

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

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

For the period ended 30 June 2022

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

Review report and condensed consolidated interim financial statements For the six months period ended 30 June 2022

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of National Bank of Umm Al-Qaiwain PSC (the “Bank”) and its subsidiary (collectively referred to as the “Group”), which comprise the consolidated interim statement of financial position as at 30 June 2022 and the related consolidated interim statements of income and comprehensive income for the three month and six month periods then ended and consolidated interim statement of cash flows and changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Ernst & Young



Signed by:
Anthony O' Sullivan
Partner
Registration No. 687

20 July 2022

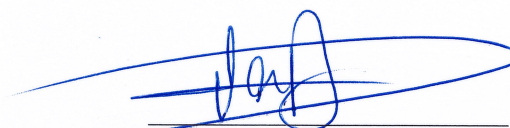
Sharjah, United Arab Emirates

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2022 (Unaudited)

	Notes	30 June 2022 AED '000 (Unaudited)	31 December 2021 AED '000 (Audited)
ASSETS			
Cash and balances with the U.A.E. Central Bank	4	1,813,366	1,451,384
Due from other banks	5	3,374,058	3,422,563
Loans and advances and Islamic financing receivables	6	6,274,479	6,588,554
Investment securities	7	1,298,386	1,132,621
Customers' acceptances		274,745	217,528
Investment in an associate		802	744
Property and equipment		80,520	85,528
Other assets	8	235,474	243,103
TOTAL ASSETS		13,351,830	13,142,025
LIABILITIES			
Due to other banks	9	94	-
Customers' deposits and Islamic customers' deposits	10	7,771,331	7,700,120
Customers' acceptances		274,745	217,528
Other liabilities	11	194,900	173,642
TOTAL LIABILITIES		8,241,070	8,091,290
SHAREHOLDERS' EQUITY			
Share capital	12	2,000,000	1,848,000
Statutory reserve		1,019,266	1,019,266
General reserve		6,440	6,440
Impairment reserve -general	24	45,293	35,911
Cumulative change in fair values		366,669	372,617
Retained earnings		1,673,092	1,768,501
TOTAL SHAREHOLDERS' EQUITY		5,110,760	5,050,735
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,351,830	13,142,025



Rashid Bin Saud Al Mualla
Chairman



Adnan Al Awadhi
Chief Executive Officer

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.
The independent auditor's report on review of the condensed consolidated interim financial statements is set out on page 1.

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

CONSOLIDATED INTERIM INCOME STATEMENT

For the six months period ended 30 June 2022 (Unaudited)

	<i>Notes</i>	<i>Three months period ended 30 June (Unaudited)</i>		<i>Six months period ended 30 June (Unaudited)</i>	
		<i>2022 AED '000</i>	<i>2021 AED '000</i>	<i>2022 AED '000</i>	<i>2021 AED '000</i>
Interest income		81,094	75,876	153,061	151,147
Income from Islamic financing products		12,415	5,999	18,211	14,764
Total interest income and income from Islamic financing products		93,509	81,875	171,272	165,911
Interest expense		(11,237)	(12,047)	(22,181)	(25,452)
Distribution to depositors – Islamic products		(66)	(80)	(149)	(176)
Net interest income and income from Islamic products net of distribution to depositors		82,206	69,748	148,942	140,283
Net fees and commission income		10,246	10,457	20,948	23,847
Other operating income		14,230	4,986	37,878	18,169
GROSS INCOME		106,682	85,191	207,768	182,299
Operating expenses		(35,634)	(32,835)	(71,317)	(64,994)
Investment gains		4,365	5,899	34,859	33,484
OPERATING INCOME		75,413	58,255	171,310	150,789
Share of results from an associate		50	200	108	254
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT		75,463	58,455	171,418	151,043
Net impairment losses	14	(6,737)	(3,462)	(6,121)	(19,563)
PROFIT FOR THE PERIOD		68,726	54,993	165,297	131,480
Basic and diluted earnings per share (AED)	15	0.04	0.03	0.09	0.07

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

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

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2022 (Unaudited)

	<i>Three months period ended 30 June (Unaudited)</i>		<i>Six months period ended 30 June (Unaudited)</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
<i>Note</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
PROFIT FOR THE PERIOD	68,726	54,993	165,297	131,480
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net fair value (loss)/gain on investment securities carried at FVTOCI - equity	(138,259)	73,239	42,568	135,194
Other comprehensive (loss)/income for the period	(138,259)	73,239	42,568	135,194
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(69,533)	128,232	207,865	266,674

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2022 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Impairment reserve - general AED '000</i>	<i>Cumulative change in fair values AED '000</i>	<i>Retained earnings AED '000</i>	<i>Total AED '000</i>
Balance at 1 January 2022 (audited)	1,848,000	1,019,266	6,440	35,911	372,617	1,768,501	5,050,735
Profit for the period	-	-	-	-	-	165,297	165,297
Other comprehensive income for the period	-	-	-	-	42,568	-	42,568
Total comprehensive income for the period	-	-	-	-	42,568	165,297	207,865
Additional provision under U.A.E Central Bank requirement over IFRS 9 requirement (Note 24)	-	-	-	9,382	-	(9,382)	-
Sale of FVOCI equity	-	-	-	-	(48,516)	48,516	-
Dividend Paid (see Note 16)	-	-	-	-	-	(147,840)	(147,840)
Bonus shares issued (see Note 12)	152,000	-	-	-	-	(152,000)	-
Balance at 30 June 2022 (unaudited)	2,000,000	1,019,266	6,440	45,293	366,669	1,673,092	5,110,760
Balance at 1 January 2021 (audited)	1,848,000	1,019,266	6,440	-	135,632	1,688,084	4,697,422
Profit for the period	-	-	-	-	-	131,480	131,480
Other comprehensive income for the period	-	-	-	-	135,194	-	135,194
Total comprehensive income for the period	-	-	-	-	135,194	131,480	266,674
Dividend paid (see Note 16)	-	-	-	-	-	(147,840)	(147,840)
Balance at 30 June 2021 (unaudited)	1,848,000	1,019,266	6,440	-	270,826	1,671,724	4,816,256

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2022 (Unaudited)

		<i>Six months period ended 30 June (Unaudited)</i>	
	<i>Notes</i>	<i>2022 AED '000</i>	<i>2021 AED '000</i>
Cash flows from operating activities			
Profit for the period		165,297	131,480
Adjustments for:			
Provision for expected credit losses	14	6,121	16,613
Depreciation of property and equipment		8,146	7,569
Depreciation of right of use asset		864	863
Provision for employee end of service benefits		800	706
Provision for impairment of inventory	14	-	2,950
Increase in fair value of investment in securities at FVTPL		(1,311)	1,749
Discount amortised on investment securities		1,425	-
Dividend income		(34,973)	(35,238)
Loss on disposal of property and equipment		(8)	(90)
Share of results from an associate		(108)	(254)
Finance cost on lease liability		52	67
Operating cash flows before movements in working capital		146,305	126,415
Decrease in certificate of deposits with original maturity greater than 3 months		81,626	31,620
Decrease /(increase) in statutory deposit with CBUAE		4,592	(27,971)
Payment of employee end of service benefits		(541)	(3,208)
Decrease in loans and advances and Islamic financing receivables		307,581	446,895
Decrease in other assets		7,629	6,834
Increase/(Decrease) in customers' deposits and Islamic customers' deposits		71,211	(139,163)
Increase/(Decrease) in other liabilities		21,326	(57,398)
Net cash generated from operating activities		639,729	384,024
Cash flows from investing activities			
Purchase of property and equipment		(3,229)	(7,504)
Proceeds from disposal of property and equipment		22	247
Proceeds from sale and maturity of investment securities		(228,599)	(4,286)
Proceed from maturity of investment securities		105,904	-
Dividend received from investment securities		34,973	35,238
Dividend received from investment in an associate		50	49
Net cash (used in)/generated from investing activities		(90,879)	23,744
Cash flows from financing activity			
Dividend paid		(147,840)	(147,840)
Lease payments		(902)	(899)
Net cash used in financing activity		(148,742)	(148,739)
NET INCREASE IN CASH AND CASH EQUIVALENTS		400,108	259,029
Cash and cash equivalents at the beginning of the period		3,628,046	3,308,809
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17	4,028,154	3,567,838

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2022 (Unaudited)

1 GENERAL INFORMATION

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

The Bank is engaged in providing retail and corporate banking services through a network of 11 branches in the U.A.E. The Group carries out Islamic banking operations through Islamic banking window established in 2005 across all its branch network.

The condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2022 were authorised and approved for issue by the Board of Directors on 20 July 2022.

2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

2.1 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2022

The Group has consistently applied the accounting policies as applied in the annual consolidated financial statements for the year ended 31 December 2021, except for effect of the Inter Bank Offer Rate ("IBOR") transition as mentioned below.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2021.

The following amendments to existing standards have been applied by the Group in preparation of these interim condensed consolidated financial statements. The adoption of the below did not result in changes to previously reported net profit or equity of the Group.

Description	Effective from
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Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2022
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Standard Issued but not yet Effective

IFRS 17 Insurance Contracts is effective from 1 January 2023. The Group is currently evaluating the impact of this new standard. The Group will adopt this new standard on the effective date.

Interest Rate Benchmark Reform - Phase 2 amendments

Effective from 1 January 2022, Interest Rate Benchmark Reform - Phase 2 amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and hedge accounting.

The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. In addition, it provides certain exceptions to hedge accounting requirements.

The Group is in discussion with counterparties in relation to exposure to non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2022. Management believes that the amendments are not expected to have a material on the Group's condensed consolidated interim financial information.

2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (CONTINUED)

2.1 CHANGES IN ACCOUNTING POLICIES (continued)

Key accounting estimates and judgments

The preparation of the condensed consolidated interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial information as at and for the year ended 31 December 2021.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

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

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

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

These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2021. In addition, results for the six months period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

3.2 BASIS OF CONSOLIDATION

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

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

The condensed consolidated interim financial statements comprise the financial statements of the Bank and of the subsidiary as disclosed in the annual audited financial statements for the year ended 31 December 2021. The financial statements of the subsidiary are prepared for the same reporting period as that of the Bank.

3.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those applied by the Group in the annual consolidated financial statements for the year ended 31 December 2021, except for changes in accounting policies explained in Note 2.1.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2022 (Unaudited)

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

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Balances with the CBUAE		
Current account	19,448	34,104
Statutory cash reserve deposit	341,043	345,635
Monetary Bills	699,489	349,957
Overnight deposits	650,000	625,000
	<u>1,709,980</u>	<u>1,354,696</u>
Cash in hand	103,386	96,688
	<u>1,813,366</u>	<u>1,451,384</u>

The statutory cash reserve deposit with the CBUAE is not available to finance the day to day operations of the Bank.

5 DUE FROM OTHER BANKS

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Term deposits	2,527,824	2,642,634
Demand deposits	28,101	29,663
Loans to financial institutions	821,339	752,965
Total due from other banks	<u>3,377,264</u>	<u>3,425,262</u>
Provision for expected credit loss	(3,206)	(2,699)
Net due from other banks	<u>3,374,058</u>	<u>3,422,563</u>
	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Gross amounts due from other banks by geographical area		
Within U.A.E.	2,402,942	2,756,497
Within GCC	212,672	180,675
Other countries	761,650	488,090
	<u>3,377,264</u>	<u>3,425,262</u>

All amounts due from other banks were classified as Stage 1 as at 30 June 2022 (31 December 2021: Stage 1) with corresponding ECL of AED 3.21 million at 30 June 2022 (31 December 2021: AED 2.70 million). There was no inter-stage movement in gross balances due from other banks during the period ended 30 June 2022 (31 December 2021: no inter-stage movement).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2022 (Unaudited)

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Loans	5,106,896	5,663,834
Overdrafts	876,620	853,482
Islamic financing products	195,487	195,095
Loans against trust receipts	155,318	129,420
Syndicated Loans	181,814	-
Other	79,660	48,282
Total loans and advances and Islamic financing receivables	6,595,795	6,890,113
Provision for expected credit loss	(321,316)	(301,559)
Net loans and advances and Islamic financing receivables	6,274,479	6,588,554
Gross loans and advances and Islamic financing receivables by economic sector		
Wholesale and retail trade	738,824	876,137
Real estate and construction	2,946,847	3,369,736
Personal loans and other	399,542	404,080
Manufacturing	434,213	411,704
Agriculture and allied activities	1,472	1,175
Transport and communication	174,380	164,120
Financial institutions	479,605	332,896
Services and other	1,420,912	1,330,265
	6,595,795	6,890,113

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

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

	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Gross carrying amount as at 31 December 2021	5,874,153	424,223	591,737	6,890,113
New assets originated or purchased	614,755	-	48,073	662,828
Assets derecognised or repaid	(898,943)	(12,338)	(12,126)	(923,407)
Transfer to Stage 1	2,437	(2,437)	-	-
Transfer to Stage 2	(54,740)	54,740	-	-
Transfer to Stage 3	(5,731)	-	5,731	-
Write-off	-	-	(33,739)	(33,739)
As at 30 June 2022 (unaudited)	5,531,931	464,188	599,676	6,595,795

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2022 (Unaudited)

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

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

	<i>Stage 1</i> <i>AED '000</i>	<i>Stage 2</i> <i>AED '000</i>	<i>Stage 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
Gross carrying amount as at 31 December 2020	6,813,529	382,877	795,427	7,991,833
New assets originated or purchased	374,306	364	-	374,670
Assets derecognised or repaid	(1,034,295)	(199,009)	(211,725)	(1,445,029)
Transfer to Stage 1	5,689	(5,689)	-	-
Transfer to Stage 2	(254,256)	260,675	(6,419)	-
Transfer to Stage 3	(30,820)	(14,995)	45,815	-
Write off	-	-	(31,361)	(31,361)
As at 31 December 2021	<u>5,874,153</u>	<u>424,223</u>	<u>591,737</u>	<u>6,890,113</u>

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

	<i>Stage 1</i> <i>AED '000</i>	<i>Stage 2</i> <i>AED '000</i>	<i>Stage 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
ECL allowances as at 31 December 2021	79,297	36,241	186,021	301,559
New assets originated or purchased	7,792	-	47,000	54,792
Assets derecognised or repaid	(18,075)	(1,716)	22,074	2,283
Recoveries	-	-	(3,579)	(3,579)
Transfer to Stage 1	54	(54)	-	-
Transfer to Stage 2	(1,305)	1,305	-	-
Transfer to Stage 3	(22)	-	22	-
Write off	-	-	(33,739)	(33,739)
Closing Balance as at 30 June 2022 (unaudited)	<u>67,741</u>	<u>35,776</u>	<u>217,799</u>	<u>321,316</u>

	<i>Stage 1</i> <i>AED '000</i>	<i>Stage 2</i> <i>AED '000</i>	<i>Stage 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
ECL allowances as at 31 December 2020	112,318	39,523	200,336	352,177
Net impairment charged during the period	(28,834)	(6,289)	26,246	(8,877)
Recoveries	-	-	(5,380)	(5,380)
Transfer to Stage 1	223	(223)	-	-
Transfer to Stage 2	(4,028)	4,028	-	-
Transfer to Stage 3	(382)	(798)	1,180	-
Written off	-	-	(36,361)	(36,361)
Closing Balance as at 31 December 2021 (audited)	<u>79,297</u>	<u>36,241</u>	<u>186,021</u>	<u>301,559</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2022 (Unaudited)

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

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

	<i>30 June 2022 (Unaudited)</i>			
	<i>Stage 1 AED '000</i>	<i>Stage 2 AED '000</i>	<i>Stage 3 AED '000</i>	<i>Total AED '000</i>
Performing (Grades 1-8)	5,531,931	275,644	-	5,807,575
Performing watchlist (9-12)	-	188,544	-	188,544
Sub-standard (Grade 13)	-	-	102,296	102,296
Doubtful (Grade 14)	-	-	291,812	291,812
Loss (Grades 15)	-	-	205,568	205,568
Total gross carrying amount	5,531,931	464,188	599,676	6,595,795
Expected credit loss	(67,741)	(35,776)	(217,799)	(321,316)
Carrying amount	5,464,190	428,412	381,877	6,274,479

	<i>31 December 2021 (Audited)</i>			
	<i>Stage 1 AED '000</i>	<i>Stage 2 AED '000</i>	<i>Stage 3 AED '000</i>	<i>Total AED '000</i>
Performing (Grades 1-8)	5,874,153	231,097	-	6,105,250
Performing Watchlist (9-12)	-	193,126	-	193,126
Sub Standard (Grade 13)	-	-	110,608	110,608
Doubtful (Grade 14)	-	-	448,187	448,187
Loss (Grades 15)	-	-	32,942	32,942
Total gross carrying amount	5,874,153	424,223	591,737	6,890,113
Expected credit loss	(79,297)	(36,241)	(186,021)	(301,559)
Carrying amount	5,794,856	387,982	405,716	6,588,554

The non-performing loans as at 30 June 2022 amounted to AED 599.68 million (31 December 2021: AED 591.74 million) which is well covered by securities of AED 955.53 million (31 December 2021: AED 989.22 million) and impairment provision of AED 217.80million (31 December 2021: AED 186.02 million) aggregating to AED 1,173.33 million (31 December 2021: AED 1,175.24 million) which is 1.96 times (31 December 2021: 1.99 times) of the non-performing loans.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2022 (Unaudited)

7 INVESTMENT SECURITIES

Investment securities comprise the following:

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Securities at FVTPL		
Quoted equity securities	12,632	16,366
Discretionary funds managed by third parties – quoted equity securities	246	250
	12,878	16,616
Securities at FVTOCI		
Quoted equity securities	938,290	996,581
Unquoted equity securities	1,193	1,194
	939,483	997,775
Securities at amortised cost		
Quoted debt instruments	347,636	120,457
Total investment securities	1,299,997	1,134,848
Provision for expected credit loss	(1,611)	(2,227)
Net investment securities	1,298,386	1,132,621
Gross investment securities by geographical area		
Within U.A.E.	1,033,806	933,928
Within GCC	234,750	166,536
Other countries	31,441	34,384
	1,299,997	1,134,848

All debt investment are classified as Stage 1 as at 30 June 2022 (31 December 2021: Stage 1) with corresponding ECL of AED 1.61 million as at 30 June 2022 (31 December 2021: AED 2.23 million). There was no inter-stage movement in investment securities during the period ended 30 June 2022 (31 December 2021: no inter-stage movement).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2022 (Unaudited)

8 OTHER ASSETS

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Inventory- property acquired in settlement of debt *	172,340	178,362
Interest receivable	26,662	32,620
Prepayments and deposits	27,812	28,004
Others	8,660	4,117
	<u>235,474</u>	<u>243,103</u>

*Inventory represents property acquired in the settlement of debt. The group has recorded an impairment on its inventory amounting to AED nil during period ended 30 June 2022 (31 December 2021: AED 3.74 million).

9 DUE TO OTHER BANKS

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Demand deposits	94	-
	<u>94</u>	<u>-</u>
By geographical area		
Outside U.A.E.	94	-
	<u>94</u>	<u>-</u>

10 CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Time deposits	4,751,413	4,499,220
Current accounts	2,714,815	2,891,856
Savings deposits	167,745	171,459
Islamic customers' deposits	82,677	84,721
Margin deposits	54,681	52,864
	<u>7,771,331</u>	<u>7,700,120</u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2022 (Unaudited)

11 OTHER LIABILITIES

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Accounts payable	51,376	26,625
Interest payable	17,956	12,514
Provision for employees' end of service benefits	19,132	18,873
Other staff benefits	3,397	1,284
Dividend payable	10,619	10,619
Provision for expected credit loss on acceptance	480	394
Provision for expected credit loss on commitments and contingencies (Note 13)	5,992	6,341
Cheques on Selves	62,617	74,049
Lease Liability	5,171	5,235
Other	18,160	17,708
	194,900	173,642

12 SHARE CAPITAL

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Issued and fully paid:		
2,000 million ordinary shares of AED 1 each	2,000,000	1,848,000

Pursuant to the requirements of the UAE Central Bank notice number CBUAE/BSN/2021/2200 dated 25 April 2021 with regard to the "Minimum Capital for Bank Regulation" and following the approval by shareholders at general meeting in 20 June 2022, the bank's paid up capital was increased to AED 2 billion by way of issuing AED 152 million bonus shares from retained earnings.

13 COMMITMENTS AND CONTINGENT LIABILITIES

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Guarantees	1,650,755	1,805,349
Letters of credit	113,019	145,229
	1,763,774	1,950,578
Commitments to extend credit	1,204,442	1,131,723
Others	125,657	457,028
	3,093,873	3,533,916
Gross commitments and contingent liabilities by geographical area		
Within the U.A.E.	3,041,980	3,454,044
Outside the U.A.E.	51,893	79,872
	3,093,873	3,533,916

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For the six months period ended 30 June 2022 (Unaudited)

13 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Movement in the gross balance of commitments and contingent liabilities

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount as at 31 December 2021	1,896,963	3,867	49,748	1,950,578
New assets originated or purchased	175,967	-	-	175,967
Assets derecognised or repaid	(362,771)	-	-	(362,771)
Transfer to Stage 2	(2,792)	2,792	-	-
As at 30 June 2022 (unaudited)	1,707,367	6,659	49,748	1,763,774

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount - 1 January 2021	2,382,539	2,251	49,674	2,434,464
New assets originated or purchased	274,469	-	-	274,469
Assets derecognised or repaid (excluding write offs)	(758,355)	-	-	(758,355)
Transferred from Stage 2	(1,616)	1,616	-	-
Transferred from Stage 3	(74)	-	74	-
As at 31 December 2021 (audited)	1,896,963	3,867	49,748	1,950,578

Movement in the provision for impairment of commitments and contingent liabilities (included in other liabilities)

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2021	6,334	7	-	6,341
Net impairment charged during the period	1,450	7	-	1,457
Assets derecognised or repaid	(1,803)	(3)	-	(1,806)
Transferred from stage 2	(28)	28	-	-
Closing balance as at 30 June 2022 (unaudited)	5,953	39	-	5,992

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances – 1 January 2021	7,171	6	-	7,177
New assets originated or purchased	3,629	-	-	3,629
Assets derecognised or repaid (excluding write offs)	(4,466)	1	-	(4,465)
Closing balance as at 31 December 2021 (audited)	6,334	7	-	6,341

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2022 (Unaudited)

13 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Grading of commitments and contingent liabilities along with stages:

	<i>30 June 2022 (Unaudited)</i>			
	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Performing (Grades 1-8)	1,707,367	4,062	-	1,711,429
Performing watchlist (9-12)	-	2,597	-	2,597
Sub-standard (Grade 13)	-	-	359	359
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,624	38,624
Total gross carrying amount	1,707,367	6,659	49,748	1,763,774
Expected credit loss	(5,953)	(39)	-	(5,992)
Carrying amount	1,701,414	6,620	49,748	1,757,782
	<i>31 December 2021 (audited)</i>			
	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Performing (Grades 1-8)	1,896,963	1,271	-	1,898,234
Performing watch list (Grades 9-12)	-	2,596	-	2,596
Sub Standard (Grade 13)	-	-	359	359
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,624	38,624
Total gross carrying amount	1,896,963	3,867	49,748	1,950,578
Expected credit loss	(6,334)	(7)	-	(6,341)
Carrying amount	1,890,629	3,860	49,748	1,944,237

At 30 June 2022, the group has capital commitments of AED 4.87 million (31 December 2021: AED 3.04 million).

14 NET IMPAIRMENT LOSSES

	<i>Six months period ended 30 June (unaudited)</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Loans and advances and Islamic financing receivables	6,494	14,269
Due from other banks	507	1,301
Investment securities	(617)	(76)
Customers' acceptances	(263)	163
Commitments and contingencies	-	956
Property valuation – Impairment	-	2,950
	6,121	19,563

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2022 (Unaudited)

15 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months period ended 30 June (Unaudited)</i>		<i>Six months period ended 30 June (Unaudited)</i>	
	<i>2022 AED '000</i>	<i>2021 AED '000</i>	<i>2022 AED '000</i>	<i>2021 AED '000</i>
Profit for the period (in AED '000)	68,726	54,993	165,297	131,480
Weighted average number of shares ('000)	1,848,840	1,848,840	1,848,840	1,848,840
Basic and diluted earnings per share (in AED)	0.04	0.03	0.09	0.07

Weighted average number of shares for the comparative period is adjusted for the bonus shares issued during the current period.

There were no potential dilutive shares as at 30 June 2022 and 30 June 2021.

16 DIVIDENDS

At the Annual General Meeting held on 14 March 2022, the Shareholders approved dividend of 8% amounting to AED 147.84 million in respect of the year ended 31 December 2021 (2020: AED 147.84 million).

17 CASH AND CASH EQUIVALENTS

	<i>30 June (Unaudited)</i>	
	<i>2022 AED '000</i>	<i>2021 AED '000</i>
Cash and balances with the CBUAE (Note 4)	1,813,366	1,324,129
Due from other banks (Note 5)	3,377,264	3,413,278
Statutory cash reserve deposit (Note 4)	(341,043)	(339,885)
Due from other bank and Certificates of deposits with original maturity over 3 months	(821,339)	(608,665)
Due to other banks (Note 9)	(94)	(221,019)
	4,028,154	3,567,838

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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18 RELATED PARTY TRANSACTIONS

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

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

	<i>Six months period ended 30 June (Unaudited)</i>	
	<i>2022 AED '000</i>	<i>2021 AED '000</i>
Interest income	1,222	888
Interest expense	13,277	14,004
Remuneration of key management personnel	2,523	2,798
Other income	16	44
Directors' fees	1,500	1,500

Remuneration of key management personnel

	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Salaries and other short-term benefits	2,474	2,738
Employee end of service benefits	49	60

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.

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

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Loans and advances and Islamic financing receivables	52,145	82,996
Customer deposits and Islamic customer deposits	2,702,900	2,750,770
Irrevocable commitments and contingent liabilities	147,478	205,706
Key Management		
Loans and advances and Islamic financing receivables	319	-
Customer deposits and Islamic customer deposits	1,222	822

The loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 52.13 million (31 December 2021: AED 82.99 million). All loans and advances to related parties are classified as Stage 1 (31 December 2021: Stage 1) with corresponding ECL of AED 1.55 million. (31 December 2021: AED 1.91 million)

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

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For the six months period ended 30 June 2022 (Unaudited)

19 BUSINESS SEGMENTS

The Group is organised into three main business segments:

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

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

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

Primary segment information

	<i>Retail and corporate banking AED' 000</i>	<i>Treasury and investments AED' 000</i>	<i>Other AED' 000</i>	<i>Total AED' 000</i>
Six months period ended				
30 June 2022 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	125,765	23,177	-	148,942
Non-Interest income (Net)	21,025	2,921	34,880	58,826
Gross income	146,790	26,098	34,880	207,768
Operating expenses	(18,410)	(1,041)	(51,866)	(71,317)
Investment gains	-	34,859	-	34,859
Provision for impairment on financial assets	(6,231)	110	-	(6,121)
Share of results from an associate			108	108
Segment result	122,149	60,026	(16,878)	165,297
As at 30 June 2022 (Unaudited)				
Segment assets	6,389,512	6,228,557	733,761	13,351,830
Segment liabilities and equity	7,996,263	50,094	5,305,473	13,351,830

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19 BUSINESS SEGMENTS (continued)

Primary segment information (continued)

	<i>Retail and corporate banking AED' 000</i>	<i>Treasury and investments AED' 000</i>	<i>Other AED' 000</i>	<i>Total AED' 000</i>
Six months period ended 30 June 2021 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	134,867	5,416	-	140,283
Non-Interest income (Net)	23,987	1,684	16,345	42,016
Gross income	158,854	7,100	16,345	182,299
Operating expenses	(17,368)	(1,056)	(46,570)	(64,994)
Investment gains	-	33,484	-	33,484
Provision for impairment on financial assets	(15,388)	(1,225)	(2,950)	(19,563)
Share of results from an associate	-	-	254	254
Segment result	126,098	38,303	(32,921)	131,480
As at 30 June 2021 (Unaudited)				
Segment assets	7,423,544	5,393,490	730,623	13,547,657
Segment liabilities and equity	8,108,667	414,924	5,024,066	13,547,657

20 FAIR VALUE MEASUREMENTS

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

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

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

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20 FAIR VALUE MEASUREMENTS (continued)

Fair value of financial instruments carried at amortised cost

The fair value of the quoted debt instruments at 30 June 2022 amounted to AED 344.39 million (31 December 2021: AED 120.28 million). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Management believes that fair value of other financial instruments carried at amortized cost, are not materially different from their carrying values at the end of the reporting period.

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2021. The quoted securities are valued using the prices from active market. The unquoted securities are valued using Internal valuation and models.

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;

	<i>Fair value as at</i>		
Financial assets	30 June 2022	31 December 2021	Fair value
	(unaudited)	(audited)	hierarchy
	AED '000	AED '000	
Financial assets at FVTPL			
Quoted equity Securities	12,632	16,366	Level 1
Discretionary funds managed by third parties – quoted equity securities	246	250	Level 1
Financial assets at FVTOCI			
Quoted equity securities	903,514	962,197	Level 1
Unquoted equity securities	35,969	34,384	Level 3
Positive fair value of Derivatives	6	63	Level 2
Negative fair value of Derivatives	392	288	Level 2

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

21 SEASONALITY OF RESULTS

Investment income includes dividend income of AED 34.97 million for the six months period ended 30 June 2022 (30 June 2021: AED 41.76 million), which is of a seasonal nature.

22 CAPITAL ADEQUACY RATIOS

Capital element	Basel III Minimum requirement	As at 30 June 2022	As at 31 December 2021
Common equity tier 1 ratio (Including Buffers)	9.50%	43.37%	43.53%
Tier 1 capital ratio (Including Buffers)	11.00%	43.37%	43.53%
Capital adequacy ratio (Including Buffers)	13.00%	44.51%	44.66%

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23 DERIVATIVES

	<i>30 June 2022 (Unaudited)</i>			<i>31 December 2021 (Audited)</i>		
	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Notional amount AED'000</i>	<i>Positive fair value AED 000</i>	<i>Negative fair value AED 000</i>	<i>Notional amount AED 000</i>
Foreign currency forward contracts	6	392	7,938	63	288	428,900
Total	6	392	7,938	63	288	428,900

24 GENERAL RESERVE

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

Impairment Reserve under the CBUAE

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

	30 June 2022 AED '000 (Unaudited)	31 December 2021 AED '000 (Audited)
Impairment Reserve: General		
General Provisions under Circular 28/2010 of CBUAE	148,810	151,449
Less: Stage 1 & Stage 2 provisions under IFRS 9	(103,517)	(115,538)
Impairment Reserve: General*	45,293	35,911
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of CBUAE	217,799	186,021
Less: Stage 3 provisions under IFRS 9	(217,799)	(186,021)
Impairment Reserve: Specific*	-	-

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

25 COMPARATIVE FIGURES

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