

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

**Consolidated financial statements and
independent auditor's report
for the year ended 31 December 2025**

These consolidated financial statements are subject to the adoption by shareholders at the annual general meeting.

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

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CHAIRMAN'S REPORT

On behalf of the Board of Directors of National Bank of Umm Al Qaiwain (NBQ), I am pleased to welcome you to the 43rd Annual General Meeting of NBQ and present the annual report for 2025.

Performance and value creation

NBQ's performance in 2025 reflects the continued trust of our customers, shareholders, partners, and the dedication of our management and staff. We remain committed to creating a sustainable value for all stakeholders by delivering premium banking services and strengthening customer relations, focusing on our target segments, improving on efficiencies, and move towards zero-bureaucracy.

The UAE's economic resilience, supported by strategic initiatives that continue to strengthen the country's position as a leading hub for finance, trade, and investments, provided a constructive backdrop to NBQ's steady growth during the year.

Robust financial results

I am pleased to report that National Bank of Umm Al Qaiwain (NBQ) has delivered a robust financial performance in 2025, with profits after tax reaching AED 581 Million, a 15% increase compared to 2024.

As at 31st December 2025, total assets reached AED 22.9 billion, up 28 % compared to AED 17.9 billion as of 31 December 2024. Net loans and advances increased by 17% to AED 9.1 billion, while customer deposits grew by 38% to AED 15.7 billion over the same period. Shareholders' equity grew by 9% to AED 6.6 billion.

Strong capital and improving asset quality

Our commitment to long-term sustainability and customer confidence is anchored by a strong capital base. As at 31 December 2025, the capital adequacy ratio stood at 30.67%, comfortably above regulatory requirements. This strength supports our growth ambitions, enable resilience to potential shocks, and allows continued investment in technology, people and new business opportunities while maintaining full compliance with Basel III guidelines and Central Bank regulations. Asset quality improved significantly due to prudential risk management during the year. The Non-Performing Loans ratio (NPL) declined from 4.02% as at 31st December 2024 to 0.31 % as of 31 December 2025, registering 371 bps improvement.

Strategic priorities and organizational strengthening

We remain focused on digital transformation, customer-centric innovation, sound risk and compliance management, and environmental, social, and governance (ESG) integration. As a responsible bank, robust corporate governance and ethical conduct remain central to NBQ's approach, ensuring that principles of independence, accountability, responsibility and transparency are embedded across our operations.

During the year, the Bank undertook several initiatives to strengthen the sales force, diversify income sources, enhance governance and reinforce the functions of audit, internal control, compliance and risk management, positioning NBQ well to continue building quality assets and sustain growth momentum in 2026.

We remain committed to Emiratization, human capital development, women empowerment, sustainability and financial inclusion, which are central to NBQ's strategy. We are proud to have been honored with the Nafis Award for 2024-2025, recognizing our efforts to empower Emirati talent and support the UAE's economic diversification goals.

We continue to invest in national talent, firmly believing our people are NBQ's greatest strength.

Dividend and outlook

In light of these strong results, the Board is pleased to propose a cash dividend of 20% of the share capital for the year ended 31 December 2025, approved by Central Bank of the UAE.

Looking ahead, forecasts indicate the UAE economy is poised to continue its upward trajectory. Projections indicate real GDP growth of 4.9% in 2025, followed by a further increase to 5.3% in 2026.

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CHAIRMAN'S REPORT (continued)

Appreciation

On behalf of the Board of Directors, we are deeply honored to express our sincere gratitude to His Highness Sheikh Saud Bin Rashid Al Mualla, Ruler of Umm Al Quwain and Member of the Federal Supreme Council of the United Arab Emirates, for his unwavering support in guiding our development and shaping our strategies. We are truly grateful for his role in our success and remain committed to achieving even greater heights with His Highness's continued support in the years to come.

We also extend our sincere appreciation to Central Bank of the UAE for their vital role in safeguarding the nation's financial integrity. Finally, I thank our shareholders, customers, and our dedicated management and staff. Your loyalty and hard work are the foundation upon which NBQ continues to build its legacy of excellence.



Rashid Bin Saud Al Mualla
Chairman

INDEPENDENT AUDITOR'S REPORT

The Shareholders

National Bank of Umm Al-Qaiwain (PSC)
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **National Bank of Umm Al-Qaiwain (PSC)** (the "Bank") and its **subsidiary** (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group, as at 31 December 2025, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) as applicable to audits of consolidated financial statements of public interest entities, together with the other ethical requirements that are relevant to our audit of the consolidated financial statements of public interest entities in the United Arab Emirates and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

Key audit matter	How our audit addressed the key audit matter
Expected credit loss ("ECL") allowance on loans and advances and Islamic financing receivables	
As described in Notes 6 to the consolidated financial statements, the Group had loans and advances and Islamic financing receivables of AED 9,065 million as at 31 December 2025, representing 40% of total assets. These amounts have been stated net of ECL allowances of AED 87 million. The determination of the Group's ECL allowance for loans and advances and Islamic financing receivables measured at amortised cost is considered to be a key audit matter as it is a quantitatively significant estimate which requires significant management judgement to be applied in the evaluation of the credit quality and the estimation of inherent credit losses in the portfolio and consequently requires significant audit effort.	<p>We performed the following audit procedures on the ECL allowance:</p> <p>We obtained an understanding of the loans and advances and Islamic financing receivables origination process, credit risk management process and the estimation process of determining ECL allowances on loans and advances and Islamic financing receivables, including the key controls in this process.</p> <p>We assessed the abovementioned controls to determine if they had been appropriately designed and implemented, and tested these controls to determine if they had been operating effectively.</p>

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of National Bank of Umm Al-Qaiwain (PSC) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss ("ECL") allowance on loans and advances and Islamic financing receivables (continued)	
<p>The material portion of the non-retail portfolio of loans and advances and Islamic financing receivables is assessed individually for credit impairment. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging movements in accordance with the requirements of IFRS Accounting Standards.</p> <p>The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 is model-based with limited manual intervention. It is important that these models, which contain Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and macroeconomic adjustments, are valid throughout the reporting period. The Group performed independent validation and monitoring of the PD, LGD and macro-economic models, during the reporting period.</p> <p>For further information on the accounting policies relating to impairment of loans and advances and Islamic financing receivables, as well as the Group's management of credit risk, refer to Note 3.4 to the consolidated financial statements, respectively.</p>	<p>We assessed, on a sample basis, that reported exceptions to policies and procedures as outlined in the Board risk appetite statement were approved by the Board / Board Committee and the approval process was formally documented.</p> <p>For a sample of new / renewed corporate credit facilities, we checked that reported exceptions to limits, as set out in the Board approved delegation of authority matrix, were approved by the Board / Board Credit Committee or its approved delegate and the approval process was formally documented.</p> <p>We performed an independent credit assessment for a sample of non-retail customers, by assessing quantitative and qualitative factors, including assessments of the financial performance of the customers, the source of their repayments and their history and other relevant risk factors.</p> <p>For a sample of individually assessed stage 3 customers, we assessed:</p> <ul style="list-style-type: none"> the estimated future discounted cash flows used in the measurement of ECL, including the discount rates used and the probable scenario analysis; and the valuation and enforceability of collateral, including the underlying key assumptions. <p>With the involvement of our credit risk and modelling specialists, we assessed the methodology and assumptions used in the calculation of various components of ECL modelling, including the computation of PD, LGD and EAD for the models selected for testing.</p> <p>For a sample of customers, we tested the mathematical accuracy and reperformed the computation of the ECL based on relevant source data.</p> <p>We evaluated key assumptions such as the criteria used to determine significant increase in credit risk ("SICR"), definition of default, staging criteria and forward-looking macroeconomic information and the related weighting of these items.</p> <p>We verified the integrity of data used as input to the models, including the transfer of data between source systems and the impairment models.</p> <p>On a sample basis, we assessed the application of the staging criteria, including the basis for movement between stages.</p> <p>With the support of our credit risk and modelling specialists, we evaluated the post-model adjustments and management overlays and challenged their rationale.</p> <p>We considered the process of the independent validations of the models and their impact on the results of the determination of the allowance for ECL.</p> <p>We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.</p>

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of National Bank of Umm Al-Qaiwain (PSC) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Risk of inappropriate access or changes to information technology systems	
<p>We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls.</p> <p>There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of changes to an application or underlying data.</p>	<p>Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over the relevant IT systems:</p> <ul style="list-style-type: none"> ▪ We obtained an understanding of the applications relevant to the financial reporting which includes the core banking system, loan management system, trade finance system, and the Swift messaging and the infrastructure supporting those applications. ▪ We tested the IT general controls relevant to the identified automated controls and the Information Produced by the Entity (IPE) by covering access security, program changes, data centre and network operations. ▪ We performed testing on the relevant automated controls for key IT applications relevant to the financial reporting business processes. ▪ We examined certain Information Produced by Entity (IPE) used in the financial reporting business process from relevant applications and key controls over their report logics.

Other Matter

The consolidated financial statements of the Bank for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 6 February 2025.

Other Information

The Board of Directors and management are responsible for the other information. The other information comprises the information included in the annual report of the Group, but does not include the consolidated financial statements and our auditor's report thereon. We obtained the chairman's report prior to the date of this auditor's report and the annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of National Bank of Umm Al-Qaiwain (PSC) (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and their preparation in compliance with the applicable provisions of UAE Federal Decree Law number 32 of 2021, as amended, and UAE Federal Decree-Law No. (6) of 2025 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of National Bank of Umm Al-Qaiwain (PSC) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law and regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Decree Law No. (32) of 2021, as amended, we report that for the year ended 31 December 2025:

- We have obtained all the information we considered necessary for the purposes of our audit.
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, as amended;
- The Group has maintained proper books of account.
- The financial information included in the Directors' report is consistent with the books of account and records of the Group;
- Note 7 to the consolidated financial statements of the Group discloses the purchases or investments in shares during the year ended 31 December 2025;
- Note 27 to the consolidated financial statements of the Group discloses material related party transactions and the terms under which they were conducted, and principles of managing conflict of interest;
- Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Group has contravened during the year ended 31 December 2025 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, as amended or, in respect of the Bank, its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2025; and
- Note 38 to the consolidated financial statements of the Group discloses social contributions made during the year ended 31 December 2025.

Further, as required by UAE Federal Decree Law No. (6) of 2025, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)



Mohammed Jallad
Registration No.: 1164
05 February 2026
Dubai
United Arab Emirates

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

Consolidated statement of financial position as at 31 December 2025

	Notes	2025 AED '000	2024 AED '000
Assets			
Cash and balances with the Central Bank of the U.A.E	4	2,736,567	2,590,559
Due from other banks	5	7,412,185	5,294,105
Loans and advances and Islamic financing receivables	6	9,064,722	7,775,670
Investment securities	7	3,111,817	1,738,624
Customers' acceptances		239,168	195,937
Investment in an associate	8	-	252
Property and equipment	9	69,506	72,322
Other assets	10	255,967	212,991
Total assets		22,889,932	17,880,460
Liabilities			
Customers' deposits and Islamic customer deposits	11	15,701,868	11,405,816
Customers' acceptances		239,168	195,937
Other liabilities	12	398,568	292,772
Total liabilities		16,339,604	11,894,525
Shareholders' equity			
Share capital	13	2,000,000	2,000,000
Statutory reserve	14	1,019,266	1,019,266
General reserve	15	6,440	6,440
Impairment reserve - general	16	129,927	81,486
Cumulative change in fair values		827,609	515,167
Retained earnings		2,567,086	2,363,576
Total shareholders' equity		6,550,328	5,985,935
Total liabilities and shareholders' equity		22,889,932	17,880,460



Rashid Bin Saud Al Mualla
Chairman



Nasser Rashid AbdulAziz AlMoalla
Vice Chairman and Chairman of
Executive Committee



Adnan Al Awadhi
Chief Executive Officer

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

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

Consolidated income statement for the year ended 31 December 2025

	Notes	2025 AED '000	2024 AED '000
Interest income	18	951,319	902,425
Income from Islamic financing products		26,330	10,786
Total interest income and income from Islamic financing products		977,649	913,211
Interest expense	18	(307,770)	(256,499)
Distribution to depositors – Islamic products		(18,179)	(63)
Net interest income and income from Islamic products net of distribution to depositors		651,700	656,649
Net fees and commission income	19	34,874	29,916
Other operating income	20	154,440	93,564
Gross income		841,014	780,129
Operating expenses	21	(211,594)	(179,781)
Investment gains	22	62,696	55,105
Operating income		692,116	655,453
Share of loss from an associate	8	(257)	(309)
Profit for the year before impairment		691,859	655,144
Net impairment losses	23	(59,560)	(104,363)
Profit before tax		632,299	550,781
Income tax expense	24	(51,550)	(44,755)
Profit for the year		580,749	506,026
Basic and diluted earnings per share (AED)	25	0.29	0.25

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

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

Consolidated statement of comprehensive income for the year ended 31 December 2025

	Notes	2025 AED '000	2024 AED '000
Profit for the year		580,749	506,026
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to consolidated income statement</i>			
Net fair value gain on investment securities carried at FVOCI – equity	7	344,317	139,834
Share of OCI from an associate	8	5	142
Related tax expense on other comprehensive income	24	(678)	(738)
Other comprehensive income for the year		343,644	139,238
Total comprehensive income for the year		924,393	645,264

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

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

Consolidated statement of changes in equity for the year ended 31 December 2025

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Impairment reserve general AED'000	Cumulative change in fair values AED'000	Retained earnings AED'000	Total AED'000
Balance as at 1 January 2024	2,000,000	1,019,266	6,440	74,797	388,254	2,152,184	5,640,941
Profit for the year	-	-	-	-	-	506,026	506,026
Other comprehensive income for the year	-	-	-	-	139,238	-	139,238
Total comprehensive income for the year	-	-	-	-	139,238	506,026	645,264
Provision under Central Bank of the U.A.E requirement over IFRS 9 requirement	-	-	-	6,689	-	(6,689)	-
Sale of FVOCI equity	-	-	-	-	(12,325)	12,055	(270)
Dividends paid	-	-	-	-	-	(300,000)	(300,000)
Balance as at 31 December 2024	2,000,000	1,019,266	6,440	81,486	515,167	2,363,576	5,985,935
Profit for the year	-	-	-	-	-	580,749	580,749
Other comprehensive income for the year	-	-	-	-	343,644	-	343,644
Total comprehensive income for the year	-	-	-	-	343,644	580,749	924,393
Provision under Central Bank of the U.A.E requirement over IFRS 9 requirement	-	-	-	48,441	-	(48,441)	-
Sale of FVOCI equity	-	-	-	-	(31,202)	31,202	-
Dividends paid (Note 26)	-	-	-	-	-	(360,000)	(360,000)
Balance as at 31 December 2025	2,000,000	1,019,266	6,440	129,927	827,609	2,567,086	6,550,328

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

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

Consolidated statement of cash flows for the year ended 31 December 2025

	Notes	2025 AED '000	2024 AED '000
Cash flows from operating activities			
Profit before tax		632,299	550,781
Adjustments for:			
Provision for expected credit losses	23	48,198	94,445
Depreciation of property and equipment		14,786	11,757
Depreciation of right of use asset		1,515	1,769
Provision for other assets	23	11,362	9,918
Provision for employee end of service benefits	12.1	3,763	3,540
Decrease/(Increase) in fair value of investment in securities		1,077	(700)
Discount amortised on investment securities	7	(474)	(2,618)
Dividend income	22	(62,623)	(54,405)
Loss/(Gain) on disposal of property and equipment		55	(3,847)
Gain on disposal of assets acquired in settlement of debt		(3,849)	(4,113)
Share of loss from an associate	8	257	309
Profit from sale of associate		(700)	-
Finance cost on lease liability		52	76
Operating cash flows before changes in operating assets and liabilities		645,718	606,912
Increase in due from banks with original maturity greater than 3 months		(4,187,779)	(357,330)
Increase in statutory deposit with Central Bank of the U.A.E.		(335,801)	(272,115)
Increase in loans and advances and Islamic finance receivables		(1,341,282)	(870,559)
Payment of employee end of service benefits	12.1	(1,987)	(469)
Proceeds from disposal of assets acquired in settlement of debt		15,250	7,870
Increase in other assets		(65,739)	(24,203)
Increase in customers' deposits and Islamic customer deposits		4,296,052	2,676,587
Increase in other liabilities		99,330	21,073
		(876,238)	1,787,766
Income tax paid		(45,025)	-
Net cash generated from operating activities		(921,263)	1,787,766
Cash flows from investing activities			
Purchase of property and equipment	9	(13,546)	(28,046)
Proceeds from disposal of property and equipment		5	17,513
Purchase of investment securities		(1,236,960)	(273,770)
Proceeds from maturity and disposal of investment securities		208,255	118,935
Dividend received from investment securities	22	62,623	54,405
Proceeds from sale of investment in associate		700	-
Net cash used in investing activities		(978,923)	(110,963)
Cash flows from financing activities			
Dividends paid	26	(360,000)	(300,000)
Lease payments		(1,793)	(1,775)
Net cash flows used in financing activities		(361,793)	(301,775)
Net (decrease)/increase in cash and cash equivalents		(2,261,979)	1,375,028
Cash and cash equivalents at the beginning of the year	28	5,302,881	3,927,853
Cash and cash equivalents at the end of the year	28	3,040,902	5,302,881

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

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

Notes to the consolidated financial statements for the year ended 31 December 2025

1. Corporate information

National Bank of Umm Al-Qaiwain (PSC) (the "Bank") is a Public Shareholding Company incorporated in the Emirate of Umm Al-Qaiwain ("UAQ") in the United Arab Emirates ("U.A.E.") by Amiri Decree Number (1) on January 5, 1982, issued by His Highness, the Ruler of Umm Al-Qaiwain, and commenced its operations with effect from August 1, 1982.

The consolidated financial statements for the year ended 31 December 2025 are prepared for the Bank and its subsidiary (together referred to as 'the Group').

The Group comprises National Bank of Umm Al-Qaiwain (PSC), Umm Al-Qaiwain, and Twin Towns Marketing Management (L.L.C.-SO), Dubai (see Note 3.2). The address of the Bank's registered Head Office is P.O. Box 800, Umm Al-Qaiwain, United Arab Emirates.

The Group is engaged in providing retail and corporate banking services through a network of 9 branches in U.A.E.

The Group had been conducting Islamic banking operations through a dedicated Islamic banking window established in 2005, with Islamic banking products offered across the Bank's branch network. The Group made a strategic decision to cease originating new Islamic banking business and to place the existing portfolio into run down. A portion of the portfolio remains outstanding and continues to be run down.

2. Adoption of new and revised Standards

2.1 New and amended IFRS Accounting Standards that are effective for the current period

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in consolidated financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements:

New and revised IFRS Accounting Standard	Summary
Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> relating to Lack of Exchangeability	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Other than the above, there are no other significant IFRS Accounting Standards and amendments that were effective for the first time for the financial year beginning on or after 1 January 2025.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i> regarding the classification and measurement of financial instruments The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9.	1 January 2026

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

2. Adoption of new and revised Standards (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i> regarding purchase power arrangements	1 January 2026
The amendments aim at enabling entities to include information in their financial statements that in the IASB's view more faithfully represents contracts referencing nature-dependent electricity.	
Annual improvements to IFRS Accounting Standards - Volume 11	1 January 2026
The pronouncement comprises the following amendments:	
<ul style="list-style-type: none"> ▪ IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>: Hedge accounting by a first-time adopter ▪ IFRS 7 <i>Financial Instruments - Disclosures</i>: Gain or loss on derecognition ▪ IFRS 7 <i>Financial Instruments - Disclosures</i>: Disclosure of deferred difference between fair value and transaction price ▪ IFRS 7 <i>Financial Instruments - Disclosures</i>: Introduction and credit risk disclosures ▪ IFRS 9 <i>Financial Instruments</i>: Lessee derecognition of lease liabilities ▪ IFRS 9 <i>Financial Instruments</i>: Transaction price ▪ IFRS 10 <i>Consolidated Financial Statements</i>: Determination of a "de facto agent" ▪ IAS 7 <i>Statement of Cash Flows</i>: Cost method 	
IFRS 18 <i>Presentation and Disclosures in Financial Statements</i>	1 January 2027
IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	
IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	
Amendments to IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
The amendments cover new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 that were not considered when IFRS 19 was first issued.	
Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> relating to Translation to a Hyperinflationary Presentation Currency.	1 January 2027
The amendments clarify how companies should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.	
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2011)</i>	Effective date deferred indefinitely. Adoption is still permitted.
The amendments relate to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	

The Group anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of Group in the period of initial application.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and applicable requirements of laws of the United Arab Emirates including UAE Federal law No. 32 of 2021 as amended, and UAE Federal Decree-Law No. (6) of 2025.

3.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Arab Emirates Dirhams (AED) (in thousands, except where noted), which is the functional currency of the Group, and the presentation currency for the consolidated financial statements. The principal accounting policies adopted are set out below.

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) presented in the notes.

3.2 Basis of consolidation

The consolidated financial statements of National Bank of Umm Al-Qaiwain (PSC) and Subsidiary (the "Group") incorporate the financial statements of the Bank and entity controlled by the Bank (its Subsidiary).

Control is achieved when the Bank:

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

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.2 Basis of consolidation (continued)

Subsidiary:

Details of the Bank's subsidiary as at 31 December 2025 and 31 December 2024 are as follows:

Name of subsidiary	Proportion of ownership interest	Country of Incorporation	Principal activity
Twin Towns Marketing Management (L.L.C.)	100%	U.A.E.	Marketing management

3.3 Investment in an associate

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of income in the period in which the investment is acquired.

The requirements of IFRS are applied to determine whether it is necessary to recognise any impairment loss with respect to the Bank's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3.4 Financial Instruments

Classification of financial assets and financial liabilities

Financial assets

On initial recognition, a financial asset is classified and measured: at amortised cost, Fair Value Through Other Comprehensive Income (FVOCI) or Fair Value Through Profit and Loss (FVTPL). A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

In both the current period and prior period, financial liabilities are classified as other financial liabilities and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: the classification is applied to derivatives and other financial liabilities designated as such at initial recognition. Gains and losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to the changes in credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in the profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer; and
- Financial guarantee contracts and loan commitments.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Business model assessment (continued)

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money - e.g. periodical reset of interest rate.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current period and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

Derecognition

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

Measurement of financial assets and financial liabilities

Investment securities

The investment securities' caption in the consolidated statement of financial position includes:

- Quoted debt instruments measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss; and
- Equity securities designated as at FVOCI.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Measurement of financial assets and financial liabilities (continued)

Investment securities (continued)

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Financial liabilities

All financial liabilities are measured at amortised cost unless designated at FVTPL.

Impairment

Measurement of ECL

The Group recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- Deposits and balances and due from banks;
- Debt investment securities carried at amortised cost;
- Loans and advances to customers;
- Customer acceptances and other financial assets;
- Loan commitments; and
- Financial guarantees and contracts.

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired (POCI) financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group also considers relevant regulatory requirements, in the context of the alignment of those requirements with IFRS, in the estimation of ECL in respect of Stage 3 exposures.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis (for Wholesale portfolio), and on a collective basis for portfolios of loans that share similar economic risk characteristics (for Retail portfolio). The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date.

The Group also considers relevant regulatory requirements, in the context of the alignment of those requirements with IFRS, in the estimation of ECL in respect of Stage 3 exposures.

Significant increase in credit risk (SICR)

The Group monitors all financial assets, issued financial commitments and financial and non-financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The Group allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The Group considers the credit risk upon initial recognition of asset and whether there has been a significant increase in it on an ongoing basis throughout each reporting period. It considers available reasonable and supportive quantitative and qualitative information to assess SICR. Especially the following indicators are incorporated:

- Internal risk grade;
- External credit rating (where available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- Significant changes in the expected performance and behavior of the customer, including changes in the payment status of customers in the Group and changes in the operating results of the customer; and

If there is any deterioration or concern regarding customer's creditworthiness or cash flows, such accounts are kept in increased focus and enhanced monitoring.

Regardless of the analysis above, a significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Significant increase in credit risk (SICR) (continued)

For retail financing, when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Bank's internal policies for identification of Significant Increase in Credit Risk and "Unlikeliness to Pay" are aligned with CBUAE Credit Risk Management Regulations and Standards.

Quantitative factors

Stage	Corporate portfolio	Retail portfolio	Due from banks and Investments portfolio
1 » 2	<ul style="list-style-type: none">Rating downgrade as per internally defined criteria from the rating assigned at the initial recognitionDPD 31-90 days	<ul style="list-style-type: none">DPD 31-90 days	<ul style="list-style-type: none">External credit rating of Caa1 to Caa3 to be classified as Stage 2B3 credit rating is assigned for unrated investments
1 » 3 2 » 3	<ul style="list-style-type: none">Credit impaired portfolioDPD greater than 90 days	<ul style="list-style-type: none">Credit impaired portfolioDPD > 90 days	External credit rating of C and below to be classified as Stage 3

Curing Criteria - upward ECL stage movement

An exposure cannot be upgraded from Stage 3 to Stage 1 directly. Upward ECL stage movement criteria are in line with the guidelines of the Central Bank of the U.A.E.

From stage 2 (Lifetime ECL) to stage 1 (12-month ECL)

- Credit Facilities shall remain in Stage 2 as long as SICR criteria continues. Where there is an evidence of a significant reduction in credit risk, financial instruments are monitored for a probationary period as per the guidelines of the Central Bank of the U.A.E to confirm if the risk of default has decreased sufficiently before upgrading such exposures from stage 2 to stage 1.
- DPD shall be ≤ 30 days

From stage 3 (Lifetime ECL – credit impaired) to stage 2 (Lifetime ECL – not credit impaired)

- Credit facilities shall remain in Stage 3 until all arrears are settled and reversal of the original conditions that had led to migration to Stage 3. An exposure cannot be upgraded from Stage 3 to 1 directly and should be upgraded to Stage 2 after meeting criteria specified in guidelines of the Central Bank of the U.A.E

Restructured or Modified financial assets

A credit facility shall be defined as restructured facility if its approved credit terms are amended. Restructured accounts also include cases where a credit facility is fully settled by a simultaneous or subsequent disbursement of a new credit facility.

The Group modifies the terms of loans provided to customers from time to time, primarily in response to evolving client needs, commercial renegotiations, or the management of distressed exposures. Bank groups identifies restructured accounts either as non-distressed or distressed restructuring and follows applicable asset classification norms as per CBUAE Credit Risk Management Regulations of the Central Bank of the U.A.E. Following any modification, the credit risk of the asset is reassessed at the reporting date and compared with the credit risk under the original terms at initial recognition.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Restructured or Modified financial assets (continued)

Where the Group determines that there has been a significant improvement in credit risk after restructuring, the financial asset may be transferred from Stage 3 to Stage 2 (lifetime ECL) or from Stage 2 to Stage 1 (12-month ECL). Such transfers are made only after the modified asset has demonstrated satisfactory performance in accordance with the revised terms over a specified period, in line with prevailing guidelines of Central Bank of the U.A.E.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss as "Other income".

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions in the consolidated statement of financial position and the remeasurement is presented in other revenue.

The Group has not designated any financial guarantee contracts as at FVTPL.

3.5 Due from other banks

Amounts due from other banks are initially recognized at fair value and measured subsequently at amortised cost using the effective interest method. Impairment of amounts due from other banks is assessed as outlined in the accounting policy on financial instruments in note 3.4 above.

3.6 Property and equipment

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight line method to write off the cost of assets to their estimated residual values over their expected useful economic lives as follows:

	Years
Buildings	20
Computer and equipment	1 - 5
Furniture and fixtures	5
Leasehold improvements	3 – 5
Motor vehicles	5

Land is not depreciated, as it is deemed to have an infinite life.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.6 Property and equipment (continued)

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the consolidated statement of income when the expenditure is incurred. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, being the higher of the fair value less costs to sell and value in use.

3.7 Assets acquired in settlement of debt

Assets acquired in settlement of debt are stated at lower of cost or net realisable value. Directly attributable cost incurred in the acquisition of inventory is included as part of the cost of the asset. Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date.

3.8 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.9 Due to other banks and customer deposits

Due to banks and customer deposits are initially measured at fair value plus directly attributable transaction costs. Subsequently, these are measured at amortised cost using the effective interest method except where the Group chooses to carry the liabilities at fair value through the consolidated statement of income. Amortised cost is calculated by taking into account any discount or premium on settlement.

3.10 Employees' end of service benefits

Pension contributions are made in respect of U.A.E. nationals to the U.A.E. General Pension and Social Security Authority in accordance with the U.A.E. Federal Law No (7), 1999 for Pension and Social Security. A provision is made for the full amount of end of service benefits due to the non-U.A.E. nationals in accordance with the U.A.E. Labour Law, for their periods of service up to the reporting date. This provision is included in other liabilities.

Management measures the employees' end of service benefits payable under the U.A.E. Labour law. Under this method an assessment is made of employee's expected service life with the Group and the expected basic salary at the date of leaving the service.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as it is probable that the Group will be required to settle the obligation, and a reliable estimate of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation. When a provision is measured using the cash flows estimated to settle the present obligations, its amount is the present value of those cash flows (when the effect of the time value of money is material).

When some of all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.12 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred, and are subsequently stated at amortised cost using effective interest rate method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

3.13 Foreign currencies

Items included in the consolidated financial statements of the Group are measured in AED which is the functional currency of the primary economic environment in which the Group operates. Foreign currency transactions are translated into AED at the rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the rates ruling at the reporting date. Any resultant gains or losses are accounted for in the consolidated statement of income.

3.14 Derivative instruments

Derivative instruments, comprising forward foreign exchange contracts, are initially recognised at fair value on the date on which a derivative contract is entered. All forward foreign exchange contracts are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of the forward foreign exchange contracts are included in foreign exchange trading income in the consolidated statement of income.

3.15 Interest income and expense

Interest income and expense are recognised in the consolidated income statement for all financial instruments measured at amortised cost using the effective interest method.

The effective interest rate is the rate that discounts estimated future cash receipts and payments earned or paid on a financial asset or a liability through its expected life or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently unless re-priced.

When calculating effective interest rates, the Group estimates cash flows considering all contractual terms of the financial instruments excluding future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.15 Interest income and expense (continued)

Income from Islamic financing products

The Group's policy for recognition of income from Islamic financing products is described in Note 3.22.

3.16 Fees and commission income

The Group earns fee income from a diverse range of services it provides to its customers. Fee income can be divided principally into the following two categories:

- Fee income earned from services that are provided over a certain period of time; and
- Fee income earned from providing transaction services.

The Group earns commission income from issue of documentary credits and letters of guarantee. The commission income is recognised on a straight-line basis over the period for which the documentary credits and guarantees are issued. Fee income on issue of letters of credit and guarantees is recognised when the underlying transaction is affected.

Other fees and commission income, including account servicing fees, placement fees and syndication fees, are recognised as the related services are performed.

'Fees and commissions receivables' which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due) included under 'Other assets'. These are measured at amortised cost and subject to the impairment provisions of IFRS 9.

3.17 Rental and dividend income

Rental income is recognised on a straight-line basis over the term of the relevant lease. Dividend income is recognised when the Group's right to receive the payment is established.

3.18 Taxation

Income tax expense comprises of current and deferred tax.

Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The UAE Ministry of Finance (MOF) has enacted legislation to implement the Pillar Two GLoBE rules effective from 1 January 2025. This is facilitated through the recently issued Cabinet Decision No. 142 of 2025, which introduces the UAE Pillar Two legislation. The Group is not subject to the UAE Pillar Two rules because it is neither a Multinational Enterprise nor its consolidated revenue is above the Euro 750 million threshold. Therefore, there are no Pillar Two implications for the financial year ended 31 December 2025.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.18 Taxation (continued)

Deferred tax

Deferred tax is recognised in respect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.20 Acceptances

Acceptances are recognised as a financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

3.21 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, money in current and call accounts and placements with original maturity of less than three months, excluding the minimum reserve deposits required to be maintained with the Central Bank of the U.A.E.

3.22 Islamic financing products

In addition to conventional banking products, the Group offers its customers certain non-interest-based banking products, which are approved by its Sharia'a Supervisory Board.

All Islamic banking products are accounted for in conformity with the accounting policies described below:

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.22 Islamic financing products (continued)

Definitions

The following terms are used in Islamic financing:

Murabaha

A sales agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired and the customer will pay the commodity price on an instalment basis over a specific period. The selling price comprises the cost of the commodity and an agreed profit margin.

Mudaraba

A profit sharing agreement between the Group and the customer whereby the customer provides the funds and the Group invests the funds in a specific enterprises or activity and any profits generated are distributed accordingly to the terms and conditions of the profit sharing agreement. The customer bears the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba.

Wakala (Investment agency)

An agreement whereby the customer appoints the Group to invest a certain sum of money according to the terms and conditions of the Wakala in return for a certain fee and any profit exceeding the expected profit. The Group will bear any loss as a result of the misconduct, negligence or violation of the terms and conditions of the Wakala.

Under the Islamic Banking front, the Bank has set up a cap limit for creating the Profit Equalization Reserve (PER) and Investment Risk Reserve (IRR). PER and IRR will not be applied once the reserve amount achieves the limit.

Accounting policy

Islamic financing products are measured at amortised cost, using the effective profit method, less any amounts written off, allowance for doubtful accounts and unearned income, if any.

The effective profit rate is the rate that exactly discounts estimated future cash flow through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Allowance for impairment is made against Islamic financing and investing products when their recovery is in doubt taking into consideration IFRS requirements (as explained in Note 3.4). Islamic financing and investing products are written off only when all possible course of action to achieve recovery have proven unsuccessful.

Revenue recognition policy

Income from Islamic financing and investing assets are recognised in the consolidated statement of income using the effective profit method.

Murabaha

Murabaha income is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding.

Islamic customers' deposits and distributions to depositors

Islamic customers' deposits are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their amortised cost using the effective profit method.

Distributions to depositors (Islamic products) represents the share of income allocated to depositors of the Group. The distributions are calculated, allocated and distributed according to the Islamic Banking unit's standard procedures and are approved by the Islamic Banking unit's Sharia'a Supervisory Board.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.23 Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Business model assessment

Classification and measurement of financial assets depends on the results of the solely payments of principal and interest (SPPI) and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. A significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. product type). The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.23 Critical accounting estimates and judgements (continued)

Loss Given Default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Expectations of future conditions are also incorporated in modelling of LGD estimates.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The Group incorporated the latest available macroeconomic inputs into the ECL model to reflect the change in the macroeconomic forecast with details covered in notes (31) of these consolidated financial statements.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in UAE and in other jurisdictions, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

3.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results of each operating segment are reviewed regularly by the Executive Committee of the Bank (referred to as the "ExCo") to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

3.25 Lease

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group has the option, under some of its leases to lease the assets for an additional term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

4. Cash and balances with the Central Bank of the U.A.E.

	2025 AED'000	2024 AED'000
<i>Balances with the Central Bank of the U.A.E.:</i>		
Current account	44,326	59,354
Statutory cash reserve deposit	1,090,840	755,039
Monetary Bills	696,075	714,703
Overnight deposits	825,000	975,000
	<hr/>	<hr/>
	2,656,241	2,504,096
Cash in hand	80,326	86,463
	<hr/>	<hr/>
	2,736,567	2,590,559
	<hr/>	<hr/>

The statutory deposit with the Central Bank of the U.A.E. is not available to finance the day-to-day operations of the Group and is excluded from cash and cash equivalents in Note 28.

All the balances are classified as stage 1 as at 31 December 2025 (31 December 2024: Stage 1).

5. Due from other banks

	2025 AED'000	2024 AED'000
Term deposits	5,271,434	3,675,609
Current accounts	24,818	26,824
Loans to banks	2,116,906	1,595,131
	<hr/>	<hr/>
Total due from other banks	7,413,158	5,297,564
Provision for expected credit loss	(973)	(3,459)
	<hr/>	<hr/>
Net due from other banks	7,412,185	5,294,105
	<hr/>	<hr/>

Gross amounts due from other banks by geographical area:

	2025 AED'000	2024 AED'000
Within U.A.E.	3,589,999	2,301,907
Within GCC	1,700,238	1,761,810
Other countries	2,122,921	1,233,847
	<hr/>	<hr/>
	7,413,158	5,297,564
	<hr/>	<hr/>

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

5. Due from other banks (continued)

Gross amounts due from other banks by currency:

	2025 AED'000	2024 AED'000
AED	2,120,000	616,000
USD	5,283,421	4,674,679
Others	9,737	6,885
	<u>7,413,158</u>	<u>5,297,564</u>

An analysis of due from other banks based on external credit ratings is as follows:

	2025 AED'000	2024 AED'000
Investment Grade	6,994,279	5,297,564
Non Investment grade	418,874	-
Unrated	5	-
	<u>7,413,158</u>	<u>5,297,564</u>

Due from banks stage-wise analysis

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

	31 December 2025			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Outstanding balance	7,321,333	91,825	-	7,413,158
Provision for expected credit loss	(475)	(498)	-	(973)
Carrying amount	<u>7,320,858</u>	<u>91,327</u>	<u>-</u>	<u>7,412,185</u>
	31 December 2024			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Outstanding balance	5,297,564	-	-	5,297,564
Provision for expected credit loss	(3,459)	-	-	(3,459)
Carrying amount	<u>5,294,105</u>	<u>-</u>	<u>-</u>	<u>5,294,105</u>

There have been no movements between stages in respect of assets due from other banks during 2025 (2024 - No stage movement).

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

5. Due from other banks (continued)

Movement in the provision for expected credit loss of due from banks

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
ECL allowances				
As at 1 January 2025	3,459	-	-	3,459
Net impairment charged during the period	(2,984)	498	-	(2,486)
As at 31 December 2025	475	498	-	973

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
ECL allowances				
As at 1 January 2024	1,179	-	-	1,179
Net impairment charged during the period	2,280	-	-	2,280
As at 31 December 2024	3,459	-	-	3,459

6. Loans and advances and Islamic financing receivables

	2025 AED'000	2024 AED'000
Loans	6,725,075	6,181,071
Overdrafts	918,466	787,151
Islamic financing products	65,738	112,909
Loans against trust receipts	277,827	346,104
Syndicated loans	1,015,626	501,978
Other	148,526	31,372
Total loans and advances and Islamic financing receivables	9,151,258	7,960,585
Provision for expected credit loss	(86,536)	(184,915)
Net loans and advances and Islamic financing receivables	9,064,722	7,775,670

	2025 AED'000	2024 AED'000
Gross Loans and advances by economic sector:		
Real estate	3,119,113	2,830,709
Wholesale and retail trade	1,375,438	1,502,640
Financial institutions	967,024	775,838
Individual loans for business	729,182	740,173
Manufacturing	535,250	490,493
Personal loans and other	373,868	375,831
Transport and communication	528,683	340,628
Government	839,101	147,373
Construction	83,676	49,219
Other services	599,923	707,681
Total	9,151,258	7,960,585

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

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

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

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Gross carrying amount:				
As at 1 January 2025	7,010,314	629,909	320,362	7,960,585
New assets originated	4,221,546	36,471	-	4,258,017
Assets derecognised/repaid	(2,588,714)	(186,948)	(135,217)	(2,910,879)
Transfer to Stage 1	18,676	(18,676)	-	-
Transfer to Stage 2	(12,052)	12,763	(711)	-
Transfer to Stage 3	(319)	-	319	-
Write off	-	-	(156,465)	(156,465)
As at 31 December 2025	8,649,451	473,519	28,288	9,151,258

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Gross carrying amount:				
As at 1 January 2024	6,023,514	660,706	488,344	7,172,564
New assets originated	3,003,323	117,625	1,017	3,121,965
Assets derecognised/repaid	(1,985,189)	(148,739)	(117,479)	(2,251,407)
Transfer to Stage 1	3,465	(3,465)	-	-
Transfer to Stage 2	(21,996)	21,996	-	-
Transfer to Stage 3	(12,803)	(18,214)	31,017	-
Write off	-	-	(82,537)	(82,537)
As at 31 December 2024	7,010,314	629,909	320,362	7,960,585

Movement in the provision for expected credit loss of loans and advances and Islamic financing receivables:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
ECL allowances:				
As at 1 January 2025	41,275	45,283	98,357	184,915
Net impairment charged during the period	(4,409)	3,733	94,815	94,139
Others	-	-	5,857	5,857
Recoveries	-	-	(41,910)	(41,910)
Transfer to Stage 1	1,634	(1,634)	-	-
Transfer to Stage 2	(64)	64	-	-
Transfer to Stage 3	(23)	(10,000)	10,023	-
Write off	-	-	(156,465)	(156,465)
As at 31 December 2025	38,413	37,446	10,677	86,536

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

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

Movement in the provision for expected credit loss of loans and advances and Islamic financing receivables (continued):

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
ECL allowances:				
As at 1 January 2024	47,727	33,347	100,736	181,810
Net impairment charged during the period	(5,876)	11,762	87,288	93,174
Recoveries	-	-	(7,532)	(7,532)
Transfer to Stage 1	59	(59)	-	-
Transfer to Stage 2	(582)	582	-	-
Transfer to Stage 3	(53)	(349)	402	-
Write off	-	-	(82,537)	(82,537)
As at 31 December 2024	41,275	45,283	98,357	184,915

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

31 December 2025				
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Performing	8,649,451	473,519	-	9,122,970
Stage 3a	-	-	22,381	22,381
Stage 3b	-	-	194	194
Stage 3c	-	-	5,713	5,713
Total gross carrying amount	8,649,451	473,519	28,288	9,151,258
Expected credit loss	(38,413)	(37,446)	(10,677)	(86,536)
Carrying amount	8,611,038	436,073	17,611	9,064,722

31 December 2024				
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Performing	7,010,314	629,909	-	7,640,223
Stage 3a	-	-	56,973	56,973
Stage 3b	-	-	45,901	45,901
Stage 3c	-	-	217,488	217,488
Total gross carrying amount	7,010,314	629,909	320,362	7,960,585
Expected credit loss	(41,275)	(45,283)	(98,357)	(184,915)
Carrying amount	6,969,039	584,626	222,005	7,775,670

The stage 3 loans as at 31 December 2025 amounted to AED 28,288 thousand (31 December 2024: AED 320,362 thousand) which is covered by collateral of AED 67,281 thousand (31 December 2024: AED 1,008,027 thousand) and provision for expected credit loss of AED 10,677 thousand (31 December 2024: AED 98,357 thousand) aggregating to AED 77,958 thousand (31 December 2024: AED 1,106,384 thousand) which is 2.76 times (31 December 2024: 3.45 times) of the stage 3 loans.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

7. Investment securities

	2025 AED'000	2024 AED'000
Securities at FVTPL		
Quoted equity securities	22,995	24,366
Discretionary funds managed by third parties – quoted equity securities	387	247
	<u>23,382</u>	<u>24,613</u>
Securities at FVOCI		
Quoted equity securities	1,316,049	1,003,809
Unquoted equity securities	56,923	50,886
	<u>1,372,972</u>	<u>1,054,695</u>
Securities at amortised cost		
Quoted debt instruments	1,716,926	661,553
Total investment securities	3,113,280	1,740,861
Provision for expected credit loss	(1,463)	(2,237)
Net investment securities	3,111,817	1,738,624

Gross investment securities by geographical area:

	2025 AED'000	2024 AED'000
Within U.A.E.	2,126,862	1,485,641
Within GCC	930,687	205,527
Other countries	55,731	49,693
	<u>3,113,280</u>	<u>1,740,861</u>

Gross investment securities by currency:

	2025 AED'000	2024 AED'000
AED	1,340,124	1,054,263
USD	1,772,657	686,239
Others	499	359
	<u>3,113,280</u>	<u>1,740,861</u>

All debt investments are classified as Stage 1 (31 December 2024: Stage 1) with corresponding ECL of AED 1,463 thousand (31 December 2024: AED 2,237 thousand).

Quoted debt securities aggregating AED 1,716,926 thousand (2024: AED 661,553 thousand) 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.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

7. Investment securities (continued)

	2025 AED '000	2024 AED '000
Movement in investment securities:		
Balance as at 1 January	1,740,861	1,442,874
Purchase of investment securities	1,236,960	273,770
Disposal and maturity of investment securities	(208,255)	(118,935)
Net fair value (loss)/ gain on investment securities at FVTPL	(1,077)	703
Net discount amortised on investment securities at amortised cost	474	2,618
Foreign exchange revaluation	-	(3)
Net fair value gain on investment securities at FVOCI	344,317	139,834
	<u>3,113,280</u>	<u>1,740,861</u>
Balance as at 31 December		

An analysis of the investment in debt securities based on external credit ratings is as follows:

	2025 AED '000	2024 AED '000
Investment Grade	1,285,831	420,815
Non Investment grade	394,647	240,738
Unrated	36,448	-
	<u>1,716,926</u>	<u>661,553</u>

*Unrated investments represent the investments made in Government related Companies.

Debt investments 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, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

31 December 2025				
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Outstanding balance	1,716,926	-	-	1,716,926
Provision for expected credit loss	(1,463)	-	-	(1,463)
Carrying amount	<u>1,715,463</u>	<u>-</u>	<u>-</u>	<u>1,715,463</u>
31 December 2024				
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Outstanding balance	661,553	-	-	661,553
Provision for expected credit loss	(2,237)	-	-	(2,237)
Carrying amount	<u>659,316</u>	<u>-</u>	<u>-</u>	<u>659,316</u>

Debt investments are in stage 1 throughout the period. Accordingly, there have been no significant movements between stages in respect of these financial assets.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

7. Investment securities (continued)

Movement in the provision for expected credit loss of investment securities:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
ECL allowances :				
As at 1 January 2025	2,237	-	-	2,237
Net impairment reversed during the period	(774)	-	-	(774)
As at 31 December 2025	1,463	-	-	1,463

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
ECL allowances :				
As at 1 January 2024	411	-	-	411
Net impairment charged during the period	1,826	-	-	1,826
As at 31 December 2024	2,237	-	-	2,237

8. Investment in an associate

The details of associate is as follows:

Name of the associate	Principal activity	Place of incorporation	Ownership (%)	2025 AED'000	2024 AED'000
Tasareeh Business Men Center LLC	Providing visa application and renewal services, other business men services.	Dubai, UAE	2024-30% 2025-0%	-	252

Movement in the investment in an associate for the year:

	2025 AED '000	2024 AED '000
Balance as at 1 January	252	419
Share of losses from an associate	(257)	(309)
Share of OCI from an associate	5	142
	<hr/>	<hr/>
Balance as at 31 December	-	252
	<hr/>	<hr/>

Associate was disposed during the year for a consideration and a profit of AED 700 thousand. The profit on disposal is recorded in Investment gains (Note 22)

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

9. Property and equipment

	Land and buildings* AED'000	Computers and equipment** AED'000	Furniture and fixtures AED'000	Right of use assets and Leasehold Improvements AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost							
31 December 2023	138,323	143,428	5,818	13,994	549	5,871	307,983
Additions	54	5,178	79	3,915	369	18,451	28,046
Disposals	(27,848)	(281)	(91)	(883)	(240)	(18)	(29,361)
Transfers	-	6,692	-	850	-	(7,542)	-
31 December 2024	110,529	155,017	5,806	17,876	678	16,762	306,668
Additions	25	2,790	306	83	-	10,342	13,546
Disposals	(189)	(1,299)	(133)	(1,261)	-	-	(2,882)
Transfers	306	7,192	-	-	-	(7,498)	-
31 December 2025	110,671	163,700	5,979	16,698	678	19,606	317,332
Accumulated depreciation							
31 December 2023	95,931	122,392	5,765	11,920	507	-	236,515
Charge for the year	2,980	8,242	73	2,122	109	-	13,526
Eliminated on disposals	(14,203)	(278)	(91)	(883)	(240)	-	(15,695)
31 December 2024	84,708	130,356	5,747	13,159	376	-	234,346
Charge for the year	1,699	12,469	191	1,868	74	-	16,301
Eliminated on disposals	(146)	(1,281)	(133)	(1,261)	-	-	(2,821)
31 December 2025	86,261	141,544	5,805	13,766	450	-	247,826
Net carrying amount							
31 December 2025	24,410	22,156	174	2,932	228	19,606	69,506
31 December 2024	25,821	24,661	59	4,717	302	16,762	72,322

*Land and buildings include land costing AED 22.9 million (2024: AED 22.9 million) which is not depreciated. Capital work in progress represents expenditure incurred on land and buildings, computer and equipment, furniture and fixtures and leasehold improvements.

**Net carrying amount of software included in Computers and equipment amounts to AED 14.72 million as at 31 December 2025. (AED 13.73 million as at 31 December 2024).

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

10. Other assets

	2025 AED '000	2024 AED '000
Interest receivable	133,591	91,108
Assets acquired in settlement of debt*	56,683	65,126
Cash in transit	51,536	28,610
Prepayments and deposits	9,119	8,858
Sundry assets	5,038	19,289
	<u>255,967</u>	<u>212,991</u>

* During 2025, the Group has recorded an impairment on its assets acquired in settlement of debt amounting to AED 6,699 thousand (2024: AED 9,918 thousand).

11. Customers' deposits and Islamic customer deposits

	2025 AED '000	2024 AED '000
Time deposits	7,126,995	5,669,693
Current accounts	5,934,340	4,190,182
Call deposits	1,212,516	1,271,658
Savings deposits	164,385	158,306
Islamic Customer deposits	1,208,020	73,392
Margin deposits	55,612	42,585
	<u>15,701,868</u>	<u>11,405,816</u>

12. Other liabilities

	2025 AED '000	2024 AED '000
Interest payable	122,086	97,926
Cheques on selves	114,313	44,982
Provision for income tax (Note 24.2)	51,550	45,025
Accounts payable	27,193	28,063
Provision for employees' end of service benefits (Note 12.1)	26,245	24,469
Other staff benefits payable	4,305	1,915
Provision for expected credit loss on commitments and contingencies (Note 17)	10,113	11,146
Provision for expected credit loss on acceptance	492	230
Dividend payable	8,723	8,723
Lease liability	1,735	2,536
Deferred tax liability (Note 24.4)	1,416	738
Other	30,397	27,019
	<u>398,568</u>	<u>292,772</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

12. Other liabilities (continued)

12.1 Movement in provision for employees' end of service benefits:

	2025 AED '000	2024 AED '000
Balance as at 1 January	24,469	21,398
Provision made during the year	3,763	3,540
Payments made during the year	(1,987)	(469)
Balance as at 31 December	26,245	24,469

13. Share capital

	2025 AED '000	2024 AED '000
Issued and fully paid:		
2,000 million ordinary shares of AED 1 each		
(2024- 2,000 million ordinary shares of AED 1 each)	2,000,000	2,000,000

14. Statutory reserve

In accordance with the UAE Federal Law No (32) of 2021, as amended, and UAE Federal Decree-Law No. (6) of 2025, 10% of the profit for the year is transferred to a statutory reserve until such time as the balance in the reserve equals 50% of the paid up share capital. No profit was transferred in the current year to the statutory reserve, as it exceeds 50% of the issued share capital of the Group. This reserve is not available for distribution.

15. General reserve

The Group maintains a general reserve and the contributions to this reserve are made at the discretion of the Directors. This reserve may be utilized for any purpose to be determined by a resolution of the shareholders of the Group at an Ordinary General Meeting.

16. Impairment Reserve - General

As per the new credit risk management standards (CRMS) issued by CBUAE, Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.50% of the Credit Risk weighted assets as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non-distributable balance sheet reserve called the 'Impairment reserve-general'. The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for Banks) when computing the regulatory capital.:

	2025 AED '000	2024 AED '000
Impairment reserve – General (Non-distributable)		
Minimum provision for Stage 1 & 2 as per CBUAE requirements	218,440	184,786
Less: Stage 1 and 2 impairment provision taken against income	(88,513)	(103,300)
Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirements	129,927	81,486
Balance of Impairment reserve - general as at 1 January	81,486	74,797
Add: Non-distributable reserve during the year (Impairment reserve-general)	48,441	6,689
Balance of Impairment reserve - general as at 31 December	129,927	81,486

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

17. Commitments and contingencies

a) The contractual amounts of the Group's commitments and contingencies are as follows:

	2025 AED '000	2024 AED '000
Guarantees	1,495,983	1,510,937
Letters of credit	88,525	130,530
	<u>1,584,508</u>	<u>1,641,467</u>
Commitments to extend credit*	1,192,173	1,200,050
	<u>2,776,681</u>	<u>2,841,517</u>

*ECL for commitments to extend credit as at 31 December 2025 amounts to AED 3,375 thousand (31 December 2024: AED 4,495 thousand) out of which AED 1,056 thousand (31 December 2024: AED 1,910 thousand) pertains to loans and advances and AED 2,319 thousand (31 December 2024: AED 2,585 thousand) pertains to contingencies and commitments.

	2025 AED '000	2024 AED '000
By geographical area		
Within the U.A.E.	2,687,611	2,710,381
Outside the U.A.E.	89,070	131,136
	<u>2,776,681</u>	<u>2,841,517</u>

Guarantees, which represent irrevocable assurances that the Group will make payment in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Letters of credit are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group, up to a stipulated amount, under specific terms and conditions. These letters of credit are collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss, though not quantifiable, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

While there is some risk associated with the remainder of commitments, the risk is viewed as low-modest, since it results firstly from the possibility of the unused portion of loan authorizations being drawn by the customer, and second, from these drawings subsequently not being repaid as due. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of risk than shorter term commitments.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

17. Commitments and contingencies (continued)

b) Capital commitments

At 31 December 2025, the Group has capital commitments of AED 7,225 thousand (2024: AED 5,697 thousand).

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 December 2025			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Outstanding balance	1,534,546	6,207	43,755	1,584,508
Allowances for impairment (ECL)	(9,533)	(195)	(385)	(10,113)
Carrying amount	1,525,013	6,012	43,370	1,574,395

	31 December 2024			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Outstanding balance	1,589,266	6,412	45,789	1,641,467
Allowances for impairment (ECL)	(10,740)	(76)	(330)	(11,146)
Carrying amount	1,578,526	6,336	45,459	1,630,321

Movement in the gross balance of commitment and contingencies:

Outstanding balance	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Gross carrying amount – 31 December 2024	1,589,266	6,412	45,789	1,641,467
Increase in commitments	290,447	3,474	-	293,921
Decrease in commitments	(344,714)	(4,219)	(1,947)	(350,880)
Transferred to Stage 1	158	(158)	-	-
Transferred to Stage 2	(458)	698	(240)	-
Transferred to Stage 3	(153)	-	153	-
Gross carrying amount – 31 December 2025	1,534,546	6,207	43,755	1,584,508

Outstanding balance	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Gross carrying amount - 31 December 2023	1,632,332	1,724	71,145	1,705,201
Increase in commitments	316,660	-	-	316,660
Decrease in commitments	(358,341)	(1,174)	(20,879)	(380,394)
Transferred to Stage 2	(1,000)	5,862	(4,862)	-
Transferred to Stage 3	(385)	-	385	-
Gross carrying amount - 31 December 2024	1,589,266	6,412	45,789	1,641,467

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

17. Commitments and contingencies (continued)

Movement in the expected credit loss of commitment and contingencies:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
ECL allowances as at 31 December 2024	10,740	76	330	11,146
Increase in commitments	1,965	194	55	2,214
Decrease in commitments	(3,172)	(75)	-	(3,247)
Closing balance as at 31 December 2025	9,533	195	385	10,113

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
ECL allowances as at 31 December 2023	6,382	-	-	6,382
Increase in commitments	10,023	52	363	10,438
Decrease in commitments	(5,663)	23	-	(5,640)
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	(1)	-	1	-
Write off	-	-	(34)	(34)
Closing balance as at 31 December 2024	10,740	76	330	11,146

The provision for ECL against the off-balance sheet exposures disclosed above, amounting to AED 10,113 thousand (2024: AED 11,146 thousand) is classified under other liabilities.

Grading of commitment and contingencies along with stages:

	31 December 2025			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Performing	1,534,546	6,207	-	1,540,753
Stage 3a	-	-	943	943
Stage 3b	-	-	9	9
Stage 3c	-	-	42,803	42,803
Total gross carrying amount	1,534,546	6,207	43,755	1,584,508
Expected credit loss	(9,533)	(195)	(385)	(10,113)
Carrying amount	1,525,013	6,012	43,370	1,574,395

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

17. Commitments and contingencies (continued)

Grading of commitment and contingencies along with stages (continued)

	31 December 2024		
	Stage 1	Stage 2	Stage 3
	AED'000	AED'000	AED'000
Total			
AED'000			
Performing	1,589,266	6,412	-
Stage 3a	-	-	1,840
Stage 3c	-	-	43,949
Total gross carrying amount	1,589,266	6,412	45,789
Expected credit loss	(10,740)	(76)	(330)
Carrying amount	1,578,526	6,336	45,459

18. Interest income and expense

	2025	2024
	AED '000	AED '000
Interest income		
Loans and advances	511,774	519,664
Deposits with the Central Bank of the U.A.E.	107,760	126,362
Due from other banks	271,239	229,170
Investment in debt securities	60,546	27,229
	951,319	902,425

	2025	2024
	AED '000	AED '000
Interest expense		
Financial liabilities at amortized cost		
Customers' deposits	307,197	256,313
Other financial and non-financial liabilities	573	186
	307,770	256,499

19. Net fees and commission income

	2025	2024
	AED'000	AED'000
Fees and commission income	38,722	33,175
Fees and commission expenses	(3,848)	(3,259)
Net fees and commission income	34,874	29,916

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

20. Other operating income

	2025 AED '000	2024 AED '000
Recoveries from written off customers	132,726	68,227
Rental income	8,836	9,083
Foreign exchange income, net	7,297	5,357
Other	5,581	10,897
	<u>154,440</u>	<u>93,564</u>

21. Operating expenses

	2025 AED '000	2024 AED '000
Staff expenses	132,613	113,492
Depreciation (Note 9)	16,301	13,526
Information technology expenses	21,866	17,587
Occupancy costs	8,481	9,082
Professional fees	7,942	6,725
Directors' remuneration	3,000	3,000
Other	21,391	16,369
	<u>211,594</u>	<u>179,781</u>

22. Investment gains

	2025 AED '000	2024 AED '000
Dividend income	62,623	54,405
Fair value gains on investment securities at FVTPL	(1,077)	703
Foreign exchange revaluation	-	(3)
Other investment income	1,150	-
	<u>62,696</u>	<u>55,105</u>

23. Net impairment losses

	2025 AED'000	2024 AED'000
Loans and advances and Islamic financing receivables	52,229	85,642
Due from other banks	(2,486)	2,280
Investment securities	(774)	1,826
Acceptances and off-balance sheet items	(771)	4,697
Impairment of other assets	11,362	9,918
	<u>59,560</u>	<u>104,363</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

24. Income tax expense

The components of income tax expense recognized in the financial statements are as follows:

	2025 AED'000	2024 AED'000
Consolidated income statement		
Current tax charge(Note 24.2)	51,550	44,755
Consolidated statement of comprehensive income		
Deferred tax charge on unrealized gain on revaluation of FVOCI equity (Note 24.4)	678	738
Consolidated statement of changes in equity		
Current tax charge on realized gain of FVOCI equity	-	270

24.1 Reconciliation of the total tax charge	2025 AED'000	2024 AED'000
Accounting profit before tax	632,299	550,781
Tax at statutory income tax rate of 9%	56,907	49,570
Add: Non-deductible expenses	266	61
Add: Share of loss from an associate	23	28
Income not subject to tax	(5,646)	(4,904)
Income tax expense reported in the consolidated income statement	51,550	44,755
Effective tax rate	8.15%	8.13%

24.2 Movement in current tax provision	2025 AED '000	2024 AED '000
Balance as at 1 January	45,025	-
Provision made during the year	51,550	45,025
Payments made during the year	(45,025)	-
Balance as at 31 December (Note 12)	51,550	45,025

24.3 Deferred tax

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2025 AED '000	2024 AED '000	2025 AED '000	2024 AED '000
Revaluation of financial investments - equity instruments at fair value through OCI	1,416	738	678	738
Deferred tax expense			678	738
Net deferred tax liabilities	1,416	738		

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

24. Income tax expense(continued)

24.4 Movement in deferred tax provision

	2025 AED '000	2024 AED '000
Balance as at 1 January	738	-
Tax expense during the period recognised in OCI	678	738
Balance as at 31 December (Note 12)	1,416	738

25. Basic and diluted earnings per share

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

	2025	2024
Profit for the year in AED	580,749,000	506,026,000
Average number of shares in issue	2,000,000,000	2,000,000,000
Basic earnings per share in AED	0.29	0.25

There were no potentially dilutive shares as at 31 December 2025 and 2024.

26. Dividend per share

Payment of cash dividend of 20% of the share capital amounting to AED 400,000 thousand for year ended 31 December 2025 has been approved by the UAE Central Bank. (2024 : 18% of the share capital amounting to AED 360,000 thousand).

27. Related party transactions

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

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

	2025 AED'000	2024 AED'000
Transactions during the year		
Interest income	442	2,336
Interest expense	187,867	166,585
Other income	155	146
Directors' and key management personnel's remuneration	8,696	8,209

The Group has entered into transactions with related parties which were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with third parties.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

27. Related party transactions (continued)

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

	2025 AED'000	2024 AED'000
Balances with major shareholders		
Loans and advances	-	345
Deposits	6,550,591	4,887,348
Irrevocable commitments and contingent liabilities	3,270	3,022
Balances with directors and related companies		
Loans and advances	18,707	9,119
Deposits	164,521	174,958
Irrevocable commitments and contingent liabilities	99,882	103,827
Balances with key management personnel		
Loans and advances	387	60
Deposits	400	651
Irrevocable commitments and contingent liabilities	95	85

The loans and advances and Islamic financing receivables given to related parties and key management personnel have been secured against collateral amounting to AED 11,920 thousand (31 December 2024: AED 15,770 thousand). All loans and advances to related parties are classified as Stage 1 (31 December 2024: Stage 1) with corresponding ECL of AED 269 thousand (31 December 2024: AED 384 thousand).

28. Cash and cash equivalents

	2025 AED '000	2024 AED '000
Cash and balances with the Central bank of the U.A.E. (Note 4)	2,736,567	2,590,559
Due from other banks (Note 5)	7,413,158	5,297,564
	<u>10,149,725</u>	<u>7,888,123</u>
Statutory cash reserve deposit (Note 4)	(1,090,840)	(755,039)
Due from other banks with original maturity over 3 months	(6,017,983)	(1,830,203)
	<u>3,040,902</u>	<u>5,302,881</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

29. Business segments

The Group is organized into two main business segments:

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

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

Others- Other consists of assets, liabilities, income and expenses attributable to either head office or not directly related to business segments.

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

Primary segment information

	Retail and corporate banking AED'000	Treasury and investments AED'000	Others AED'000	Total AED'000
31 December 2025				
Net interest income and income from Islamic products net of distribution to depositors	255,478	396,274	(52)	651,700
Net fees and commission income	32,079	1,304	1,491	34,874
Other operating income	137,862	6,570	10,008	154,440
Gross income	425,419	404,148	11,447	841,014
Operating expenses	(53,226)	(3,091)	(155,277)	(211,594)
Investment gains	-	61,996	700	62,696
Share of loss from an associate	-	-	(257)	(257)
Provision for impairment on financial assets and non-financial assets	(63,920)	4,360	-	(59,560)
Income tax expense	-	-	(51,550)	(51,550)
Segment result	308,273	467,413	(194,937)	580,749
Segment assets	11,420,796	11,143,662	325,474	22,889,932
Segment liabilities and equity	15,278,447	-	7,611,485	22,889,932

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

29. Business segments (continued)

Primary segment information (continued)

	Retail and corporate banking AED'000	Treasury an investments AED'000	Others AED'000	Total AED'000
31 December 2024				
Net interest income and income from Islamic products net of distribution to depositors	282,925	373,800	(76)	656,649
Net fees and commission income	27,309	542	2,065	29,916
Other operating income	74,353	5,833	13,378	93,564
Gross income	384,587	380,175	15,367	780,129
Operating expenses	(47,609)	(2,074)	(130,098)	(179,781)
Investment gains	-	55,105	-	55,105
Share of loss from an associate	-	-	(309)	(309)
Provision for impairment on financial assets and non-financial assets	(100,101)	(4,262)	-	(104,363)
Income tax expense	-	-	(44,755)	(44,755)
Segment result	236,877	428,944	(159,795)	506,026
Segment assets	8,155,782	9,439,113	285,565	17,880,460
Segment liabilities and equity	10,915,159	-	6,965,301	17,880,460

30. Classification and fair value of financial and non-financial instruments

Assets	At amortised cost AED'000	At FVTPL AED'000	At FVOCI AED'000	Non-financial instruments AED'000	Total AED'000
31 December 2025					
Cash and balances with the Central Bank of the U.A.E.	2,736,567	-	-	-	2,736,567
Due from other banks	7,412,185	-	-	-	7,412,185
Loans and advances and Islamic financing receivables	9,064,722	-	-	-	9,064,722
Investment securities	1,715,463	23,382	1,372,972	-	3,111,817
Customers' acceptances	239,168	-	-	-	239,168
Property and equipment	-	-	-	69,506	69,506
Other assets	190,165	-	-	65,802	255,967
Total assets	21,358,270	23,382	1,372,972	135,308	22,889,932

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

30. Classification and fair value of financial and non-financial instruments (continued)

	At amortised cost AED'000	At FVTPL AED'000	At FVOCI AED'000	Non-financial instruments AED'000	Total AED'000
31 December 2024					
Cash and balances with the Central Bank of the U.A. E	2,590,559	-	-	-	2,590,559
Due from other banks	5,294,105	-	-	-	5,294,105
Loans and advances and Islamic financing receivables	7,775,670	-	-	-	7,775,670
Investment securities	659,316	24,613	1,054,695	-	1,738,624
Customers' acceptances	195,937	-	-	-	195,937
Investment in an associate	-	-	-	252	252
Property and equipment	-	-	-	72,322	72,322
Other assets	139,007	-	-	73,984	212,991
Total assets	16,654,594	24,613	1,054,695	146,558	17,880,460

Liabilities	At amortised Cost AED'000	Non-financial instruments AED'000	Total AED'000
31 December 2025			
Customers' deposits and Islamic customer deposits	15,701,868	-	15,701,868
Customers' acceptances	239,168	-	239,168
Other liabilities	302,713	95,855	398,568
Total liabilities	16,243,749	95,855	16,339,604
31 December 2024			
Customers' deposits and Islamic customer deposits	11,405,816	-	11,405,816
Customers' acceptances	195,937	-	195,937
Other liabilities	206,713	86,059	292,772
Total liabilities	11,808,466	86,059	11,894,525

The Group has not designated any liabilities as FVOCI or FVTPL as at 31 December 2025 and 2024.

Fair value measurements

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

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

30. Classification and fair value of financial and non-financial instruments (continued)

Fair value measurements (continued)

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

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

Fair value of financial instruments measured at amortised cost

The fair value of the quoted debt instruments at amortised cost as at 31 December 2025 amounted to AED 1,739,353 thousand (31 December 2024: AED 659,789 thousand). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Except as detailed above, the management considers that the carrying amounts of financial assets and liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used for the year ended 31 December 2024.

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

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

	Fair value as at		Fair value hierarchy
	31 December 2025 AED '000	31 December 2024 AED '000	
Financial assets			
Financial assets at FVTPL			
Quoted equity Securities	22,995	24,366	Level 1
Discretionary funds managed by third parties – quoted equity securities	387	247	Level 1
Financial assets at FVOCI			
Quoted equity securities	1,316,049	1,003,809	Level 1
Unquoted equity securities	1,193	1,193	Level 3
Unquoted equity securities	55,730	49,693	Level 2
Positive fair value of derivatives	92	16	Level 2
Negative fair value of derivatives	12	1	Level 2

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

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance. The Group's exposure can be broadly categorized into the following defined Material Risks:

- Credit risk
- Liquidity risk
- Market risk (includes currency risk and interest rate risk)
- Operational risk (includes risks arising from Group's processes, personnel, technology, legal, regulatory requirements and information security risks)

Reputational and strategic business risks are interrelated to the above defined Material Risks. These risks are considered through the Group's strategic planning and general risk management activities. NBQ risk management strategy is focused on ensuring awareness, measurement and appropriate oversight to these defined material risks. The Group remains focused in further developing its enterprise risk management culture, practices and processes proactively on an ongoing basis.

The Group has complied with the 'Capital Adequacy Regulations' issued by the Central Bank of the U.A.E. Relevant information / details have been disclosed in note 36.

Credit risk

The Group assumes credit risk as part of its lending operations, which is identified as the risk that the counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk exposures arise principally in loans and advances, due from banks and investment securities measured at amortized cost. There is also credit risk in off-balance sheet financial arrangements such as letters of credit, guarantees and undrawn loan commitments. The credit risk management and control are centralized within the Credit Risk Department guided by the following objectives:

- To measure, monitor and mitigate credit risks both at micro as well as macro level.
- To facilitate building and sustaining a high quality credit portfolio and minimize losses.
- Identification of early warning signals and timely corrective action.

Credit Risk Mitigation

The Bank relies on primary cash flows and secondary cash flows to assess repayment capacity of the Borrowers. While good repayment capacity is a key requirement, for any unforeseen circumstances, the Bank looks for alternate sources of recovery such as credit insurance, personal guarantee, corporate guarantee, collateral etc based on assessment of each borrower.

Collateral - It is a common practice to obtain collateral securities to safeguard the interest of the Group in case of default. Such mitigant are backed by proper documentation and legally binding agreements. The most common forms of tangible securities accepted by the Group are land and building, listed equity shares, fixed deposits under lien, vehicles etc.

Other comforts - personal guarantees and corporate guarantees are also taken as comfort, wherever deemed essential.

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management (continued)

Credit risk (continued)

Internal credit risk ratings

To assess the creditworthiness of the borrowers, the Group has in place an internal credit risk rating system. The Group's credit risk grading framework comprises 15 categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are considered in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Changes in business, financial and economic conditions;
- Information obtained by periodic review of customer files including audited financial statements review
- Extent of utilization of granted limit;

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The table below provides a mapping of the Group's internal credit risk grades:

Group's credit risk grades	Grade	Description
1	AAA	Substantially Risk Free
2	AA+	Low Risk
3	AA	Minimal Risk
4	AA-	Modest Risk
5	A+	Average Risk
6	A	Above Average Risk
7	A-	Medium Risk
8	BBB	Medium to High Risk
9	BB+	Moderately High Risk
10	BB	Significant Risk
11	B+	Watchlist
12	B	Watchlist
13	C	Stage 3a
14	D	Stage 3b
15	E	Stage 3c

The Group analyses all historical default data collected in the past several years and uses statistical models to estimate the forward-looking PDs. The Modelling also includes macro-economic data such as GDP growth, Real Estate prices, oil prices, occupancy rates etc. The Group generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management (continued)

Credit risk (continued)

Incorporation of forward-looking information

The Group uses forward-looking information in its measurement of ECL. The Group use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data.

Measurement of ECL

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These elements are derived from internally developed statistical models based on historical data and data available from reliable sources. They are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. PDs applied to various categories of counterparties and exposures is based on internal and external ratings and stage of the counterparty. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors.

LGD is an estimate of the magnitude of loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realization of collateral, cross- collateralization, seniority of claim and cost of realization of collateral. LGD models for unsecured assets consider time of recovery & recovery rates. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD represents the expected exposure at a future default date. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation and payment of principal and interest. The EAD of a financial asset will be the gross carrying amount at default. For lending commitments and financial guarantees, the EAD will consider the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on credit conversion factors.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management (continued)

Credit risk (continued)

The measurement of ECL is based on probability weighted average credit loss

Weighted average ECL is calculated considering base case, upside and downside scenarios multiplied by the associated scenario weightings, at the contract level for reflection of the ECL impact in the books of accounts.

The most significant period-end assumptions used for ECL estimate as at 31 December 2025 are set out below. The scenarios base case, upside and downside were used for all portfolios keeping in view the following principal macroeconomic variables:

Macroeconomic variables	Scenario	Assigned probabilities	2025	2026	2027	2028
Real Gross Domestic Product [GDP] - Market exchange rate YoY change (%)	Base case	40%	4.79%	5.38%	4.31%	4.40%
	Upside	30%	4.79%	7.23%	5.80%	4.43%
	Downside	30%	4.79%	0.45%	-2.30%	5.62%
International reserves - Official reserve assets Lag 3Q	Base case	40%	233.27	274.16	275.84	262.90
	Upside	30%	233.27	275.22	282.74	271.18
	Downside	30%	233.27	262.96	192.27	206.91
ADX General Index QoQ change	Base case	40%	185.96	(31.23)	15.51	39.91
	Upside	30%	185.96	141.34	7.25	22.92
	Downside	30%	185.96	(889.01)	66.04	184.86

Sensitivity analysis

If the scenario weightage for above macro economic variables were to change by using 5% increase in Downturn Scenarios weightage and 5% decrease in Upturn scenario's weightage, will change Stage 1&2 ECL by following percentage point.

Change in ECL	Downturn scenario increased by 5% upturn scenario reduced by 5%
Stage 1	4.34% +
Stage 2	2.32% +

Credit quality

The credit quality of the loans and advances and Islamic financing receivables is managed by the Group using internal credit ratings comprising 15 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 Central Bank of the U.A.E guidelines.

An analysis of the Group's credit risk exposure per class of financial asset and "stage" without taking into account the effects of any collateral or other credit enhancements along with a summary of the movement in provision for expected credit loss on financial instruments by category is provided note 6 for loans and advances and Islamic financing, note 5 for due from other banks, note 7 for investment securities and note 17 for commitments and contingencies.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management (continued)

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of the counterparty to honor its obligations to deliver cash, securities or other assets as contractually due. Any delays (if any) in settlement are monitored and quantified as part of the Group's Credit Risk Management.

Risk mitigation, collateral and credit enhancements

In line with Basel and IFRS 9 standards, the Credit Risk Management Framework (CRMF) outlines the basis pertaining to the eligibility, valuation, roles & responsibilities of various departments and overall management of collateral in order to adopt effective credit risk mitigation mechanism and maximize the use of eligible collateral.

The eligible collateral under IFRS 9 helps in arriving at EAD and LGD for Expected Credit Loss (ECL) calculations. As for measuring ECL, the expected cash shortfalls will reflect via LGD the cash flows expected from collateral realization provided the same are as per contractual terms.

The Group manages credit exposure by obtaining security where appropriate.

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. 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 an estimate of fair value of collateral and other security enhancements held against the loan and Islamic financing portfolio is shown on below:

	Funded balance AED'000	Non-funded balance AED'000	Immovable collateral AED'000	Other collateral AED'000	Total collateral AED'000
2025					
Stage1	8,649,451	1,773,011	11,073,218	1,578,991	12,652,209
Stage2	473,519	6,910	992,137	2,282	994,419
Stage3	28,288	43,755	67,281	-	67,281
Total	9,151,258	1,823,676	12,132,636	1,581,273	13,713,909
	Funded balance AED'000	Non-funded balance AED'000	Immovable collateral AED'000	Other collateral AED'000	Total collateral AED'000
2024					
Stage1	7,010,314	1,785,204	9,011,713	780,673	9,792,386
Stage2	629,909	6,413	1,440,839	5,897	1,446,736
Stage3	320,362	45,788	1,008,027	-	1,008,027
Total	7,960,585	1,837,405	11,460,579	786,570	12,247,149

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements:

	Maximum exposure	
	2025	2024
	AED'000	AED'000
<i>Credit risk exposures relating to :</i>		
On-balance sheet:		
Balances with Central Bank of the U.A.E.	2,656,241	2,504,096
Due from other banks	7,412,185	5,294,105
Loans and advances and Islamic financing receivables	9,064,722	7,775,670
Customer acceptances	239,168	195,937
Investment securities	1,715,463	659,316
Other assets	190,165	139,007
Total	21,277,944	16,568,131
Off-balance sheet:		
Loan commitments and other off balance sheet items	2,776,681	2,841,517
Total	24,054,625	19,409,648

Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

Credit exposures to individual customers or customer groups are controlled through a tiered hierarchy of delegated approval authorities. Approval is required from the Central Bank of the U.A.E for exposures which are likely to exceed single counterparty / group limit(s), keeping in view the regulatory capital base, in accordance with the regulations of monitoring of large exposure limits issued by the Central Bank of the U.A.E. The Group monitors concentrations of credit risk by industry, sector and geographic location.

Please refer Note 6 for Loans and advances and Islamic financing receivables by economic sector. The real estate concentration ratio (Real estate credit risk weighted assets as a percentage of total credit risk weighted assets) remains well below the CBUAE stipulated real estate ratio norm of 30%.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management (continued)

Credit risk and risk weights

31 December 2025

Asset classes	Credit Risk Mitigation (CRM)				Risk Weighted Assets AED '000
	Gross outstanding AED '000	Exposure before CRM AED '000	CRM AED '000	Exposure after CCF AED '000	
Claims on sovereigns	4,218,219	4,218,219	-	4,218,219	570,705
Claims on banks	8,252,249	8,252,249	234	8,231,503	3,762,873
Claims on Corporate and Government Related Enterprises (GRE's)	7,089,866	7,089,866	111,301	6,170,546	5,718,792
Claims included in the regulatory retail portfolio	1,031,236	1,031,236	632,402	1,006,061	308,570
Claims secured by commercial real estate	3,389,653	3,389,653	21,810	3,261,077	3,239,268
Past due loans	72,067	61,006	2,055	61,006	87,485
Other assets	1,659,826	1,659,826	-	1,659,826	830,286
Claims secured by residential property	34,362	34,362	-	34,222	20,542
Higher risk category	13,399	13,399	-	13,399	20,098
Total claims	25,760,877	25,749,816	767,802	24,655,859	14,558,619
Total credit risk weighted assets					14,558,619

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management (continued)

Credit risk and risk weights (continued)

31 December 2024

Asset classes	Credit Risk Mitigation (CRM)				
	Gross outstanding AED '000	Exposure before CRM AED '000	CRM AED '000	Exposure after CCF AED '000	Risk Weighted Assets AED '000
Claims on sovereigns	2,880,796	2,880,796	-	2,880,796	203,636
Claims on banks	5,598,441	5,598,441	232	5,598,442	2,634,405
Claims on Corporate and Government Related Enterprises (GRE's)	7,477,874	7,477,871	776,224	6,453,219	5,290,782
Claims included in the regulatory retail portfolio	408,913	406,890	5,514	383,796	345,778
Claims secured by commercial real estate	2,805,888	2,805,039	25,143	2,691,774	2,666,631
Past due loans	415,266	270,670	2,707	270,670	332,842
Other assets	1,328,311	1,328,311	-	1,328,311	783,269
Claims secured by Residential property	14,862	14,862	-	14,679	14,474
Higher risk category	31,498	31,498	-	31,498	47,248
Total claims	<u>20,961,849</u>	<u>20,814,378</u>	<u>809,820</u>	<u>19,653,185</u>	<u>12,319,065</u>
Total credit risk weighted assets					<u>12,319,065</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management (continued)

Credit risk and risk weights (continued)

Loans and advances and Islamic financing receivables with renegotiated terms

A credit facility shall be defined as restructured facility if its approved credit terms are amended. Restructured accounts also include cases where a credit facility is fully settled by a simultaneous or subsequent disbursement of a new credit facility.

The Group modifies the terms of loans provided to customers from time to time, primarily in response to evolving client needs, commercial renegotiations, or the management of distressed exposures. Bank groups identifies restructured accounts either as non-distressed or distressed restructuring and follows applicable asset classification norms as per CBUAE Credit Risk Management Regulations of the Central Bank of the U.A.E. Following any modification, the credit risk of the asset is reassessed at the reporting date and compared with the credit risk under the original terms at initial recognition.

Where the Group determines that there has been a significant improvement in credit risk after restructuring, the financial asset may be transferred from Stage 3 to Stage 2 (lifetime ECL) or from Stage 2 to Stage 1 (12-month ECL). Such transfers are made only after the modified asset has demonstrated satisfactory performance in accordance with the revised terms over a specified period, in line with prevailing guidelines of Central Bank of the U.A.E.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss as "Other income".

Market risk

The Group understands the potential impact of market fluctuations and is vigilant about market risk, which refers to potential losses caused by changes in interest rates, currency exchange rates and security prices. These fluctuations can affect the value of our on-and-off-balance sheet positions, impacting the financial stability of the Group.

To mitigate market and liquidity risks, the Market Risk Unit (MRU) of the Group assesses the potential threats and provides a comprehensive analysis to the Asset and Liability Management Committee (ALCO) on a monthly basis.

Under Market Risk Management, the Group computes VaR and Stressed VaR on Equity Portfolio. Similarly for Bond Portfolio, DV01 is computed. MRU reports these market risk metrics along with other investment and liquidity ratios on a daily basis to senior management and concerned departments. These metrics are monitored against Board approved risk appetite limits.

MRU conducts independent price verification of Equities on daily basis as a prudent measure. Bank conducts Stress testing on market risk portfolios such as Equity, Bond, FX-open positions under various scenarios.

Liquidity Risk

Liquidity Risk poses a constant challenge to the Group's ability to fulfil its financial obligations promptly. This risk may arise from market disruptions, credit downgrades or reputational risks that affect funding sources as well as anticipated inflows from Credit and Investment Portfolio. To mitigate these challenges the bank adopts a strategy of diversifying the funding sources and strategically managing assets with a focus on liquidity.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management (continued)

Liquidity Risk (continued)

While Treasury department manages liquidity and funding, the MRU monitors and reports relevant metrics against the board approved risk limits, in alignment with the Bank's established Risk Appetite Statement.

In accordance with the regulations of the Central Bank of U.A.E. and compliance with Basel III requirements, the Group vigilantly tracks the Eligible Liquid Assets Ratio (ELAR) and Advances to Stable Resources Ratio (ASRR). Additionally, as a prudent measure MRU computes Structural Liquidity Ratio statement (SLR) to monitor the gaps versus limits across various time buckets along with other liquidity risk ratios.

Stress testing is used to describe and evaluate the impact of various stress events on Group's Net liquidity Position. In addition, the Group has established a Contingency Funding Plan designed to effectively manage the liquidity in critical stress situations by monitoring the early warning indicators.

Interest Rate Risk

Interest Rate Risk represents a critical financial challenge for the Group. It refers to the potential impact of changes in market interest rates on the Bank's capital and earnings. When market interest rates fluctuate, the value of assets, liabilities, and overall profitability can be significantly affected. Although interest rate risk arises in all types of financial instruments, it is most pronounced in debt instruments. MRU is assessing the interest rate impact on bond portfolio through DV01 metric.

The Bank manages its interest rate sensitivity position based on the timing differences in the maturity or repricing of assets and liabilities. MRU of the bank measures the impact of interest rate movement on capital and earnings by using the Economic Value of Equity (EVE) and Net Interest Income (NII) methodology. The impact on EVE and NII is computed monthly, and the results are presented to ALCO and on a quarterly basis to the Board Risk Committee.

In addition, the Market Risk Unit (MRU) conducts behavioral studies for Interest Rate Risk, taking into account historical customer behavior and prevailing market conditions. For Interest Rate Risk, the analysis includes metrics such as Conditional Prepayment Rate (CPR), Term Deposit Retention Rate (TDRR), and Non-Maturity Deposits (NMD).

Note 33 summarizes the Group's exposure to interest rate risk.

Currency Risk

Currency risk is the potential financial loss that arises from changes in the relative value of currencies. The Bank is exposed to fluctuations in the prevailing foreign exchange rates, which can affect its financial position and cash flow. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intraday positions, which are monitored by Treasury Department. MRU independently monitors the Net Open Position (NOP) and performs stress testing (quarterly basis) on NOP by applying shocks to FX rates. Note 34 summarizes the Group's exposure to foreign currency exchange risk.

Operational risk

Operational risk is the potential exposure/ risk of loss resulting as financial, reputational or other damage arising from inadequate or failed internal processes, people, systems or external events. The Group has implemented a detailed Operational Risk Policies and Procedures in accordance with Basel guidelines. This clearly articulates the roles and responsibilities of Business units and committees across the NBQ involved in the management of various operational risk elements. The Operational Risk Management Policies/ Procedures ensures that the operational risks within NBQ are properly identified, monitored, reported and actively managed. The key elements includes Risk Reviews, Risk & Control self-Assessment, Ops Loss Data management, Key Risk Indicators (KRI), Controls testing, Issues & Actions Management and Management Reporting. This fully encompasses and integrates elements of Fraud Risk Prevention.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Financial risk management (continued)

Operational risk (continued)

Business and support units are responsible for managing operational risks within their respective functional areas. They operate within the Group's operational risk management framework and ensure that risk is being pro-actively identified, monitored, reported and managed within their scope of work. The day-to-day operational risks are also managed through the adoption of multi-layers of defense and procedures to monitor transactions, positions and documentation, as well as maintenance of key backup procedures and business contingency plan which are regularly assessed and tested.

The role of the Internal Audit Function within the Group is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance with laws and regulations and measuring compliance with the Group's policies and procedures. Additionally, Internal Audit provides consulting services which are advisory in nature and are generally performed at the specific request of the Senior Management.

It is led by the Head of Internal Audit who reports to the Audit Committee of the Board, with administrative reporting line to the Chief Executive Officer. To perform its role effectively, Internal Audit has organizational independence from management, to enable unrestricted evaluation of management activities and personnel.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

32. Liquidity risk

The maturities of assets and liabilities have been determined on the basis of contractual maturity. The bank has used behavioral assumptions when there is no defined maturity. The table below sets out the Group's assets, liabilities, equity at carrying amounts and off balance sheet items, categorised by the earlier of contractual repricing or maturity dates.

Maturity profile:

Assets

31 December 2025

	Up to 1 month AED'000	1 month - 3 months AED'000	3 months - 1 year AED'000	1 year - 5 years AED'000	Over 5 Years and with no contractual maturity AED'000	Total AED'000
Cash and balances with the. Central Bank of U.A. E	1,448,572	49,790	147,365	1,090,840	-	2,736,567
Due from other banks	1,844,153	832,548	3,201,409	1,534,075	-	7,412,185
Loans and advances and Islamic financing receivables	324,848	466,451	780,123	5,393,677	2,099,623	9,064,722
Investment securities	418,906	44,003	1,105,436	1,496,016	47,456	3,111,817
Customers' acceptances	41,234	74,387	123,547	-	-	239,168
Other financial assets	61,686	45,158	80,405	2,916	-	190,165
Non-financial assets	17,892	13,098	31,420	38,145	34,753	135,308
Total	4,157,291	1,525,435	5,469,705	9,555,669	2,181,832	22,889,932

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

32. Liquidity risk (continued)

Maturity profile (continued)

Assets

31 December 2024

	Up to 1 month AED'000	1 month - 3 months AED'000	3 months - 1 year AED'000	1 year - 5 years AED'000	Over 5 Years and with no contractual maturity AED'000	Total AED'000
Cash and balances with the Central Bank of U.A. E	1,622,793	66,438	146,289	755,039	-	2,590,559
Due from other banks	2,107,085	1,359,126	895,269	932,625	-	5,294,105
Loans and advances and Islamic financing Receivables	840,588	396,629	952,894	3,768,742	1,816,817	7,775,670
Investment securities	323,792	91,673	835,519	440,188	47,452	1,738,624
Customers' acceptances	53,486	69,854	72,597	-	-	195,937
Other financial assets	139,007	-	-	-	-	139,007
Non-financial assets	-	-	73,984	36,161	36,413	146,558
Total	5,086,751	1,983,720	2,976,552	5,932,755	1,900,682	17,880,460

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

32. Liquidity risk (continued)

Liabilities, equity and off-balance sheet items

31 December 2025

	Up to 1 month AED'000	1 month - 3 months AED'000	3 months - 1 year AED'000	1 year - 5 years AED'000	Over 5 Years and with no contractual maturity AED'000	Total AED'000
Customers' deposits and Islamic customer deposits	4,246,132	1,305,529	5,370,041	3,570,839	1,209,327	15,701,868
Customers' acceptances	41,234	74,387	123,547	-	-	239,168
Other financial liabilities	44,149	32,321	152,395	73,848	-	302,713
Non-financial liabilities	16,245	11,893	28,528	39,189	-	95,855
Shareholders' equity	-	-	-	-	6,550,328	6,550,328
A. Total on-balance sheet items	4,347,760	1,424,130	5,674,511	3,683,876	7,759,655	22,889,932
Forward rate contracts	56,081	12,266	-	-	-	68,346
Guarantees	-	-	-	-	1,584,508	1,584,508
Unavailed limits	623,108	-	569,065	-	-	1,192,173
B. Total off-balance sheet items	679,187	12,266	569,065	-	1,584,508	2,845,026
Grand total [A+B]	5,026,947	1,436,396	6,243,576	3,683,876	9,344,163	25,734,958

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

32. Liquidity risk (continued)

Liabilities, equity and off balance sheet items (continued)

31 December 2024

	Up to 1 month AED'000	1 month - 3 months AED'000	3 months - 1 year AED'000	1 year - 5 years AED'000	Over 5 Years and with no contractual maturity AED'000	Total AED'000
Customers' deposits and Islamic customer deposits	3,077,015	522,146	3,765,051	4,041,312	292	11,405,816
Customers' acceptances	53,486	69,854	72,597	-	-	195,937
Other financial liabilities	44,290	57,342	24,357	-	80,724	206,713
Non-financial liabilities	-	-	58,316	2,536	25,207	86,059
Shareholders' equity	-	-	-	-	5,985,935	5,985,935
A. Total on-balance sheet items	3,174,791	649,342	3,920,321	4,043,848	6,092,158	17,880,460
Forward rate contracts	24,166	11,504	-	-	-	35,670
Guarantees	48	-	144	-	-	192
Unavailed limits	630,234	65,749	463,989	-	-	1,159,972
B. Total off-balance sheet items	654,448	77,253	464,133	-	-	1,195,834
Grand total [A+B]	3,829,239	726,595	4,384,454	4,043,848	6,092,158	19,076,294

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

32. Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2025 based on contractual undiscounted repayment obligations. The bank has used behavioural assumptions when there is no defined maturity.

31 December 2025

	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Customer deposits and Islamic customer deposits	15,701,868	16,429,572	5,756,800	5,473,412	2,293,605	1,696,428	1,209,327
	15,701,868	16,429,572	5,756,800	5,473,412	2,293,605	1,696,428	1,209,327
Letters of credit and guarantees	1,584,508	1,584,508	1,124,383	327,255	126,162	6,355	353
31 December 2024							
	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Customer deposits and Islamic customer deposits	11,405,816	11,619,215	3,636,874	3,921,664	3,833,523	226,841	313
	11,405,816	11,619,215	3,636,874	3,921,664	3,833,523	226,841	313
Letters of credit and guarantees	1,145,397	1,145,397	663,431	436,147	45,518	300	-

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

32. Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

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

	Positive fair value AED'000	2025 Negative fair value AED'000	Notional Value AED'000	Positive fair value AED'000	2024 Negative fair value AED'000	Notional Value AED'000
Derivatives						
Foreign currency forward contracts	92	(12)	16,833	16	(1)	14,467
	<u>92</u>	<u>(12)</u>	<u>16,833</u>	<u>16</u>	<u>(1)</u>	<u>14,467</u>

33. Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below sets out the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

	Less than 3 months AED'000	From 3 months to 1 year AED'000	Over 1 year AED'000	Non- interest bearing AED'000	Total AED'000
At 31 December 2025					
Financial assets					
Cash and balances with Central bank of U.A. E	1,373,769	147,365	-	1,215,433	2,736,567
Due from other banks	3,712,355	3,261,975	414,011	23,844	7,412,185
Loans and advances and Islamic receivables	4,030,941	4,478,574	555,207	-	9,064,722
Investment securities	44,003	127,988	1,543,472	1,396,354	3,111,817
Customers' acceptances	-	-	-	239,168	239,168
Other financial assets	-	-	-	190,165	190,165
Total	<u>9,161,068</u>	<u>8,015,902</u>	<u>2,512,690</u>	<u>3,064,964</u>	<u>22,754,624</u>
Financial liabilities					
Customers' deposits and Islamic customer deposits	6,611,113	5,960,576	3,074,527	55,652	15,701,868
Customers' acceptances	-	-	-	239,168	239,168
Other financial liabilities	-	-	-	302,713	302,713
Total	<u>6,611,113</u>	<u>5,960,576</u>	<u>3,074,527</u>	<u>597,533</u>	<u>16,243,749</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

33. Interest rate risk (continued)

	Less than 3 months AED'000	From 3 months to 1 year AED'000	Over 1 year AED'000	Non- interest bearing AED'000	Total AED'000
31 December 2025					
On balance sheet interest rate sensitivity gap	2,549,955	2,055,326	(561,837)	2,467,431	6,510,875
Off balance sheet interest rate sensitivity gap	78	-	-	2,776,681	2,776,759
Cumulative interest rate sensitivity gap	2,550,033	2,055,326	(561,837)	5,244,112	9,287,634
	Less than 3 months AED'000	From 3 months to 1 year AED'000	Over 1 year AED'000	Non- interest bearing AED'000	Total AED'000
At 31 December 2024					
Financial assets					
Cash and balances with. Central bank of the U.A.E	1,689,703	-	-	900,856	2,590,559
Due from other banks	5,165,937	128,168	-	-	5,294,105
Loans and advances and Islamic receivables	5,901,662	47,366	1,826,642	-	7,775,670
Investment securities	171,676	-	487,640	1,079,308	1,738,624
Customers' acceptances	-	-	-	195,937	195,937
Other financial assets	-	-	-	139,007	139,007
Total	12,928,978	175,534	2,314,282	2,315,108	17,733,902
Financial liabilities					
Customers' deposits and Islamic customer deposits	5,882,608	2,987,217	559,610	1,976,381	11,405,816
Customers' acceptances	-	-	-	195,937	195,937
Other financial liabilities	-	-	-	206,713	206,713
Total	5,882,608	2,987,217	559,610	2,379,031	11,808,466
	Less than 3 months AED'000	From 3 months to 1 year AED'000	Over 1 year AED'000	Non- interest bearing AED'000	Total AED'000
On balance sheet interest rate sensitivity gap	7,046,370	(2,811,683)	1,754,672	(63,923)	5,925,436
Off balance sheet interest rate sensitivity gap	35,670	-	-	1,160,164	1,195,834
Cumulative interest rate sensitivity gap	7,082,040	(2,811,683)	1,754,672	1,096,241	7,121,270

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

33. Interest rate risk (continued)

Rate sensitivity analysis

Impact on net interest income and net income from Islamic financing and investment activities:

Bps	2025		2024	
	Upward shift	Downward shift	Upward shift	Downward shift
200	+36,601	-41,634	+97,318	-94,290

Method and assumptions for sensitivity analysis

- Interest rates may go up or down by 200 bps. 200 bps is taken as per Basel guidelines for NII approach
- Interest rate change takes place uniformly across all time buckets up to 1 year for net interest income impact
- During the F.Y 2025, new IRRBB system based model has been developed with revision in methodology for IRRBB computation
- Impact on net interest income up to next 1 year is worked out
- RSA and RSL have been captured based on earlier of the re-pricing or maturity date

34. Currency risk

Concentration of financial assets and liabilities by currency:

	AED AED'000	USD AED'000	Other AED'000	Total AED'000
As at 31 December 2025				
Financial assets				
Cash and balances with the Central Bank of the U.A.E.	2,736,317	250	-	2,736,567
Due from other banks	2,119,027	5,283,421	9,737	7,412,185
Loans and advances and Islamic receivables	7,021,218	2,043,504	-	9,064,722
Investment securities	1,338,661	1,772,657	499	3,111,817
Customers' acceptances	239,168	-	-	239,168
Other financial assets	101,344	88,821	-	190,165
Total financial assets	13,555,735	9,188,653	10,236	22,754,624
Financial liabilities				
Customers' deposits and Islamic customer deposits	15,442,126	234,901	24,841	15,701,868
Customers' acceptances	239,168	-	-	239,168
Other financial liabilities	297,500	4,690	523	302,713
Total financial liabilities	15,978,794	239,591	25,364	16,243,749
Net balance sheet position	(2,423,059)	8,949,062	(15,128)	6,510,875
Off balance sheet position	2,776,998	18,466	49,562	2,845,026

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

34. Currency risk (continued)

Concentration of financial assets and liabilities by currency (continued):

	AED AED'000	USD AED'000	Other AED'000	Total AED'000
As at 31 December 2024				
Financial assets				
Cash and balances with the Central Bank of the U.A.E	2,589,717	842	-	2,590,559
Due from other banks	612,541	4,674,679	6,885	5,294,105
Loans and advances and Islamic receivables	6,737,301	1,038,369	-	7,775,670
Investment securities	1,052,026	686,239	359	1,738,624
Customers' acceptances	195,937	-	-	195,937
Other financial assets	75,713	63,294	-	139,007
Total financial assets	<u>11,263,235</u>	<u>6,463,423</u>	<u>7,244</u>	<u>17,733,902</u>
Financial liabilities				
Customers' deposits and Islamic customer deposits	11,160,758	225,621	19,437	11,405,816
Customers' acceptances	195,937	-	-	195,937
Other financial liabilities	200,361	5,714	638	206,713
Total financial liabilities	<u>11,557,056</u>	<u>231,335</u>	<u>20,075</u>	<u>11,808,466</u>
Net balance sheet position	<u>(293,821)</u>	<u>6,232,088</u>	<u>(12,831)</u>	<u>5,925,436</u>
Off balance sheet position	<u>2,793,191</u>	<u>38,336</u>	<u>61,835</u>	<u>2,893,362</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

34. Currency risk (continued)

Rate sensitivity analysis

- Currencies are divided into two categories i) those pegged with USD and ii) all other currencies as on the Balance Sheet date.
- Exchange rate change of 2% in AED against the respective pegged foreign currencies and exchange rate change of 10% in AED against the respective other foreign currencies has been used to give a realistic assessment as a plausible event.
- Based on these changes the impact on profit or loss and equity has been worked out:

	Foreign currency assets AED'000	Foreign currency liabilities AED'000	Net forward purchase/ (sale) AED'000	Net long/ (short) position AED'000	Impact on statement of income and equity AED'000
As at 31 December 2025					
Pegged Currencies					
US Dollar	9,188,738	295,282	34,733	8,928,189	(178,564)
Saudi Riyal	28	-	92	120	(2)
Bahrain Dinar	100	-	-	100	(2)
Omani Riyal	494	30	-	464	(9)
Qatar Riyal	207	-	-	207	(4)
Other Currencies					
Kuwait Dinar	687	-	-	687	(69)
Great British Pound	2,716	15,074	12,362	4	(0)
Euro	5,898	10,231	4,313	(20)	2
Swiss Frank					
Japanese Yen	29	29	-	-	-
Indian Rupee	21	-	-	21	(2)
Lankan Rupee	5	-	-	5	-
Jordanian Dinar	52	-	-	52	(5)
	<u>9,198,975</u>	<u>320,646</u>	<u>51,500</u>	<u>8,929,829</u>	<u>(178,655)</u>
Total impact if foreign currency fluctuates against AED					<u>(178,655)</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

34. Currency risk (continued)

Rate sensitivity analysis (continued)

	Foreign currency assets AED'000	Foreign currency liabilities AED'000	Net forward purchase/ (sale) AED'000	Net long/ (short) position AED'000	Impact on statement of income and Equity AED'000
<i>As at 31 December 2024</i>					
<i>Pegged Currencies</i>					
US Dollar	6,463,514	280,988	2,677	6,185,203	(123,704)
Saudi Riyal	119	-	-	119	(2)
Bahrain Dinar	162	-	-	162	(3)
Omani Riyal	460	29	-	431	(9)
Qatar Riyal	98	-	-	98	(2)
<i>Other Currencies</i>					
Kuwait Dinar	914	(1)	-	915	(91)
Great British Pound	2,818	14,445	11,618	(9)	1
Euro	2,474	5,571	3,058	(39)	4
Swiss Frank	-	-	-	-	-
Japanese Yen	165	30	(117)	18	(2)
Indian Rupee	22	-	-	22	(2)
Lankan Rupee	2	-	-	2	-
Jordanian Dinar	38	-	-	38	(4)
	<u>6,470,786</u>	<u>301,062</u>	<u>17,236</u>	<u>6,186,960</u>	<u>(123,814)</u>
Total impact if foreign currency fluctuates against AED					<u>(123,814)</u>

35. Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 20% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's:

- Consolidated statement of other comprehensive income would have increased/decreased by AED 274.59 million (2024: AED 210.94 million) and consolidated statement of income would have increased/decreased by AED 4.68 million (2024: 4.92 million).

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.
- As at the reporting date if equity prices are 20% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and equity has been shown above.
- A 20% change in equity prices has been used to give a realistic assessment as a plausible event.

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

36. Capital management

Group's capital management policy is to maintain a strong capital base to support the development and growth of business. Current and future capital requirements are determined on the basis of loan growth expectations for each business unit, expected growth in off-balance sheet facilities, future sources and uses of funds and Group's future dividend policy. The Group also ensures compliance with externally imposed capital requirement norms, strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. During the year the Group had complied in full with all external imposed capital requirements. The Central Bank of the U.A.E. requires the banks in U.A.E. to maintain a ratio of total regulatory capital to the risk weighted assets at or above the agreed minimum of 10.5%.

Capital structure

The table below details the regulatory capital resources of the Group:

	2025 AED'000	2024 AED'000
Tier 1 Capital		
Share capital	2,000,000	2,000,000
Statutory reserve	1,019,266	1,019,266
General reserve	6,440	6,440
Fair value reserves on investment securities at FVOCI	372,424	231,825
Retained earnings	2,167,086	2,003,576
Regulatory deductions	(14,725)	(13,726)
Other deductions	(685,016)	(431,562)
Total Tier 1	4,865,475	4,815,819
Tier 2 Capital		
General reserves on financial assets	88,513	153,988
Total Tier 2	88,513	153,988
Total Regulatory Capital	4,953,987	4,969,807
	2025 AED'000	2024 AED'000
Risk weighted assets:		
Credit risk-weighted assets	14,558,619	12,319,065
Market risk-weighted assets	49,037	51,606
Operations risk-weighted assets	1,545,026	1,346,186
Total risk-weighted assets	16,152,682	13,716,857

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

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

36. Capital management (continued)

BASEL III Capital Ratio

As per UAE Central Bank Regulation for Basel III, Minimum Capital Requirement is 10.5% for the year 2025.

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.

The Capital Adequacy Ratio as per Basel III capital regulation is given below:

	2025	2024
Capital ratio	%	%
Total capital adequacy ratio	30.67	36.23
Common equity Tier 1 capital ratio	30.12	35.11
Tier 1 capital ratio	30.12	35.11

Minimum capital required under each of the above items including CCB is as below:

	2025	2024
Capital element	%	%
Minimum Common Equity Tier 1 (CET 1) ratio	7	7
Minimum tier 1 capital ratio	8.5	8.5
Minimum capital adequacy ratio	10.5	10.5
Capital conversion buffer (CCB)	2.5	2.5

37. Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group has proper controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on the information available, no material adverse impact on the financial position of the Group is expected to arise from legal claims as at 31 December 2025 other than to the extent already provided, hence no additional provision for any claim needs to be made in these consolidated financial statements.

38. Social contributions

The social contributions (including donations and charity) made during the year to various beneficiaries amount to AED 1,875 thousand (2024: AED 817 thousand).

39. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2025 were authorized for issue by way of a resolution passed by the Board of Directors on 05 February 2026.