

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

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

For the period ended 30 June 2023

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 2023

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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 2023 and the related consolidated interim income statement and comprehensive income statement for three-month and six-month periods then ended and the consolidated interim statement of changes in equity and cash flows for the six-month periods 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 interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young




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

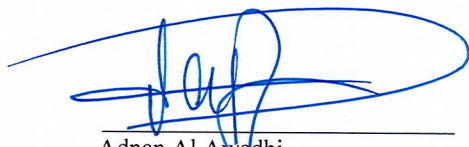
17 July 2023

Sharjah, United Arab Emirates

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2023 (Unaudited)

	Notes	30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
ASSETS			
Cash and balances with the U.A.E. Central Bank	4	2,679,568	1,724,400
Due from other banks	5	3,019,668	3,748,482
Loans and advances and Islamic financing receivables	6	6,408,535	6,246,243
Investment securities	7	1,418,426	1,337,332
Customers' acceptances		189,213	235,009
Investment in an associate		667	705
Property and equipment		73,443	73,826
Other assets	8	271,984	239,125
TOTAL ASSETS		14,061,504	13,605,122
LIABILITIES			
Due to other banks	9	-	8
Customers' deposits and Islamic customers' deposits	10	8,275,856	7,861,976
Customers' acceptances		189,213	235,009
Other liabilities	11	230,285	181,109
TOTAL LIABILITIES		8,695,354	8,278,102
SHAREHOLDERS' EQUITY			
Share capital	12	2,000,000	2,000,000
Statutory reserve		1,019,266	1,019,266
General reserve		6,440	6,440
Impairment reserve -general	24	75,723	34,586
Cumulative change in fair values		367,717	383,710
Retained earnings		1,897,004	1,883,018
TOTAL SHAREHOLDERS' EQUITY		5,366,150	5,327,020
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,061,504	13,605,122


Nasser Rashid AbdulAziz AlMoalla
Vice Chairman and
Chairman of Executive Committee


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 2023 (Unaudited)

	<i>Notes</i>	<i>Three months period ended 30 June (Unaudited)</i>		<i>Six months period ended 30 June (Unaudited)</i>	
		<i>2023 AED '000</i>	<i>2022 AED '000</i>	<i>2023 AED '000</i>	<i>2022 AED '000</i>
Interest income		184,693	81,094	350,489	153,061
Income from Islamic financing products		3,587	12,415	7,371	18,211
Total interest income and income from Islamic financing products		188,280	93,509	357,860	171,272
Interest expense		(36,405)	(11,237)	(67,173)	(22,181)
Distribution to depositors – Islamic products		(23)	(66)	(179)	(149)
Net interest income and income from Islamic products net of distribution to depositors		151,852	82,206	290,508	148,942
Net fees and commission income		7,528	10,246	15,674	20,948
Other operating income		12,722	14,230	21,380	37,878
GROSS INCOME		172,102	106,682	327,562	207,768
Operating expenses		(38,197)	(35,634)	(77,064)	(71,317)
Investment gains		12,880	4,365	46,936	34,859
OPERATING INCOME		146,785	75,413	297,434	171,310
Share of results from an associate		(41)	50	(38)	108
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT		146,744	75,463	297,396	171,418
Net impairment losses	14	(30,779)	(6,737)	(42,273)	(6,121)
PROFIT FOR THE PERIOD		115,965	68,726	255,123	165,297
Basic and diluted earnings per share (AED)	15	0.06	0.04	0.13	0.09

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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 2023 (Unaudited)

	<i>Three months period ended 30 June (Unaudited)</i>		<i>Six months period ended 30 June (Unaudited)</i>	
	2023	2022	2023	2022
<i>Note</i>	AED '000	AED '000	AED '000	AED '000
PROFIT FOR THE PERIOD	115,965	68,726	255,123	165,297
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net fair value gain/(loss) on investment securities carried at FVTOCI - equity	35,842	(138,259)	(15,993)	42,568
Other comprehensive income/(loss) for the period	35,842	(138,259)	(15,993)	42,568
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	151,807	(69,533)	239,130	207,865

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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 2023 (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 2023 (audited)	2,000,000	1,019,266	6,440	34,586	383,710	1,883,018	5,327,020
Profit for the period	-	-	-	-	-	255,123	255,123
Other comprehensive income for the period	-	-	-	-	(15,993)	-	(15,993)
Total comprehensive income for the period	-	-	-	-	(15,993)	255,123	239,130
Additional provision under U.A.E Central Bank requirement over IFRS 9 requirement	-	-	-	41,137	-	(41,137)	-
Dividend Paid (see Note 16)	-	-	-	-	-	(200,000)	(200,000)
Balance at 30 June 2023 (unaudited)	2,000,000	1,019,266	6,440	75,723	367,717	1,897,004	5,366,150

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For the six months period ended 30 June 2023 (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	-	-	-	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

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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 2023 (Unaudited)

		<i>Six months period ended 30 June (Unaudited)</i>	
	<i>Notes</i>	<i>2023 AED '000</i>	<i>2022 AED '000</i>
Cash flows from operating activities			
Profit for the period		255,123	165,297
Adjustments for:			
Provision for expected credit losses	14	42,273	6,121
Depreciation of property and equipment		6,664	8,146
Depreciation of right of use asset		864	864
Provision for employee end of service benefits		812	800
Increase in fair value of investment in securities at FVTPL		(5,698)	(1,311)
(Discount)/Premium amortised on investment securities		(641)	1,425
Gain on disposal of Inventory		(3,962)	-
Dividend income		(40,148)	(34,973)
Loss on disposal of property and equipment		(10)	(8)
Share of results from an associate		38	(108)
Finance cost on lease liability		18	52
Operating cash flows before movements in working capital		255,333	146,305
Decrease in certificate of deposits with original maturity greater than 3 months		514,220	81,626
(Increase) /decrease in statutory deposit with CBUAE		(150,412)	4,592
Payment of employee end of service benefits		(551)	(541)
(Increase) /decrease in loans and advances and Islamic financing receivables		(203,629)	307,581
(Increase)/Decrease in other assets		(83,196)	7,629
Proceeds from disposal of inventory		54,300	-
Increase in customers' deposits and Islamic customers' deposits		413,880	71,211
Increase in other liabilities		48,937	21,326
Net cash used in operating activities		848,882	639,729
Cash flows from investing activities			
Purchase of property and equipment		(7,146)	(3,229)
Proceeds from disposal of property and equipment		11	22
Purchase of investment securities		(176,258)	(228,599)
Proceeds from sale and maturity of investment securities		85,397	105,904
Dividend received from investment securities		40,148	34,973
Dividend received from investment in an associate		-	50
Net cash used in from investing activities		(57,848)	(90,879)
Cash flows from financing activity			
Dividend paid		(200,000)	(147,840)
Lease payments		(843)	(902)
Net cash used in financing activity		(200,843)	(148,742)
NET INCREASE IN CASH AND CASH EQUIVALENTS		590,191	400,108
Cash and cash equivalents at the beginning of the period		3,999,860	3,628,046
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17	4,590,051	4,028,154

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 2023 (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 2023 were authorised and approved for issue by the Board of Directors on 17 July 2023.

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 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Standards, amendments and interpretations that are effective for the Group’s accounting period beginning on 1 January 2023

The following amendments to existing standards have been applied by the Group in preparation of these condensed consolidated interim financial statements. The adoption of these new standards does not have significant impact on the interim condensed consolidated financial statements

Description	Effective from
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023

Standard Issued but not yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s interim condensed consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Description	Effective from
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Deferred indefinitely

There are no other applicable new standards and amendments to published standards or IFRS IC interpretations that have been issued but are not effective for the first time for the Group’s financial year beginning on 1 January 2023 that would be expected to have a material impact on the Group’s consolidated financial statements.

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 2022.

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 2022. In addition, results for the six months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Implementation of UAE Corporation Tax law and application of IAS 12 Income Taxes

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group will be subject to taxation commencing 1 January 2024. Based on the above, the Group assessed the deferred tax implication and concluded it is not expected to be significant as of and for the six months period ended 30 June 2023. As certain other cabinet decisions are pending as on the date of these interim condensed consolidated financial statements, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalized and published.

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 2023 (Unaudited)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 BASIS OF CONSOLIDATION

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

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

The condensed consolidated interim financial statements comprise the financial statements of the Bank and of the subsidiary as disclosed in the annual audited financial statements for the year ended 31 December 2022. 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 2022, except for changes in accounting policies explained in Note 2.1.

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

	<i>30 June 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Balances with the CBUAE		
Current account	4,229	31,544
Statutory cash reserve deposit	452,844	302,432
Monetary Bills	1,150,314	698,596
Overnight deposits	990,000	600,000
	<u>2,597,387</u>	<u>1,632,572</u>
Cash in hand	82,181	91,828
	<u>2,679,568</u>	<u>1,724,400</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 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Term deposits	1,991,003	2,470,010
Demand deposits	41,754	90,938
Loans to financial institutions	988,037	1,188,639
	<u>3,020,794</u>	<u>3,749,587</u>
Total due from other banks	3,020,794	3,749,587
Provision for expected credit loss	(1,126)	(1,105)
	<u>3,019,668</u>	<u>3,748,482</u>
Net due from other banks	3,019,668	3,748,482

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 2023 (Unaudited)

5 DUE FROM OTHER BANKS (continued)

	<i>30 June 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Gross amounts due from other banks by geographical area		
Within U.A.E.	1,754,600	2,396,550
Within GCC	438,026	312,043
Other countries	828,168	1,040,994
	3,020,794	3,749,587

All amounts due from other banks were classified as Stage 1 as at 30 June 2023 (31 December 2022: Stage 1) with corresponding ECL of AED 1.1 million at 30 June 2023 (31 December 2022: AED 1.1 million). There was no inter-stage movement in gross balances due from other banks during the period ended 30 June 2023 (31 December 2022: no inter-stage movement).

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>30 June 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Loans	5,373,167	4,966,284
Overdrafts	771,156	959,543
Islamic financing products	160,626	175,641
Loans against trust receipts	177,792	210,252
Syndicated Loans	122,483	181,814
Other	36,744	86,554
Total loans and advances and Islamic financing receivables	6,641,968	6,580,088
Provision for expected credit loss	(233,433)	(333,845)
Net loans and advances and Islamic financing receivables	6,408,535	6,246,243
Gross loans and advances and Islamic financing receivables by economic sector		
Wholesale and retail trade	1,176,585	1,039,454
Real estate and construction	3,074,127	2,502,906
Personal loans and other	367,108	379,038
Manufacturing	359,930	419,617
Agriculture and allied activities	236	265
Transport and communication	157,463	164,384
Financial institutions	247,519	449,492
Government	177,769	181,814
Services and other	1,081,231	1,443,118
	6,641,968	6,580,088

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2023 (Unaudited)

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

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

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount as at 31 December 2022	5,461,704	495,712	622,672	6,580,088
New assets originated or purchased	512,405	10,979	-	523,384
Assets derecognised or repaid	(187,727)	(38,237)	(93,792)	(319,756)
Transfer to Stage 1	17,125	(17,125)	-	-
Transfer to Stage 2	(7,983)	15,410	(7,427)	-
Transfer to Stage 3	-	(138,568)	138,568	-
Write-off	-	-	(141,748)	(141,748)
As at 30 June 2023 (unaudited)	5,795,524	328,171	518,273	6,641,968

	<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	5,874,153	424,223	591,737	6,890,113
New assets originated or purchased	1,061,215	-	-	1,061,215
Assets derecognised or repaid	(1,352,185)	(16,408)	34,153	(1,334,440)
Transfer to Stage 1	31,853	(31,853)	-	-
Transfer to Stage 2	(140,502)	149,596	(9,094)	-
Transfer to Stage 3	(12,830)	(29,846)	42,676	-
Write off	-	-	(36,800)	(36,800)
As at 31 December 2022	5,461,704	495,712	622,672	6,580,088

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 2022	41,744	68,820	223,281	333,845
Net impairment charged during the period	(609)	(1,394)	50,629	48,626
Recoveries	-	-	(7,290)	(7,290)
Transfer to Stage 1	367	(367)	-	-
Transfer to Stage 2	(68)	68	-	-
Transfer to Stage 3	-	(35,892)	35,892	-
Write off	-	-	(141,748)	(141,748)
Closing Balance as at 30 June 2023 (unaudited)	41,434	31,235	160,764	233,433

	<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
Net impairment charged during the period	(36,643)	32,071	81,450	76,878
Recoveries	-	-	(7,792)	(7,792)
Transfer to Stage 1	2,353	(2,353)	-	-
Transfer to Stage 2	(3,077)	3,077	-	-
Transfer to Stage 3	(186)	(216)	402	-
Written off	-	-	(36,800)	(36,800)
Closing Balance as at 31 December 2022 (audited)	41,744	68,820	223,281	333,845

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

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6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

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

	<i>30 June 2023 (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)	5,795,521	43,946	-	5,839,467
Performing watchlist (9-12)	-	284,228	-	284,228
Sub-standard (Grade 13)	-	-	215,196	215,196
Doubtful (Grade 14)	-	-	294,377	294,377
Loss (Grades 15)	-	-	8,700	8,700
Total gross carrying amount	5,795,521	328,174	518,273	6,641,968
Expected credit loss	(41,434)	(31,235)	(160,764)	(233,433)
Carrying amount	5,754,087	296,939	357,509	6,408,535

	<i>31 December 2022 (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)	5,461,704	317,446	-	5,779,150
Performing Watchlist (9-12)	-	178,266	-	178,266
Sub Standard (Grade 13)	-	-	120,012	120,012
Doubtful (Grade 14)	-	-	294,867	294,867
Loss (Grades 15)	-	-	207,793	207,793
Total gross carrying amount	5,461,704	495,712	622,672	6,580,088
Expected credit loss	(41,744)	(68,820)	(223,281)	(333,845)
Carrying amount	5,419,960	426,892	399,391	6,246,243

The non-performing loans as at 30 June 2023 amounted to AED 518.27 million (31 December 2022: AED 622.67 million) which is well covered by securities of AED 1,153.84 million (31 December 2022: AED 916.86 million) and impairment provision of AED 160.76 million (31 December 2022: AED 223.28 million) aggregating to AED 1,314.58 million (31 December 2022: AED 1,140.14 million) which is 2.54 times (31 December 2022: 1.96 times) of the non-performing loans.

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7 INVESTMENT SECURITIES

Investment securities comprise the following:

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Securities at FVTPL		
Quoted equity securities	21,572	15,980
Discretionary funds managed by third parties – quoted equity securities	200	209
	21,772	16,189
Securities at FVTOCI		
Quoted equity securities	939,313	955,192
Unquoted equity securities	1,193	1,193
	940,506	956,385
Securities at amortised cost		
Quoted debt instruments	456,696	365,193
Total investment securities	1,418,972	1,337,767
Provision for expected credit loss	(546)	(435)
Net investment securities	1,418,426	1,337,332
Gross investment securities by geographical area		
Within U.A.E.	1,154,648	1,055,793
Within GCC	228,147	249,098
Other countries	36,177	32,876
	1,418,972	1,337,767

All debt investment are classified as Stage 1 as at 30 June 2023 (31 December 2022: Stage 1) with corresponding ECL of AED 0.5 million as at 30 June 2023 (31 December 2022: AED 0.4 million). There was no inter-stage movement in investment securities during the period ended 30 June 2023 (31 December 2022: no inter-stage movement).

8 OTHER ASSETS

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Inventory- property acquired in settlement of debt *	138,814	155,523
Interest receivable	46,893	40,619
Prepayments and deposits	75,546	32,625
Others	10,731	10,358
	271,984	239,125

*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 2023 (31 December 2022: AED 3.74 million).

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9 DUE TO OTHER BANKS

	<i>30 June 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Demand deposits	-	8
	-	8
By geographical area		
Outside U.A.E.	-	8
	-	8

10 CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

	<i>30 June 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Time deposits	5,224,990	4,815,695
Current accounts	2,780,066	2,773,345
Savings deposits	164,883	163,351
Islamic customers' deposits	55,826	70,530
Margin deposits	50,091	39,055
	8,275,856	7,861,976

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

11 OTHER LIABILITIES

	<i>30 June 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Accounts payable	30,633	31,198
Interest payable	71,899	30,296
Provision for employees' end of service benefits	19,579	19,318
Other staff benefits	3,055	1,375
Dividend payable	8,723	10,619
Provision for expected credit loss on acceptance	179	204
Provision for expected credit loss on commitments and contingencies (Note 13)	3,341	2,511
Cheques on selves	71,158	62,284
Lease Liability	3,609	3,689
Other	18,109	19,615
	230,285	181,109

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12 SHARE CAPITAL

	<i>30 June 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Issued and fully paid:		
2,000 million ordinary shares of AED 1 each	<u>2,000,000</u>	<u>2,000,000</u>

13 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Guarantees	1,592,367	1,580,423
Letters of credit	<u>86,192</u>	<u>101,921</u>
	1,678,559	1,682,344
Commitments to extend credit	1,473,409	1,123,445
Other	<u>23,832</u>	<u>449,622</u>
	<u>3,175,800</u>	<u>3,255,411</u>
Gross commitments and contingent liabilities by geographical area		
Within the U.A.E.	3,115,368	3,193,566
Outside the U.A.E.	<u>60,432</u>	<u>61,845</u>
	<u>3,175,800</u>	<u>3,255,411</u>

Movement in the gross balance of commitments and contingent liabilities

	<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 2022	1,623,772	17,043	41,529	1,682,344
New assets originated or purchased	230,362	2,490	-	232,852
Assets derecognised or repaid	(232,663)	(3,974)	-	(236,637)
Transferred to Stage 1	2,290	(2,290)	-	-
Transferred to Stage 2	(406)	480	(74)	-
Transferred to Stage 3	(4,254)	(10,630)	14,884	-
As at 30 June 2023 (unaudited)	<u>1,619,101</u>	<u>3,119</u>	<u>56,339</u>	<u>1,678,559</u>

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For the six months period ended 30 June 2023 (Unaudited)

13 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Movement in the gross balance of commitments and contingent liabilities (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 - 1 January 2022	1,896,963	3,867	49,748	1,950,578
New assets originated or purchased	254,668	3,042	-	257,710
Assets derecognised or repaid (excluding write offs)	(515,624)	(1,820)	(8,500)	(525,944)
Transferred from Stage 1	1,270	(1,270)	-	-
Transferred from Stage 2	(13,505)	13,505	-	-
Transferred from Stage 3	-	(281)	281	-
As at 31 December 2022 (<i>audited</i>)	<u>1,623,772</u>	<u>17,043</u>	<u>41,529</u>	<u>1,682,344</u>

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 2022	2,413	98	-	2,511
New assets originated or purchased	1,791	-	-	1,791
Assets derecognised or repaid	(930)	(1)	(30)	(961)
Transferred to stage 1	7	(7)	-	-
Transferred to stage 3	-	(30)	30	-
Closing balance as				
At 30 June 2023 (<i>unaudited</i>)	<u>3,281</u>	<u>60</u>	<u>-</u>	<u>3,341</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 – 1 January 2022	6,334	7	-	6,341
New assets originated or purchased	808	58	-	866
Assets derecognised or repaid (excluding write offs)	(4,654)	(39)	(3)	(4,696)
Transfer to Stage 2	(75)	75	-	-
Transfer to Stage 3	-	(3)	3	-
Closing balance as at 31 December 2022 (<i>audited</i>)	<u>2,413</u>	<u>98</u>	<u>-</u>	<u>2,511</u>

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

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For the six months period ended 30 June 2023 (Unaudited)

13 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Grading of commitments and contingent liabilities along with stages:

	<i>30 June 2023 (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)	1,619,100	2,565	25,800	1,647,465
Performing watchlist (9-12)	-	556	-	556
Sub-standard (Grade 13)	-	-	11,196	11,196
Doubtful (Grade 14)	-	-	1,445	1,445
Loss (Grades 15)	-	-	17,897	17,897
Total gross carrying amount	1,619,100	3,121	56,338	1,678,559
Expected credit loss	(3,281)	(60)	-	(3,341)
Carrying amount	1,615,819	3,061	56,338	1,675,218

	<i>31 December 2022 (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)	1,623,772	16,547	74	1,640,393
Performing watch list (Grades 9-12)	-	496	-	496
Sub Standard (Grade 13)	-	-	566	566
Doubtful (Grade 14)	-	-	1,445	1,445
Loss (Grades 15)	-	-	39,444	39,443
Total gross carrying amount	1,623,772	17,043	41,529	1,682,344
Expected credit loss	(2,413)	(98)	-	(2,511)
Carrying amount	1,621,359	16,945	41,529	1,679,833

At 30 June 2023, the group has capital commitments of AED 1.23 million (31 December 2022: AED 3.49 million).

14 NET IMPAIRMENT LOSSES

	<i>Six months period ended 30 June (unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Loans and advances and Islamic financing receivables	41,336	6,494
Due from other banks	21	507
Investment securities	111	(617)
Customers' acceptances and off-balance sheet items	805	(263)
	42,273	6,121

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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>2023 AED '000</i>	<i>2022 AED '000</i>	<i>2023 AED '000</i>	<i>2022 AED '000</i>
Profit for the period (in AED '000)	115,965	68,726	255,123	165,297
Weighted average number of shares ('000)	2,000,000	1,848,840	2,000,000	1,848,840
Basic and diluted earnings per share (in AED)	0.06	0.04	0.13	0.09

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 2023 and 30 June 2022.

16 DIVIDENDS

At the Annual General Meeting held on 09 March 2023, the Shareholders approved dividend of 10% amounting to AED 200 million in respect of the year ended 31 December 2022 (2021: AED 147.84 million).

17 CASH AND CASH EQUIVALENTS

	<i>30 June (Unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Cash and balances with the CBUAE (Note 4)	2,679,568	1,813,366
Due from other banks (Note 5)	3,020,794	3,377,264
	5,700,362	5,190,630
Statutory cash reserve deposit (Note 4)	(452,844)	(341,043)
Due from other banks with original maturity over 3 months	(657,467)	(821,339)
Due to other banks (Note 9)	-	(94)
	4,590,051	4,028,154

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For the six months period ended 30 June 2023 (Unaudited)

18 RELATED PARTY TRANSACTIONS

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

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

	<i>Six months period ended 30 June (Unaudited)</i>	
	<i>2023 AED '000</i>	<i>2022 AED '000</i>
Interest income	694	1,222
Interest expense	42,749	13,277
Remuneration of key management personnel	2,573	2,523
Other income	245	16
Directors' fees	1,500	1,500

Remuneration of key management personnel

	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Salaries and other short-term benefits	2,517	2,474
Employee end of service benefits	56	49

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 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Loans and advances and Islamic financing receivables	8,835	67,192
Customer deposits and Islamic customer deposits	3,701,780	3,394,210
Irrevocable commitments and contingent liabilities	1,496	121,611
Key Management		
Loans and advances and Islamic financing receivables	311	628
Customer deposits and Islamic customer deposits	588	1,225

The loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 72.30 million (31 December 2022: AED 72.30 million). All loans and advances to related parties are classified as Stage 1 (31 December 2022: Stage 1) with corresponding ECL of AED 0.06 million. (31 December 2022: AED 0.84 million)

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

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For the six months period ended 30 June 2023 (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 2023 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	153,355	137,153	-	290,508
Non-Interest income (Net)	15,830	2,701	18,523	37,054
Gross income	169,185	139,854	18,523	327,562
Operating expenses	(20,780)	(1,104)	(55,180)	(77,064)
Investment gains	-	46,936	-	46,936
Provision for impairment on financial assets	(42,899)	626	-	(42,273)
Share of results from an associate	-	-	(38)	(38)
Segment result	105,506	186,312	(36,695)	255,123
As at 30 June 2023 (Unaudited)				
Segment assets	6,518,685	6,709,260	833,559	14,061,504
Segment liabilities and equity	8,465,068	-	5,596,436	14,061,504

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For the six months period ended 30 June 2023 (Unaudited)

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 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

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 2023 amounted to AED 450.77 million (31 December 2022: AED 359.88 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 2022. 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>		<i>Fair value hierarchy</i>
	<i>30 June 2023 (unaudited) AED '000</i>	<i>31 December 2022 (audited) AED '000</i>	
Financial assets			
Financial assets at FVTPL			
Quoted equity Securities	21,572	15,980	Level 1
Discretionary funds managed by third parties – quoted equity securities	200	209	Level 1
Financial assets at FVTOCI			
Quoted equity securities	903,135	988,068	Level 1
Unquoted equity securities	37,370	34,069	Level 3
Positive fair value of Derivatives	-	745	Level 2
Negative fair value of Derivatives	8	45	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 40.15 million for the six months period ended 30 June 2023 (30 June 2022: AED 34.97 million), which is of a seasonal nature.

22 CAPITAL ADEQUACY RATIOS

Capital element	Basel III Minimum requirement	As at 30 June 2023	As at 31 December 2022
Common equity tier 1 ratio (Including Buffers)	7.00%	44.85%	43.13%
Tier 1 capital ratio (Including Buffers)	8.50%	44.85%	43.13%
Capital adequacy ratio (Including Buffers)	10.50%	45.99%	44.27%

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23 DERIVATIVES

	<i>30 June 2023 (Unaudited)</i>			<i>31 December 2022 (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	-	8	11,946	745	45	427,095
Total	-	8	11,946	745	45	427,095

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/BSD/2018/458 addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE (the "Guidance"). Pursuant to clause 6.4 of the guidance, the reconciliation between general and specific provision under circular 28/2010 of CBUAE and IFRS 9 is as follows:

	<i>30 June 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Impairment Reserve: General		
General Provisions under Circular 28/2010 of CBUAE	148,392	145,150
Less: Stage 1 & Stage 2 provisions under IFRS 9	(72,669)	(110,564)
Impairment Reserve: General*	75,723	34,586
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of CBUAE	160,764	223,281
Less: Stage 3 provisions under IFRS 9	(160,764)	(223,281)
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.