

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

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

For the three months period ended 31 March 2022

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

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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 31 March 2022 and the related consolidated interim statements of income, comprehensive income, changes in equity and statement of cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

For Ernst & Young




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


17 April 2022

Sharjah, United Arab Emirates

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 March 2022 (Unaudited)

	Notes	31 March 2022 AED '000 (Unaudited)	31 December 2021 AED '000 (Audited)
ASSETS			
Cash and balances with Central Bank of the UAE	4	1,725,255	1,451,384
Due from other banks	5	3,137,388	3,422,563
Loans and advances and Islamic financing receivables	6	6,635,921	6,588,554
Investment securities	7	1,251,142	1,132,621
Customers' acceptances		221,333	217,528
Investment in an associate		802	744
Property and equipment		82,125	85,528
Other assets	8	248,713	243,103
TOTAL ASSETS		13,302,679	13,142,025
LIABILITIES			
Due to other banks	9	72	-
Customers' deposits and Islamic customers' deposits	10	7,680,015	7,700,120
Customers' acceptances		221,333	217,528
Other liabilities	11	220,966	173,642
TOTAL LIABILITIES		8,122,386	8,091,290
SHAREHOLDERS' EQUITY			
Share capital	12	1,848,000	1,848,000
Statutory reserve		1,019,266	1,019,266
General reserve		6,440	6,440
Impairment reserve -general	24	38,175	35,911
Cumulative change in fair values		522,578	372,617
Retained earnings		1,745,834	1,768,501
TOTAL SHAREHOLDERS' EQUITY		5,180,293	5,050,735
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,302,679	13,142,025


Nasser Bin Rashid Al Moalla
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 three months period ended 31 March 2022 (Unaudited)

	<i>Notes</i>	<i>Three months period ended 31 March (Unaudited)</i>	
		<i>2022 AED '000</i>	<i>2021 AED '000</i>
Interest income		71,967	75,271
Income from Islamic financing products		5,796	8,765
Total interest income and income from Islamic financing products		77,763	84,036
Interest expense		(10,944)	(13,405)
Distribution to depositors – Islamic products		(83)	(96)
Net interest income and income from Islamic products net of distribution to depositors		66,736	70,535
Net fees and commission income		10,702	13,390
Other operating income		23,648	13,183
GROSS INCOME		101,086	97,108
Operating expenses		(35,683)	(32,159)
Investment gains		30,494	27,585
OPERATING INCOME		95,897	92,534
Share of results from an associate		58	54
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT		95,955	92,588
Net Impairment Losses	14	616	(16,101)
PROFIT FOR THE PERIOD		96,571	76,487
Basic and diluted earnings per share (AED)	15	0.05	0.04

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

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months period ended 31 March 2022 (Unaudited)

	<i>Three months period ended 31 March (Unaudited)</i>	
	<i>2022</i>	<i>2021</i>
	<i>AED '000</i>	<i>AED '000</i>
PROFIT FOR THE PERIOD	96,571	76,487
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	180,827	61,955
Other comprehensive income for the period	180,827	61,955
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	277,398	138,442

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2022 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Impairment reserve - general AED '000</i>	<i>Cumulative change in fair values AED '000</i>	<i>Retained earnings AED '000</i>	<i>Total AED '000</i>
Balance as 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	-	-	-	-	-	96,571	96,571
Other comprehensive income for the period	-	-	-	-	180,827	-	180,827
Total comprehensive income for the period	-	-	-	-	180,827	96,571	277,398
Additional provision under U.A.E Central Bank requirement over IFRS 9 requirement (Note 24)	-	-	-	2,264	-	(2,264)	-
Dividend paid (Note 16)	-	-	-	-	-	(147,840)	(147,840)
Sale of FVOCI equity	-	-	-	-	(30,866)	30,866	-
Balance as at 31 March 2022 (unaudited)	1,848,000	1,019,266	6,440	38,175	522,578	1,745,834	5,180,293
Balance as at 1 January 2021 (audited)	1,848,000	1,019,266	6,440	-	135,632	1,688,084	4,697,422
Profit for the period	-	-	-	-	-	76,487	76,487
Other comprehensive income for the period	-	-	-	-	61,955	-	61,955
Total comprehensive income for the period	-	-	-	-	61,955	76,487	138,442
Balance as at 31 March 2021 (unaudited)	1,848,000	1,019,266	6,440	-	197,587	1,764,571	4,835,864

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 CASH FLOWS

For the three months period ended 31 March 2022 (Unaudited)

		<i>Three months period ended 31 March (Unaudited)</i>	
		2022	2021
		AED '000	AED '000
Notes			
CASH FLOWS FROM OPERATING ACTIVITIES			
	Profit for the period	96,571	76,487
	Adjustments for:		
	Provision for expected credit losses	(616)	14,626
	Provision for impairment of inventory	-	1,475
	Depreciation of property and equipment	4,385	4,238
	Depreciation of right of use asset	432	-
	Provision for employee end of service benefits	375	381
	Decrease /(Increase) in fair value of investment in securities at FVTPL	869	(437)
	Discount amortised on investment securities	754	-
	Dividend income	(32,117)	(27,149)
	Loss on disposal of property and equipment	-	15
	Share of profit from an associate	(58)	(54)
	Finance cost on lease liability	26	-
	Operating cash flows before movements in working capital	70,621	69,582
	Decrease in deposits		
	with original maturity greater than 3 months	81,626	224,000
	(Increase)/Decrease in statutory deposit with CBUAE	8,290	(7,593)
	Payment of employee end of service benefits	(138)	(1,412)
	(Increase)/Decrease in loans and advances and Islamic financing receivables	(47,853)	221,908
	Decrease in other assets	11,678	5,915
	Decrease in customers' deposits	(20,105)	(46,797)
	Decrease in other liabilities	47,372	18,341
	Net cash generated from operating activities	151,491	483,944
CASH FLOWS FROM INVESTING ACTIVITIES			
	Purchase of property and equipment	(1,036)	(3,739)
	Proceeds from disposal of property and equipment	14	66
	Purchase of investment securities	-	(3,673)
	Proceed from maturity and disposal of investment securities	61,603	-
	Dividend received from investment securities	14,832	17,077
	Net cash generated from investing activities	75,413	9,731
CASH FLOWS FROM FINANCING ACTIVITIES			
	Dividend paid	(147,840)	-
	Lease payments	(452)	-
	Net cash used in financing activities	(148,292)	-
	NET INCREASE IN CASH AND CASH EQUIVALENTS	78,612	493,675
	Cash and cash equivalents at the beginning of the period	3,628,046	3,672,654
	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,706,658	4,166,329

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2022 (Unaudited)

1. GENERAL INFORMATION

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

The Bank is engaged in providing retail and corporate banking services through a network of 12 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 three months period ended 31 March 2022 were authorised and approved for issue by the Board of Directors on 17 April 2022 by circulation.

2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

2.1 CHANGES IN ACCOUNTING POLICIES

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

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB’s *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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

2.1 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39

Financial Instruments: Recognition and Measurement

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

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.

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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 2022 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 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2022 (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 2021. The financial year end for the subsidiary is the same as that of the Bank.

3.3 SIGNIFICANT ACCOUNTING POLICIES

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

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

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Balances with CBUAE		
Current account	36,767	34,104
Statutory cash reserve deposit	337,345	345,635
Monetary Bills	599,936	349,957
Overnight deposits	650,000	625,000
	<u>1,624,048</u>	<u>1,354,696</u>
Cash in hand	101,207	96,688
	<u>1,725,255</u>	<u>1,451,384</u>

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

5. DUE FROM OTHER BANKS

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Term deposits	2,289,223	2,642,634
Demand deposits	29,597	29,663
Loans to financial institutions	821,339	752,965
	<u>3,140,159</u>	<u>3,425,262</u>
Provision for expected credit loss	(2,771)	(2,699)
	<u>3,137,388</u>	<u>3,422,563</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2022 (Unaudited)

5. DUE FROM OTHER BANKS (continued)

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Gross amounts due from other banks by geographical area		
Within U.A.E.	2,034,957	2,756,497
Within GCC	378,778	180,675
Other countries	726,424	488,090
	<u>3,140,159</u>	<u>3,425,262</u>

All amounts due from other banks were classified as Stage 1 (31 December 2021: Stage 1) with corresponding ECL of AED 2.77 million (31 December 2021: AED 2.70 million). There was no inter-stage movement in gross balances due from other banks during the period (31 December 2021: no inter-stage movement)

6. LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Loans	5,462,394	5,663,834
Overdrafts	1,011,028	853,482
Islamic financing products	181,605	195,095
Loans against trust receipts	166,223	129,420
Syndicated Loans	99,997	-
Other	64,167	48,282
Total loans and advances and Islamic financing receivables	<u>6,985,414</u>	<u>6,890,113</u>
Provision for expected credit loss	(349,493)	(301,559)
Net loans and advances and Islamic financing receivables	<u>6,635,921</u>	<u>6,588,554</u>

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Gross loans and advances and Islamic financing receivables by economic sector		
Wholesale and retail trade	851,662	876,137
Real estate and construction	3,196,161	3,369,736
Personal loans and other	397,570	404,080
Manufacturing	430,777	411,704
Agriculture and allied activities	1,491	1,175
Transport and communication	154,315	164,120
Financial institutions	454,717	332,896
Services and other	1,498,721	1,330,265
	<u>6,985,414</u>	<u>6,890,113</u>

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

At 31 March 2022 (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 2021	5,874,153	424,223	591,737	6,890,113
New assets originated or purchased	535,870	-	47,046	582,916
Assets derecognised or repaid	(467,306)	(11,066)	(8,795)	(487,167)
Transfer to Stage 1	2,437	(2,437)	-	-
Transfer to Stage 2	(35,263)	35,263	-	-
Transfer to Stage 3	(3,857)	-	3,857	-
Write off	-	-	(448)	(448)
As at 31 March 2022 (unaudited)	5,906,034	445,983	633,397	6,985,414
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount as at 31 December 2020	6,813,529	382,877	795,427	7,991,833
New assets originated or purchased	374,306	364	-	374,670
Assets derecognised or repaid	(1,034,295)	(199,009)	(211,725)	(1,445,029)
Transfer to Stage 1	5,689	(5,689)	-	-
Transfer to Stage 2	(254,256)	260,675	(6,419)	-
Transfer to Stage 3	(30,820)	(14,995)	45,815	-
Write off	-	-	(31,361)	(31,361)
As at 31 December 2021	5,874,153	424,223	591,737	6,890,113

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

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2021	79,297	36,241	186,021	301,559
New assets originated or purchased	4,935	-	47,000	51,935
Assets derecognized or repaid (excluding write-offs)	(6,170)	1,893	-	(4,277)
Net impairment charged during the period	-	-	289	289
Transfer to Stage 1	54	(54)	-	-
Transfer to Stage 2	(923)	923	-	-
Recoveries	-	-	(460)	(460)
Written off	-	-	447	447
As at 31 March 2022 (unaudited)	77,193	39,003	233,297	349,493
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
ECL allowances as at 31 December 2020	112,318	39,523	200,336	352,177
Net impairment charged during the period	(28,834)	(6,289)	26,246	(8,877)
Recoveries	-	-	(5,380)	(5,380)
Transfer to Stage 1	223	(223)	-	-
Transfer to Stage 2	(4,028)	4,028	-	-
Transfer to Stage 3	(382)	(798)	1,180	-
Written off	-	-	(36,361)	(36,361)
As at 31 December 2021	79,297	36,241	186,021	301,559

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2022 (Unaudited)

6. LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

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

	<i>31 March 2022 (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)	5,906,034	259,100	-	6,165,134
Performing Watchlist (9-12)	-	186,883	-	186,883
Sub Standard (Grade 13)	-	-	102,108	102,108
Doubtful (Grade 14)	-	-	497,551	497,551
Loss (Grades 15)	-	-	33,738	33,738
Total gross carrying amount	5,906,034	445,983	633,397	6,985,414
Expected credit loss	(77,193)	(39,003)	(233,297)	(349,493)
Carrying amount	5,828,841	406,980	400,100	6,635,921
	<i>31 December 2021 (Audited)</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)	5,874,153	231,097	-	6,105,250
Performing Watchlist (9-12)	-	193,126	-	193,126
Sub Standard (Grade 13)	-	-	110,608	110,608
Doubtful (Grade 14)	-	-	448,187	448,187
Loss (Grades 15)	-	-	32,942	32,942
Total gross carrying amount	5,874,153	424,223	591,737	6,890,113
Expected credit loss	(79,297)	(36,241)	(186,021)	(301,559)
Carrying amount	5,794,856	387,982	405,716	6,588,554

The non-performing loans as at 31 March 2022 amounted to AED 633.40 million (31 December 2021: AED 591.74 million) which is well covered by securities of AED 990.29 million (31 December 2021: AED 989.22 million) and impairment provision of AED 233.30 million (31 December 2021: AED 186.02 million) aggregating to AED 1,223 million (31 December 2021: AED 1,175 million) which is 1.93 times (31 December 2021: 1.99 times) of the non-performing loans.

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7. INVESTMENT SECURITIES

Investment securities comprise the following:

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Securities at FVTPL		
Quoted equity securities	15,497	16,366
Discretionary funds managed by third parties – quoted equity securities	249	250
	<u>15,746</u>	<u>16,616</u>
Securities at FVTOCI		
Quoted equity securities	1,115,805	996,581
Unquoted equity securities	1,194	1,194
	<u>1,116,999</u>	<u>997,775</u>
Securities at amortised cost		
Quoted debt instruments	119,703	120,457
	<u>119,703</u>	<u>120,457</u>
Total investment securities	1,252,448	1,134,848
Provision for expected credit loss	(1,306)	(2,227)
	<u>1,251,142</u>	<u>1,132,621</u>
	<u>1,251,142</u>	<u>1,132,621</u>
	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Gross investment securities by geographical area		
Within U.A.E.	1,049,588	933,928
Within GCC	167,565	166,536
Other countries	35,295	34,384
	<u>1,252,448</u>	<u>1,134,848</u>

All debt investment are classified as Stage 1 (31 December 2021: Stage 1) with corresponding ECL of AED 1.31 million (31 December 2021: AED 2.23 million). There was no inter-stage movement in investment securities during the period (31 December 2021: no inter-stage movement).

8. OTHER ASSETS

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Inventory- property acquired in settlement of debt *	178,362	178,362
Interest receivable	22,223	32,620
Prepayments and deposits	23,816	28,004
Others	24,312	4,117
	<u>248,713</u>	<u>243,103</u>

*Inventory represents property acquired in settlement of debt. The Group has recorded an impairment on its inventory amounting to Nil during 3 months period ended 31 March 2022 (31 December 2021: AED 3.74 million).

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9. DUE TO OTHER BANKS

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Demand deposits	<u>72</u>	<u>-</u>
By geographical area		
Other countries outside the U.A.E.	<u>72</u>	<u>-</u>

10. CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMERS' DEPOSITS

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Time deposits	4,687,315	4,499,220
Current accounts	2,684,599	2,891,856
Savings deposits	170,110	171,459
Islamic customers' deposits	85,705	84,721
Margin deposits	52,286	52,864
	<u>7,680,015</u>	<u>7,700,120</u>

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

11. OTHER LIABILITIES

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Accounts payable	21,628	26,625
Interest payable	16,224	12,514
Provision for employees' end of service benefits	19,110	18,873
Other staff benefits	2,412	1,284
Dividend payable	10,619	10,619
Provision for expected credit loss on acceptance	481	394
Provision for expected credit loss on commitments and contingencies (Note 13)	6,001	6,341
Cheques on Selves	121,980	74,049
Lease Liability	5,203	5,235
Other	17,308	17,708
	<u>220,966</u>	<u>173,642</u>

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12. SHARE CAPITAL

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Issued and fully paid:		
1,848 million ordinary shares of AED 1 each	<u>1,848,000</u>	<u>1,848,000</u>

13. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Guarantees	1,696,776	1,805,349
Letters of credit	143,512	145,229
Commitments to extend credit	1,037,077	1,131,723
Other	141,739	457,028
	<u>3,019,104</u>	<u>3,539,329</u>

Gross commitments and contingent liabilities by geographical area

Within the U.A.E.	2,940,908	3,454,044
Outside the U.A.E.	78,196	79,872
	<u>3,019,104</u>	<u>3,533,916</u>

Movement in the gross balance and corresponding ECL allowances 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 - 1 January 2022	1,896,963	3,867	49,748	1,950,578
New assets originated or purchased	134,103	399	-	134,502
Assets derecognised or repaid (excluding write offs)	(244,792)	-	-	(244,792)
Transferred to Stage 2	(3,561)	3,561	-	-
Gross carrying amount – 31 March 2022 (unaudited)	<u>1,782,713</u>	<u>7,827</u>	<u>49,748</u>	<u>1,840,288</u>

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

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13. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Movement in the provision for impairment 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>
ECL allowances -01 January 2022	6,334	7	-	6,341
Originated/expired during the period	972	1	-	973
Assets derecognised or repaid (excluding write offs)	(1,314)	1	-	(1,313)
Transfer to Stage 2	(30)	30	-	-
As at 31 March 2022 (unaudited)	5,962	39	-	6,001
	<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 - 01 January 2021	7,171	6	-	7,177
New assets originated or purchased	3,629	-	-	3,629
Assets derecognised or repaid (excluding write offs)	(4,466)	1	-	(4,465)
ECL allowances – 31 December 2021	6,334	7	-	6,341

Grading of commitments and contingent liabilities along with stages:

	<i>31 March 2022 (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)	1,782,713	5,230	-	1,787,943
Performing Watchlist (9-12)	-	2,597	-	2,597
Sub Standard (Grade 13)	-	-	359	359
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,624	38,624
Total gross carrying amount	1,782,713	7,827	49,748	1,840,288
Expected credit loss (Note 11)	(5,963)	(38)	-	(6,001)
Carrying amount	1,776,750	7,789	49,748	1,834,287
	<i>31 December 2021 (audited)</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)	1,896,963	1,270	-	1,898,233
Performing watch list (Grades 9-12)	-	2,597	-	2,597
Sub Standard (Grade 13)	-	-	359	359
Doubtful (Grade 14)	-	-	10,765	10,765
Loss (Grades 15)	-	-	38,624	38,624
Total gross carrying amount	1,896,963	3,867	49,748	1,950,578
Expected credit loss	(6,334)	(7)	-	(6,341)
Carrying amount	1,890,629	3,860	49,748	1,944,237

At 31 March 2022, the group has capital commitments of AED 2.27 million (31 December 2021: AED 4.79 million). The provision for expected credit loss against the off-balance sheet items disclosed above amounting to AED 6.00 million (31 December 2021: AED 6.34 million) is classified under other liabilities (Note 11).

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14. NET IMPAIRMENT LOSSES

	<i>Three months period ended 31 March (Unaudited)</i>	
	<i>2022</i>	<i>2021</i>
	<i>AED '000</i>	<i>AED '000</i>
Loans and advances and Islamic financing receivables	486	14,032
Due from other banks	72	277
Investment securities	(921)	(64)
Acceptances and off-balance sheet items	(253)	381
Impairment- Property acquired in settlement of debt	-	1,475
	<u>(616)</u>	<u>16,101</u>

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 31 March (unaudited)</i>	
	<i>2022</i>	<i>2021</i>
Profit for the period (in AED '000)	<u>96,571</u>	<u>76,487</u>
Weighted average number of shares ('000)	<u>1,848,000</u>	<u>1,848,000</u>
Basic and diluted earnings per share (in AED)	<u>0.05</u>	<u>0.04</u>

There were no potential dilutive shares as at 31 March 2022 and 31 March 2021.

16. DIVIDENDS

At the Annual General Meeting held on 14 March 2022, the Shareholders approved dividend of 8% amounting to AED 147.8 million for the year ended 31 December 2021 (2020: AED 147.8 million).

17. CASH AND CASH EQUIVALENTS

	<i>31 March (Unaudited)</i>	
	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>
Cash and balances with the U.A.E. Central bank (Note 4)	1,725,255	1,460,955
Due from other banks (Note 5)	<u>3,140,159</u>	<u>3,275,978</u>
	4,865,414	4,736,933
Statutory deposit (Note 4)	(337,345)	(97)
Due from other banks with original maturity greater than three months	(821,339)	(319,507)
Due to other banks (Note 9)	(72)	(251,000)
	<u>3,706,658</u>	<u>4,166,329</u>

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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>Three months period ended 31 March (unaudited)</i>	
	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>
Interest income	600	407
Interest expense	6,333	7,419
Other income	8	21
Directors' fees	750	750

Remuneration of key management personnel

	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>
Salaries and other short-term benefits	1,237	1,510
Employee end of service benefits	24	36

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>31 March 2022</i>	<i>31 December 2021</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Loans and advances and Islamic financing receivables	87,388	82,996
Customer deposits and Islamic customer deposits	2,700,596	2,750,770
Irrevocable commitments and contingent liabilities	157,831	205,706

Key Management

Loans and advances and Islamic financing receivables	346	104
Customer deposits and Islamic customer deposits	1,386	1,097

The loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 87.39 million (2021: AED 82.99 million). All loans and advances to related parties are classified as Stage 1 (31 December 2021: Stage 1) with corresponding ECL of AED 1.37 million (31 December 2021: AED 1.91 million).

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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 CBUAE 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>
Three months period ended				
31 March 2022 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	59,422	7,314	-	66,736
Net fees and commission income	10,702	-	-	10,702
Other operating income	-	1,947	21,701	23,648
Gross income	70,124	9,261	21,701	101,086
Operating expenses	(9,200)	(654)	(25,829)	(35,683)
Investment gains	-	30,494	-	30,494
Provision for impairment on financial assets	(233)	849	-	616
Share of profits from an associate	-	-	58	58
Segment result	60,691	39,950	(4,070)	96,571
As at 31 March 2022 (Unaudited)				
Segment assets	6,778,366	5,777,145	747,168	13,302,679
Segment liabilities and equity	7,851,536	50,072	5,401,071	13,302,679

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19. BUSINESS SEGMENTS (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>
Three months period ended 31 March 2021 (Unaudited)				
Net interest income and income from Islamic products net of distribution to depositors	67,817	2,718	-	70,535
Net fees and commission income	12,187	786	417	13,390
Other operating income	276	35	12,872	13,183
	<u>80,280</u>	<u>3,539</u>	<u>13,289</u>	<u>97,108</u>
Operating expenses	(7,275)	(524)	(24,360)	(32,159)
Investment gains	-	27,585	-	27,585
Provision for impairment on financial assets	(14,031)	(213)	(1,857)	(16,101)
Share of profits from an associate	-	-	54	54
	<u>58,974</u>	<u>30,387</u>	<u>(12,874)</u>	<u>76,487</u>
As at 31 March 2021 (Unaudited)				
Segment assets	<u>7,625,044</u>	<u>5,320,142</u>	<u>736,602</u>	<u>13,681,788</u>
Segment liabilities and equity	<u>8,076,880</u>	<u>567,002</u>	<u>5,037,906</u>	<u>13,681,788</u>

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).

Fair value of financial instruments carried at amortised cost

The fair value of the quoted debt instruments at 31 March 2022 amounted to AED 120.32 million (31 December 2021: AED 120.28 million). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Management believes that fair value of other financial instruments carried at amortized cost, are not materially different from their carrying values at the end of the reporting period.

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20. FAIR VALUE MEASUREMENTS (continued)

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

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

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;

Financial assets

	<i>Fair value as at</i>		<i>Fair value hierarchy</i>
	<i>31 March 2022</i>	<i>31 December 2021</i>	
	<i>AED '000 (Unaudited)</i>	<i>AED '000 (Audited)</i>	
Financial assets at FVTPL			
Quoted equity Securities	15,497	16,366	Level 1
Discretionary Funds managed by third parties – quoted equity securities	249	250	Level 1
Financial assets at FVTOCI			
Quoted equity securities	1,080,510	962,197	Level 1
Unquoted equity securities	36,489	34,384	Level 3
Positive fair value of Derivatives	66	63	Level 2
Negative fair value of Derivatives	23	288	Level 2

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

21. SEASONALITY OF RESULTS

Investment income includes dividend income of AED 32.12 million for the three months period ended 31 March 2022 (31 March 2021: AED 27.15 million), which is of a seasonal nature.

22. CAPITAL ADEQUACY RATIOS

Capital element	Basel III Minimum requirement	As at 31 March 2022	As at 31 December 2021
Common equity tier 1 ratio	7.0%	42.57%	43.53%
Tier 1 capital ratio	8.5%	42.57%	43.53%
Capital adequacy ratio	10.5%	43.71%	44.66%

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23. DERIVATIVES

	<i>31 March 2022 (Unaudited)</i>			<i>31 December 2021 (Audited)</i>		
	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Notional amount AED'000</i>	<i>Positive fair value AED 000</i>	<i>Negative fair value AED 000</i>	<i>Notional amount AED 000</i>
Foreign currency forward contracts	66	23	17,808	63	288	428,900
Total	66	23	17,808	63	288	428,900

24. GENERAL RESERVE

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

Impairment Reserve under the CBUAE

The CBUAE issued its IFRS 9 guidance on 30 April 2018 via notice no. CBUAE/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>31 March 2022 AED '000 (Unaudited)</i>	<i>31 December 2021 AED '000 (Audited)</i>
Impairment Reserve: General		
General Provisions under Circular 28/2010 of CBUAE	154,371	151,449
Less: Stage 1 & Stage 2 provisions under IFRS 9*	(116,196)	(115,538)
Impairment Reserve: General	38,175	35,911
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of CBUAE	233,297	186,021
Less: Stage 3 provisions under IFRS 9	(233,297)	(186,021)
Impairment Reserve: Specific	-	-

* Contains stage 1 and stage 2 provisions for loans and advances and Islamic receivables only.

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.