

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

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

For the period ended 30 September 2023

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

Review report and condensed consolidated interim financial statements For the nine months period ended 30 September 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 September 2023 and the related consolidated interim income statement, comprehensive income and changes in equity and statement of cash flows for the nine-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 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

18 October 2023


Sharjah, United Arab Emirates

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

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2023 (Unaudited)

	Notes	30 September 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
ASSETS			
Cash and balances with the U.A.E. Central Bank	4	2,330,593	1,724,400
Due from other banks	5	3,683,620	3,748,482
Loans and advances and Islamic financing receivables	6	6,470,891	6,246,243
Investment securities	7	1,449,658	1,337,332
Customers' acceptances		191,998	235,009
Investment in an associate		536	705
Property and equipment		74,754	73,826
Other assets	8	190,861	239,125
TOTAL ASSETS		14,392,911	13,605,122
LIABILITIES			
Due to other banks	9	752	8
Customers' deposits and Islamic customers' deposits	10	8,425,102	7,861,976
Customers' acceptances		191,998	235,009
Other liabilities	11	238,222	181,109
TOTAL LIABILITIES		8,856,074	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	69,392	34,586
Cumulative change in fair values		408,067	383,710
Retained earnings		2,033,672	1,883,018
TOTAL SHAREHOLDERS' EQUITY		5,536,837	5,327,020
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,392,911	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 nine months period ended 30 September 2023 (Unaudited)

		<i>Three months period ended 30 September (Unaudited)</i>		<i>Nine months period ended 30 September (Unaudited)</i>	
	<i>Notes</i>	<i>2023 AED '000</i>	<i>2022 AED '000</i>	<i>2023 AED '000</i>	<i>2022 AED '000</i>
Interest income		196,230	109,972	546,719	263,033
Income from Islamic financing products		3,368	17,196	10,739	35,407
Total interest income and income from Islamic financing products		199,598	127,168	557,458	298,440
Interest expense		(42,654)	(14,860)	(109,827)	(37,041)
Distribution to depositors – Islamic products		(13)	(60)	(192)	(209)
Net interest income and income from Islamic products net of distribution to depositors		156,931	112,248	447,439	261,190
Net fees and commission income		5,954	8,102	21,628	29,050
Other operating income		53,992	16,671	75,372	54,549
GROSS INCOME		216,877	137,021	544,439	344,789
Operating expenses		(46,287)	(40,224)	(123,351)	(111,542)
Investment gains		3,294	799	50,230	35,658
OPERATING INCOME		173,884	97,596	471,318	268,905
Share of results from an associate		(130)	(48)	(168)	60
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT		173,754	97,548	471,150	268,965
Net impairment losses	14	(43,417)	(2,916)	(85,690)	(9,037)
PROFIT FOR THE PERIOD		130,337	94,632	385,460	259,928
Basic and diluted earnings per share (AED)	15	0.07	0.05	0.19	0.14

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 nine months period ended 30 September 2023 (Unaudited)

	<i>Three months period ended 30 September (Unaudited)</i>		<i>Nine months period ended 30 September (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	130,337	94,632	385,460	259,928
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net fair value gain on investment securities carried at FVTOCI - equity	40,350	22,195	24,357	64,763
Other comprehensive income for the period	40,350	22,195	24,357	64,763
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	170,687	116,827	409,817	324,691

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 CHANGES IN EQUITY

For the nine months period ended 30 September 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 (unaudited)	2,000,000	1,019,266	6,440	34,586	383,710	1,883,018	5,327,020
Profit for the period	-	-	-	-	-	385,460	385,460
Other comprehensive income for the period	-	-	-	-	24,357	-	24,357
Total comprehensive income for the period	-	-	-	-	24,357	385,460	409,817
Additional provision under U.A.E Central Bank requirement over IFRS 9 requirement	-	-	-	34,806	-	(34,806)	-
Dividend paid (Note 16)	-	-	-	-	-	(200,000)	(200,000)
Balance at 30 September 2023 (unaudited)	2,000,000	1,019,266	6,440	69,392	408,067	2,033,672	5,536,837
Balance at 1 January 2022 (unaudited)	1,848,000	1,019,266	6,440	35,911	372,617	1,768,501	5,050,735
Profit for the period	-	-	-	-	-	259,928	259,928
Other comprehensive income for the period	-	-	-	-	64,763	-	64,763
Total comprehensive income for the period	-	-	-	-	64,763	259,928	324,691
Additional provision under U.A.E Central Bank requirement over IFRS 9 requirement	-	-	-	8,153	-	(8,153)	-
Sale of FVOCI equity	-	-	-	-	(48,516)	48,516	-
Dividend paid (Note 16)	-	-	-	-	-	(147,840)	(147,840)
Bonus shares issued	152,000	-	-	-	-	(152,000)	-
Balance at 30 September 2022 (unaudited)	2,000,000	1,019,266	6,440	44,064	388,864	1,768,952	5,227,586

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine months period ended 30 September 2023 (Unaudited)

		<i>Nine months period ended 30 September (Unaudited)</i>	
		<i>2023</i>	<i>2022</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>
Cash flows from operating activities			
Profit for the period		385,460	259,928
Adjustments for:			
Provision for expected credit losses	14	85,690	9,037
Depreciation of property and equipment		10,547	12,434
Depreciation of right of use asset		1,296	1,296
Provision for employee end of service benefits		2,229	2,015
Increase in fair value of investment in securities at FVTPL		(7,876)	(1,675)
Discount amortised on investment securities		(1,094)	1,560
Gain on disposal of Inventory		(18,796)	(3,966)
Dividend income	21	(40,747)	(35,543)
Gain on disposal of property and equipment		(10)	(8)
Share of results from an associate		168	(60)
Finance cost on lease liability		18	77
Operating cash flows before movements in working capital		416,885	245,095
Decrease /(increase) in certificate of deposits with original maturity greater than 3 months		220,380	(268,722)
(Increase) / decrease in statutory deposit with CBUAE		(175,990)	11,153
(Increase) / decrease in loans and advances and Islamic financing receivables		(308,453)	321,232
Proceeds from disposal of inventory		110,356	25,764
(Increase) / decrease in other assets		(43,296)	(6,746)
Payment of employee end of service benefits		(1,082)	(793)
Increase/ (Decrease) in customers' deposits and Islamic customers' deposits		563,126	(1,491)
Increase in other liabilities		54,406	9,229
Net cash generated from operating activities		836,332	334,721
Cash flows from investing activities			
Purchase of property and equipment		(12,775)	(4,894)
Proceeds from disposal of property and equipment		14	22
Purchase of investment securities		(176,258)	(264,778)
Proceeds from sale and maturity of investment securities		97,223	124,269
Dividend received from investment securities	21	40,747	35,543
Dividend received from investment in an associate		-	50
Net cash used in investing activities		(51,049)	(109,788)
Cash flows from financing activity			
Dividend paid	16	(200,000)	(147,840)
Lease payments		(452)	(1,354)
Net cash used in financing activity		(200,452)	(149,194)
NET INCREASE IN CASH AND CASH EQUIVALENTS		584,831	75,739
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	4,584,691	3,703,785

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 nine months period ended 30 September 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 an Islamic banking window established in 2005 across its branch network.

The condensed consolidated interim financial statements of the Group for the nine months period ended 30 September 2023 were authorised and approved for issue by the Board of Directors on 17 October 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.

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 nine months period ended 30 September 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 nine months period ended 30 September 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.

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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (Unaudited)

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

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Balances with the CBUAE		
Current account	36,051	31,544
Statutory cash reserve deposit	478,422	302,432
Monetary Bills	451,683	698,596
Overnight deposits	1,280,000	600,000
	<u>2,246,156</u>	<u>1,632,572</u>
Cash in hand	84,437	91,828
	<u>2,330,593</u>	<u>1,724,400</u>

The statutory deposit with the U.A.E. Central Bank is not available to finance the day to day operations of the Bank.

5 DUE FROM OTHER BANKS

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Term deposits	2,659,780	2,470,010
Demand deposits	73,494	90,938
Loans to financial institutions	951,307	1,188,639
Total due from other banks	3,684,581	3,749,587
Provision for expected credit loss	(961)	(1,105)
Net due from other banks	3,683,620	3,748,482
Gross amounts due from other banks by geographical area		
Within U.A.E.	1,895,797	2,396,550
Within GCC	305,587	312,043
Other countries	1,483,197	1,040,994
	<u>3,684,581</u>	<u>3,749,587</u>

All amounts due from other banks were classified as Stage 1 as at 30 September 2023 (31 December 2022: Stage1) with corresponding ECL of AED 1.0 million as at 30 September 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 September 2023 (31 December 2022: no inter-stage movement).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (Unaudited)

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Loans	5,564,705	4,966,284
Overdrafts	740,967	959,543
Islamic financing products	151,557	175,641
Loans against trust receipts	155,962	210,252
Syndicated Loans	84,023	181,814
Other	33,671	86,554
Total loans and advances and Islamic financing receivables	6,730,885	6,580,088
Provision for expected credit loss	(259,994)	(333,845)
Net loans and advances and Islamic financing receivables	6,470,891	6,246,243

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Gross loans and advances and Islamic financing receivables by economic sector		
Wholesale and retail trade	1,127,498	1,039,454
Real estate and construction	2,645,246	2,502,906
Personal loans and other	397,128	379,038
Manufacturing	394,390	419,617
Agriculture and allied activities	221	265
Transport and communication	202,519	164,384
Financial institutions	225,468	449,492
Government	212,755	181,814
Services and other	1,525,660	1,443,118
	6,730,885	6,580,088

All loans and advances and Islamic financing receivables are from customers within UAE.

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 2022	5,461,704	495,712	622,672	6,580,088
New assets originated or purchased	800,995	11,602	-	812,597
Assets derecognized or repaid	(393,952)	(32,091)	(78,101)	(504,144)
Transfer to Stage 1	50,813	(50,813)	-	-
Transfer to Stage 2	(307,873)	315,300	(7,427)	-
Transfer to Stage 3	-	(138,568)	138,568	-
Write off	-	-	(157,656)	(157,656)
As at 30 September 2023 (unaudited)	5,611,687	601,142	518,056	6,730,885

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (Unaudited)

6 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 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	<u>5,461,704</u>	<u>495,712</u>	<u>622,672</u>	<u>6,580,088</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 2022	41,744	68,820	223,281	333,845
Net impairment charged during the period	(4,566)	12,645	83,537	91,616
Recoveries	-	-	(7,811)	(7,811)
Transfer to Stage 1	11,956	(11,956)	-	-
Transfer to Stage 2	(3,239)	3,239	-	-
Transfer to Stage 3	-	(36,598)	36,598	-
Written off	-	-	(157,656)	(157,656)
Closing Balance as at 30 September 2023 (unaudited)	<u>45,895</u>	<u>36,150</u>	<u>177,949</u>	<u>259,994</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 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)	<u>41,744</u>	<u>68,820</u>	<u>223,281</u>	<u>333,845</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (Unaudited)

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

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

	<i>30 September 2023 (Unaudited)</i>			
	<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>
Performing (Grades 1-8)	5,611,687	8,339	-	5,620,026
Performing watchlist (9-12)	-	592,803	-	592,803
Sub Standard (Grade 13)	-	-	221,398	221,398
Doubtful (Grade 14)	-	-	290,711	290,711
Loss (Grades 15)	-	-	5,947	5,947
Total gross carrying amount	5,611,687	601,142	518,056	6,730,885
Expected credit loss	(45,895)	(36,150)	(177,949)	(259,994)
Carrying amount	5,565,792	564,992	340,107	6,470,891

	<i>31 December 2022</i>			
	<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>
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 September 2023 amounted to AED 518.14 million (31 December 2022: AED 622.67 million) which is well covered by securities of AED 1,154.82 million (31 December 2022: AED 916.86 million) and impairment provision of AED 177.95 million (31 December 2022: AED 223.28 million) aggregating to AED 1,332.76 million (31 December 2022: AED 1,140.14 million) which is 2.57 times (31 December 2022: 1.83 times) of the non-performing loans.

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

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7 INVESTMENT SECURITIES

Investment securities comprise the following:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Securities at FVTPL		
Quoted equity securities	22,938	15,980
Discretionary funds managed by third parties – quoted equity securities	199	209
	<u>23,137</u>	<u>16,189</u>
Securities at FVTOCI		
Quoted equity securities	979,669	955,192
Unquoted equity securities	1,193	1,193
	<u>980,862</u>	<u>956,385</u>
Securities at amortised cost		
Quoted debt instruments	446,129	365,193
	<u>446,129</u>	<u>365,193</u>
Total investment securities	1,450,128	1,337,767
Provision for expected credit loss	(470)	(435)
	<u>1,449,658</u>	<u>1,337,332</u>
Net investment securities	1,449,658	1,337,332
Gross investment securities by geographical area		
Within U.A.E.	1,202,543	1,055,793
Within GCC	211,416	249,098
Other countries	36,169	32,876
	<u>1,450,128</u>	<u>1,337,767</u>

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

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8 OTHER ASSETS

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Inventory- property acquired in settlement of debt *	97,595	155,523
Interest receivable	50,443	40,619
Prepayments and deposits	32,624	32,625
Others	10,199	10,358
	190,861	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 September 2023 (31 December 2022: AED 3.74 million).

9 DUE TO OTHER BANKS

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Demand deposits	752	8
	752	8
By geographical area		
Outside U.A.E.	752	8
	752	8

10 CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Time deposits	5,304,365	4,815,695
Current accounts	2,856,723	2,773,345
Savings deposits	158,965	163,351
Islamic customers' deposits	55,263	70,530
Margin deposits	49,786	39,055
	8,425,102	7,861,976

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

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11 OTHER LIABILITIES

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Accounts payable	27,551	31,198
Interest payable	68,294	30,296
Provision for employees' end of service benefits	20,465	19,318
Other staff benefits	3,346	1,375
Dividend payable	8,723	10,619
Provision for expected credit loss on acceptance	203	204
Provision for expected credit loss on commitments and contingencies (Note 13)	4,508	2,511
Cheques on selves	82,227	62,284
Lease Liability	3,569	3,689
Other	19,336	19,615
	<u>238,222</u>	<u>181,109</u>

12 SHARE CAPITAL

	<i>30 September 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 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Guarantees	1,576,694	1,580,423
Letters of credit	108,467	101,921
	<u>1,685,161</u>	<u>1,682,344</u>
Commitments to extend credit	1,752,957	1,123,445
Other	27,363	449,622
	<u>3,465,481</u>	<u>3,255,411</u>
Gross commitments and contingent liabilities by geographical area		
Within the U.A.E.	3,390,352	3,193,566
Outside the U.A.E.	75,129	61,845
	<u>3,465,481</u>	<u>3,255,411</u>

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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 2022	1,623,771	17,043	41,529	1,682,343
New assets originated or purchased	285,479	935	-	286,414
Assets derecognised or repaid	(277,095)	(5,017)	(1,484)	(283,596)
Transfer to Stage 1	2,290	(2,290)	-	-
Transfer to Stage 2	(406)	480	(74)	-
Transfer to Stage 3	(4,254)	(9,587)	13,841	-
As at 30 September 2023 (unaudited)	1,629,785	1,564	53,812	1,685,161

	<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 (audited)	1,623,772	17,043	41,529	1,682,344

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	3,329	-	-	3,329
Assets derecognised or repaid	(1,242)	(61)	(29)	(1,332)
Transferred to stage 1	7	(7)	-	-
Transferred to stage 3	-	(29)	29	-
Closing balance as at 30 September 2023 (unaudited)	4,507	1	-	4,508

	<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 (audited)	2,413	98	-	2,511

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13 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Grading of commitments and contingent liabilities along with stages:

	<i>30 September 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)	1,627,495	631	2,770	1,630,896
Performing (Grades 9-12)	-	3,225	-	3,225
Sub Standard (Grade 13)	-	-	10,153	10,153
Doubtful (Grade 14)	-	-	1,445	1,445
Loss (Grades 15)	-	-	39,443	39,443
Total gross carrying amount	1,627,495	3,856	53,811	1,685,162
Expected credit loss (Note 11)	(4,507)	(1)	-	(4,508)
Carrying amount	1,622,988	3,855	53,811	1,680,654

	<i>31 December 2022</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	39,444
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 September 2023, the group has capital commitments of AED 5.88 million (31 December 2022: AED 3.49 million).

14 NET IMPAIRMENT LOSSES

	<i>Nine months period ended 30 September (unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Loans and advances and Islamic financing receivables	83,805	9,203
Due from other banks	(144)	388
Investment securities	35	(434)
Customers' acceptances and off-balance sheet items	1,994	(120)
	85,690	9,037

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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 September (Unaudited)</i>		<i>Nine months period ended 30 September (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)	130,337	94,632	385,460	259,928
Weighted average number of shares ('000)	2,000,000	1,899,780	2,000,000	1,899,780
Basic earnings per share (in AED)	0.07	0.05	0.19	0.14

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 September 2023 and 30 September 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 September (Unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Cash and balances with the CBUAE (Note 4)	2,330,593	1,537,181
Due from other banks (Note 5)	3,684,581	3,672,774
	6,015,174	5,209,955
Statutory deposit (Note 4)	(478,422)	(334,482)
Due from other banks with original maturity over three months	(951,309)	(1,171,688)
Due to other banks (Note 9)	(752)	-
	4,584,691	3,703,785

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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>Nine months period ended 30 September (unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Interest income	717	1,983
Interest expense	68,787	22,835
Other income	248	33
Other operating loss	-	(906)
Directors' fees	2250	2,250

Remuneration of key management personnel

	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Salaries and other short term benefits	3,827	3,722
End of service benefits	87	209

The Group has entered into transactions with related parties which were made on substantially the same terms, including the 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 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Loans and advances and Islamic financing receivables	4,808	67,192
Customer deposits and Islamic customer deposits	3,867,524	3,394,210
Irrevocable commitments and contingent liabilities	2,447	121,611

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Key Management		
Loans and advances and Islamic financing receivables	285	628
Customer deposits and Islamic customer deposits	279	1,225

The loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 15.77 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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19 BUSINESS SEGMENTS

The Group is organized 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>Others AED' 000</i>	<i>Total AED' 000</i>
Nine months period ended				
30 September 2023 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	228,720	218,719	-	447,439
Non- Interest income (Net)	22,722	3,917	70,361	97,000
Gross income	251,442	222,636	70,361	544,439
Operating expenses	(32,064)	(1,642)	(89,645)	(123,351)
Investment gains	-	50,230	-	50,230
Provision for impairment				
On financial assets	(86,185)	495	-	(85,690)
Share of results from an associate	-	-	(168)	(168)
Segment result	133,193	271,719	(19,452)	385,460
As at 30 September 2023 (Unaudited)				
Segment assets	6,623,874	6,991,007	778,030	14,392,911
Segment liabilities and equity	8,617,100	752	5,775,059	14,392,911

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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>Others AED' 000</i>	<i>Total AED' 000</i>
Nine months period ended 30 September 2022 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	204,580	56,610	-	261,190
Non- Interest income (Net)	29,123	4,084	50,392	83,599
Gross income	233,703	60,694	50,392	344,789
Operating expenses	(27,981)	(1,592)	(81,969)	(111,542)
Investment gains	-	35,658	-	35,658
Provision for impairment on financial assets	(9,083)	46	-	(9,037)
Share of results from an associate	-	-	60	60
Segment result	196,639	94,806	(31,517)	259,928
As at 30 September 2022 (Unaudited)				
Segment assets	6,363,749	6,304,952	701,046	13,369,747
Segment liabilities and equity	7,958,294	-	5,411,453	13,369,747

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 September 2023 amounted to AED 437.25 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 September 2023 (unaudited) AED '000</i>	<i>31 December 2022 (audited) AED '000</i>	
Financial assets			
Financial assets at FVTPL			
Quoted equity Securities	22,938	15,980	Level 1
Discretionary funds managed by third parties – quoted equity securities	199	209	Level 1
Financial assets at FVTOCI			
Quoted equity securities	943,500	988,068	Level 1
Unquoted equity securities	37,361	34,069	Level 3
Positive fair value of Derivative	1	745	Level 2
Negative fair value of Derivative	415	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 40.75 million for the nine months period ended 30 September 2023 (30 September 2022: AED 35.54 million), which is of a seasonal nature.

22 CAPITAL ADEQUACY RATIOS

<i>Capital element</i>	<i>Basel III Minimum requirement</i>	<i>As at 30 September 2023</i>	<i>As at 31 December 2022</i>
Common equity tier 1 ratio	7.00%	45.20%	43.13%
Tier 1 capital ratio	8.50%	45.20%	43.13%
Capital adequacy ratio	10.50%	46.34%	44.27%

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23 DERIVATIVES

	<i>30 September 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	1	415	11,448	745	45	427,095
Total	1	415	11,448	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/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:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Impairment Reserve: General		
General Provisions under Circular 28/2010 of CBUAE	151,437	145,150
Less: Stage 1 & Stage 2 provisions under IFRS 9	(82,045)	(110,564)
Impairment Reserve: General*	69,392	34,586
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of CBUAE	177,946	223,281
Less: Stage 3 provisions under IFRS 9	(177,946)	(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.