

National Bank of Fujairah PJSC
Condensed consolidated interim financial information
for the three month period ended
31 March 2022

Condensed consolidated interim financial information
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Review report on 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 statement of financial position of National Bank of Fujairah PJSC ("the Bank") and its subsidiaries (together referred to as "the Group") as at 31 March 2022 and the related condensed consolidated interim statements of income, comprehensive income, cash flows and changes in equity for the three month period then ended and other explanatory information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity." A review of the condensed consolidated 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 International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers
26 April 2022

Jacques Fakhoury
Registered Auditor Number 379
Place: Dubai, United Arab Emirates

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Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

National Bank of Fujairah PJSC


Consolidated interim statement of financial position

As at 31 March 2022

		31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
	Notes		
Assets			
Cash and balances with the UAE Central Bank	5	6,226,245	8,006,023
Due from banks and financial institutions	6	2,796,791	2,129,423
Investments and Islamic instruments	7	3,631,515	4,374,336
Loans and advances and Islamic financing receivables	8	27,206,084	25,614,900
Property and equipment and capital work-in-progress		406,100	393,073
Other assets		2,349,542	2,427,793
Total assets		42,616,277	42,945,548
Liabilities			
Due to banks	11	2,183,242	2,133,539
Customer deposits and Islamic customer deposits	12	32,167,482	32,198,745
Term borrowings	11	183,650	514,220
Other liabilities		2,387,603	2,423,381
Total liabilities		36,921,977	37,269,885
Equity			
Share capital	13.1	2,000,000	2,000,000
Statutory reserve		947,578	947,578
Special reserve		573,424	573,424
Fair value reserve		(3,856)	44,041
Impairment reserve	10.2	189,203	189,674
Retained earnings		702,401	635,396
Tier 1 capital securities	14	1,285,550	1,285,550
Total equity attributable to equity and securities holders of the Group		5,694,300	5,675,663
Total liabilities and equity		42,616,277	42,945,548

This condensed consolidated interim financial information was approved by the Board of Directors on 26 April 2022 and was signed on its behalf by:


Vince Cook
 Chief Executive Officer


Adnan Anwar
 Deputy Chief Executive 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 three month period ended 31 March 2022

		Three month period ended 31 March 2022 AED'000	Three month period ended 31 March 2021 AED'000
	<i>Notes</i>		
Interest income and income from Islamic financing and investment activities		301,188	302,434
Interest expense and distribution to Islamic depositors		(62,610)	(74,866)
Net interest income and net income from Islamic financing and investment activities		238,578	227,568
Fees and commission income		101,738	83,201
Fees and commission expense		(11,517)	(10,304)
Net fees and commission income		90,221	72,897
Foreign exchange and derivatives income		47,053	30,900
Income from investments and Islamic instruments		21,389	23,375
Other operating income		15,601	5,468
Operating income		412,842	360,208
Operating expenses			
Employee benefits expense		(70,412)	(68,763)
Depreciation and amortization		(7,342)	(6,725)
Other operating expenses		(41,844)	(36,654)
Total operating expenses		(119,598)	(112,142)
Operating profit before impairment losses		293,244	248,066
Net impairment losses	15	(232,888)	(206,059)
Profit for the period		60,356	42,007
Earnings per share (basic and diluted)	16	AED 0.03	AED 0.02

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 comprehensive income – (Unaudited)

For the three month period ended 31 March 2022

	Three month period ended 31 March 2022 AED'000	Three month period ended 31 March 2021 AED'000
Profit for the period	60,356	42,007
Other comprehensive income:		
Items that will not be reclassified subsequently to the statement of income:		
Movement in fair value reserve (equity instruments):		
-Net change in fair value	(10,378)	3,019
Items that may be reclassified subsequently to the statement of income:		
Movement in fair value reserve (debt instruments):		
-Net change in fair value	(16,431)	(10,780)
-Net change in allowances for impairment	429	(1,588)
-Net amount transferred to income statement	(21,517)	(21,594)
Other comprehensive loss for the period	(47,897)	(30,943)
Total comprehensive income for the period	12,459	11,064

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 cash flows – (Unaudited)

For the three month period ended 31 March 2022

	Notes	Three month period ended 31 March 2022 AED'000	Three month period ended 31 March 2021 AED'000
Operating activities			
Profit for the period		60,356	42,007
Adjustments for :			
Depreciation and amortization		7,342	6,725
Provision for employee end of service and other long term benefits		3,775	3,642
Net impairment losses	15	232,888	206,059
Net fair value gain on disposal of investments and Islamic Instruments		(21,278)	(21,594)
Net changes in fair value of investments at fair value through profit or loss		(111)	(1,781)
Cash flow from operating activities before changes in operating assets and liabilities and payment of employee end of service and other long term benefits		282,972	235,058
Payment of employee end of service and other long term benefits		(2,540)	(4,097)
Change in due from central bank		(430,879)	1,245,882
Change in due from banks and financial institutions		(362,134)	168,564
Change in loans and advances and Islamic financing receivables		(1,824,959)	(374,751)
Change in other assets		78,251	31,961
Change in due to banks		136,199	157,078
Change in customer deposits and Islamic customer deposits		(31,263)	(1,445,534)
Change in other liabilities		(28,044)	91,906
Net cash (used in) / generated from operating activities		(2,182,397)	106,067
Investing activities			
Purchase of property and equipment and capital work-in-progress		(22,481)	(15,763)
Purchase of investments and Islamic instruments		(1,470,834)	(861,705)
Proceeds from sale of investments and Islamic instruments		2,187,362	1,034,709
Net cash generated from investing activities		694,047	157,241
Financing activities			
Repayment of term borrowings		(330,570)	(367,300)
Net cash used in financing activities		(330,570)	(367,300)
Net change in cash and cash equivalents		(1,818,920)	(103,992)
Cash and cash equivalents at beginning of the period		4,540,036	3,377,899
Cash and cash equivalents at end of the period	19	2,721,116	3,273,907

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 changes in equity – (Unaudited)

For the three month period ended 31 March 2022

AED'000	Share capital	Statutory reserve	Special reserve	Fair value reserve	Proposed dividends	Retained earnings	Impairment reserve	Tier 1 capital securities	Total
At 01 January 2021	1,914,762	936,053	561,899	92,583	-	597,943	283,469	1,285,550	5,672,259
Profit for the period	-	-	-	-	-	42,007	-	-	42,007
Other comprehensive loss for the period	-	-	-	(30,943)	-	-	-	-	(30,943)
Total comprehensive income for the period	-	-	-	(30,943)	-	42,007	-	-	11,064
Excess provisions under UAE central bank requirements over IFRS 9 (note 10.2)	-	-	-	-	-	156	(156)	-	-
Zakat impact (note 22)	-	-	-	-	-	1,393	-	-	1,393
At 31 March 2021	1,914,762	936,053	561,899	61,640	-	641,499	283,313	1,285,550	5,684,716
At 01 January 2022	2,000,000	947,578	573,424	44,041	-	635,396	189,674	1,285,550	5,675,663
Profit for the period	-	-	-	-	-	60,356	-	-	60,356
Other comprehensive loss for the period	-	-	-	(47,897)	-	6,178	-	-	(41,719)
Total comprehensive income for the period	-	-	-	(47,897)	-	66,534	-	-	18,637
Excess provisions under UAE central bank requirements over IFRS 9 (note 10.2)	-	-	-	-	-	471	(471)	-	-
At 31 March 2022	2,000,000	947,578	573,424	(3,856)	-	702,401	189,203	1,285,550	5,694,300

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 three month period ended 31 March 2022

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 two 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 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 three month period ended 31 March 2022 comprise the Bank and its subsidiaries (together referred to as 'the Group').

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

2. Basis of preparation

Statement of compliance

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

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Group is in the process of reviewing the provisions of the UAE Federal Decree Law No 32 of 2021 and will apply the requirements thereof no later than one year from the effective date.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

2. Basis of preparation (continued)

The Group has presented Basel II Pillar 3 disclosures separately in accordance with the guidelines issued by the UAE Central Bank.

These condensed consolidated interim financial information do not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with IFRS and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2021.

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 2021 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 information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 01 January 2022.

New and revised IFRS adopted in the condensed consolidated interim financial information

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in this interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Interbank offered rates ("IBORs") reform disclosure – Phase 2

In August 2020, the IASB issued IBOR reform - Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

IBOR Reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an alternative risk-free benchmark reference rate ("RFR"). The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable. The Group has assessed the impact of Phase 2 and concluded that it is not material to the Group's condensed consolidated interim financial information.

IBORs, such as the London Interbank Offered Rate ("LIBOR"), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

3. Significant accounting policies (continued)

New and revised IFRS adopted in the condensed consolidated interim financial information (continued)

Uncertainty surrounding the integrity of IBOR rates has in recent years led regulators, central banks and market participants to work towards a transition to RFRs and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

The majority of LIBOR and other IBORs are to be discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates (“ARRs”), with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023. The transition away from the IBORs covers most of the business units and support functions of the Group.

Further, details on IBOR reforms and related disclosures can be referred to in note 5(f) of the Group’s consolidated financial statements as at and for the year ended 31 December 2021.

Narrow-scope amendments and annual improvements to the IFRS

Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 9, ‘Financial instruments’, and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

Standards, amendments and interpretations issued but not yet effective and not early adopted

- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities** - These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability. Deferred until accounting periods starting not earlier than 1 January 2024
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction** - These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. 1 January 2023

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

3. Significant accounting policies (continued)

Standards, amendments and interpretations issued but not yet effective and not early adopted (continued)

- **Amendments to IAS 1, ‘Presentation of financial statements’, IFRS Practice statement 2 and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’**

The IASB amended IAS 1, ‘Presentation of Financial Statements’, to require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

1 January 2023

To support this amendment, the Board also amended IFRS Practice Statement 2, ‘Making Materiality Judgements’, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendment to IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

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 2021.

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 2022 that would be expected to have a material impact on the Group’s condensed consolidated interim financial information.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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 2021.

(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 three month period ended 31 March 2022 (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:

31 March 2022 (Unaudited) AED'000	Notional	Level 1	Level 2	Level 3
Investments and Islamic instruments				
Debt securities / Islamic sukuk	-	1,430,350	-	-
Other investments	-	605,190	2,872	-
Forward foreign exchange contracts	15,133,976	-	7,652	-
Currency options	2,771,263	-	81	-
Interest rate derivatives	6,271,012	-	16,651	-
Commodity derivatives	718,182	-	91	-

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

4. Financial risk management (continued)

(b) Fair value hierarchy (continued)

Fair value measurement – fair value hierarchy (continued)

31 December 2021 (Audited)

AED'000	Notional	Level 1	Level 2	Level 3
Investments and Islamic instruments				
Debt securities / Islamic sukuk	-	1,885,970	-	-
Other investments	-	649,169	2,862	-
Forward foreign exchange contracts	20,109,187	-	13,281	-
Currency options	3,369,558	-	66	-
Interest rate derivatives	5,699,622	-	7,971	-
Commodity derivatives	369,249	-	2,762	-

(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	31 March 2022 (Unaudited)				31 December 2021 (Audited)			
	Notional	Positive fair value	Negative fair value	Net	Notional	Positive fair value	Negative fair value	Net
Derivatives								
Forward foreign exchange								
Contracts	15,133,976	83,175	75,523	7,652	20,109,187	59,580	46,299	13,281
Currency options	2,771,263	24,749	24,668	81	3,369,558	22,393	22,327	66
Interest rate derivatives	6,271,012	67,397	50,746	16,651	5,699,622	92,598	84,627	7,971
Commodity derivatives	718,182	18,392	18,301	91	369,249	9,611	6,849	2,762
	24,894,433	193,713	169,238	24,475	29,547,616	184,182	160,102	24,080

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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 31 March 2022 are shown below:

31 March 2022 (Unaudited) AED'000	At fair value through profit or loss	At fair value through other comprehensive income	Amortized cost	Allowances for impairment (Expected Credit Losses - ECL)	Carrying amount
Financial assets					
Cash and balances with the UAE Central Bank	-	-	6,226,245	-	6,226,245
Due from banks and financial institutions	-	-	2,805,184	(8,393)	2,796,791
Investments and Islamic instruments	1,793	2,036,619	1,599,162	(6,059)	3,631,515
Loans and advances and Islamic financing receivables	-	-	29,555,204	(2,349,120)	27,206,084
Other assets	-	-	1,980,618	-	1,980,618
Total financial assets	1,793	2,036,619	42,166,413	(2,363,572)	41,841,253
Financial liabilities					
Due to banks	-	-	2,183,242	-	2,183,242
Customer deposits and Islamic customer deposits	-	-	32,167,482	-	32,167,482
Term borrowings	-	-	183,650	-	183,650
Other liabilities	-	-	2,116,241	87,363	2,203,604
Total financial liabilities	-	-	36,650,615	87,363	36,737,978

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

4. Financial risk management (continued)

(d) Financial assets and liabilities (continued)

31 December 2021 (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
Financial assets					
Cash and balances with the UAE Central Bank	-	-	8,006,023	-	8,006,023
Due from banks and financial institutions	-	-	2,137,809	(8,386)	2,129,423
Investments and Islamic instruments	1,783	2,536,220	1,842,607	(6,274)	4,374,336
Loans and advances and Islamic financing receivables	-	-	27,767,137	(2,152,237)	25,614,900
Other assets	-	-	2,086,977	-	2,086,977
Total financial assets	1,783	2,536,220	41,840,553	(2,166,897)	42,211,659
Financial liabilities					
Due to banks	-	-	2,133,539	-	2,133,539
Customer deposits and Islamic customer deposits	-	-	32,198,745	-	32,198,745
Term borrowings	-	-	514,220	-	514,220
Other liabilities	-	-	2,150,744	88,042	2,238,786
Total financial liabilities	-	-	36,997,248	88,042	37,085,290

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

Allowances for impairment under Other Liabilities represent ECL for off-balance sheet items.

(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:

- 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');

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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 on account of hedging relationships.

Hedging instrument	Assets	Liabilities	Notional
31 March 2022 (Unaudited)			
AED'000			
Derivatives held as fair value hedges			
Interest rate swaps	673	-	269,966
Total derivative financial instruments	673	-	269,966

Hedging instrument

31 December 2021 (Audited)

AED'000

Derivatives held as fair value hedges

Interest rate swaps	-	5,302	178,141
Total derivative financial instruments	-	5,302	178,141

The carrying value of investments (hedged item) is AED 268.6 million (31 December 2021: AED 197.3 million) and the accumulated amount of fair value adjustments to investments (hedged item) is AED 0.7 million (31 December 2021: AED 5.3 million). The gains / losses attributable to the hedged risk for investments amounted to AED 0.7 million (31 December 2021: AED 5.3 million) and on the interest rate swaps (hedging instrument) amounted to AED 0.7 million (31 December 2021: AED 5.3 million). All the hedges were fully effective for the period ended 31 March 2022 and the year ended 31 December 2021.

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

5. Cash and balances with the UAE Central Bank

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Cash on hand	253,313	272,685
Certificates of deposit (CDs) with the UAE Central Bank	4,690,169	6,013,366
Other balances with the UAE Central Bank (note 5.1)	1,282,763	1,719,972
	6,226,245	8,006,023

5.1 Other balances with the UAE Central Bank include regulatory cash reserve deposits of **AED 1,282.8 million** (31 December 2021: AED 1,720.4 million).

6. Due from banks and financial institutions

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
6.1 By type		
Placements	852,887	512,122
Current accounts / term deposits	882,772	992,084
Bills discounted	1,069,525	633,603
	2,805,184	2,137,809
Less: Allowances for impairment (ECL) (note 10.1)	(8,393)	(8,386)
	2,796,791	2,129,423

As at 31 March 2022, current accounts / term deposits include cash collateral of **AED 94.9 million** (31 December 2021: AED 125.0 million) in respect of negative fair value of derivatives in accordance with the agreements with interbank counterparties.

Due from banks and financial institutions include a Wakala placement amounting to **AED 121.2 million** (31 December 2021: AED 73.5 million) undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

6.2 By geographical area

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
UAE	706,223	538,984
GCC	545,025	239,940
Europe	901,339	510,648
Americas	137,228	453,528
Others	515,369	394,709
	2,805,184	2,137,809
Less: Allowances for impairment (ECL) (note 10.1)	(8,393)	(8,386)
	2,796,791	2,129,423

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

6. Due from banks and financial institutions (continued)

6.2 By geographical area (continued)

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
The dispersion of due from banks and financial institutions portfolio based on the redistribution of risk is set out below:		
UAE	627,640	467,546
GCC	533,117	231,268
Europe	972,947	724,111
Americas	150,042	225,384
Others	521,438	489,500
	2,805,184	2,137,809
Less: Allowances for impairment (ECL) (note 10.1)	(8,393)	(8,386)
	2,796,791	2,129,423

6.3 By currency

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
AED	370,240	262,292
USD	1,721,550	1,395,666
EUR	291,968	36,819
GBP	28,996	133,223
XAU	16,478	12,796
Others	375,952	297,013
	2,805,184	2,137,809
Less: Allowances for impairment (ECL) (note 10.1)	(8,393)	(8,386)
	2,796,791	2,129,423

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

6. Due from banks and financial institutions (continued)

6.4 Based on external credit ratings

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
AA	4,721	1,160
AA-	26,393	39,480
A+	186,150	48,496
A	269,477	219,634
A-	526,005	450,283
BBB+	898,620	759,934
BBB	201,759	19,588
BBB- and below	692,059	599,234
	2,805,184	2,137,809
Less: Allowances for impairment (ECL) (note 10.1)	(8,393)	(8,386)
	2,796,791	2,129,423

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:

31 March 2022 (Unaudited)				
AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,805,981	-	-	2,805,981
Allowances for impairment (ECL) (note 10.1)	(8,393)	-	-	(8,393)
Carrying amount	2,797,588	-	-	2,797,588
31 December 2021 (Audited)				
AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,138,314	-	-	2,138,314
Allowances for impairment (ECL) (note 10.1)	(8,386)	-	-	(8,386)
Carrying amount	2,129,928	-	-	2,129,928

Due from banks and financial institutions were 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 three month period ended 31 March 2022 (continued)

7. Investments and Islamic instruments

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Investments at fair value through profit or loss (FVTPL) (note 7.1)	1,793	1,783
Investments at fair value through other comprehensive income (FVOCI)		
Debt securities / Islamic sukuks (note 7.2)	1,430,350	1,885,971
Other investments / Islamic instruments (note 7.3)	606,269	650,249
	2,036,619	2,536,220
Investments measured at amortized cost		
Debt securities / Islamic sukuks (note 7.2)	1,599,162	1,842,607
	3,637,574	4,380,610
Less: Allowances for impairment (ECL) (note 10.1)	(6,059)	(6,274)
	3,631,515	4,374,336

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 3,029.5 million** (31 December 2021: AED 3,650.3 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 700.8 million** (31 December 2021: AED 748.3 million).

Debt securities portfolio include Islamic sukuks amounting to **AED 630.1 million** (31 December 2021: AED 588.7 million).

Nil tier 1 perpetual bonds are included in debt securities portfolio (31 December 2021: AED 78.3 million).

7.3 Other investments include various funds whose fair values are based on the net asset values provided by the fund managers, amounting to **AED 605.2 million** (31 December 2021: AED 649.2 million). **No** shares were purchased by the Bank during the period (31 December 2021: nil).

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

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Government	1,305,829	2,114,735
Banks and financial institutions	1,351,933	1,272,597
Others	979,812	993,278
	3,637,574	4,380,610
Less: Allowances for impairment (ECL) (note 10.1)	(6,059)	(6,274)
	3,631,515	4,374,336

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

7. Investments and Islamic instruments (continued)

7.5 By geographical area

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
UAE	948,865	1,570,272
GCC	490,522	728,534
Europe	801,965	700,819
Americas	845,877	749,127
Others	550,345	631,858
	3,637,574	4,380,610
Less: Allowances for impairment (ECL) (note 10.1)	(6,059)	(6,274)
	3,631,515	4,374,336

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
The dispersion of investment portfolio based on the redistribution of risk is set out below:		
UAE	1,214,996	1,777,386
GCC	658,305	942,815
Europe	438,344	319,589
Americas	385,383	320,697
Others	940,546	1,020,123
	3,637,574	4,380,610
Less: Allowances for impairment (ECL) (note 10.1)	(6,059)	(6,274)
	3,631,515	4,374,336

Others include investments in multilateral development banks amounting to AED 366.7 million (31 December 2021: AED 368.7 million).

7.6 By currency

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
AED	1,080	1,080
USD	3,468,711	4,230,262
EUR	96,631	119,165
GBP	71,152	30,102
JPY	-	1
	3,637,574	4,380,610
Less: Allowances for impairment (ECL) (note 10.1)	(6,059)	(6,274)
	3,631,515	4,374,336

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

7. Investments and Islamic instruments (continued)

7.7 Based on external credit ratings

31 March 2022 (Unaudited) AED'000	Debt securities / Islamic sukuks	Other investments	Total
AAA	-	160,765	160,765
AA	545,649	211,134	756,783
AA-	617,032	-	617,032
A+	68,356	-	68,356
A	626,566	222,674	849,240
A-	603,037	-	603,037
BBB+	349,412	-	349,412
BBB	36,902	-	36,902
BBB- and below	182,558	13,489	196,047
Less: Allowances for impairment (ECL) (note 10.1)	(4,879)	(1,180)	(6,059)
	3,024,633	606,882	3,631,515

31 December 2021 (Audited) AED'000	Debt securities / Islamic sukuks	Other investments	Total
AAA	-	163,354	163,354
AA	1,142,231	213,645	1,355,876
AA-	560,434	-	560,434
A+	251,182	-	251,182
A	687,498	232,097	919,595
A-	710,733	-	710,733
BBB+	107,575	-	107,575
BBB	36,764	-	36,764
BBB- and below	232,161	42,936	275,097
Less: Allowances for impairment (ECL) (note 10.1)	(4,662)	(1,612)	(6,274)
	3,723,916	650,420	4,374,336

BBB- and below rating investments include unrated issuances by Government related entities.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

7. Investments and Islamic instruments (continued)

7.8 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:

31 March 2022 (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	3,624,084	-	-	3,624,084
Allowances for impairment (ECL) (note 10.1)	(6,059)	-	-	(6,059)
Carrying amount	3,618,025	-	-	3,618,025
31 December 2021 (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	4,337,674	-	-	4,337,674
Allowances for impairment (ECL) (note 10.1)	(6,274)	-	-	(6,274)
Carrying amount	4,331,400	-	-	4,331,400

Debt investments and Islamic instruments were 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 three month period ended 31 March 2022 (continued)

8. Loans and advances and Islamic financing receivables

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
8.1 By type		
Overdrafts	2,493,491	2,289,408
Term loans	20,725,104	19,982,404
Loans against trust receipts	3,534,296	2,990,319
Bills discounted	2,533,029	2,239,960
Bills drawn under letters of credit	269,284	293,358
Gross loans and advances and Islamic financing receivables	29,555,204	27,795,449
Allowances for impairment (ECL) (note 10.1)	(2,349,120)	(2,180,549)
Net loans and advances and Islamic financing receivables	27,206,084	25,614,900

8.2 Loans and advances and Islamic financing receivables include Murabaha Tawarruq and Ijara financing activities amounting to **AED 3,220.2 million** (31 December 2021: AED 3,299.0 million) provided through a Shari'ah 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:

31 March 2022

(Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	26,859,611	1,721,246	3,061,007	31,641,864
Allowances for impairment (ECL) (note 10.1)	(260,250)	(370,789)	(1,718,081)	(2,349,120)
Carrying amount	26,599,361	1,350,457	1,342,926	29,292,744

31 December 2021

(Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	25,158,457	1,707,868	3,062,797	29,929,122
Allowances for impairment (ECL) (note 10.1)	(271,304)	(242,250)	(1,666,995)	(2,180,549)
Carrying amount	24,887,153	1,465,618	1,395,802	27,748,573

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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
Gross carrying amount - 31 December 2021	25,158,457	1,707,868	3,062,797	29,929,122
Transferred from Stage 1	(55,565)	20,461	35,104	-
Transferred from Stage 2	20,536	(67,333)	46,797	-
Transferred from Stage 3	-	25,882	(25,882)	-
Originated / (derecognized) during the period	1,736,183	34,368	7,395	1,777,946
Written-off during the period	-	-	(65,204)	(65,204)
Gross carrying amount – 31 March 2022	26,859,611	1,721,246	3,061,007	31,641,864

Outstanding balance (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount – 31 December 2020	22,781,653	3,360,911	3,034,312	29,176,876
Transferred from Stage 1	(204,441)	150,199	54,242	-
Transferred from Stage 2	497,986	(1,280,790)	782,804	-
Transferred from Stage 3	-	8,303	(8,303)	-
Originated / (derecognized) during the year	2,083,259	(530,755)	105,304	1,657,808
Written-off during the year	-	-	(905,562)	(905,562)
Gross carrying amount - 31 December 2021	25,158,457	1,707,868	3,062,797	29,929,122

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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

ECL (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
ECL allowance - 31 December 2021	271,304	242,250	1,666,995	2,180,549
Transferred from Stage 1	(1,899)	1,388	21,893	21,382
Transferred from Stage 2	300	(3,799)	15,200	11,701
Transferred from Stage 3	-	4,597	(18,239)	(13,642)
Originated / (derecognized) during the period including changes in PDs / LGDs / EADs	(9,455)	126,353	97,436	214,334
Net allowance for impairment losses	(11,054)	128,539	116,290	233,775
Written-off during the period	-	-	(65,204)	(65,204)
ECL allowance – 31 March 2022	260,250	370,789	1,718,081	2,349,120

ECL (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
ECL allowance - 31 December 2020	265,072	563,113	1,385,622	2,213,807
Transferred from Stage 1	(7,023)	7,843	24,562	25,382
Transferred from Stage 2	12,983	(275,752)	385,885	123,116
Transferred from Stage 3	-	622	(5,537)	(4,915)
Originated / (derecognized) during the year including changes in PDs / LGDs / EADs	272	(53,576)	785,405	732,101
Net allowance for impairment losses	6,232	(320,863)	1,190,315	875,684
Written-off during the year	-	-	(908,942)	(908,942)
ECL allowance - 31 December 2021	271,304	242,250	1,666,995	2,180,549

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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 has been presented below:

Risk grades of gross loans and advances and Islamic financing receivables

AED'000	31 March 2022 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
RR 1-19				
Grade RR 1 – 17: Performing	25,129,475	292,201	-	25,421,676
Grade RR 18 – 19: Watchlist	31,441	1,414,874	-	1,446,315
Total – RR 1-19	25,160,916	1,707,075	-	26,867,991
RR 20-22: Non-performing	-	-	2,687,213	2,687,213
Total	25,160,916	1,707,075	2,687,213	29,555,204

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

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

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

Risk grades of gross loans and advances and Islamic financing receivables

AED'000	31 December 2021 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
RR 1-19				
Grade RR 1 – 17: Performing	23,298,056	228,774	-	23,526,830
Grade RR 18 - 19: Watchlist	76,591	1,466,334	-	1,542,925
Total – RR 1-19	23,374,647	1,695,108	-	25,069,755
RR 20-22: Non-performing	-	-	2,725,694	2,725,694
Total	23,374,647	1,695,108	2,725,694	27,795,449

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. All credit related commitments are unconditionally cancellable / revocable at the discretion of the Group except for the amounts mentioned in the following table.

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Contingent liabilities:		
– Letters of credit covering movement of goods	1,258,851	1,230,156
– Financial guarantees and other direct credit substitutes	672,588	656,527
– Bid bonds, performance bonds and other transaction related contingencies	4,354,445	4,438,071
	6,285,884	6,324,754
Commitments:		
– Undrawn irrevocable commitments – credit related	77,559	77,111
– Others	155,642	96,650
	233,201	173,761
	6,519,085	6,498,515

The total undrawn commitments which are revocable at the discretion of the Bank amount to AED 11,124.3 million (31 December 2021: AED 10,864 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.

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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:

31 March 2022 (Unaudited)

AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	5,464,361	117,023	481,759	6,063,143
Allowances for impairment (ECL)	(15,453)	(2,241)	(69,669)	(87,363)
Carrying amount	5,448,908	114,782	412,090	5,975,780

31 December 2021 (Audited)

AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	5,489,636	153,273	481,505	6,124,414
Allowances for impairment (ECL)	(17,478)	(1,547)	(69,017)	(88,042)
Carrying amount	5,472,158	151,726	412,488	6,036,372

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

Outstanding balance (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - 31 December 2021	5,489,636	153,273	481,505	6,124,414
Transferred from Stage 1	-	-	-	-
Transferred from Stage 2	2,802	(3,302)	500	-
Transferred from Stage 3	-	160	(160)	-
Originated / (expired) during the period	(28,077)	(33,108)	(86)	(61,271)
Written-off during the period	-	-	-	-
Gross carrying amount - 31 March 2022	5,464,361	117,023	481,759	6,063,143
Outstanding balance (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - 31 December 2020	5,674,286	950,537	189,348	6,814,171
Transferred from Stage 1	(14,108)	13,783	325	-
Transferred from Stage 2	310,358	(682,203)	371,845	-
Transferred from Stage 3	-	-	-	-
Originated / (expired) during the year	(480,900)	(128,844)	(80,013)	(689,757)
Written-off during the year	-	-	-	-
Gross carrying amount - 31 December 2021	5,489,636	153,273	481,505	6,124,414

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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
ECL allowances - 31 December 2021	17,478	1,547	69,017	88,042
Transferred from Stage 1	-	-	-	-
Transferred from Stage 2	37	(68)	240	209
Transferred from Stage 3	-	10	(99)	(89)
Originated / expired during the period including changes in PDs / LGDs / EADs	(2,062)	752	511	(799)
Net allowance for impairment losses	(2,025)	694	652	(679)
Written-off during the period	-	-	-	-
ECL allowances - 31 March 2022	15,453	2,241	69,669	87,363

ECL – AED '000 (Audited)	Stage 1	Stage 2	Stage 3	Total
ECL allowances - 31 December 2020	19,058	7,155	95,756	121,969
Transferred from Stage 1	(87)	137	154	204
Transferred from Stage 2	1,094	(3,916)	14,697	11,875
Transferred from Stage 3	-	-	-	-
Originated / expired during the year including changes in PDs / LGDs / EADs	(2,587)	(1,829)	(41,590)	(46,006)
Net allowance for impairment losses	(1,580)	(5,608)	(26,739)	(33,927)
Written-off during the year	-	-	-	-
ECL allowances – 31 December 2021	17,478	1,547	69,017	88,042

The provision for ECL against the off-balance sheet exposures disclosed above, amounting to [AED 87.4 million](#), (31 December 2021: AED 88.0 million) is classified under other liabilities.

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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

31 March 2022 (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	1,718,081	-	-	69,669	1,787,750	50.5%
Stage 2	370,789	-	-	2,241	373,030	20.3%
Stage 1	260,250	8,393	6,059	15,453	290,155	0.7%
	631,039	8,393	6,059	17,694	663,185	
Total ECL	2,349,120	8,393	6,059	87,363	2,450,935	5.6%
ECL rate	7.4%	0.3%	0.2%	1.4%		

AED' 000

31 December 2021 (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	1,666,995	-	-	69,017	1,736,012	49.0%
Stage 2	242,250	-	-	1,547	243,797	13.1%
Stage 1	271,304	8,386	6,274	17,478	303,442	0.8%
	513,554	8,386	6,274	19,025	547,239	
Total ECL	2,180,549	8,386	6,274	88,042	2,283,251	5.4%
ECL rate	7.3%	0.4%	0.1%	1.4%		

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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 31 March 2022 and the year ended 31 December 2021:

AED'000 (Unaudited)	Impairment reserve - General	Impairment reserve - Specific	Impairment Reserve
At 01 January 2022	-	189,674	189,674
Change in general provision under CBUAE over stage 1 and 2 requirements under IFRS 9	-	-	-
Reduction in excess specific provision under CBUAE over stage 3 requirements under IFRS 9	-	(471)	(471)
	-	(471)	(471)
At 31 March 2022	-	189,203	189,203

AED'000 (Audited)	Impairment reserve - General	Impairment reserve - Specific	Impairment reserve
At 01 January 2021	-	283,469	283,469
Change in general provision under CBUAE over stage 1 and 2 requirements under IFRS 9	-	-	-
Reduction in excess specific provision under CBUAE over stage 3 requirements under IFRS 9	-	(93,795)	(93,795)
	-	(93,795)	(93,795)
At 31 December 2021	-	189,674	189,674

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

11. Due to banks and term borrowings

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<i>By type:</i>		
Bilateral borrowings (note 11.1)	183,650	514,220
Due to banks (note 11.2)	868,630	981,420
Repurchase agreements with banks	1,314,612	1,152,119
	2,366,892	2,647,759
<i>By geographical area:</i>		
UAE	622,183	855,329
GCC	185	25
Europe	1,338,788	1,230,240
Americas	183,650	440,760
Others	222,086	121,405
	2,366,892	2,647,759

As at 31 March 2022, due to banks include cash collateral of AED 24.8 million (31 December 2021: AED 10.5 million), in respect of positive fair value of derivatives, in accordance with the agreements with the interbank counterparties.

The investment securities under repo agreements amounted to AED 1,498.7 million (31 December 2021: AED 1,345.3 million).

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>	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
1	2021	Jun-22	Libor + Margin	183,650	183,650
2	2021	Mar-22	Libor + Margin	-	183,650
3	2021	Mar-22	Libor + Margin	-	73,460
4	2020	Mar-22	Libor + Margin	-	73,460
				183,650	514,220

11.2 Due to banks include gold related borrowings amounting to AED 291.3 million (31 December 2021: AED 185.5 million) utilized to finance gold loans extended to customers on a matched basis.

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

12. Customer deposits and Islamic customer deposits

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<i>By type:</i>		
Demand and margin deposits	14,917,554	14,562,186
Saving deposits	910,243	850,576
Fixed term and notice deposits	16,339,685	16,785,983
	32,167,482	32,198,745
<i>By geographical area:</i>		
UAE	29,441,924	29,200,200
GCC	1,249,812	1,440,749
Europe	1,027,351	1,005,404
Americas	56,282	27,132
Others	392,113	525,260
	32,167,482	32,198,745

- 12.1 Customer deposits and Islamic customer deposits include Qard Islamic current accounts, Murabaha, Wakala and Mudaraba deposits amounting to AED 3,186.0 million (31 December 2021: AED 3,488.7 million) undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

13. Shareholders' equity

13.1 Share capital

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<i>Authorised, issued and fully paid:</i>		
2,000,000,000 shares of AED 1 each (2021: 2,000,000,000 shares of AED 1 each)	2,000,000	2,000,000

Pursuant to the requirements of UAE Central Bank notice number CBUAE/BSN/2021/2200 dated 25 April 2021 pertinent to 'Minimum Capital for Banks Regulation' (circular number 12/2021) and following the approval by shareholders at the General Assembly Meeting in September 2021, the Bank increased its paid-up capital by way of issuing 85,238,116 bonus shares from retained earnings to reach AED 2 billion.

13.2 Proposed cash dividends and bonus issue

The Board of Directors did not propose a dividend for the year ended 31 December 2021.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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 were accounted for as a deduction from equity.

15. Net impairment loss

	31 March 2022 AED'000 Unaudited	31 March 2021 AED'000 Unaudited
Loans and advances and Islamic financing receivables, acceptances and off balance sheet items	233,096	203,628
Due from banks and financial institutions	7	512
Investments and Islamic instruments	(215)	1,919
	<u>232,888</u>	<u>206,059</u>

16. Earnings per share

The calculation of earnings per share for the three month period ended 31 March 2022 is based on net profit of AED 60.4 million (31 March 2021: AED 42.0 million) divided by the weighted average number of shares of 2,000.0 million (31 March 2021: 2,000.0 million 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:

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

17. Related parties (continued)

	31 March 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Statement of financial position items		
Loans and advances and Islamic financing receivables	3,463,557	3,534,719
Customer deposits and Islamic customer deposits	7,706,611	7,998,573
Investments and Islamic instruments	112,390	75,449
Acceptances	20,230	33,988
Tier 1 capital securities	293,840	293,840
Contingent liabilities		
Letters of credit	68,607	65,669
Financial guarantees and other direct credit substitutes	59,593	59,572
Transaction related contingencies	275,689	276,729
	31 March 2022 AED'000 Unaudited	31 March 2021 AED'000 Unaudited
Statement of income items		
Interest income and income from Islamic financing and investment activities	18,775	15,428
Interest expense and distribution to Islamic depositors	30,034	32,268
Other income	710	2,072
Operating expenses	7,762	5,357
Key management compensation		
Salaries and other short-term benefits	4,409	3,915
Employee end of service benefits	142	147

No stage 3 provisions for impairment have been recognized in respect of loans and advances and Islamic financing receivables to related parties (31 December 2021: nil).

The loans and advances and Islamic financing receivables given to related parties amounting to AED 3,463.6 million (31 December 2021: AED 3,534.7 million) have been secured against collateral amounting to AED 2,047.1 million (31 December 2021: AED 1,862.5 million).

During the period, capital expenditure transactions with related parties amounted to AED 0.6 million (31 December 2021: AED 1.5 million).

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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 on 16 December 2021, 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 30 June 2022.

Minimum transitional arrangements as per UAE Central Bank

Capital element	Basel III 2022	Basel III 2021
Minimum common equity tier 1 ratio	7.0%	7.0%
Minimum tier 1 capital ratio	8.5%	8.5%
Minimum capital adequacy ratio	10.5%	10.5%
Capital conservation buffer	2.5%	2.5%

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

18. Capital adequacy ratio (continued)

AED'000	31 March 2022 Unaudited	31 December 2021 Audited
CET1 capital		
Share capital	2,000,000	2,000,000
Statutory reserve	947,578	947,578
Special reserve	573,424	573,424
Retained earnings	702,401	635,396
IFRS 9 transitional arrangement – ECL (stage 1 and 2) impact	101,013	18,738
Accumulated other comprehensive income	(3,856)	19,818
CET1 total	4,320,560	4,194,954
Additional Tier 1 (AT1) Capital		
Tier 1 capital securities (note 14)	1,285,550	1,285,550
Total Tier 1	5,606,110	5,480,504
Tier 2 Capital		
Collective impairment provision	363,593	344,866
Total Tier 2	363,593	344,866
Total capital base (a)	5,969,703	5,825,370
Risk weighted assets		
Credit risk	29,087,410	27,589,268
Market risk	38,553	41,298
Operational risk	2,850,595	2,850,595
Total risk weighted assets (b)	31,976,558	30,481,161
Capital adequacy ratio (a) / (b) - %	18.7	19.1
Tier 1 ratio - %	17.5	18.0
Common equity tier 1 ratio (CET 1) - %	13.5	13.8

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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:

	31 March 2022 AED'000 Unaudited	31 March 2021 AED'000 Unaudited
Cash on hand	253,313	251,414
Balances with the UAE Central Bank (note 19.1)	1,696,564	2,973,622
Due from banks with less than three month maturity	1,666,163	1,099,395
	3,616,040	4,324,431
Due to banks with less than three month maturity	(894,924)	(1,050,524)
	2,721,116	3,273,907

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.

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (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 systems and Technology, Product Development, Legal, Credit and Internal Audit. The shared services costs are allocated to business segments based on transaction and relevant drivers.

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

Three month period ended 31 March 2022 AED'000 (Unaudited)	Corporate and institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Segment revenue	155,574	132,328	40,106	84,834	412,842
Segment operating cost	(37,936)	(52,336)	(21,852)	(7,474)	(119,598)
Segment operating profit	117,638	79,992	18,254	77,360	293,244
Net impairment losses	(207,874)	(21,523)	(3,809)	318	(232,888)
Profit / (loss) for the period	(90,236)	58,469	14,445	77,678	60,356
31 March 2022 (Unaudited)					
Segment assets	20,079,406	6,530,864	3,788,431	12,217,576	42,616,277
Segment liabilities	23,274,843	8,010,517	3,409,167	2,227,450	36,921,977
Capital expenditure	-	-	-	22,481	22,481

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

20. Segmental reporting (continued)

Three month period ended 31 March 2021 AED'000 (Unaudited)	Corporate and institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Segment revenue	126,907	121,200	34,972	77,129	360,208
Segment operating cost	(35,699)	(48,088)	(20,894)	(7,461)	(112,142)
Segment operating profit	91,208	73,112	14,078	69,668	248,066
Net impairment losses	(192,088)	4,539	(15,554)	(2,956)	(206,059)
Profit / (loss) for the period	(100,880)	77,651	(1,476)	66,712	42,007
31 December 2021 (Audited)					
Segment assets	18,701,773	6,232,420	3,507,199	14,504,156	42,945,548
Segment liabilities	23,885,446	8,415,289	2,424,986	2,544,164	37,269,885
Capital expenditure	-	-	-	55,705	55,705

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

The COVID-19 pandemic continues to have a profound impact globally and regionally. However, current economic outlook is demonstrating signs of recovery on the back of UAE government measures against the aftermath of COVID-19. The UAE Central bank, monetary authorities and governments across the world have announced various support measures and deployed vaccination programs to counter the possible adverse implications. The prospects of economic recovery are firmer now and the UAE's economy has proven to be resilient in the face of adversity.

NBF has been closely monitoring the situation and has successfully implemented remote working and use of digital solutions to ensure continuity of customer services and precautionary measures to ensure health and safety of all stakeholders. NBF has been proactively managing its liquidity and further strengthened its position to navigate through uncertainty and complexity with poise. As at 31 March 2022, NBF's advances to deposits ratio stood at 84.6% (31 December 2021: 79.6%), net stable funding ratio (NSFR) at 108.9% (31 December 2021: 113.7%), and liquidity coverage ratio (LCR) at 329.0% (31 December 2021: 336.6%).

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.

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

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

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

NBF has considered the standards and joint guidance with respect to Targeted Economic Support Scheme (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 April 2021 and April 2020 respectively. Pursuant to these standards and the joint guidance, NBF granted repayment holiday to its impacted customers and offered 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. NBF has considered the impact of volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

Given the economic recovery, the assigned probabilities for base case, upside and downside scenarios have been applied as follows:

Scenario	Assigned probabilities
Base case	40%
Upside	30%
Downside	30%

The Group has considered the potential impacts of the current market situation 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.

The impacts remain sensitive to market fluctuations which the Group will continue to monitor and reflect appropriately in the ECL calculations. Therefore, actual results may be considerably different to those forecast. 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.

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

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

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. The bank had availed the assistance under TESS and had offered payment deferral relief to selected customers; where the final tranche amounting to AED 46.1 million was fully settled on 30 December 2021.

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:

31 March 2022

AED'000	Stage 1	Stage 2	Stage 3	Total
Deferred amount	17,621	269	-	17,890
Allowances for impairment (ECL)	(171)	(58)	-	(229)
Carrying amount	17,450	211	-	17,661
Customer Count	17	2	-	19

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For the three month period ended 31 March 2022 (continued)

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

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:

31 March 2022	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
AED'000								
Outstanding balance	304,185	4,577	-	308,762	1,171	-	-	1,171
Allowances for impairment (ECL)	(3,501)	(44)	-	(3,545)	(12)	-	-	(12)
Carrying amount	300,684	4,533	-	305,217	1,159	-	-	1,159

31 December 2021	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
AED'000								
Outstanding balance	303,109	4,327	-	307,436	1,163	-	-	1,163
Allowances for impairment (ECL)	(4,204)	(24)	-	(4,228)	(8)	-	-	(8)
Carrying amount	298,905	4,303	-	303,208	1,155	-	-	1,155

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2022 (continued)

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

Analysis of customers benefitting from payment deferrals by type, groups and segments, with the related ECL

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:

31 March 2022 AED'000	Corporate and institutional segments			Business banking segment		
	Group 1	Group 2	Total	Group 1	Group 2	Total
Loans and advances and Islamic financing receivables and acceptances	226,718	-	226,718	76,721	1,114	77,835
Allowances for impairment (ECL)	(1,633)	-	(1,633)	(1,831)	(56)	(1,887)
Carrying amount	225,085	-	225,085	74,890	1,058	75,948
Customer count			2			16

31 March 2022 AED'000	Retail banking			31 March 2022 AED'000	Consolidated		
	Group 1	Group 2	Total		Group 1	Group 2	Total
Term loans	4,209	-	4,209	Loans and advances and Islamic financing receivables and acceptances	307,648	1,114	308,762
Allowances for impairment (ECL)	(25)	-	(25)	Allowances for impairment (ECL)	(3,489)	(56)	(3,545)
Carrying amount	4,184	-	4,184	Carrying amount	304,159	1,058	305,217
Customer count			1	Customer count			19

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For the three month period ended 31 March 2022 (continued)

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

Analysis of customers benefitting from payment deferrals by type, groups and segments, with the related ECL (continued)

The following table contains an analysis of the related relevant off-balance sheet exposures of the customers benefitting from payment deferrals:

31 March 2022 AED'000	Corporate and institutional segments			Business banking segment		
	Group 1	Group 2	Total	Group 1	Group 2	Total
Off-balance sheet exposures	-	-	-	1,171	-	1,171
Allowances for impairment (ECL)	-	-	-	(12)	-	(12)
Carrying amount	-	-	-	1,159	-	1,159

Consolidated 31 March 2022

AED'000	Group 1	Group 2	Total
Off-balance sheet exposures	1,171	-	1,171
Allowances for impairment (ECL)	(12)	-	(12)
Carrying amount	1,159	-	1,159

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For the three month period ended 31 March 2022 (continued)

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

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
Gross carrying amount – 31 December 2021	303,109	4,327	-	307,436	1,163	-	-	1,163
Transferred from Stage 1	-	-	-	-	-	-	-	-
Transferred from Stage 2	-	-	-	-	-	-	-	-
Transferred from Stage 3	-	-	-	-	-	-	-	-
Originated / (derecognized) during the period	1,076	250	-	1,326	8	-	-	8
Gross carrying amount – 31 March 2022	304,185	4,577	-	308,762	1,171	-	-	1,171

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
Gross carrying amount - 31 December 2021	226,429	-	-	226,429	76,680	-	-	76,680	-	4,327	-	4,327
Transferred from Stage 1	-	-	-	-	-	-	-	-	-	-	-	-
Transferred from Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Transferred from Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Originated / (derecognized) during the period	289	-	-	289	787	368	-	1,155	-	(118)	-	(118)
Gross carrying amount- 31 March 2022	226,718	-	-	226,718	77,467	368	-	77,835	-	4,209	-	4,209

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For the three month period ended 31 March 2022 (continued)

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

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 (continued)

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

AED'000	Corporate and institutional segments				Business banking segment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - 31 December 2021	-	-	-	-	1,163	-	-	1,163
Transferred from Stage 1	-	-	-	-	-	-	-	-
Transferred from Stage 2	-	-	-	-	-	-	-	-
Originated / (derecognized) during the period	-	-	-	-	8	-	-	8
Gross carrying amount - 31 March 2022	-	-	-	-	1,171	-	-	1,171

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For the three month period ended 31 March 2022 (continued)

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

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 (continued)

	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
ECL allowance - 31 December 2021	4,204	24	-	4,228	8	-	-	8
Transferred from Stage 1	-	-	-	-	-	-	-	-
Transferred from Stage 2	-	-	-	-	-	-	-	-
Originated / (derecognized) during the period including changes in PDs / LGDs / EADs	(703)	20	-	(683)	4	-	-	4
Net allowance for impairment losses	(703)	20	-	(683)	4	-	-	4
Written-off during the period	-	-	-	-	-	-	-	-
ECL allowance – 31 March 2022	3,501	44	-	3,545	12	-	-	12

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For the three month period ended 31 March 2022 (continued)

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

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:

AED'000	Corporate and institutional segments			Business banking segments		
	31-Mar-22	31-Dec-21	Change	31-Mar-22	31-Dec-21	Change
Trade	-	-	-	706	724	(18)
Real estate and construction	735	1,713	(978)	-	-	-
Manufacturing	898	670	228	1,193	1,105	88
Total ECL	1,633	2,383	(750)	1,899	1,829	70

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

The following table contains the change in ECL by product of Retail banking:

AED'000	31-Mar-2022	31-Dec-2021	Change
Term loans	25	24	1
Total ECL	25	24	1

22. Zakat

In line with the CBUAE regulations and The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Shari'ah standards, zakat payable amounting to AED 1.39 million, had been reflected in the 31 December 2020 consolidated financial statements as an appropriation from retained earnings. However, pursuant to the CBUAE notice CBUAE/BSN/N/2021/956 dated 16 February 2021 regarding the cancellation of the resolution pertinent to the transfer of Zakat monies to the Zakat Fund in the United Arab Emirates (UAE), zakat payable of the same amount had been reversed back to retained earnings during Q1 2021.

23. 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.