380</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2020 (continued)

### 21. Impact of COVID-19 and macroeconomic variables with respect to ECL (continued)

#### 21.5 Sector-wise ECL analysis of Corporate and Institutional banking and Business banking segments' customers benefitting from payment deferrals

The following table contains the change in ECL by sector of Corporate and Institutional banking and Business banking segments as at 30 September 2020 and 31 December 2019:

AED'000	Corporate and institutional segments			Business banking segments		
	30-Sep-20	31-Dec-19	Change	30-Sep-20	31-Dec-19	Change
Trade	29,100	20,123	8,977	1,972	1,542	429
Construction	2,010	3,150	(1,140)	737	742	(4)
Manufacturing	4,779	4,534	245	817	686	131
Service industries	13,031	8,625	4,406	66	52	14
Real estate	-	-	-	345	343	2
Individuals	418	175	243	-	-	-
<b>Total ECL</b>	<b>49,338</b>	<b>36,607</b>	<b>12,731</b>	<b>3,937</b>	<b>3,365</b>	<b>572</b>

#### 21.6 ECL analysis by product of Retail banking customers benefitting from payment deferrals

The following tables contains the change in ECL by product of Retail banking as at 30 September 2020 and 31 December 2019:

AED'000	30-Sep-2020 (Unaudited)	31-Dec-2019 (Audited)	Change
Bills Discounted	10	33	(23)
Overdrafts	130	313	(183)
Term loans	4,091	4,795	(704)
Off-balance sheet - guarantees	4	10	(6)
<b>Total ECL</b>	<b>4,235</b>	<b>5,151</b>	<b>(916)</b>

### 22 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 information.